Estonian Human Development Report

2007

Estonian Human Development Report 2007

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Dear Reader

You hold in your hands another survey of life in Estonia as of 2007. This survey endeavours to provide as truthful and undistorted a reflection of the situation in Estonia as possible, while also indicating Estonia's position compared to other countries on the basis of data obtained from research.

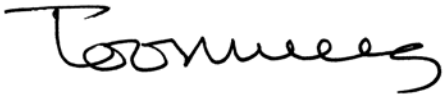
Naturally, this survey does not cover all of our potential fields of interest. The compilers, authors and editors have chosen to focus on the economic situation, the parameters of quality of life, and on topics related to social cohesion. This is one selection from the many available topics and it is certainly justified.

I hope that the publication of these materials will contribute to the public exchange of ideas. It should be used as study material, rather than a means for someone to proclaim their own brand of definitive truth and justice. After all, everything changes. Yesterday's statistics may have changed by today or may have acquired new meaning. Topics that seemed important yesterday have been replaced by current ones that may appear even more intriguing.

However, one thing is clear when reading this report: the solutions that seemed so appropriate, clear and self-evident yesterday may no longer be practicable today. Estonia has outgrown adolescent impetuousness and reached the age of mature deliberation. Several of our developmental advantages have been exhausted and we are therefore in need of fresh points of view and solutions. These need to be thought out quickly, yet carefully.

In the foreword to the last year's compendium, I mentioned the importance of building strong two-way bridges between Estonia's various communities. This work still needs to be done and requires our united efforts. We do not need to waste our time looking for scapegoats who are unable or unwilling to participate in accomplishing this task.

I thank the Estonian Cooperation Assembly for publishing this compendium. Such reports on the current state of affairs, as well as others covering different topics, are necessary. They help us to grow. They help us instead of praising or placing blame. That is, after all, what mirrors are for.



Toomas Hendrik Ilves

President of the Republic

In Answer to the Question – Why?

This is the second year the Estonian Cooperation Assembly has published the Estonian Human Development Report. It has been asked why the Report is not published by an academic research institution or think tanks. Why the Estonian Cooperation Assembly?

The Estonian Cooperation Assembly is a cooperation network of nongovernmental organizations interested in long-term development, who wish to participate in the development of Estonian society and contribute to the solution of the key questions related to our future. We aim to involve Estonia's non-governmental organizations in the process of discussing social matters, offering new ideas and assessing the efficiency of steps that have been taken and choices that have been made.

More than 60 of Estonia's non-governmental organizations have already joined the Charter 2008 program devised by the Estonian Cooperation Assembly during the final months of 2007. And the number continues to grow.

The Charter 2008 will here be updated every three years and will focus on four key areas in Estonia's development – public health, education, the workforce, and interethnic relations. It is primarily in these areas of activity that the participants of the Charter wish to develop a broad-based social dialogue and to formulate specific Charter Proposals to be submitted to the institutions of representative democracy responsible for the development of the corresponding spheres and to the public at large.

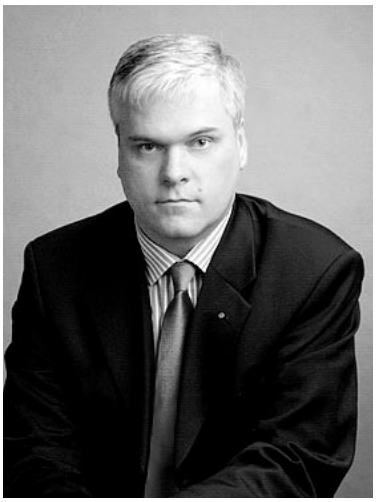
The participants in the Estonian Cooperation Assembly and the Charter see supporting development that emphasizes the quality of life and common values of the Estonian people as the mission and goal of their activities. We wish to work with the public and private sectors towards building an Estonian society that is strong and healthy, tolerant and caring, and is based on fundamental European values – democracy and freedom, participation and respect for diversity, solidarity and equal opportunities. The objective of Charter 2008 is that by the 100th anniversary of the Republic of Estonia in 2018, Estonia will be among the most successful European Union countries in respect to the significant indicators that define the health and strength of the society. Achieving this result within one generation of restoring our independence would be a worthy achievement.

The periodical publication of the Estonian Human Development Report supports this goal.

Peep Mühls

Chairman of the Board

Estonian Cooperation Assembly



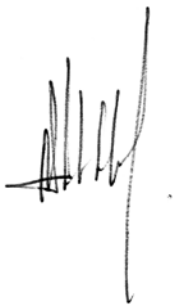
Foreword

Since 2006, the Estonian Cooperation Assembly, formed to promote joint activities in the nongovernmental sector, has published the Estonian Human Development Report, thereby supporting Estonia's aspirations to be "one of the most successful countries in the European Union with respect to the indicators for the wealth as well as health and strength of the society." The Human Development Report is a mirror that helps us assess our development and compare it to the development of other countries; it is a mirror that is based on the almost twenty-year tradition of assessing human development by the United Nations. The structure of the Estonian Human Development Report is also based on internationally established principles – the report discusses problems that are central to the development of our country and society; the analysis presented here is pronouncedly factual, being based on comparative surveys, statistics as well as expert opinions.

The Estonian Human Development Report for 2007 comprises four chapters. The first chapter contains an analysis of our position in human development rankings and focuses on one of the components of the Human Development Index, namely education. The second chapter explores the promotion of democracy and civil society in Estonia, while the third chapter examines the role and prospects of non-Estonians as a part of Estonian society. The fourth and last chapter discusses the outlook for Estonia's economic development and investigates the capability of our economic structure to ensure that Estonian will be able to catch up with the more successful European countries.

A mirror is not a good or a bad thing. It shows our progress and points out our problems, allows us to compare ourselves to other nations and suggests new possibilities for development. For readers interested in Estonian life, the report provides information, food for thought and new points of view, while calling into question some generally accepted beliefs. Is Estonian higher education really overextended as many local experts assert; who among Estonians are open to integration and who feel it is downright harmful; why has Estonia started to drop in the UN Human Development Index rankings; what needs to be done if the Estonian economy is to catch up to the best of the EU? These are just some of the issues regarding which this report provides fresh data as well as new approaches.

Many of the treatments in this report reveal that the resources for development that have carried Estonia forward to date are becoming exhausted. Longer workdays, higher-level certificates of education and broad-based language instruction for non-Estonians are no longer the engines that will secure us a place among the most successful countries in Europe. To continue our rapid development, we must answer much more complicated questions – which economic sectors should Estonia invest in, what kind of educational content and structure will contribute to Estonia's prosperity, how can mutual fears be overcome and the resource of non-Estonians be involved to a considerably larger degree in building our common future. Estonia is no longer the country of unskilled labour and uncomplicated thoughts. Our success depends on setting carefully though out goals, contributing to research and cooperation and frequently looking in the mirror.



Mati Heidmets

EHDR 2007 Editor-in-Chief

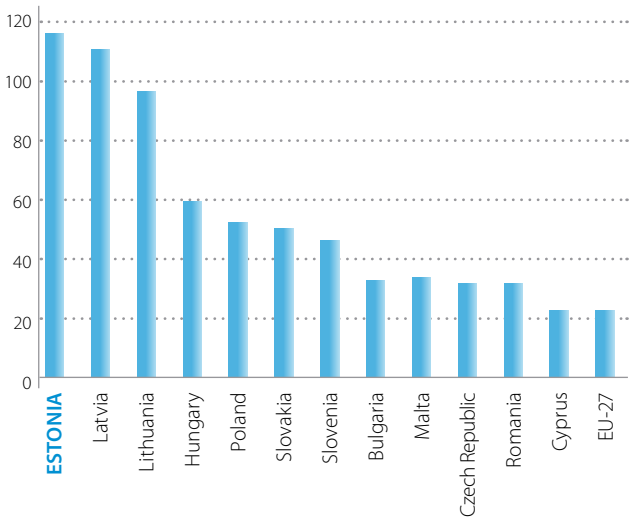
Chapter I

Education and Human Development

1.1. Introduction: Why is Estonia's position in the human development ranking not improving?

The Human Development Report has been published by the UN Development Programme since 1990. In 2007, Estonia dropped four places in the Human Development Index rankings to 44th position. When considering the Human Development Index, one must take into account that this is a very general indicator, comprising three components. One component (purchasing power parity (PPP)) can change relatively quickly, while the other two components (average life expectancy at birth and adult literacy plus opportunities for schooling) are more inert as a rule. The following is an international comparison of the Estonian human development index, including the reasons preventing Estonia from improving its position in human development rankings.

Figure 1.1.1. Real growth of GDP per capita (%), 1995-2005



Source: Calculations of Eurostat and the Directorate-General for Regional Policy (Fourth Report on Economic and Social Cohesion, European Commission 2007)

Economic development as the motor for Estonia's climb

Estonia's position has improved primarily as a result of the rapid growth of the gross domestic product (GDP). When analyzing the latter, it is sensible to focus less on comparisons between countries with very different histories and economic environments (for example, in the Human Development Index rankings, Estonia is a few positions higher than the Arab Emirates and Bahrain, which have a very high GDP, but are very different from us socially), and more on comparisons between countries with a similar developmental dynamic. In Estonia's case this dynamic has been positive, and our rise in the Global Human Development Index during the last ten years or so is based on the rapid growth of the gross domestic product. According to Eurostat data, in 1995-2005, Estonia had the highest GDP growth of any of the new European Union member states (Figure 1.1.1).

At the same time, according to the calculations of Eurostat and the Directorate-General for Regional Policy, Estonia's PPP will reach the European Union average by 2019, while the Czech Republic will reach the same level by 2012, and Slovenia, already by 2009. Thereby the prognosis is not as optimistic as the actual development during the last years. (Fourth Report on Economic and Social Cohesion, European Commission 2007).

The second component of the Human Development Index involves the level of adult literacy and opportunities for schooling. Based on this sub-index, we are in 20th position in the ranking of countries. Since this indicator changes very slowly, it does not affect short-term changes in the rankings of the Human Develop-

ment Index. At the same time, in the Global Human Development Report, educational problems are not just analyzed based on this one indicator. In the case of Estonia, while our expenditures on education are at the average level for countries with high human development (5.3% of GDP), our expenditures on research and development are only 0.9% of GDP[1]. This is almost half the amount spent by Slovenia and the Czech Republic, post-Communist countries that are more successful than us, not to mention the Western European countries (such as Sweden 3.7%). We will examine some educational problems within the human development context in sections 1.2, 1.3 and 1.4 of this chapter.

Health indicators as an inhibitor of Estonia's human development

While everything has gone very well for Estonia's economy, compared to the other new European Union member states, some indicators related to the health of the population should cause us worry. For example, the spread of HIV, where Estonia is at the bottom of the ranking of countries with high human development along with Barbados, Trinidad and Tobago, and the Bahamas, has been a source of concern for years.

The state of the population's health is expressed by average life expectancy, which is one of the main inhibitors of Estonia's rise in the Human Development Index; in respect to the sub-index of life expectancy, we are in 78th position among the countries. Estonia is distinguished by the fact that life expectancy varies to a great degree among various societal groups. While the life expectancy for men is shorter than for women in all European Union states, the difference between men and women in Estonia is among the greatest in Europe reaching 10.9 years (Table 1.1.1). In the comparison of average life expectancy, Estonia together with Belarus and Russia are the last three in the group of countries with high human development.

The differences in life expectancy according to education are also very great. For example, an analysis of the data from the last (2000) census shows that life expectancy among 25-year-old men with higher education is 13.1 years longer than that of the same aged men with primary education, and the corresponding difference among women is 8.6 years (Leinsalu et al., 2003). Life expectancy also differs according to nationality. A comparison of the national mortality database and census data shows that from 1989 to 2000 the differences in life expectancy between Estonians and Russians increased from 0.4 years to 6.1 years for men and from 0.6 years to 3.5 years for women (Leinsalu et al., 2004). Undoubtedly, this is a reflection of the difficulties and contradictions of the transition period (Allaste 2007).

Several analyses (see Leinsalu 2003, Leinsalu 2004, Tiit 2006) show that Estonian society is characterized by great internal differences – based on region, gender, education, nationality, etc. Although Estonia's GINI index is decreasing slowly (in the UN Human Development Report 2007 the value of the index was 35.8[2]), among post-communist countries we are still much closer to Russia than to the indicators of Slovenia, Czech Republic or Hungary, which are more successful in the Human Development Index (Vetik 2007). Our poor health indicators are probably caused, at least partially, by great differences within the society, but also result from insufficient health care expenditures. In 2005 Estonia's health care expenditures were $752 PPP, half of that of Hungary or Slovenia, which outdid us in the Human Development Index ratings.

From the aforementioned, we can conclude that Estonia's progress in the human development rank-

Table 1.1.1. The average life expectancy for women and men in European countries

	Women	Men	Difference
Iceland	82.7	79.7	3
Malta	80.7	76.7	4
Cyprus	81.4	77	4.4
Great Britain	80.7	76.2	4.5
Sweden	82.5	77.9	4.6
Netherlands	80.9	76.2	4.7
Greece	81.3	76.5	4.8
Denmark	79.9	75.1	4.8
Ireland	80.7	75.8	4.9
Norway	82	77.1	4.9
Switzerland	83.1	78	5.1
Austria	81.6	75.9	5.7
Germany	81.4	75.7	5.7
Italy	82.5	76.8	5.7
Belgium	81.7	75.9	5.8
Luxembourg	81	75	6
Portugal	80.5	74.2	6.3
Czech Republic	78.7	72.1	6.6
Spain	83.6	76.9	6.7
Finland	81.8	75.1	6.7
France	82.9	75.9	7
Slovenia	80.4	72.6	7.8
Slovakia	77.8	69.9	7.9
Hungary	76.7	68.4	8.3
Poland	78.8	70.5	8.3
Latvia	75.9	65.7	10.2
Estonia	76.9	66	10.9
Lithuania	77.7	66.5	11.2

Source: Ene-Margit Tiit 2006, according to Suremus Eestis ja selle sõltuvus soost

[1] Since, in the interests of comparability, the given analysis is based on data from 2004, one can add that the given expenditures exceed 1% in Estonia in 2006.

[2] Survey year 2003

ing to the level of the more successful post-Communist countries depends primarily on our health indicators. These indicators in turn result from the very poor health situation of several social groups of our society. Enabling them to catch up would improve Estonia's entire human development position.

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1.2. Participation in lifelong learning

The adult literacy rate and the gross enrolment ratio for primary, secondary and higher schooling compared to the school-aged population forms the basis for the educational sub-index of the UN Human Development Index. According to this sub-index, Estonia's position is comparable to the best in Europe. At the same time, it has become a widespread understanding that learning does not end after the completion of school (university), and that the acquisition of education is not limited to a certain period in a person's life. Learning is no longer just a privilege or specialty of the young, which does not affect older people. Learning has become a lifelong activity.

Subsequently, we will examine the participation of 25- to 64-year-olds in lifelong learning in Estonia and other European countries. We define participation in lifelong learning as involvement in any study activities that include both formal and non-formal education (studies in general education schools, vocational training institutions, institutions of higher education, (re)training courses) as well as informal studies (self-education by other means). This overview also provides the background for a better understanding of section 1.3, in which participation in one of the subtypes of lifelong learning – work-related training – and the institutional preconditions affecting it are analyzed in depth.

The source of information is the annual Labour Force Survey organized by Eurostat, the European statistics organization, in the countries belonging to the organization. Unfortunately, the tables compiled on the basis of the labour force surveys regarding participation in studies only include data on 25- to 64-year-olds and only refers to the four weeks preceding the survey. Only the 2003 survey included an expanding module dealing with lifelong learning, which included questions about participation in lifelong learning during the entire previous year. This 2003 survey therefore provides a more adequate picture of participation in studies in various countries. Since the assessment of the four-week period is more random, we have used both sources of information.

Estonia against the background of Europe

In 2006, 6.4% of the Estonian population between 25 and 64 years of age participated in some type of study activity (see Figure 1.2.1). How can this be assessed? The first yardstick is the Lisbon Strategy which determines the principles for lifelong learning in Europe, and specifies the goal as increasing the percentage of those involved in lifelong learning to 12.5% by the year 2010. Another yardstick is to compare Estonia with other European countries. Estonia still has a long way to go to achieve one of the fundamental objectives of the Lisbon Strategy as well as the average level of the European Union states. An average of 10.1% of the population of the EU-25 states participated in study activities during the four weeks prior to the survey, which is about one and a half times higher than the corresponding indicator in Estonia. At the same time, with its 6.5%, Estonia is also not among the last – the percentage of people involved in lifelong learning is

even smaller in other countries including those (Italy, Portugal, Greece) that have belonged to the European Union even longer, and East European countries (Czech Republic, Hungary, Poland, and Lithuania) that joined the European Union at the same time.

To arrive at the European Union average, Estonia must increase participation in lifelong learning by several percentage points, which should not be an unattainable goal. It can be assumed that moving up from the present relatively low level should be somewhat easier than for those countries whose indicators are much higher. However, catching up with countries where participation of 25- to 64-year olds is over 20% – Finland, Great Britain, Denmark and Sweden – should be a further objective. It is understandable that the implementation of cosmetic measures, or incidental steps or injections of cash are insufficient to achieve such levels, i.e. a three- to five-fold increase compared to now. Persistent, systematic and long-term work is necessary to achieve the objective – to involve as many people as possible in lifelong learning. The feasibility of this goal is confirmed by our close neighbours in the Nordic countries.

Factors affecting lifelong learning

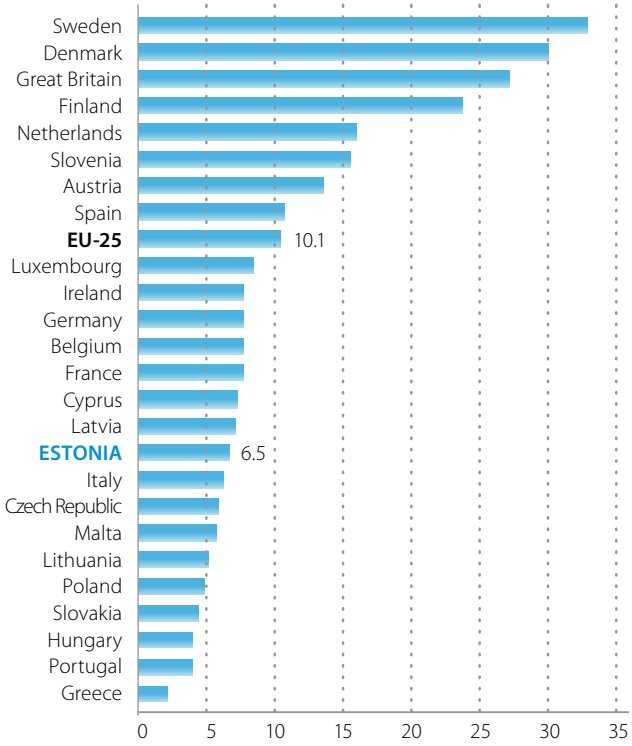
A comparison of Estonian men and women revealed a fact that had already been known – women are more diligent learners than men Thus, in the 2006 survey, 4.2% of Estonian men between the ages of 25 and 64 and 8.6% of women had been involved in studies during the previous four weeks (see Figure 1.2.2). Thereby, the difference was two-fold. A similarly great difference between the ratios of men and women learners existed only in Estonia's closest neighbours in the Baltic states. In Latvia, 4.1% of men and 9.3% of women participated in studies. In Lithuania, the corresponding indicators were 2.9% and 6.6%.

Even though the percentage of women learners exceeded that of men in the European Union, the picture is markedly more balanced – 11.0% of the women were involved in learning, and 9.3% of the men. The same calibre of differences appeared in the percentages between the participation of men and women in the majority of countries under examination, which was always in favour of women. The only exceptions were Belgium, France, and Malta, where the examined percentages were essentially equal. Germany is a totally separate case, where the percentage of women learners emerged second best to men by 0.5 percentage points.

It is interesting that in the countries with the highest rates of participation in lifelong learning – Sweden, Denmark, Great Britain, and Finland – the participation of women is noticeably higher, compared to the other countries – by 7 to 10 percentage points (in the majority the difference is 2-3 percentage points). Considering the strong orientation of the Nordic countries towards gender equality, such "inequality" is surprising.

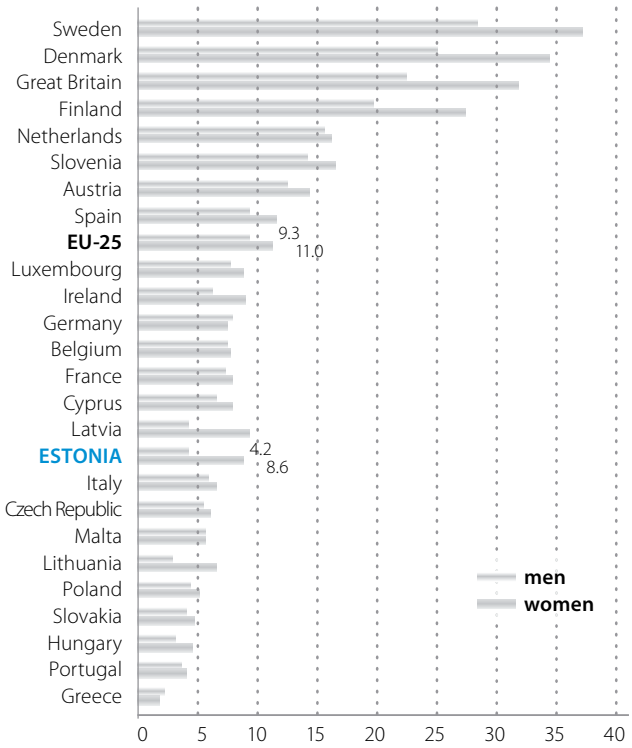
In addition to the differences between men and women with respect to lifelong learning, it appears

Figure 1.2.1. Participation in lifelong learning, 2006, %*



Source: Eurostat – European Union Labour Force Survey

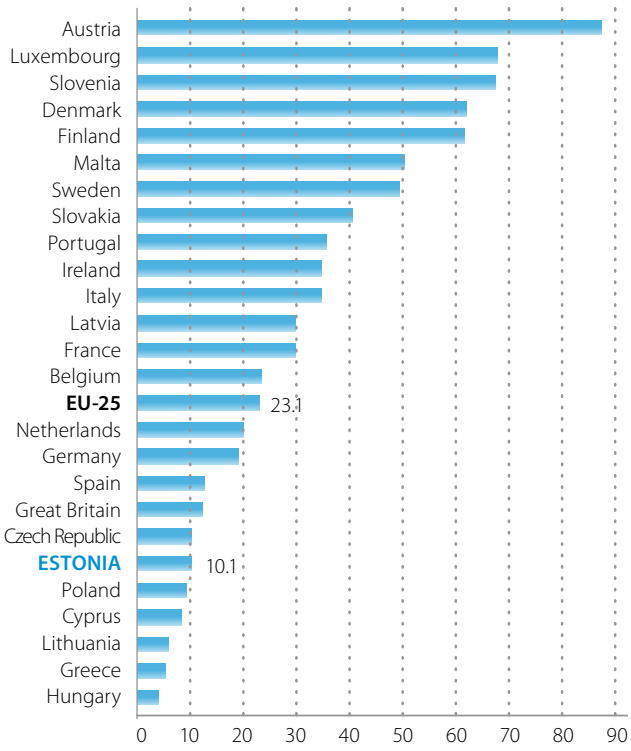
Figure 1.2.2. Participation in lifelong learning depending on gender, 2006, %*



** 25- to 64-year-olds that participated in study/self-improvement during the four weeks prior to the survey*

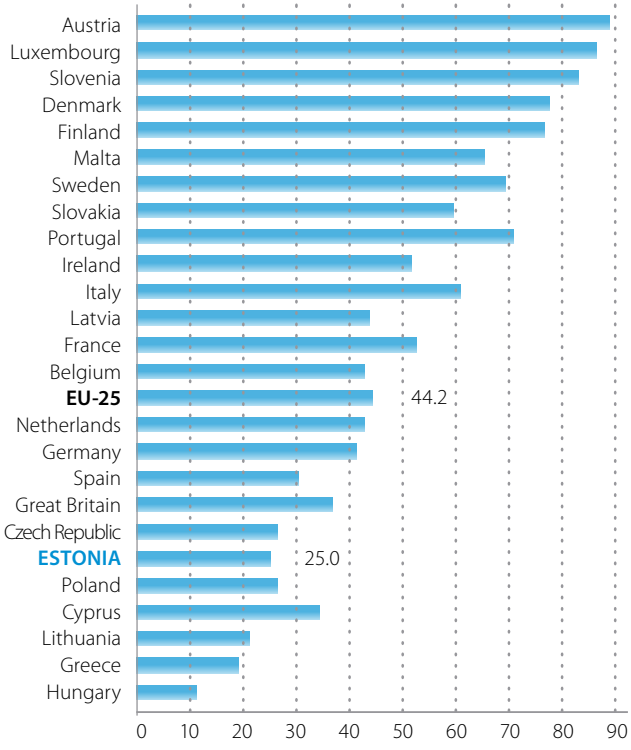
Source: Eurostat – European Union Labour Force Survey

Figure 1.2.3. Participation in studies: people with a low level of education (ISCED 1+2), 2003, %



Source: Eurostat – European Union Labour Force Survey

Figure 1.2.4. Participation in studies: people with an intermediate level of education (ISCED 3+4), 2003, %



Source: Eurostat – European Union Labour Force Survey

that people with various educational levels are also involved in studies to a different extent. Let us examine three educational groups: (1) people with a low level of education (corresponds to the international education classifier level of ISCED1+2, i.e. basic education or less), (2) people with an intermediate level of education (level of ISCED3+4, i.e. secondary education or subsequent education, except for higher education), (3) people with a higher level of education (level of ISCED5+6, i.e. higher education) and examine their participation in studies during the year prior to the survey.

In Estonia in 2003, the percentage of those involved in studies among people with little education was 10.1% (see Figure 1.2.3). This was almost two and half times less than the average for European Union states (23.1%). Comparing Estonia's data with the data of other European countries, it becomes clear that a lower percentage of participation occurred only in Poland, Cyprus, Lithuania, Greece, and Hungary. Estonia still has a long way to go in order to reach the best in Europe – in Germany and the Netherlands, 20% of 25- to 64-year-olds with little education participated in studies during the previous year; in Italy, Ireland, Sweden, as well as Latvia and Slovenia, the percentages were between 30% and 50%, while even reaching 70% in Luxembourg and Slovenia. Austria is in a class of its own with 87% of people with little education participating in studies.

Among people with an intermediate level of education, the percentage of learners in Estonia was already significantly higher compared to the corresponding indicator among people with little education. Wholly a quarter of them had been involved in studies during the previous year (see Figure 1.2.4). At the same time, in comparison to other European countries, it turns out that our position is not that great. Estonia is fourth from the bottom in the ranking, in front of Hungary, Greece and Lithuania. In other words, with respect to this indicator, Estonia is outdone by a total of 21 countries. The lag behind the European Union average, measured in times, has decreased when compared to the group with little education (2.3 versus 1.7), but the percentage was still great – 25% in Estonia as compared to 44.2% in the European Union. Estonia's lag behind the more capable states cannot be blamed on our Socialist past, since the participation percentage of people with an intermediate level of education in Slovakia and Slovenia, which shared our previous fate, was 59% and 83% respectively, which exceeded Estonia's indicator several times.

In Estonia, 51.8%, or slightly over half, of 25- to 64-year-olds with a high level of education (i.e. higher education) were involved in studies (see Figure 1.2.5). This is clearly more than in the case of the two previous educational groups and bears testimony to the fact that those whose educational level is already relatively high have a more serious desire and better opportunities for participating in studies. The same tendency is also noticeable in other countries. Unfortunately, with our 51.8%, we are still among the last in the ranking of European countries. Only Hungary,

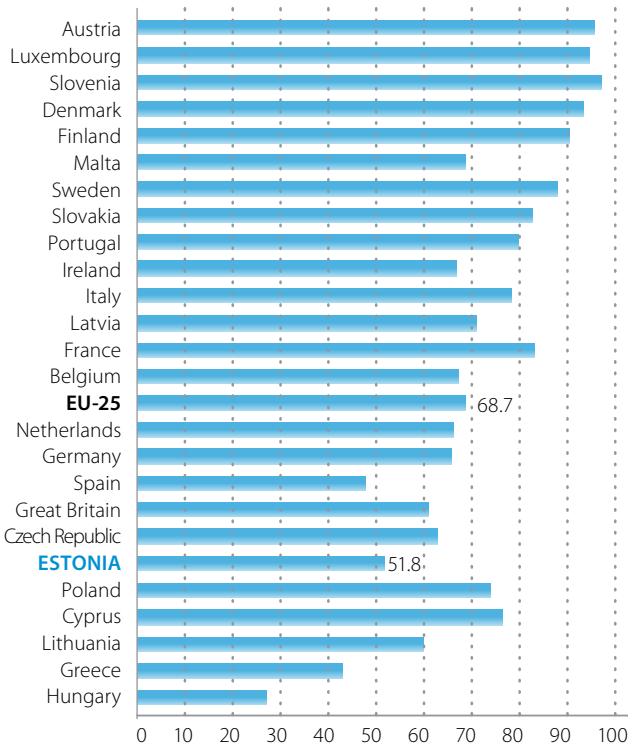
Greece, and Spain lag behind Estonia. The difference compared to the EU average (68.7%) is not great – 17 percentage points, but it still exists. In the comparison between countries, it turns out that our Baltic neighbours, Latvia and Lithuania, have a higher percentage (71% and 60% respectively) of those with higher education involved in studies than Estonia, not to mention the Nordic countries, where the participation percentage reaches almost 90%.

When making a comparison based on the level of education, one can state that the higher the level of education, the closer we are to Europe's average indicators. We are the furthest from Europe with respect to people with little education participating in studies. This is the contingent that needs special attention in the context of lifelong learning.

Table 1.2.1 includes data on the participants in lifelong learning based on people's age and level of education. The trends in Estonia and the EU25 are similar – in both cases, the percentage of those involved in studies decreases as age increases, while with an increase in education, the number involved also increases. Differences between Estonia and the EU-25 consist of the percentage of learners. For instance, in the four weeks prior to the survey, an average of 16% of the 25- to 35-years olds in the European Union were involved in studies, in Estonia 12%; of 35- to 44-year-olds, 10.1% and 7.5% respectively; of 45- to 54-year-olds 7.8% and 3.8% respectively, etc. By comparing various educational levels, some interesting trends appear. Firstly, the participation percentage among 25- to 34-year-olds with basic or less education in Estonia is twice that of the European Union average. In the case of older, i.e. 35-year-olds and older, Estonian loses its advantage, and the number of learners in this group in Estonia corresponds more or less to the EU-25 average. Secondly among 25- to 34-year-olds, the percentage of the people with higher education involved in studies in Estonia is very similar to the European Union average. In the following age groups, a clear difference emerges. Thus, among 35- to 44-year-olds, the percentage of learners in Estonia is 12%, while the average in European Union countries is 18.8%; and among 45- to 54-year-olds, the respective percentages are 8.8% and 17.8%.

Therefore, the data indicates that people's involvement in the different forms of lifelong learning in Estonia is strongly segmented. The people involved in lifelong learning are primarily those who are already in a better position – those who are more educated, younger, and more financially secure. When comparing the participation of Estonian people in lifelong learning with the other European Union countries, one must recognize our unfounded lag, which clearly indicates the necessity of systematic development in this sphere.

Figure 1.2.5. Participation in studies: people with higher education (ISCED 5+6), 2003, %



Source: Eurostat – European Union Labour Force Survey

Table 1.2.1. Participation in lifelong learning by age and educational level, EU-25 and Estonia, 2004, %*

	AGE				
Educational level	25–34	35–44	45–54	55–64	25–64 Total
EU-25	16	10.1	7.8	4.4	9.9
including					
- basic education or less	4.7	3.4	2.6	1.6	2.8
- secondary education or subsequent education, except for higher education	15.8	9.4	7.1	4.5	9.8
-higher education	24.4	18.8	17.8	12.1	19.4
Estonia	11.9	7.5	3.8	2.3	6.3
including					
- basic education or less	9.4	4.3	1.6	0.7	3.8
- secondary education or subsequent education, except for higher education	9.8	8.2	4	2.8	6.4
-higher education	23.1	12.1	8.8	6.6	12.3

** 25- to 64-year-olds that participated in study/self-improvement during the four weeks prior to the survey*

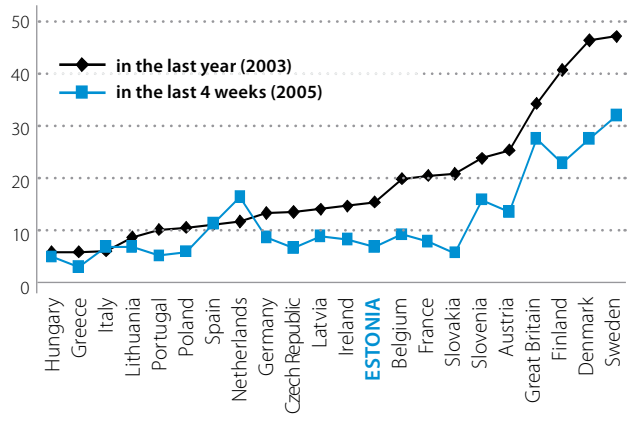
Source: Eurostat – European Union Labour Force Survey

1.3. Institutional preconditions for work-related training: Estonia on the backdrop of European Union countries

As it appeared in the last section, the participation in lifelong learning varies in the European Union countries to a great extent. Besides the many individual and psychological factors that have been examined, the opportunities for participation are increasingly being considered in the search for the reasons for these variations. The given opportunities are shaped by the country-specific institutional "packages", while links and interrelations between the various institutions (in the given case primarily educational and labour market institutions) are also important. Based on the institutional approach, the differences between countries are systematic, which is why the models of lifelong learning in various countries can be grouped according to their institutional differences and similarities. The design of an institutional model that promotes lifelong learning is the key to success in the European Union's countries with the highest rates of participation in work-related training.

In this section of the report, we focus on an analysis of the institutional factors that promote a certain type of lifelong learning, namely non-formal learning. We define non-formal learning as learning which does not provide a recognized qualification or certificate/diploma. Non-formal learning takes place alongside the formal system of adult education.[3] Those providing education can be employers, civil society (i.e. youth associations, trade unions, political parties) or other organizations and institutions. This is usually known as work- or job-related training. For instance, according to the data from the European Union Labour Force Survey, participation in non-formal learning in European Union countries constituted 84% of work-related training in 2003. In Estonia, the corresponding percentage is 83%. This usually involves short-term training. In the European countries, the average length of the training in 2005 was 20-36 hours. Hereinafter, we will try to find answers to three questions. Firstly, which countries are most successful with respect to participation in non-formal education and where does Estonia rank in comparison to the other European Union countries? Secondly, what is the secret behind the success of some countries? Thirdly, how much does the arrangement of lifelong learning in Estonia differ from the most successful old member states (EU-15), and whether and what can Estonia learn from them?

Figure 1.3.1. Participation in non-formal education in the European countries, % of participants



Source: Data from the 2003 and 2005 European Union Labour Force Surveys

Participation in non-formal education: Estonia against the backdrop of Europe

Which countries are most successful? The answer is not that self-evident. Participation in non-formal education can be assessed in various ways. Depending on the indicators studied, participation in lifelong learning generally, as well as in non-formal education, varies to a significant degree in the European Union countries. Below, we will characterize this participation with the help of the following indicators:

(a) the rate of participation (i.e. what percentage of 25- to 64-years-olds are participating in non-formal education during a certain period), see Figure 1.3.1;

(b) the average duration of the training completed by the participants (see Figure 1.3.2);

(c) how much participation differs in various population groups (see Table 1.3.1).

With respect to the rate of participation, Figure 1.3.1 includes data from 2003 that fixes the participation during the last 12 months, and data from 2005 that shows participation during a four week period. The comparison of the two sets of information demonstrates that,

[3] Formal education is directed at the obtainment of certain general, vocational, specialized and occupational education in the formal educational system, i.e. studies in general education schools, institutions for vocational education, or higher education schools.

there were no differences in the ranking of states. In other words, the same countries were at the top in both 2003 and 2005: Sweden, Denmark, Finland, and Great Britain. In these countries, in 2003 one-third to one-half of 25- to 64-year-olds participated in non-formal education, while in the countries with the lowest participation rate (Hungary, Greece, and Italy); the corresponding indicators amounted only to a few percentage points. In Estonia, fourteen to fifteen 25- to 64-year-olds per every hundred participated in some type of training. With this level of training, Estonia falls slightly below the European Union average, and among the transition countries, only falls behind Slovakia and Slovenia.

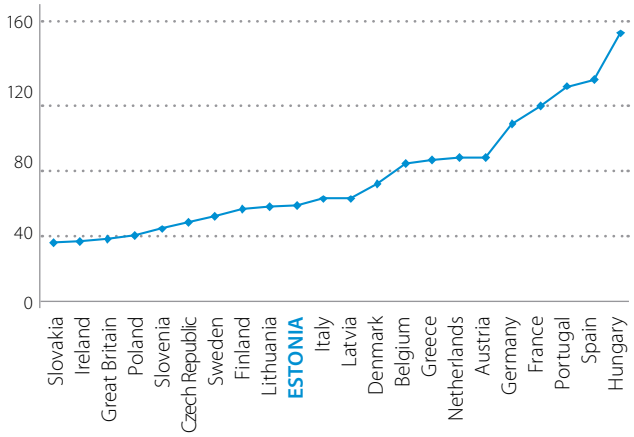
A totally different ranking emerges, if we consider the average duration of the training as an indicator (see Figure 1.3.2). The countries with the highest participation rate turn out to be the ones where the training is the shortest. However, regarding Hungary and Portugal, where participation in training is longest one can say that they train few, but intensively. In Estonia, the average duration of training was 59 hours, which was significantly less than in Hungary, Portugal, or Spain, as well as the European Union average (84 hours).

The participation in non-formal education has been increasingly studied during the last few years (i.e. Brunello and Medio 2001; Brunello 2004; Bassanini et al. 2007; Bassanini and Brunello 2007). The results of many of these surveys have become clichés: employed people participate in training more often than the unemployed; the higher the education level, the higher the level of participation; the lower the occupational position, the lower the level of participation, etc. The data from the beginning of this century is also not surprising in this sense. Yet, the patterns of participation based on the country are quite different, for instance, in Greece and Spain a greater percentage of unemployed people participate in training than employed people; however in the Nordic countries and Great Britain, the percentage of participants is so great that the rates of participation among those population groups who generally participate less in training also turn out to be quite high. In Denmark and Sweden, a greater number of adults with a lower level of education have received training than adults with higher education have in Estonia. In Denmark, there are twice as many unemployed participating in training as there are employed people participating in Estonia, etc.

From Table 1.3.1, it also appears that the occupational groups higher in the social hierarchy participate more often in training. At the same time, the participation of various occupational groups differs from country to country. Estonia, along with the other Baltic countries, belongs to the group with Germany and the countries of southern Europe, where the difference between the groups is very large. A rule seems to apply to the old European Union member states that countries where the differences between various occupational groups is smaller have a higher percentage of participation. A high percentage of participation has been achieved by involving the less qualified.

We must admit that Estonia does not hold a strong position with respect to any of the success indica-

Figure 1.3.2. Duration of training in hours



Source: Eurostat

Table 1.3.1. Participation of various occupational groups in informal training in 2003, % of participants

Country	High-skilled white-collar work-	Low-skilled white-collar work-	High-skilled blue-collar work-	Low-skilled blue-collar work-	Ratio*	Percentage of training participation	
EU-25	30	19	12	10	3.00		
Countries with small differences between the participation of various occupational groups							
Slovakia	40	19	24	24	1.67		20–29
Denmark	63	51	43	35	1.80	≥30	
Czech Republic	24	13	10	13	1.85		10–19
Finland	62	50	35	31	2.00	≥30	
Sweden	67	48	37	33	2.03	≥30	
Countries with the average differences							
Ireland	22	15	12	10	2.20	10–19	
Netherlands	16	12	11	7	2.29	10–19	
France	35	23	15	15	2.33	20–29	
Hungary	10	7	3	4	2.50		≤10
Great Britain	54	41	26	21	2.57	≥30	
Austria	44	30	22	15	2.93	20–29	
Belgium	36	25	14	12	3.00	10–19	
Countries with the relatively high differences							
Spain	19	13	7	6	3.17	10–19	
Portugal	21	13	4	6	3.50	≤10	
Poland	29	12	6	8	3.63		≤10
Slovenia	48	29	19	12	4.00		20–29
Countries with the very high differences							
Italy	14	6	3	3	4.47	≤10	
Germany	24	13	9	5	4.80	10–19	
Greece	12	8	1	2	6.00	≤10	
Latvia	35	16	6	5	7.00		10–19
ESTONIA	32	19	9	4	8.00		10–19
Lithuania	25	5	2	3	8.33		≤10

** Shows how many times the percentage of training participation of high-skilled white-collar workers is higher than the percentage of low-skilled blue-collar workers.*

Source: 2003 European Union Labour Force Survey

tors. Since the approaches are different, the following questions arise. Which example should Estonia follow? Who should we learn from? Should we favour the involvement of a few and/or together with intensive training or should we concentrate on bringing as many as possible to training? The participation in training is highest among developed European countries: Nordic countries and Great Britain. Therefore, from the experience of those countries we should be able to understand which institutional aspects are important in promoting non-formal education?

Institutional prerequisites of work-related training

Both researchers and politicians are most interested in adults participating in work-related training, for various reasons. Transition countries see continuing education and updating of skills and knowledge as an opportunity to improve the state of their economies, while countries with well-developed economies are trying to preserve their achieved positions and reduce shortages of necessary skills. Adult job-related training can be examined as part of the system for developing the work-related skills-knowledge of the population. Specific work-related skills are usually acquired either within the educational system (during the course of initial study) or outside the educational system in the workplace. In order to characterize the skill-formation regime in a specific country, one usually focuses on the distinctive features of the educational system and labour market rules and regulations, and on the interests and actions of the trainers, employers, and employees. Further areas of focus include how the state coordinates the interests and behaviour of all the concerned parties, the kind of motivation it develops, the opportunities it creates and the laws-rules it establishes for this purpose.

Developed institutional systems can be characterized on the basis of how general skills and specific skills are developed. Popular opinion holds that the methods and means of developing specific (industry- or firm-specific non-portable) skills are decisive in identifying the distinctive features of such regimes (Estevez-Abe et al., 2001). At the same time, differences appear in the roles of the educational system and employer in shaping the skills of the workers, and how, and through which mechanisms, the functioning of the system is ensured.

According to the human capital theory, (Becker, 1975) employers are not interested in investing in the general skills of their workers, since this may not provide any direct benefit (at least in the short term). Moreover, it does not exclude the possibility of another employer wanting to benefit by luring the employee away. Therefore, it is assumed that general skills are not distributed or taught on the labour market; this is the responsibility of the educational system rather than employers. However, the employers are willing to teach employees firm-specific skills. Those narrower skills do not have to be provided only by employers. There are educational systems providing specific skills, without leaving it up to employers to fulfil this task. For example, vocational schools usually fulfil this function at the secondary education level. However, in time, skills become obsolete – the more specialised the skills, the shorter their lifespan and the greater the need for re-training (Brunello, 2001). At some point, the question rises: what is more effective for the employer – whether it pays to invest in "obsolete human capital" or to discard it and produce new capital/skills. Thus, in addition to the educational system and the employers, the labour market institutions (for instance, the labour market board) are also important in skill formation process.

On the one hand, these institutions deal directly with training; on the other hand, the labour market institutions play an important role in the effective functioning of the system more broadly. It is the labour market institutions that generally determine work relations. They determine how great the risks of investments in skill formation are, and whether they will pay off or not. Based on whether the labour market institutions operate according to competition- or cooperation-logic, one can conclude what the division of labour between the employers and educational system will be in developing workers' skills.

A market-centred employment relationship means that the employment relationship is oriented towards short-term prospects, and in this sense, mutual obligations are minimal – if a more beneficial job (employer) appears on the horizon, a change is made. If the employer can fire the employee at any time, the employee is more interested in acquiring general skills that are transferable between different firms and sectors, because this makes it easier for him/her to find work and to be less dependent on a specific employer. Thus, the educational system primarily provides him/her with more of a general type of skills. However, there is no point in the employer investing in the employee's general skills. Since the employee may leave at any time to seek a higher paying job, there is a great risk that the profits from the given employer's investments in the employee may be reaped by other entrepreneurs (so-called poaching problem). Therefore the employer will be very selective about the training of employees. This is the case of so-called general skills regime.

The advantage of a specific skills regime is that risk related to investment in skills is managed, primarily by the state, by guaranteeing the stability of employment relationships and protecting the unemployed. The state's labour legislation and social partners makes sure that each party has an obligation towards the other to maintain the employment relationship for a certain period. This applies even if one of the parties already has chosen a better employment relationship. However, the state supports those who have lost their jobs by helping them in finding a new job; and because of relatively high unemployment benefits, provides them with sufficient time to find a suitable job (i.e. matching their specific skills), as well as (from the standpoint of the unemployed) free training. Also the significant part of the educational system provides opportunities for obtaining specific skills. At the same time, the state indirectly subsidizes the employer, since

it frees the employer from the costs related to the training of workers.

Which of these systems promotes greater participation in adult work-related training? According to one viewpoint, it is the general skills regime that supports non-formal education, by providing an opportunity to compensate for the lack of specific skills not obtained in the educational system. On the other hand, since specific skills become obsolete faster, it is the specific skills regime, i.e. the institutional environment, that promotes job-related training. Which of these systems are used by the Nordic countries and Great Britain, and which are successful in involving large numbers of people in non-formal education? The more exact results are presented in Annex 1.3.2, where it appears that the systems for developing skills in the Nordic countries and Great Britain are quite similar. However, the British situation is an example of perhaps the most radical reform of the last decades. In order to reduce the number of school drop-outs, special youth programs were introduced in the 1990s and a "youth credit schemes" was instituted. After completing their compulsory education, young people could use their credits to acquire job-related vocational training from the employer or the in-service training system. However, Great Britain did not succeed in building up a counterpart to the dual vocational educational system existing in Germany (Raffe et al., 1998). The status of the youth programs was low, and therefore, they experienced difficulties attracting enough students. The employers also did not wish to invest in the programs. Therefore, at the end of the 1990s, they switched to a unified system, in which there is no distinction between vocational and general tracks at the level secondary education. Therefore, Great Britain is still closer to the logic of a general skills regime, and in that sense, very similar to the Nordic countries. Indeed, they have one very important common trait – both countries aspire to a systematically integrated primary education system, apparently each in its own way. On the one hand, such a system guarantees many young people flexible development opportunities, while on the other hand, it is of direct benefit to the state – the abilities and skills of the young people are put to better use.

From the viewpoint of employment relationships, one can say that, in the case of the Nordic countries and Great Britain, we are dealing with very clearly contrasting systems. In the case of the Nordic countries, we are dealing with an economy oriented towards cooperation. This is evident by the very important role of trade unions and national labour market policies. However, Great Britain is an example of an economy that is market-centred or primarily oriented towards competition. The similarities in participation in training show that although the Nordic countries and Great Britain have different systems for formation of skills, both are successful in training adults. One must conclude that the secret of success can be hidden in either system. It seems that consistency of certain institutional rules and not the "advantages" of individual institutions hold importance. Therefore, it is unlikely that there is only one correct solution that can be applied everywhere.

Estonia's possibilities for development

It appears from Table 1.3.2 that Estonia differs from the successful countries with respect to the institutional advantages for training participation. Employment protection in Estonia is even weaker than in liberal Great Britain. This applies to unemployment training as well as to providing active labour market measures. The following questions arise: Why is the solidarity so high in the Nordic countries? And is not the British concern regarding involvement in the educational system (or the wish to support and develop abilities of as many children as possible) a sort of "liberal version of solidarity"? From this viewpoint, the goal of Estonian educational system could be to move towards the elements that are common to the Nordic countries and Great Britain. The current British educational system and that of the Nordic countries can be characterized as very flexible. Advisory and transition programs allow one to continue learning at any age. In effect, it is possible to come back to the educational system at different stages, and to transfer from vocational to academic studies and vice versa.

Table 1.3.2. Involvement in non-formal education: comparison of Estonia, the Nordic countries and Great Britain

	Nordic	Great	ESTONIA
Skills formation regime: The percentage of young people obtaining secondary education in vocational education institutions	Medium	High	Low
The separation of the secondary education system in to general and vocational tracks (degree of stratification)	Low	Low	Medium
Percentage of adults with higher education	Large	Large	Large
Percentage of adults with lower education	Small	Rather small	Very small
Labour market institutions: Employment legislation: job security (stability of employment relations)	Rather Low	Low	Medium
Trade unions: demanding the guarantee of training opportunities, employment protection	Very important role	Modest role	Modest role
Labour market policy measures: unemployment protection (a) active measures	Very important role	Modest role	Very modest role
(b) passive measures	Very important role	Very modest role	Very modest role

Source: Eurostat and Eurydice data

On analyzing the distinctive features of the adult education policies of Great Britain and the Nordic countries, it was found that the former focuses on human capital, while the latter focuses on social capital and personal development aspects (Holford et al., 2007). In addition, based on the example of Norway, one can point out that the goal of adult education is to guarantee each individual access to learning. However, in Great Britain, the focus is on the more marginalised or disadvantaged groups (people with low level of education and limited skills). Therefore, in Great Britain, lifelong learning is seen as a means of getting people receiving social welfare benefits (back) to work. The Nordic countries also focus on weaker groups. The result is that, as opposed to Estonia, the participation of various population groups in training differs little. In a small society like Estonia, it is complicated to rely solely on market forces. Inevitably, measures must be implemented that assist in involving less-advantaged groups in training activities.

In 2005, the Lifelong Learning Strategy 2005-2008 was approved in Estonia. The strategy has the objective to increase the percentage of training participants among 25- to 64-year-olds to 10%. Among other things, the need to make the educational system more flexible is emphasized. This includes the implementation of special measures both for those who are too old for compulsory education and for school dropouts. At the same time, the role of the formal education system in providing job-related training should increase. A further important area involves the development of an occupational qualification system, as well as the implementation of a system that takes previous learning and work experience into account (APL – Accreditation of Prior Learning and APEL – Accreditation of Prior Experiental Learning) in all fields and levels of study. At the same time, in the analysis of the Estonian educational system compiled by OECD experts, it was noted that in Estonia the main problem lies not in the inadequacies of the legislation and the policy framework, but rather in the actual implementation of the policies (OECD, 2001). The actual implementation of the measures indicated in the Lifelong Learning Strategy should hopefully bring Estonia closer to the countries that are successful in the field of training participation.

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1.4. Expansion of higher education and opportunities in the labour market

During recent years, Estonian politicians and employers have asserted that what the Estonian educational system offers (both the level of education and specialties) does not correspond to the requirements of the labour market (see Luiker, 2006; Laasberg, 2004; Veskimägi, 2004). The expansion of higher education has undergone especially strong criticism. Employers feel that the number of students being accepted by both

the public sector and private institutions of higher education is inflated and out of control. Increasingly, we hear discussions of the overproduction of young people with higher education and it has been claimed that higher education produces unemployment.

When we compare the data, it indicates that (see Table 1.4.1), at least with respect to the percentage of 20- to 24-year-olds that have acquired secondary education, Estonia holds a strong average position compared to the other European Union countries, although it is not at the forefront. The corresponding general indicator for the European Union states is reduced by the southern European countries, where over a quarter of young people do not receive secondary education. In Estonia 18% of 20- to 24-year-olds do not have secondary education. This indicator makes us similar to France, Greece, Latvia, and Hungary. However, we lag significantly behind several new member states (Czech Republic, Slovakia, Poland, Slovenia, and Lithuania), as well as Austria, Belgium, Sweden, Finland, and Ireland. We are also in the middle position of the European Union countries with respect to the percentage of early dropouts. Along with the new member states, the percentage of early dropouts in the Scandinavian countries is smaller than in Estonia. In regard to the percentage of 25- to 29-year-olds with higher education, we significantly exceed the European Union average, although some countries (Spain, Greece, Cyprus, France, and Belgium) also surpass us. The level of Great Britain, Sweden, Luxembourg, and the Netherlands is the same as Estonia, while Denmark, Lithuania, and Finland lag slightly behind. In Table 1.4.1 the European Union countries are divided into four groups: the first group comprises countries where there are few early dropouts and few who have acquired higher education; the second group comprises countries (including Estonia), where the number of young people with a low level of education is somewhat less than the average, but a large percentage have higher education; the third group comprises countries where there are relatively large numbers of young people in both extreme groups (early dropouts and those with higher education); and the fourth group comprises countries where the educational level of young people is low.

In Estonia, the percentage of those with basic education in the corresponding age group was lowest at the end of the 1990s (Figure 1.4.1). During recent years, this has increased to close to 90%, which is similar to the 1980s and the beginning of the 90s (see, for example, Heinlo 1998). The number of those who completed the first stage of higher education and integrated study increased rapidly until 2005. The fastest growth appeared in 2005, when the number of people completing the first stage of higher education increased by 18.4% compared to 2004. (Veldre, 2007). While the reason for the growth was undoubtedly the continued popularity of higher education, this large change was caused by the implementation of the new 3+2 system. Graduates in 2005 included those who had started their studies according to the old curriculum in 2001 or earlier, as well as those who had started in 2002 according to the curriculum based on the new 3+2 system. Therefore, the small decrease that occurred in 2006 was caused by the uniqueness of the class of 2005, not a reduction in the popularity of higher education. It should also

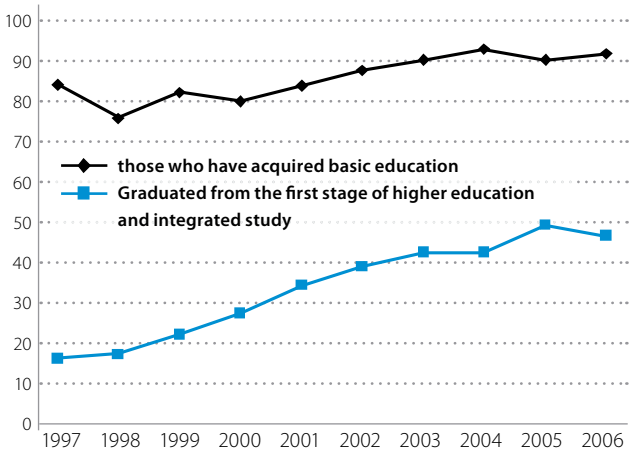
Table 1.4.1. Education levels of young people and early dropouts, 2006

	Rate of those with at least secondary education among 20- to 24-year-olds, %	Early dropouts, % *	Those with higher education among 25- to 29-year-olds, %
EU27	77.8	15.4	28
Large percentage of young people with middle level of education			
Czech Republic	91.8	5.5	15.2
Slovakia	91.5	6.4	17.4
Austria	85.9	9.6	18.7
Hungary	82.9	12.4	20.8
Ireland	85.4	12.3	24
Slovenia	89.4	5.2	24.7
Germany	71.6	13.8	19
Relatively few with low level of education, many with higher education			
Poland	91.7	5.6	27.8
Lithuania	88.2	10.3	34.2
Sweden	86.5	12	36
Belgium	85.8	12.6	41.5
Finland	84.7	10.8	32.6
France	82.1	13.1	42.4
ESTONIA	82	13.2	37.7
Great Britain	78.8	13	37.3
Denmark	77.4	10.9	34.9
Netherlands	74.7	12.9	35.9
Luxembourg	69.3	13.3	36.4
Relatively large numbers of those with low and high levels of education			
Cyprus	83.7	16	40.4
Greece	81	15.9	40.4
Latvia	81	19	24.4
Bulgaria	80.5	18	23.6
Spain	61.1	29.9	40.7
Low level of education			
Romania	77.2	19	14.5
Italy	75.5	20.8	14.2
Malta	50.4	41.6	20.3
Portugal	49.6	39.2	19.3

** The percentage of persons aged 18-24 with basic education or lower educational level and not in further education and training*

Source: Estonian Statistical Yearbook 2007. Tallinn: Statistical Office; Key Data on Higher Education in Europe 2007. Eurydice, Eurostat

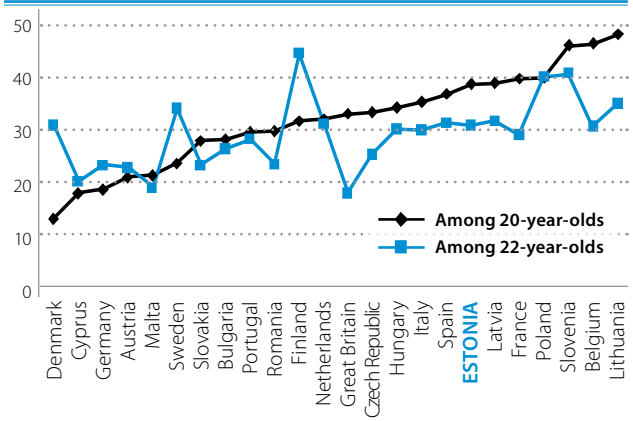
Figure 1.4.1. Gross graduation rates by level of education* in Estonia in 1997-2006



** The percentage of basic school graduates has been calculated based on the number of 16-year-olds (except for 1997, when 15-year-olds were used as the basis), the perecentage of those graduating from the first stage of higher education and integrated study is based on the number of 22-, 23- and 24-year-olds.*

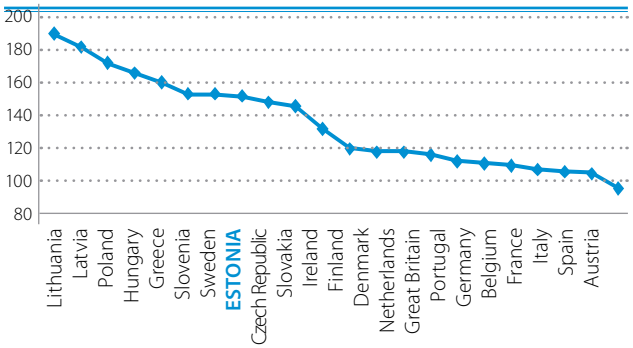
Source: Statistics Estonia

Figure 1.4.2. Percentage of students in the higher education system among 20- and 22-year-olds in the European countries, 2003/04



Source: Key Data on Higher Education in Europe 2007. Eurydice, Eurostat

Figure 1.4.3. Change in the number of students in the higher education system in the European countries in 1998-2004, %



Source: Key Data on Higher Education in Europe 2007. Eurydice, Eurostat

be noted that in the case of basic education, the gross graduation rate reflects the proportion of graduates in the corresponding age group. Yet in regard to higher education the rapid growth of students is caused by the increasing number of people from older age groups that are acquiring it. For instance, in 2006, 26.8% of those who completed the first stage of higher education were over 30 years old (Veldre, 2007).However, large gender differences appeared in the acquisition of higher education – in 2004 to 2006, when the gross graduation rates of men and women differed two and a half times.

In regard to the percentage of 20-year-olds students in the higher education system, Estonia is among those at the forefront of the European Union, but not right at the top (see Figure 1.4.2). Slovenia, Belgium, and Lithuania are ahead of us with percentages close to 50%. Countries at the same level as Estonia include Poland, France, Latvia, Spain, and Italy, where almost 40% of 20-year-olds are studying in the higher education system. In the Scandinavian countries, where the previous indicator was relatively modest, the percentage of students among 22-year-olds exceeds that of most other countries. These countries stand out because the percentage of students in older age groups studying at the higher education level is also high. Regarding the percentage of students among 22-year-olds, Estonia is among the first third, but again, there is a whole series of countries where this percentage is even higher (Finland, Sweden, Lithuania, Poland, and Slovenia) or at the same level (Denmark, Belgium, France, Netherlands, Latvia, Italy, and Hungary). Therefore, with respect to the percentage of students in the higher education system and also the percentage of young people with higher education, Estonia is not among the top Europe countries, at all.

If we examine the data that characterizes the relative growth of the number of students in the higher education system in 1998-2004 (see Figure 1.4.3), we notice again that the growth in Estonia has been relatively fast, but a number of countries exceed Estonia's growth tempo (Lithuania, Latvia, Poland, Hungary, Greece, and Slovenia). In the remaining European countries the relative growth remains close to 10%-20%. At the same time, the initial level needs to be taken into account. In some countries, where the growth was modest in 1998-2004, the expansion of higher education had already taken place prior to that time.

Demand of the labour market

In addition to what the educational system offers, the demand of the labour market is also undoubtedly important. Employers assert that the proportions are out of place in the Estonian labour market – that the labour market needs "blue-collar" young people. However, young people prefer to acquire higher education and the greatest competition in the higher education system is for "soft" subjects, not technical fields, exact or natural sciences. In the case of liberal countries, it has been noted that the demand of the labour market

Table 1.4.2. Occupational structure in European countries in 2006, %

	ESTONIA	Czech Republic	Hungary	Poland	EU-15	Sweden	Great Britain	Germany	France	Italy
Legislators, senior officials and managers	12.8	6.6	7.6	6.4	9	5.1	15	5.5	8.1	8.7
Professionals	14.7	10.7	13.4	15.4	13.8	19.4	14.3	14.3	13	9.7
Technicians and associate professionals	12.2	22	13.5	10.9	17.1	19.8	12.7	12.7	18	21.7
Clerks	5.1	7	9.2	7.3	11.9	9	13.7	13.7	12	11.3
Service and sales personnel	12.6	12.1	14.9	11.6	13.8	18.9	16.8	16.8	12.7	11.3
Skilled agricultural workers	1.8	1.5	2.9	14.4	2.9	2.2	1.1	1.1	4.2	2.2
Skilled industrial workers	30.1	34.3	30.6	26.4	21.6	19.7	15.9	15.9	22	25.6
Unskilled workers	10	5.6	8	7.6	10	6	10.6	10.6	10	9.5

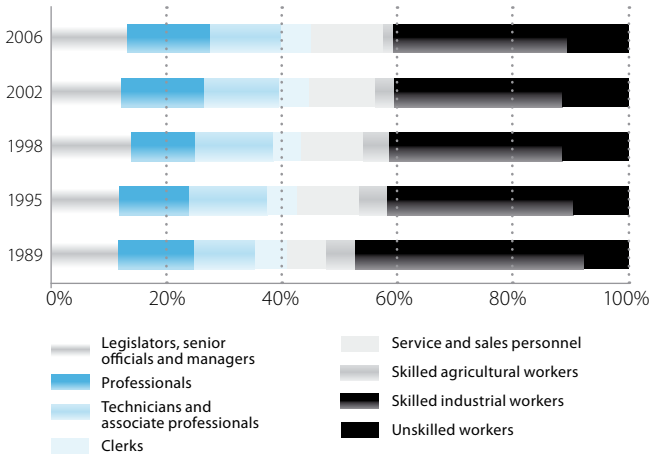
Source: Eurostat

has polarized, i.e. there are many jobs that require high qualifications, and many that require workers with low qualifications. However, in the countries on more conservative continental Europe, there is a greater demand for workers with average qualifications (Hall and Soskice, 2001). What kind of economic structure does Estonia have in comparison to the other European Union states?

From Table 1.4.2, it appears that there are significantly more "blue-collars" in Estonia than in the EU-15 states. For instance, the percentage of "blue-collars" exceeds the corresponding indicators for Sweden, Great Britain and Germany by more than 1.5 times, being at almost the same level as in the other new member states. The smaller percentage of less qualified white-collar workers in the middle of the occupational structure is also worth noting.

When we analyze the changes in the structure of occupational groups during the last 17 years, it indicates that the percentage of unskilled workers has not significantly decreased, but a reduction has occurred in the number of skilled workers in agriculture and industry (Figure 1.4.4). The percentage of service and sales personnel has increased primarily on account of these groups. To some extent the percentage of professionals has increased, although this increase has been slow. According to Eametsa et al. (2003), 26.4% of workers were employed in jobs that required higher education. It is true, the supply of educated labour has increased, but the demand for uneducated labour has not significantly changed. Therefore, there is a conflict between the current economic structure that needs simple and cheap labour and the relatively high educational level of the present workers and new entrants into the labour market. Are young people at "fault" because they prefer to acquire higher education rather than working-class occupations? Or does the fault lie with the education system, which does not consider the needs of the labour market? Comparing Estonia's economic structure with that of developed industrial states, the questions could actually be rephrased. Perhaps Estonia's current economic structure is too oriented to unqualified labour and has not adapted to what the education system is supplying (see also part IV of this report).

Figure 1.4.4. Structure of occupational groups in Estonia*



** employed 15- to 74-year-olds*

Source: Statistics Estonia

What accompanies educational expansion?

According to the modernization theory popular in the 1960s, an expansion of education should be positively related to the modernization of the economy. In the course of societal modernization, technology becomes increasingly complex, economic structures more bureaucratic, and markets increasingly competitive. Therefore, employment increases for those professions that require higher levels of education (Bell, 1975). In order to survive in markets that have become increas-

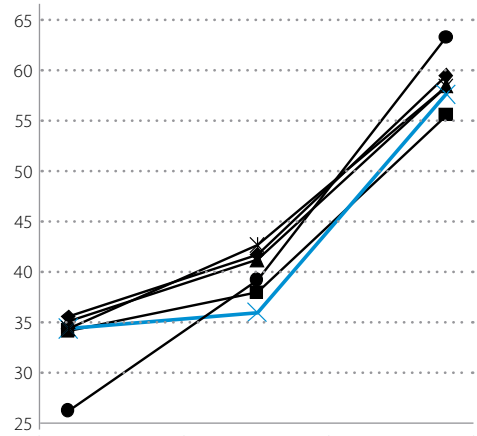
ingly competitive, entrepreneurs use more and more rational criteria when hiring workers. Therefore, education also becomes extremely important for individuals, since it enables them to get better jobs (Treiman, 1970). The theory of human capital states that investments in education increase the productivity of workers and therefore generate salary increases (Becker, 1964). These investments are also useful for the society as whole, since they promote economic and human development.

In the 1970s, the modernization and human capital theories underwent increasing criticism. The proponents of the conflict theory assert that in the case of education it is not the acquired knowledge and skills that are important, but rather the certificates and diplomas received from the educational system. These have become a mechanism for exclusion, which the dominant groups use to differentiate outsiders and insiders (Parkin, 1971; Collins, 1979). In order to enter certain social groups, an educational certificate is not required because the corresponding educational level is really functionally necessary for doing the work. It is rather used as a means of restricting access to this group and also to monopolize the privileges that accompany membership of the group. According to Collins (1979), the expansion of education is accompanied by an inflation of educational certificates, i.e. for access to certain positions, increasingly higher levels of education are demanded, and therefore, the efficiency of education for the individual constantly decreases. Moreover, the needs of economic or technological development are not the main reason for educational expansion.

According to the "queue" model, educational expansion is not automatically accompanied by better opportunities for workers in the labour market (Thurow, 1975). Two queues exist – the queue of workers and the queue of available jobs. Although the workers with higher levels of education are at the head of the queue, this does not mean it is possible for them to enter the groups located higher up in the hierarchy, since the two queues may not match. For example, if there are more graduates of institutions of higher education than corresponding jobs, this means that some graduates will have to accept less attractive jobs. This in turn reduces the opportunity for people with lower educational levels to find work, since workers with higher levels of education push them further back in the queue (Braverman, 1977). It has been claimed that educational expansion is therefore accompanied by the proletarization of higher education, i.e. as the unemployment of young people with higher education increases and there are more and more young people who cannot find jobs corresponding to their educational level.

Returns to education are associated with how large a percentage attains a particular level of education. If this percentage is small, the returns are low, because the acquisition of this level of education has not yet become an advantage in getting work. As the number of those attaining a certain level of education increases, so do the returns, but only to a certain extent. Empirically, it has been found that returns start to decrease at 60%, i.e. when 60% of a generation attains a certain level of education, the advantages accompanying this level of education start to decrease noticeably (van der Ploeg, 1994). Educational expansion is accompanied by certain consequences even for those who do not attain this level of education. As long as only a small part of a generation reaches a certain level of education (for instance, secondary education), this has no significant consequences for those who have not achieved the same. However, the larger the percentages of those who have attained this level of education, the greater the risks for those who have not done so (Seidman, 1984). Educational expansion is accompanied by the stigmatization and marginalization of those who have not attained this level of education (Solga, 2004). A low level of education (for instance, basic education in case of the expansion of secondary education) increasingly becomes an indicator of an individual's failure, when in fact this starts to be associated with a lack of motivation and responsibility.

Figure 1.4.5. The social position of those entered into the labor market by level of education in various European countries*



	ISCED 1-2	ISCED 3-4	ISCED 5-6
Netherlands	35.7	41.9	59.7
Sweden	34.3	38.1	55.8
Great Britain	35.3	41.4	58.7
ESTONIA	34.5	36.2	57.9
Italy	34.5	42.9	58.7
Hungary	26.3	39.4	63.5

** The International Socio-Economic Index (ISEI) is often used to characterize the social status of individuals. In converting the ISCO-88 classification occupational groups used in Estonian labor survyes into ISEI status scores, Ganzeboom's and Treiman's (1996) methodology is used. The ISEI reflects how occupational position affects the ability to convert education into income.*

ISCED scale was used to fix the educational level: ISCED 1-2 (or first level education): elementary and basic education; ISCED 3-4 (or second level education): secondary education (both general and vocational); ISCED 5-6 (or third level education); higher education

Source: Eurostat, Estonian Social Survey 2005

What does educational expansion bring to Estonia?

In a comparison with other European countries, Estonia stands out due to the fact that the social position [4], from which young people with basic and secondary education (either general or vocational secondary education) start their working life differs very little (Figure 1.4.5). In the case of the other countries being compared, the difference between these groups is noticeably larger. In Estonia, the social position of young people with secondary education at the start of their working life is relatively low compared to other countries. As expected, the social status of young people with higher education is significantly higher.

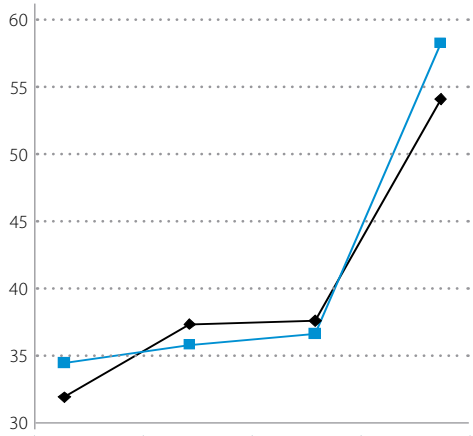
A comparison of those who entered the labour market in 1995-2001 and 2002-2005 shows that the initial social position of those with higher education has not declined, but even risen somewhat (Figure 1.4.6). A reduction in differences took place only in the social position of young people with basic education as well as those with general and vocational secondary education. Therefore, with respect to social position, higher education has not lost its value, which is contrary to what has happened to secondary education, especially general secondary education.

Another important indicator of the "usefulness" of education is the rate of unemployment among young people with various levels of education. The unemployment of 15- to 24-year-olds depends on the level of education among most European countries (Figure 1.4.7). The only exceptions include the southern European countries, where the dependency is weak or even absent. For instance, in Greece and Portugal, the unemployment rate among young people with basic education is lower than those with secondary education. Estonia is a typical European country, as the differences in the unemployment levels of the two groups are relatively large.

Compared to the second half of the 1990s, the unemployment rates of 15- to 24-year-olds who have acquired basic and secondary education have converged in Estonia. This can apparently be explained by the favourable economic situation. However, a reduction in the differences among 25- to 34-year-olds has not occurred. The difference has rather increased. However, one cannot speak of the inflation of higher education, since unemployment among highly educated young people is very low.

The third indicator of the "usefulness" of education involves salary. The analysis of those who have entered the labour market at different times shows a levelling of the salaries of young people based on the level of education (Figure 1.4.9). While the salary of those who entered the labour market in 1997-2001 depended to

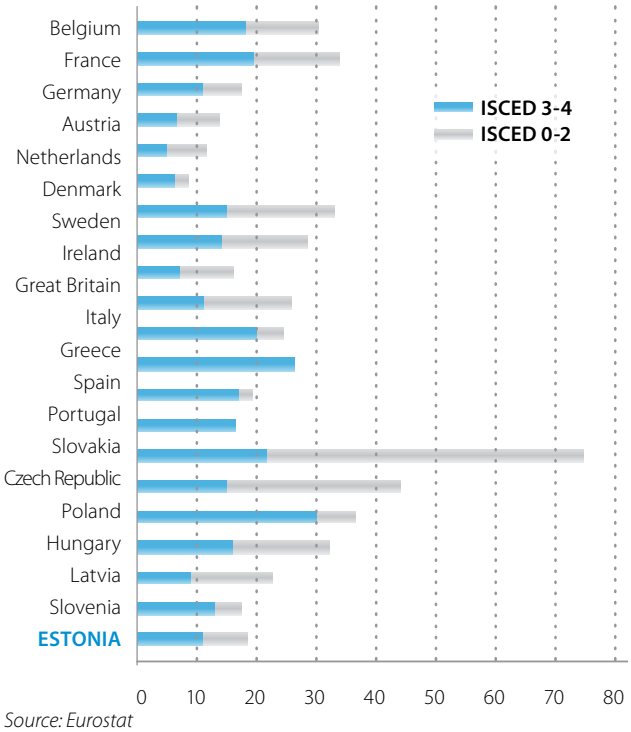
Figure 1.4.6. The social position of those entered into the labor market by level of education during various years



	Basic education	General secondary education	Vocational secondary education	Higher education
1995-2001	32	37.3	37.6	53.8
2002-2005	34.5	35.8	36.6	57.9

Source: Estonian Social Survey 2005

Figure 1.4.7. Unemployment of 15- to 24-year-olds by level of education in 2006, %

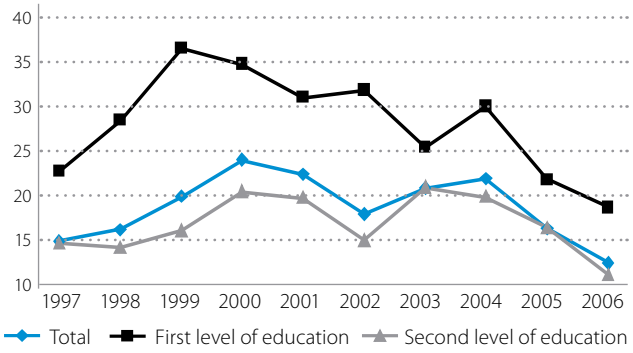


Source: Eurostat

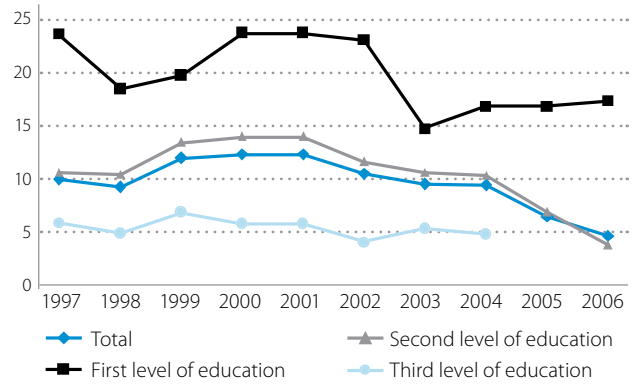
[4] The International Socio-Economic Index (ISEI) is often used to characterize the social status of individuals. In converting the ISCO-88 classification occupational groups used in Estonian labor surveys into ISEI status scores, Ganzeboom's and Treiman's (1996) methodology is used. The ISEI reflects how occupational position affects the ability to convert education into income.

Figure 1.4.8. Unemployment of young people by level of education in Estonia in 1997-2006, %

15- to 24-year-olds

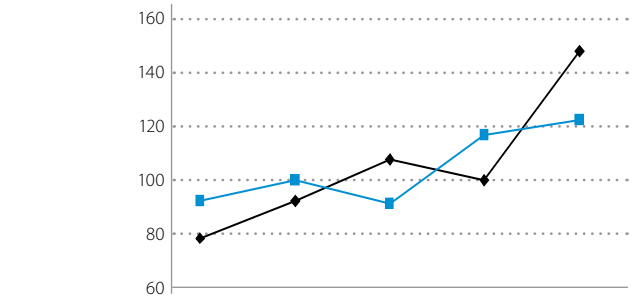


25- to 34-year-olds



Source: Statistics Estonia

Figure 1.4.9. The salaries of those entering into the labor market during various years by level of education,, % of the average salary of those plugging into the labor market



	Basic education	Vocational education	General secondary education	Vocational secondary education	Higher education
1997-2001	77	91	107	99	148
2002-2005	91	99	90	116	122

Source: Estonian Labor Force Survey 2002, Estonian Labor Force Survey 2006

a great extent on the level of education (for instance, the salaries of people with basic education formed only 77% of the group's average), by the first half of the 2000s, this dependence had weakened. The greatest losers seem to be those who have acquired general secondary education, whose higher than average salaries at the end of the 1990s had even fallen below those with basic education. The reason is probably the gender composition of the various educational groups: if those who have restricted themselves to basic education are predominantly young men, then girls form the majority among young people with general secondary education. However, in the current labour shortage young male "blue-collars" are still needed, which has enabled them to achieve relatively high salary levels. The fact that salaries in the public sector have increased more slowly than in the private sector is also considered to be a reason for the reduction in salary differences (Rõõm, 2007). Since the educational level of public sector workers is higher than average, the slower salary growth in this sector reduces the relative salary of workers with higher education in comparison to those with less education.

In summary

The process of the downward replacement of workers has already started in the Estonian labour market. However, the losers have not been so much those with higher education, but primarily those who have limited themselves to secondary education. Their opportunities on the labour market no longer differ significantly from those who have acquired only basic education. Therefore, it is very logical that young people try to acquire higher education at any cost.

Now that we have started out on the road to the expansion of higher education, there is no going back. Education has become a commodity, and if the demand exists the supply will follow. The demand is great because young people understand that without higher education, their chances for succeeding in the labour market are poor. This is especially true for girls – without higher education, the opportunities for women on the labour market are noticeably poorer than for those with higher education. The competition is less among young men with higher education, because fewer men attain this level of education. There is a great shortage of those with higher education in technical fields, which results in many young men starting to work before they complete their studies. Since employers are very interested in them, they also lack the motivation to complete their studies. Therefore, the acquisition of higher education does not have as significant an effect on their opportunities in the labour market.

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Chapter II

Democracy and Civil Society

2.1. Trust in the state

During the election of national and local representative bodies, the public grants its votes and trust to elected representatives. The cooperation of the people and the authorities is based on this trust. Thus democracy evolves. Therefore, the relationships between state authority and the people, which have become a central topic for political public opinion surveys, are a necessary source of feedback for governing the state. How the authorities are managing their tasks in the eyes of the population can be studied in various ways. Most often this is done by asking how much the population trusts a country's institutions.

In Estonia, research into the relationship between the authorities and the people was already started during the Soviet period by the research company Emor. The surveys were made together with Latvian and Lithuanian partners within the framework of the Baltic Omnibus project, which allowed the situation in the three Baltic countries to be compared. At that time (1989-1994), the question was whether the Supreme Soviet and the government (starting in 1992, the parliament and the government) were acting in the interests of the people.

In Estonia during the 1990s, Saar Poll, in cooperation with the Eurobarometer project, continued with the classical question on trustworthiness. Governments of the union between the Coalition Party and the Rural People's Party ordered permanent monitoring from this company in 1995-98. Since 2000, it has been possible to observe possible changes in trustworthiness based on the results of the "Public Opinion and National Defence" public opinion monitoring ordered by the Ministry of Defence. One can also use Eurobarometer data (currently Eurobarometer research in Estonia is conducted in TNS Emor), although only European Union citizens are questioned within this framework. To ensure the successful functioning of state institutions, it is important to know to what extent the local non-citizens understand and trust their activities.

If one tracks the changes in the trustworthiness of state institutions in Estonia, one can notice a steady increase in the general level of trust that parallels the improvement of Estonia's position in the ranking of countries compiled on the basis of the Human Development Index. This increase is primarily related to the increase in GDP, which has been accompanied by a real improvement in the population's economic well-being. Following is an overview of the changes in trust during the period 1992-2007.

After the restoration of independence

In the years immediately following the restoration of independence, the trust in governing institutions was low, which can be explained by the reduced standard of living. In the first Estonian-language human development report (1995), which was compiled using some Soviet statistical indicators from 1991, Estonia was still in an excellent 29th place. However, by 1998, it had fallen to 78th place in the ranking of countries (this position was determined based on statistics from 1996). Subsequent to the restoration of independence, the population had great expectations regarding an increase in the standard of living, but initially, everything inevitably went downhill. Thus, people's assessment of the authorities' activities became quite critical in 1992-1995. Positive assessment of the government and parliament remained constantly below 40 percent even falling to less than 30 percent (see Figure 2.1.1).

Concurrently, the research conducted at that time indicated that demonstrating a higher regard for the people can go a long way towards increasing their confidence in the state during periods of economic difficulty. The government led by Mart Laar liked to emphasize the harshness of the social relations of early capitalism, announcing that the state helps those who help themselves. This brought about a decrease in people's trust. On the other hand, the so-called Christmas Government of Andres Tarand, which was not able to

improve well-being, or achieve anything concrete, portrayed a softer image, which helped him make a positive turn in the rating of trust in the authorities in December 1994.

The second half of the 1990s

During the period of government led by the Coalition Party and the Rural People's Party, the authorities' rating was a step higher than in the previous period, since the Coalition Party and the Rural People's Party promised voters that they would enact more balanced policies. In 1995-98, based on the questionnaires organized by the market research company Saar Poll, the ratio of the respondents that totally trusted or tended to trust the Riigikogu constantly remained higher than 40 percent, and from time to time, even increasing to 57-58% (see Figure 2.1.2). Smaller ups and downs can be explained by changes in the ruling coalitions – in 1995-99, four different governments held power. Every time a new government came to power, additional trust credit was added to the Riigikogu and the Government, (for example in November 1996), which thereafter tended to wane again.

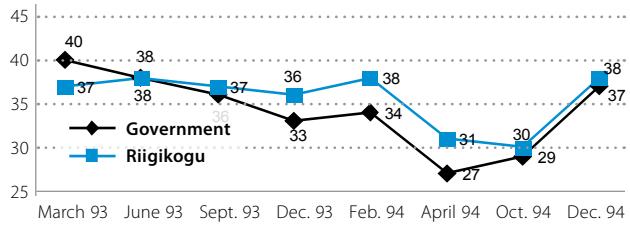
Trends in trust 2000-2007

In 1999–2002, the government of the triple union (Pro Patria, Reform Party, Moderates) was in power for three consecutive years. The style of the government led by Mart Laar was somewhat similar to that of his first government, and the trust in the Riigikogu and government also remained under 40% during that period. Understandably, the assessments of state authority during this period were affected by the aftereffects of the 1998 stock market crisis. However, the "picture scandal" of spring 2001 turned out to be even more important than economic problems, with large privatization transactions also at hand. Despite public opposition, Estonian Railways was sold, while the sale of the power plants to NRG Energy collapsed. The government's rating fell to 30% (see Figures 2.1.3. and 2.1.4). It was also at this time that the topic of "two Estonias" started to be seriously discussed.

From the disintegration of the triple union in 2002 until 2003, a coalition of the Centre Party and Reform Party held power. Trust in the Riigikogu, as well as the government led by Siim Kallas, remained high, rising to almost 60 percent immediately before the Riigikogu elections of 2003.

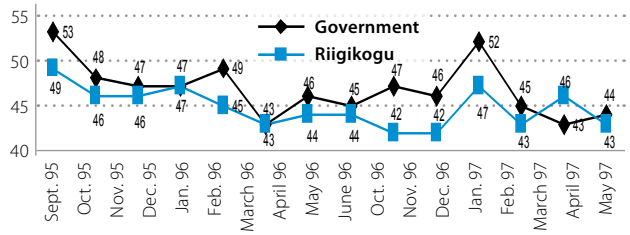
In 2003, Res Publica shot like a comet into the political sky, by promising a new political culture and creating great expectations regarding the more effective and ethical functioning of the state authorities. Trust in both the Riigikogu and the government rose to 60 percent. However, the party was hit by failure in the European Parliament elections in 2004, and by 2005, the high trustworthiness of the government was in shreds – only 35 percent of the population assessed the activities of the government as trustworthy.

Figure 2.1.1. In your opinion, to what extent do the activities of the Riigikogu/Government correspond to the interests of the people? (%) */The figure shows the ratio of people who felt that the activities of the Riigikogu/Government corresponded totally or generally to the interests of the people/*



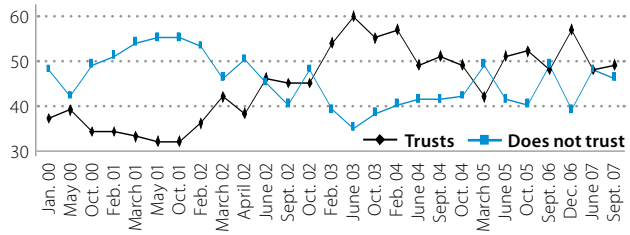
Source: „Nuomones 1989-1994", pp 14 and 19

Figure 2.1.2. To what extent do you trust the activities of the Riigikogu/Government? /totally + tend to trust/, %



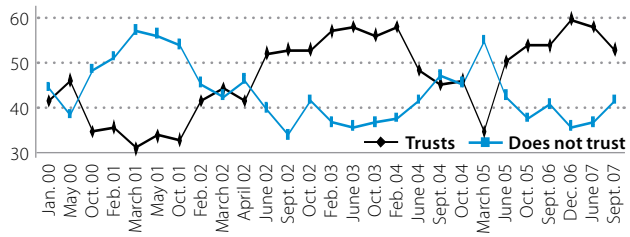
Source: Research company Saar Poll, commissioned by the State Chancellery

Figure 2.1.3. To what extent do you trust the activities of the Riigikogu? (%)



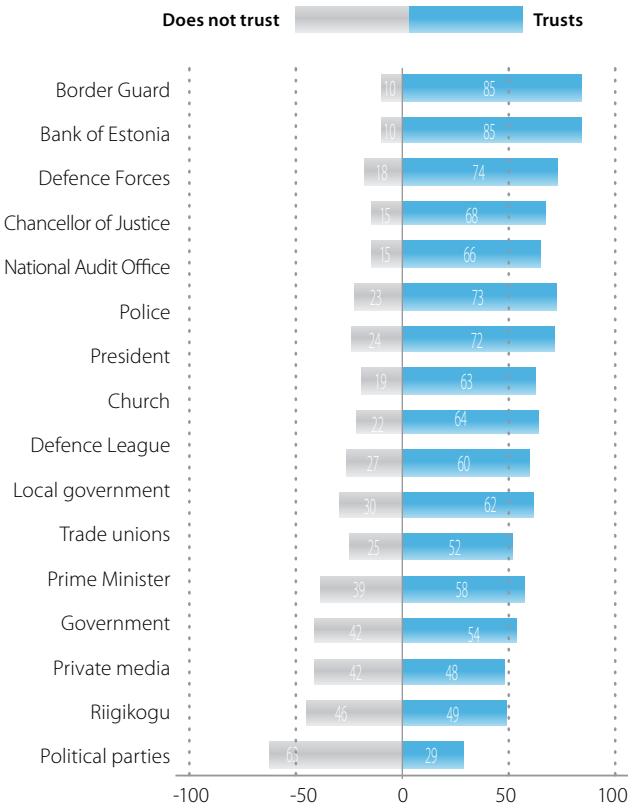
Source: Results of questionnaires conducted by research companies Turuuuringute AS and OÜ Uuringukeskus Faktum for the opinion monitoring "Public Opinion and National Defence" ordered by the Ministry of Defence

Figure 2.1.4. To what extent do you trust the activities of the Government? (%)



Source: Results of questionnaires conducted by research companies Turuuuringute AS and OÜ Uuringukeskus Faktum for the opinion monitoring "Public Opinion and National Defence" ordered by the Ministry of Defence

Figure 2.1.5. Trustworthiness of institutions in September 2007



Source: Omnibus survey by the research company Turu-uuringute AS in September 2007

Table 2.1.1. Trustworthiness of the Riigikogu and Government depending on the ability to cope economically

	those	those who	those	those who
RIIGIKOGU				
Trust	58%	60%	44%	34%
Does not trust	35%	33%	46%	58%
GOVERNMENT				
Trust	61%	61%	48%	40%
Does not trust	35%	36%	42%	53%

Source: Riigikogu Publications 2006

After the coalition led by Res Publica collapsed, the reins of power were again taken over by the Reform Party, and the power coalition led by its chairman, Andrus Ansip, has arrived at high indicators of trustworthiness – the government's rating has remained higher than 50 percent, sometimes even attaining 60 percent (see Figure 2.1.4).

If we compare the trustworthiness of Estonia's governmental authorities with the corresponding indicators for the EU states, the situation in Estonia is good. Even without taking the maximum indicators of the last few years into account, we attract attention with significantly higher trustworthiness than the European average. In the Eurobarometer's surveys conducted during the fall of 2007 (see Annex 2.1.1), Estonia ranked second among the 27 EU member states with regard to trust in the government (62%, EU average 34%), while with respect to trust in the parliament, it ranks 11th (46%, EU average 35%). At the same time, one must consider that for the Eurobarometer survey, only Estonian citizens or EU citizens living in Estonia were questioned.

Observing the trustworthiness of other governmental institutions, appears that Estonian residents exhibit much confidence in state agencies (especially power structures), while trust in political institutions is lower. A low trust in the political parties stands out. (See Figure 2.1.5).

Naturally, the activities of authorities with clearly defined functions are more understandable to the people than the work of political representative bodies filled with conflicts and dissidence. A relatively large segment of Estonian society has shown their preference for a though approach and strict rules. Over two thirds of Estonia's population favoured a tough approach by the state in the beginning of the 1990s, when the absence of laws and the weakness of law enforcement was especially conspicuous. Even today a certain predilection can be felt in Estonian society for supporting explicitly defined political courses of action and opposing disputes and dissent.

Factors affecting trustworthiness

If we analyze the factors affecting trustworthiness, it appears that the trustworthiness of the Riigikogu and government is higher among the groups, whose members are more satisfied with their position and prospects in society. A lower status is accompanied by greater dissatisfaction with what is occurring in the country, which is expressed in a greater distrust of the activities of the Riigikogu and Government. Trust is primarily affected by household income. An analysis of various coping types carried out based on data from 2005 shows that respondents who cope successfully and those who assume that their ability to cope will improve in the near future (those who are success-oriented) trust the Riigikogu and Government more than those who are sceptical about the possibilities of improving their situation (those who are stagnating) and those who cannot cope (those who are being overcome) (see Table 2.1.1).

An important change took place in 2007. In December 2006, it could still be seen that the trust of lower-income respondents was notably lower than higher-income groups, whereas in the 2007 surveys, the most important distinguishing feature became nationality (see Table 2.1.2).

The data points to the fact that the spring events of 2007 caused a drastic drop in the trust of the Russian-

speaking population in the Government, Riigikogu and other governmental institutions. Trust is also not guaranteed by incomes that are significantly higher than average – the most significant drop in the trust in governing bodies occurred among the Russians with the best education and a higher than average income. Contrary to popular opinion, the Bronze Night did not significantly affect the trust of Estonians in their government or prime minister – the level of trust was already very high.

Traditionally, the attitude towards governmental power is related to people's political preferences. One of the preconditions for trust is that the political party that the voter supports is represented in the Riigikogu or is represented in the government coalition. The people who support parties not in the Riigikogu or declare that they do not support any party consider the parliament and the government less trustworthy than those respondents who have a political preference. Furthermore, trust in the government is clearly higher in the case of the supporters of parties in the governing coalition than among opposition party supporters.

Belonging/not belonging to the governing coalition most clearly affects the trust expressed in the assessments of Centre Party and the People's Union supporters. The voters supporting the Pro Patria and Res Publica Union, and the Social Democrats also trusted the last coalition comprising the Reform Party, Centre Party, and People's Union (see Table 2.1.3).

In summary: from partisan politics toward a partnership society

Already 20 years ago, the German sociologist, Ulrich Beck, wrote about the inevitability of the decline in the trustworthiness of governmental power in an individualizing and globalizing society. Observing the trustworthiness indicators for Estonia's Riigikogu and Government, it seems that Estonia is still untouched by this process. Apparently, the Estonian voters cannot see the risk of power being transferred into the hands of the executive power, which Beck saw as a problem. Beck writes, "Decisions that should literally be the competence of the parliament and individual delegates, are increasingly being made, on the one hand, by the leadership of factions and party apparatuses, and on the other hand, by the state bureaucracy" (Beck, 242).

Beck has the point of view of an intellectual, critical voter. At the same time, an increase in welfare reduces the interest of many in politics and they are easily manipulated by the media. On the other hand, the more active part of the citizenry does not want to be reconciled with the concentration of power and decision-making being placed exclusively in the hands of the political parties. In 2003, when Res Publica established the demand for "new politics", this did not develop from a void. The need for new politics is just as topical today as it was then. The nature of democratic governance is not contained in the power of political parties – they are just tools to guarantee the functioning of democracy. If one tool does not suffice, others must be enlisted. In order to clarify the general interest, other social subjects – nongovernmental organizations, research centres, think tanks, etc. – must be involved in the decision-making process.

Juhan Parts as Prime Minister recognized that "the development of innovative ability is not so much a question of technology or finances, as much as it is related to culture, people's value judgments, attitudes and traditions" (Parts, 51). It is difficult not to agree

Table 2.1.2. Trustworthiness of the Riigikogu and Government depending on nationality and income (trusters:non-trusters %)

	RIIGIKOGU		GOVERNMENT	
ALL RESPONDENTS	59:37	49:46	63:34	54:42
ESTONIANS	57:40	56:40	64:33	64:33
MONTHLY INCOME PER HOUSEHOLD MEMBER				
up to 2000 EEK	47:47	67:31	58:37	61:37
2001–3000 EEK	58:39	45:51	62:34	54:42
3001–4000 EEK	57:39	56:42	64:33	65:34
4001–6000 EEK	61:36	54:44	75:23	63:35
over 6000 EEK	55:41	58:39	63:34	67:31
NON-ESTONIANS	64:30	33:56	58:38	32:60
MONTHLY INCOME PER HOUSEHOLD MEMBER				
up to 2000 EEK	50:50	29:71	55:45	29:71
2001–3000 EEK	65:30	34:42	59:38	38:49
3001–4000 EEK	66:28	46:47	63:35	43:53
4001–6000 EEK	70:28	34:56	55:40	28:63
over 6000 EEK	56:37	31:66	53:48	29:68

Source: Omnibus survey by the research company Turu-uuringute AS in September 2007

Table 2.1.3. Trust of the supporters of the parliamentary parties toward the Riigikogu and Government (trusters: non-trusters %)

	RIIGIKOGU		GOVERNMENT	
Reform Party	65:34	64:33	77:22	77:21
Pro Patria and Res Publica Union	70:27	61:36	79:19	74:23
Social Democratic Party	70:30	60:34	72:28	77:23
Centre Party	62:34	47:50	66:32	41:56
People's Union	75:23	49:50	85:13	45:55
Green Party	53:47	56:34	62:38	56:43
Do not support anyone	37:62	33:62	39:61	41:57
GENERAL TRUST	58:38	53:44	64:33	58:40

Source: Omnibus survey by the research company Turu-uuringute AS in September 2007

with Parts, but unfortunately, specific actions have not followed this belief. Innovation is spoken of only in the context of economic development, rather than in the sense of finding solutions for improving the co-operation of the state and society.

The route outlined in the developmental strategy entitled "Sustainable Estonia 21" shows the way to change the general way of thinking – Estonia's development in the direction of a knowledge-based society, the realization of social partnerships though a national development network, together with conscious planning for the future.

The first signs of orientation towards such goals can already be seen in the activities of the political parties. The election programs of two of the coalition parties, the Pro Patria and Res Publica Union, and the Social Democratic Party, contain a promise to form a Future Committee in the Riigikogu – unfortunately, this idea was not included in the coalition agreement of the government. The parts of the election platforms of these parties that touched on civil society are also very promising. The Greens, who have arrived in the Riigikogu as a new force, most consistently stress the need to develop direct democracy and civil society. Such signs allow one to hope that the movement from partisan politics to greater involvement and partnership are gaining support in Estonia.

Reference sources

1 Beck, U. (2005) Riskiühiskond: Uue modernsuse poole. Tartu Ülikooli Kirjastus.

2 Parts, J. (2004) Kümme sammu Eesti teadus- ja arendustegevuse edendamiseks. Riigikogu Toimetised, nr 9, lk 47–52.

3 Nuomones 1989–1994. Vilnius 1994, Filosofijos, sociologijos ir teises institutas.

4 Kivirähk, J. (2006) Avalik arvamus ja Riigikogu. Riigikogu Toimetised 13, lk 61–73.

2.2. Civil initiative and voluntary organizing

In Estonia, civil initiative free of political control took its first serious steps during the loosening of the Soviet regime called *perestroika* in the second half of the 1980s. The re-emergence of civil initiative and civil society in present-day Estonia has not gone smoothly. The intervening period of almost fifty years has left its mark on people's memories, value judgments, and behavioural patterns. Following is an overview of the development and current situation of voluntary organizations in Estonia, especially keeping in mind their role as a component of democratic society.

Civil society

In addition to a certain set of political institutions and regulations, modern democracy is characterized by the existence of a citizenry that aspires to actively participate in shaping society. The success of civil initiative in influencing society depends, to a great extent, on the development of the institutional framework in the form of nongovernmental organizations that are independent of the state and business life – sometimes, the term *civil society* is used to designate such associations, although the term also has another, broader meaning. The type of operational environment provided by laws and other regulations is important. In addition, the opportunities that exist for achieving and financing the resources necessary for activities, and how they are acknowledged by the rest of society are relevant. All these factors affect the so-called social capital, which could be defined as trust, norms and networks that increase the ability of society members to act together to organize their community and achieve common goals. Social capital in turn has been recognized to have a positive impact, for example, on economic development (e.g. Raiser et al 2002: 706).

In practice, democracy at both state and local government levels is primarily executed in the form of representative democracy. However, criticism of the latter is as old as representative democracy itself. The gist of the criticism is the alienation of the elected representatives from the voters. According to Jean-Jacques Rousseau (1762/1919: 119 [Book 3, Chapter 15]),

"Parliament members are not, and cannot be, representatives of the people, but only their delegates (*commissaires*): they cannot make binding decisions. Any law that the people have not ratified in person is

invalid; it is not a law. The English people consider themselves to be free, but they are seriously mistaken; they are only free during parliamentary elections, but once the parliamentary members are elected, the people are again enslaved and their will amounts to nothing. But if one does not know how to better protect this short moment of liberty, it is not worth preserving."

The continued topicality of such criticism cannot be doubted. Subsequent to the democratization of the majority of former Socialist states at the beginning of the 1990s, the number of countries with democratic government is now apparently greater than ever before. At the same time, disappointment in the functioning of democracy and an alienation from the central institutions of representative democracy, especially political parties, can be observed in both new and old democracies. Various forms of participatory democracy have been sought as alternatives or complementary to representative democracy. These forms include the use of referenda in decision- making, or the attempts of various social movements to influence society by activities outside the regular political institutions. Such topics as civil society and deliberative democracy have played an important role in these theoretical discussions.

The model of deliberative democracy developed by Jürgen Habermas (e.g. 1992/1997) provides for a public discussion to precede all influential political decisions. It is assumed that the discussion will be equally open to all those affected by the questions under discussion, and that finding the best argument is the basis for the final decision. The social positions of the participants and the resources at their disposal should not affect the discussion in any way. The discussions should end with a rational consensus. Although the model seems to be unattainable in practice, it can be seen as an ideal type that enables one to analyse the characteristics of existing public communication (see Lagerspetz 2005). One of the main shortcomings of the actual public discourse compared to the ideal is that power and other resources (economic, but also for example organizational) of those aspiring to public participation actually have a great effect on which positions are taken into account during the discourse.

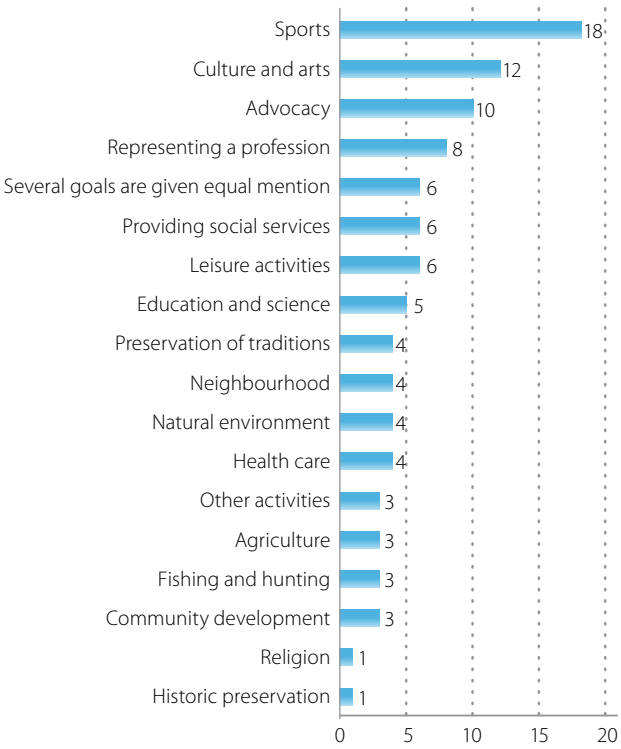
The concept of civil society has been used as a synonym for the democratic rule of law, as well as to describe an important element of such a society. In the latter case, non-profit nongovernmental organizations, often along with the media, trade unions and informal networks, social movements, churches and religious organizations are considered a part of civil society. Their importance stems from their being at least partially independent of the state and business interests, and therefore, being able to provide an organizational form for extra-institutional civil initiatives. Thus, they can open channels of participatory democracy. In other words, they can influence political decision-making processes in order to promote the interests and values of active citizens. To what extent this occurs in practice depends not only on the organizations and their members themselves, but also on the receptiveness of the political system.

Since the legal status and objectives of nongovernmental, non-profit organizations differ from those of the public sector (state, local government, institutions governed by public law), as well as the profit-making private sector, they are often called the *third sector.*

The third sector: current state and developmental trends

The establishment of organizations independent of the state became legally possible in Estonia in 1989, when the ESSR Supreme Soviet approved the Freedom of Association Act. The law deals with political parties as well as other non-governmental organizations. Following the restoration of independence (1991), the number of registered associations increased rapidly, especially starting at the end of the 1990s. Registered third sector associations or non-profit associations are divided into non-profit organizations (MTÜ) and foundations. A fellowship is an informal association established on the basis of the Law of Obligations Act, which is based on an agreement of common intentions. Fellowships are not registered and their number is unknown (for more about the Estonian terminology, see Lagerspetz 2007). Of the laws regulating the activities of non-profit organizations, currently the most important are the Non-profit Associations Act and the Foundations Act, both of which came into force in October 1996, and the Estonian Civil Society Development Concept (EKAK) approved in December 2002. In international comparison, the Estonian legislation is relatively simple – which has both good and bad sides. The establishment of non-profit organizations or foundations in Estonia is not connected, for example, to the number of members, size of the initial capital, or objectives of the activities. Non-profit associations are not prohibited from engaging in economic activities, but all payments and special benefits are subject to taxation. Non-profit associations and foundations can be founded by individuals, institutions of public authority, companies as well as other associations. Associations with different types of founders are not differentiated from each other in statistics or for taxation purposes. Furthermore, no distinction is made between organizations operating in the public interest and in private interests. Under certain circumstances, non-profit associations and foundations that operate in the public interest can be entered in the Government of the Republic's list of associations with income tax incentives. This offers donors the possibility of deducting their donations from their taxable income up to a certain amount. The associations entered on the list can also pay out scholarships based on public competitions that are exempt from income tax. It should be noted that "public interest" is not unequivocally defined by any Estonian law, and that only a small number of those organizations that in practice act in the public inter-

Figure 2.2.1. Fields of activity of Estonian voluntary associations (%)



Source: Rikmann 2007, 117

est are included among the associations with income tax incentives.

The regulation fixed by Estonian law is simple, primarily in the sense that the treatment of various types of non-profit organizations fundamentally resembles the treatment of businesses. Therefore, there is no need in most cases to classify the associations or to assess whether they act in the public interest or not. One resulting problem is the difficulties often encountered by small non-profit organizations, or those with relatively few activities, to cope with the fulfilment of the formal requirements placed on them. A second problem touches on the fact that the equal treatment of the associations in statistics and taxation reduces the possibilities of the state to plan an informed policy regarding the non-profit sector. The point of departure for such policy should clearly be an awareness of the sector's actual diversity and the fact that the relationships of various associations with the public interest differ.

The non-profit or third sector includes all non-profit, nongovernmental organizations, and therefore, all the associations in Estonia that are established and entered in the Register of Non-profit Associations and Foundations. As of September 1, 2007, 25,104 non-profit organizations and 749 foundations were registered. Consequently, there were more than 18 organizations per 1,000 residents, which compared to other Central and Eastern European countries, is a very large ratio (but not yet comparable to Western Europe). The wave of founding new organizations has not yet subsided; during the last few years, new organizations have consistently been established at an average rate of 1,500 per year, faster in Tallinn and small towns (Rikmann 2007: 116). The majority of operating civil society organizations are still very young. However, it should be noted that not all the organizations entered in the Register are actually operating; although it is sometimes difficult to define when an association has conclusively terminated its activities, one can still consider about half of the registered associations to be "zombie organizations".

Among the registered associations, a large group consists of apartment associations, which number more than 8,000. The remaining associations divide themselves between various fields of activity. The greatest number deal with religion, sports, culture or more general free-time activities. Many associations have the objective to protect, promote and represent their membership, some social group, or the interests of some sphere of activity. According to a survey of non-profit organizations carried out in 2005, (see Rikmann et al, 2005) the most important fields of activity are sports and physical training, followed by art and culture. The ratio of religious organizations and advocacy organizations has decreased somewhat. While previously the choice of the legal form of the organization often seemed arbitrary, currently one can notice clear differentiations between the fields of activity of voluntary associations and foundations. The important fields of activity for foundations are the development of society, health care and social services, while sports, culture, and the representation of social groups (or advocacy) are typical of associations. Figures 2.2.1 and 2.2.2 show the main fields of activity of non-profit organizations (N = 606) described in the 2005 survey.

When comparing data from 2005 with the results of a similar survey carried out in 1998, (Lagerspetz et al, 2000) we can see an increase in the ratio of organizations that target groups outside their own membership. A clearer division of labour is also emerging among third sector organizations. Foundations are starting to differentiate from the remaining non-profit sector in that their principal activities are increasingly related to the administration, growth and brokering of financial and other resources. Therefore, in addition to a social mission, they must also have a good command of financial planning. As the organization grows, its operations tend towards increased bureaucratization and its work culture may become similar to that in a public authority or business organization. In contrast, a non-profit association that operates as a membership organization depends, to a great extent, on the characteristics of its members – their beliefs, behavioural patterns, and relationships with the rest of society. These differences have also started to determine the operating modes and areas of activity of various associations. In 1998, the legal form

of organization was not an important factor; at that time, activities were influenced to a greater extent by the size, location and fields of activity of the association.

The development of a work profile for the organizations is a sign that order is being created in the third sector with roles becoming increasingly concrete. In contrast to the second half of the nineties, attempts are no longer made to deal with everyone and everything at once. The objectives are now more clearly defined and the understanding of target groups is shaped on the basis of proven experience. At the same time, the majority of today's nongovernmental organizations have small memberships, less than five years of operating experience, and few resources. For example, the median number of members of the organizations questioned in 2005 is 31, whereas the organizations operating in rural areas are smaller on average than those in small cities; the Tallinn associations are larger than those in other cities.

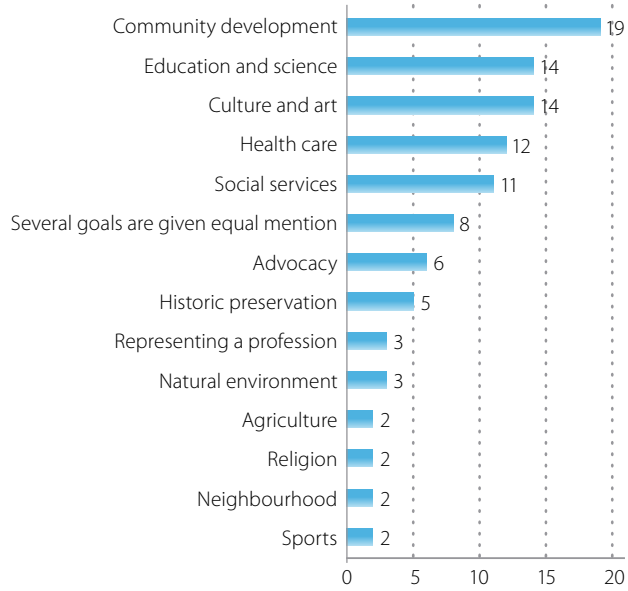
Since the maturing and professionalizing of membership organizations is a long-term process, possibly taking a decade, it depends to a large extent on factors independent of the organization itself, i.e., on its operating environment. It is at this developmental stage that organizations are most in need of outside support. At the same time, the aid and supportive services provided to organizations in Estonia at this time are the scarcest. Rather, it is possible (primarily through the regional support centres of Enterprise Estonia) to get assistance during the establishment of the organization or in the course of preparing complicated project proposals to, e.g., the European Union Structural Funds.

Estonia's civil initiatives in the European context

The number of registered nongovernmental organizations in Estonia has increased rapidly. On a per capita basis, it is currently probably the highest in Central and Eastern Europe. Simultaneously, it should be noted that the number of organizations may not be an indication of activity or social capital, but may also depend on laws, on the structure of settlement and traffic connections, etc.; the large number may not indicate the strength of the civil society, but rather be a sign of fragmentation. We can also assess the strength of civil society, by observing how many people belong to the various types of voluntary organizations or affect civil activity in other ways.

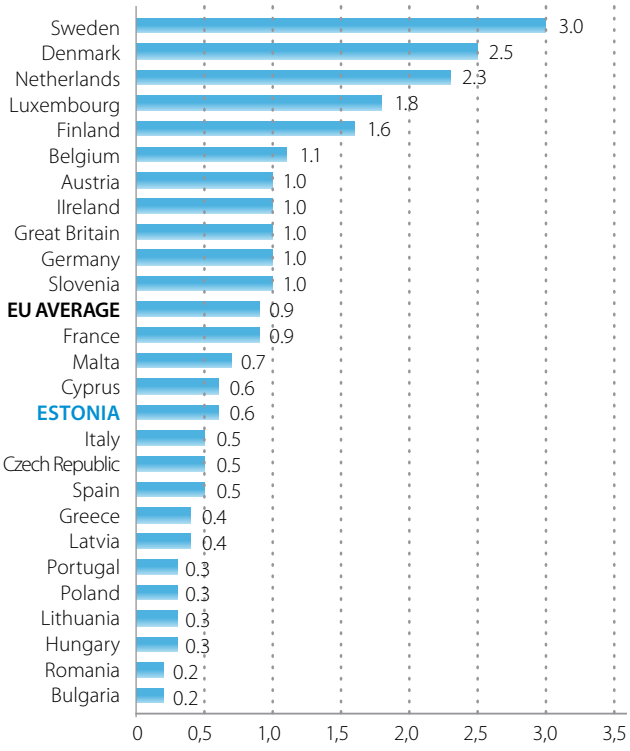
In the course of the Eurobarometer Survey on Social Capital (Rose 2006) organized in 2004, people were asked about their membership of various types of voluntary associations in 25 European Union (EU) countries, and in the two candidate countries (Bulgaria and Romania) at the time. The frequency of membership was highest in Sweden and Denmark – an average of 3.0 and 2.5 memberships per person, respectively. Memberships were least common in

Figure 2.2.2. Principal fields of activities of foundations (%)



Source: Rikmann 2007, 117

Figure 2.2.3. Average number of voluntary associations of which the respondents are members



Source: Rose 2006: 16

Table 2.2.1. The experience of the population with direct civic participation in various regions of Europe. The percentage of respondents that have participated in various activities in Estonia, Western Europe, Eastern Europe and Russia

	Estonia	Western**	Central and Eastern***	Russia
Participation in non-institutional political activity during the last year, % of respondents				
Boycott of a product	4.2	23.9	5.6	3.0
Participation in demonstration	2.0	9.0	1.9	2.8
Membership in associations (active and passive members)				
Political party	4.9	9.4	4.5	3.0
Church or religious association	10.5	46.9	30.2	10.0
Sports or cultural associations	12.3	40.1	26.1	7.5
Other voluntary organizations	6.2	24.9	9.7	2.6

** European Social Survey 2004 (Gallego 2007)*

*** West Germany, Great Britain, Austria, Ireland, Netherlands, Norway, Sweden, Spain, France, Portugal, Denmark, Flanders, Finland*

**** East Germany, Hungary, Czech Republic, Slovenia, Poland, Bulgaria, Latvia, Slovakia.*

***** In 2007 (Lagerspetz et al, 2007)*

Source: based on the ISSP 2004 survey (Lagerspetz, forthcoming)

the two candidate countries (in both, on average the respondents were members in 0.2 organizations). The corresponding EU average was 0.9, while the respondents in Estonia were members in 0.6 associations. Of the new member states, this indicator was the same in Cyprus, higher in Malta (0.7) and Slovenia (1.0), and lower in all the other new member states. Estonia also exceeded countries in Southern Europe such as Italy, Spain, Greece, and Portugal (ibid, p. 16). Countries that fall below the EU average are generally those that have liberated themselves from authoritarian Socialism or are located on the shores of the Mediterranean (see Figure 2.2.3).

Large variances between the European regions are also noticeable in other fields of civil activism (see Table 2.2.1). Generally, the citizens of Central and Eastern Europe fall between Western Europe and Russia with regard to their activism.

Despite the large number of associations, Estonians do not seem to be more active than other Central or Eastern Europeans. In the summer of 2007, 30% of the respondents of the survey were members of at least one nongovernmental organization; among Estonian respondents, the ratio was 35%, while among Russian speakers in Estonia, merely 20% (Lagerspetz et al, 2007). The difference is probably caused, to some extent, by the fact that the cultural traditions of Estonians have supported participation in societal activities more than the historical experience of settlers from other former Soviet Republics. The examples of the old Western democracies, including Finland and the Scandinavian countries, and cooperative relations with their organizations have probably reached Estonians more quickly than Russians. In addition, membership seems to be statistically related to education and income – high income and especially higher education increase the probability of the respondents participating in nongovernmental organizations either as active or passive members (see Table 2.2.2).

At the same time, the majority of the population is not involved in organizations. The apparent inconsistency in the ranking of Estonia in Figure 2.2.3 and Table 2.2.1 can be explained by the fact that of the minority that does participate in organizations many belong to several organizations, a factor which increases the average indicator of membership.

Therefore, one can say that Estonian residents are not more active than citizens of other Central and Eastern European countries. At the same time, there is an important minority among the Estonian population who are active in a variety of ways, and thanks to whom the third sector is relatively visible within Estonian society and in international cooperation.

Cooperation with the government sector

In the 2000s, cooperative relations with the government sector have become an increasingly important factor in the development of Estonia's non-profit sector. This is also reflected in the Estonian Civil Society Development Concept (EKAK) passed at the end of 2002 by the *Riigikogu*, while preparations for it were started in 1999. The principal focus of the Concept is on the relations between the third and the government sectors. The importance of regulating them started to be understood in Estonia at about the same time as in several other European countries, while the British and Canadian examples already existed in the form of cooperation agreements between the government and the non-profit sector. One of the important, but more indirect reasons the topic arose was the spread of the idea of the so-called New Public Management. The proponents of this way of thinking consider it neces-

sary to imitate some elements of market economy in the organization of public administration. Thus it is hoped that greater efficiency can be achieved in governance, and public sector costs can be reduced. One possible conclusion is to transfer the organization of public services to either businesses or nonprofit organizations, who, it is hoped, will execute the services more efficiently and/or at lower cost.

In practice, a large part of the cooperation between the public and third sectors consists of the various services provided for the population by nonprofit organizations based on contracts signed with the public authorities (primarily, the local governments). The cooperation can be initiated by the public authorities organizing project competitions or the nonprofits offering projects for financing by the governmental institution.

However, better regulation of cooperative relationships is also important for the functioning of participatory democracy. Non-profit organizations wishing to function as channels for civil initiatives must find ways to influence political decisions in order to improve opportunities for their positions to be heard. At the same time, the makers of political and administrative decisions may wish to get feedback regarding planned decisions in order to guarantee their practical feasibility and legitimacy. These considerations have given rise to various ways of involving the representatives of non-profit organizations in the decision-making process of different governmental institutions. Currently, it seems that a uniform practice for such involvement has not yet developed, and the practices of different institutions can be very dissimilar (see Lepa et al, 2004).

However, compared to the end of the 1990s, the attitude of public authorities towards civil initiative has changed considerably (Rikmann et al 2007). The nongovernmental organizations themselves perceive this change very clearly, and in surveys, no longer mention the attitudes of public authorities as a distinct problem. Apparently, this is primarily due to an inner growth of civil initiatives. Under the leadership of the more active umbrella organizations (such as the Network of Estonian Non-profit Organizations), civil society organizations have become more self-confident, and in connection with the preparation and approval of the EKAK, have identified themselves as a societal force. The difficulties that the associations tend to highlight today are related to fulfilling their goals and managing their organizations.

The fact that civil initiative has become more active is also acknowledged by the representatives of state authority. However, as already mentioned, uniform regulations or established practices have yet to be developed in the public sector for dealing with nongovernmental organizations. The first real steps in this direction were not taken until June 2006, when the Government of the Republic approved a development plan submitted by the Minister of Regional Affairs to support civil initiative in 2007-2020 (KATA 2006). The objective of the development plan is to establish a uni-

Table 2.2.2. Participation in nongovernmental organizations in Estonia in 2007 in various population groups (the share of active and passive participants in nongovernmental organizations in the respondent group, N = 1,208)

Various socio-demographic indicators		Participate in at least the work of at least one nongovernmental organiza-	Participate in at least the work of at least one non-governmental organization as an
Gender	female	15.1	29.7
	male	19.7	21.2
Ethnicity	Estonian	21.0	35.1
	Other	9.2	20.7
Educational level	Elementary education	6.6	22.7
	Basic education	9.1	20.5
	Secondary education	16.3	28.2
	Basic and secondary vocational education	14.7	28.8
	Secondary and secondary vocational education	14.7	26.1
	Higher education	33.0	49.4
Age	18-29	22.6	33.0
	30-39	14.6	27.9
	40-49	21.2	34.9
	50-59	14.2	26.4
	60+	13.8	29.4
Personal monthly income of the respondent (net)	2,000 EEK or below	12.0	22.2
	2,001-3,000 EEK	10.2	21.3
	3,001-4,000 EEK	11.5	23.8
	4,001-6,000 EEK	17.6	33.3
	6,001-8,000 EEK	18.0	33.1
	8,001-10,000 EEK	25.0	40.5
	Over 10,000 EEK	36.8	48.9

Source: „Isiku omaduste või sotsiaalse positsiooni tõttu aset leidev ebavõrdne kohtlemine: elanike hoiakud, kogemused ja teadlikkus" (commissioned by the Ministry of Social Affairs, see Lagerspetz et al, 2007)

form approach for the governmental sector to support the development of civil initiative.

The idea of public interests executed outside the government institutions is still largely absent from political discussion. There is some reason to fear that the readiness of political decision makers to create opportunities for nongovernmental organizations to participate even decreased in 2007. After the street riots by mainly Russian-speaking young people in Tallinn in April, the public political discussion has adopted a more confrontational tone. The government seems less interested in searching for compromises with societal groups representing other interest and values. It is not yet clear how enduring these changes are, or even how directly the political discussions will influence the practical cooperation between the public authority and nongovernmental organizations. In any case, one can say that an introduction of the ideas of deliberative democracy is to Estonian politics and public administration is far from easy. As a result, decisions about involving civil initiative in cooperation with the public sector still depend to a great extent on either the subjective decisions of officials or the prevailing political atmosphere. In 2004, it appeared from a survey conducted in the Riigikogu that the opposition parties were significantly more interested in communicating with interest groups than the coalition parties (*Riigikogu,* 2004). Regular and transparent mechanisms for involving civil initiative do not operate yet. A survey of civil servants conducted at the end of 2006 showed that cooperation and its efficiency depend on the civil servants' personal values and attitudes rather than on their work assignments (Rikmann et al. 2007).

The contractual provision of public services as well as participation in political decision-making processes place similar demands on non-profit organizations. What will be important is the ability of the associations to comply with standards in regard to their administrative, reporting, and communications methods, which are typical of negotiations between institutions of public authority. Therefore, cooperative relations tend to make the activities of non-profit organizations more formal, and more similar to the activities of institutions of public authority. The negative side of such developments is the danger that the associations and their leadership will move further from their members. This may in turn reduce the actual ability of the associations to operate as channels for initiatives coming from below. Thus when presenting their positions, they will be left without the backing that a numerous and active membership can provide.

In summary

Organized civil initiative is one of the components of modern democracy. As with other elements of democracy, it needed to be rediscovered during the establishment of a democratic system of government. The laws regulating voluntary organizations are relatively liberal in Estonia, which has promoted the establishment of new non-profit organizations and foundations. The organizations have had a significant role to play in the development of various spheres of society – the strengthening of local life and local identity, the representation of various social groups in public discussion and increasingly in providing public services. The outsourcing of public services to non-profit organizations, as well as the participation of the associations in discussions on political decisions, has increased the attention paid on the relations between the public and third sectors. The general principles that are the basis for them are expressed in the EKAK. At the same time, the involvement of nongovernmental organizations in political decision-making is still more or less haphazard and dependent on the previous experience of the decision-making official and/or agency. For their part, nongovernmental associations need to make conscious efforts in order to improve the professionalism of their work.

By international comparison, Estonia has a relatively large number of non-profit organizations. The third sector has been able to make itself visible; one expression of this fact is that by approving the EKAK, Estonia became one of the first countries to work out such a document. At the same time, population surveys do not show very large participation in associations or other forms of non-institutional political activities. Some residents are very active, but two-thirds to three-fourths do not participate in the work of any nongovernmental organization. Participation seems to be typical among people with higher education and higher income, and Estonians tend to be more active than Russians. Alongside professionalization, recruiting new members and activating existing ones is the second important challenge - maybe even the more important one from the standpoint of sustainability.

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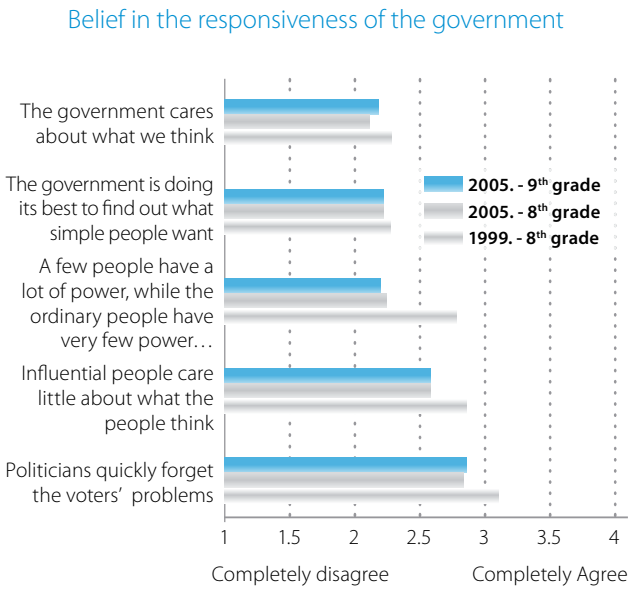
2.3. School democracy in Estonia

The attempt to develop school democracy in the re-independence period has a history of more than ten years. The national curriculum approved in 1996, which established civics as compulsory subject in basic school, became the impetus for writing new textbooks and for in-service teacher training. Similar to (but not in coordination with) the curriculum reform, the Basic School and Upper Secondary School Act was amended during subsequent years. This was expected to provide support for school democracy and the more efficient involvement of the concerned parties. The important interest groups involved in educational policy also consolidated at the turn of the century. In 1998, the Estonian Parents Association and Student Governments Union were established, and in 2000, the Education Forum, which had already operated as a think tank since 1995, was given an organizational form. Thanks to these steps, reports by the Council of Europe and the European Commission give an impression of Estonia as a country with strong school democracy (see Eurydice, 2005; Council of Europe, 2004).

The stories that appear in the media from time to time about violence between students as well as teachers and students have become an unpleasant counterbalance to these positive developments. The school staff complains about the increasing condemnation of the public relating these events, while they feel powerless to change the situation. Estonia seems to be in a paradoxical situation, where the participation of various stakeholders (students, parents, and teachers) in the organization of school life is guaranteed by standards and legislation, but in reality the picture is not so good. Situations where the rules of democracy are not the basis for everyday communications can also occur in developed democracies, but are more typical of young, still developing democracies. According to Linz and Stepan (1996), democracy can be considered established, or consolidated only when democratic principles are followed in all spheres of public life including education and schools . The issue of the sufficiency or deficit of democracy in schools is not just an educational problem. Since schools are among the key institutions of society, then the practices acquired there have impact on other institutions and areas. In turn, the attitudes and behavioural patterns widespread in society are reflected in schools.

According to the dominant standpoint, civic education and the students' participation in school life always contributes to the democratic-mindedness of the students (see Torney-Purta et al., 2001). Based on this, it is concluded that in order to overcome a deficit of democracy, both teaching and involvement must be increased. However, recently it has become evident that the influence of civic education may be much more complicated than assumed – sometimes even contradictory. The negative participatory experience received

Figure 2.3.1. Students' external efficacy, mean values at 4-point scale



Source: IEA CIVED 1999, CivEdEst, 2005

from school can cause a boomerang effect, making teenagers critical to democracy (Weller, 2007). The students that have higher democratic knowledge are less willing to be engaged in civil society activities, while students belonging to the students' council show below average knowledge and low support to the principal values of democracy (Toots, 2005). Especially sensitive is of the study of formal civic education in ethnically divided societies. The national minority can see the citizenship model offered by the dominant nation as an attempt to suppress their cultural identity and "domesticate" them, which is why they have a repellent attitude towards the civics teaching in the curriculum (Farnen 2003, Ichilov 2007).

The introduction of civics into the national curriculum was definitely a necessary, but non-sufficient tool to form a democratic civil society. Research conducted in England in 2002 regarding the introduction of compulsory civic education revealed that the subject is boring for students, while no notable progress in democratic attitudes or practices were noticed (Weller 2007, Cleaver et al., 2005). In Estonia, the weakness of the civic education curriculum has also been often criticized, but as a rule, this criticism is not supported by proved arguments and information.

Following is an attempt to examine whether the creation of a legal framework for school democracy and the introduction of compulsory civic education have changed the attitude of the students toward participatory activism and school democracy. For this, we use the concept of political efficacy. Political efficacy is understood as the belief of the citizens that they are able to influence politics. Such a belief develops as a result of long-term political interest and its successful realization. The sub-types of political efficacy are individual and collective efficacy. The former measures how much a person believes that he or she understands politics and is able to influence it; collective efficacy demonstrates a group's conviction that they can successfully resolve community problems through acting together. External efficacy can be added to these two, which could also be called government responsiveness. It demonstrates how much people believe that the government listens to the voice of the public and takes it into account. Low self-esteem is considered to be an important cause of the people's political passivity, but for young people, school is the primary place where self-belief and efficacy is tested. First, let us examine how the level of the students' political efficacy has changed within the years. In the second part, we attempt to discover the factors that influence this. We will also examine how belief in one's participatory actions is related to higher knowledge and membership in student councils and how much the attitudes of Estonian and Russian students and those in urban and rural schools differ.

Our analysis is based on the international IEA[5] civic education study, which surveyed 3,434 eight-grade students in 1999. Six years later, a repeat study was carried out in Estonia with 3,099 respondents from the eight-grade and 2,743 from the ninth-grade. The ninth-graders had passed the civic education subject, the eight-graders not.

Changes in political efficacy in 1999-2005

The perception of the responsiveness of those in power by Estonian teenagers has become slightly more positive during these years. Thus, the number of students who think that power in Estonia has converged into the hands of a few who do not care about the people has decreased. At the same time, the number who believe that the government pays attention to the opinion of the people has also decreased (see Figure 2.3.1). The ninth-grade students that had studied civics understand that concentration of power in the hands of narrow clique is not realistic in democratic Estonia, but think this does not stop politicians from ignoring the interests of the voters.

With respect to individual political efficacy, the trends differ somewhat within age groups and grades. Today's eighth-graders have the lowest belief in the success of their own actions, their indicator falls below that of the same age group in 1999. Although neither

[5] IEA – International Association for the Evaluation of Educational Achievement

of these two groups had completed the subject of civic education, the eighth-graders from 1999 reported that they could understand political problems and get involved at the same level as the ninth-graders of today. The ninth-graders were more interested in politics than the younger students, and the level of their knowledge was almost 10% higher, however, higher knowledge does not significantly increase the belief of the students in their capacity to act (Figure 2.3.2).

The third type of efficacy, collective, is most closely related to school. This shows whether the students believe that acting together they could have a greater impact on school life. Unfortunately, this belief has decreased over the years among both eighth- and ninth-graders. In six years, the readiness to participate in any activities decreased, while the largest decrease was in the number of students willing to go and talk to a teacher with classmates that had been treated unfairly. In 1999, 71% of students would be willing to do so, but in 2005, only 57% of eighth-graders and 61% of ninth-graders gave affirmative answers (Figure 2.3.3).

A survey conducted a year earlier (2004) on the school environment and students' ability to cope revealed similar traits of aloofness and conservation as our study of the teachers. Every fifth teacher has noticed students that shy away from their colleagues and every second teacher knows a colleague that shies away from children, but as a rule this knowledge is not followed by intervening behaviour (Sarv, 2007).

The belief in organized actions that are based on representative student democracy has also decreased. Among the eighth-graders 25% and among the ninth-graders 20% do no feel that electing a student council would make school life better. The young people would rather just support joint actions, without there being a specific organization behind it. Teachers are even more sceptical about the impact of student self-government. 47% of teachers think that student self-government does not have a significant role in the life of their school (Sarv 2007).

In contrast to individual efficacy, where political interest had increased within the years despite of declining self-efficacy , in the case of collective efficacy the interest in school affairs is disappearing. Half of the ninth-graders and more than half of the eighth graders do not want to participate in discussions related to school problems. More or less the same number of teachers also feels that students should not be involved in discussions about planning of teaching or teaching methods (Sarv, 2007).

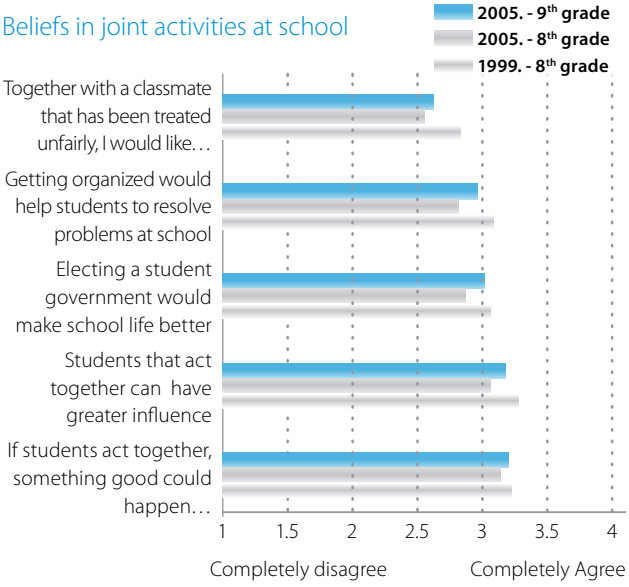
This declining efficacy is accompanied by the students' decreasing trust towards school. Although school is still the most trustworthy institution for teenagers, about one third of the ninth-graders do not trust it. Moreover, school and the media are the only social institutions that the students trusted less in 2005 than in 1999.

Summarizing the comparison of the three subtypes of political efficacy, one can conclude that today's eighth-graders are the most critical (see Table 2.3.1). Arrival in the 9th grade (along with completion of civic classes) somewhat improves the attitude of the teenagers towards the democratic governance in country, but does not significantly affect their belief that they either alone or together could change anything in school. Although teenagers are sceptical about their own ability to affect politics, they tend to believe in the efficacy of joint activities. At the same time the declining trend in the level of collective effectiveness is worrying.

Figure 2.3.2. Students' personal efficacy, mean values at 4-point scale

Source: IEA CIVED 1999, CivEdEst, 2005

Figure 2.3.3. Students' collective efficacy, mean values at 4-point scale



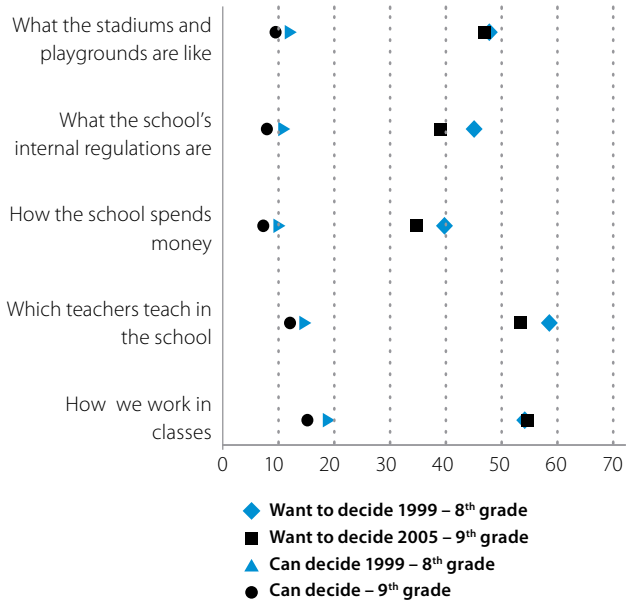
Source: IEA CIVED 1999, CivEdEst, 2005

Table 2.3.1. Summary of the sub-types of political efficacy mean ratings, (1 is the lowest, 4 is the highest rating)

	1999,	2005,	2005,
External efficacy	2.17	2.16	2.23
Individual efficacy	2.25	2.12	2.27
Collective efficacy	3.08	2.87	2.98

Source: IEA CIVED 1999, CivEdEst, 2005

Figure 2.3.4. Answers to the question: "As a student of your school, how much would you like to and how much you actually can decide about the following?" % of respondents



Source: IEA CIVED 1999, CivEdEst, 2005

Table 2.3.2. Factors affecting individual and collective efficacy, Pearson coefficient

	Connection with the collective efficacy	Connection the open class-	Connection with the individual efficacy
Level of knowledge	.15**	.23**	.10**
Interested in politics	.27**	.19**	. 74**
Interested in school affairs	. 44**	.25**	.36**
Participates in student government	.05**	.00	.02
Hangs out at night	-.06**	-.10**	-.05**
Socio-cultural Status of the family	.06**	.08**	.15**

*** statistical significance at p ≤ 0.01*

Source: CivEdEst 2005, 9th grade

Interest and participation as predictors of efficacy

According to general assumption mainly two factors affect political efficacy – firstly, people's interest and competencies, and secondly, successful practical experience. If the opportunity to practice is lacking, the belief in one's capability may decrease and finally result in a loss of interest also. Therefore, it is important to study whether and to what extent, it is possible for young people to test in practice that their actions make difference.

As expected, students' willingness to be involved in school life exceeded the opportunities in multiples. About 50% wanted to participate in decision making, but only about 10% of the respondents could do so. The students would most like to participate in the selection of teachers and issues in regard to what happens in classes (53%); they are least interested in how the school spends money on (35%), and paradoxically also what the school's internal regulations are (38%). It seems that this result reflects the characteristic subject- and class-centeredness of Estonian school life. The students primarily want to influence what takes place in classes; the school as a social environment is less important to them. The students' real opportunities for decision making were the lowest in questions concerning out-of-classroom activities.

In addition to a great difference between attitudes and practices, another worrying trend appeared. In six years, the willingness of young people to decide has decreased, as has their actual opportunity to do so, while the ninth graders were the most critical in assessing the actual opportunities for decision making. For example, only 8% of students report that they can decide what the internal regulations of the school are, and 15% how they work in classes (Figure 2.3.4).

It seems that the developments that have taken place in the field of education in the period between the two surveys like the enactment of the new national curriculum, the concretization of the functions of student government, the broader rights of students and parents have not increased the substantive involvement of students in the decision making in schools. Even being active in student government does not increase the belief in the influence of one's actions (see Table 2.3.2).

Somewhat surprisingly, the connection between the level of knowledge and individual efficacy turned out to be weak. On the one hand, this can be explained by the greater self-criticism of smarter students. On the other hand, self-confidence is affected much more by the single item "am interested in politics" than by the total knowledge about democracy. important role of purposeful interest compared to general knowledge is also confirmed by the fact that the influence of knowledge on collective efficacy has not increased in the 9th grade. Apparently, the competency acquired in civic education is not related to activities in one's own school.

Out of school factors, such as how the young people spend their leisure time and the status of the family's socio-cultural status are less related to the efficacy indi-

cators than in-school factors. So, the number of books at home and an increase in the educational level of the parents increases the children's belief in their own efficacy , but does not change the attitude toward joint activities at school. Just hanging around without any purpose is even negatively related to efficacy indicators and to the positive perception of classroom climate.

School ethos and language of tuition

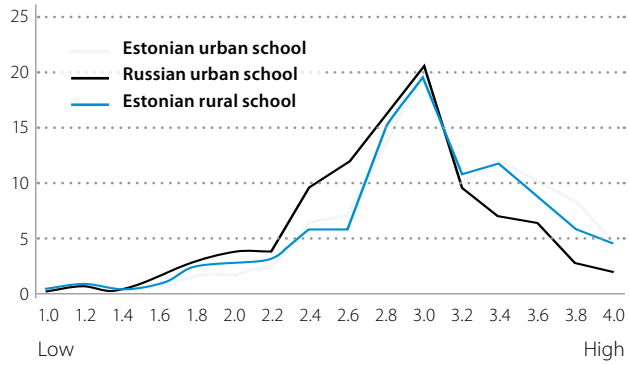
Many recent surveys have revealed differences in the school culture of schools with Estonian and Russian language of instruction. Among other things, it became clear that Russian-tuition schools are slightly more authoritarian (Veisson et al., 2007) and have stricter internal regulations (Toots et al., 2004). Contrary to popular opinion, the relations between students in Russian-tuition schools are somewhat less friendly than those of Estonians, and the mutual solidarity is also weaker (Ruus et al., 2007). At the same time, Russian schoolchildren are more than Estonians willing to volunteer in their neighbourhoods, to collect money for charity, to join political parties and run for the city council (Toots et al., 2006). Therefore, Russian-speaking young people seem to be more oriented towards extra-school than in-school democracy.

In their attitudes toward the government and politics the Estonian-language and Russian-language schools, as well as urban and rural schools, tend to have more similarities than differences. In their attitude to their individual efficacy, only the eighth-graders from rural schools, whose self-confidence in understanding political problems is slightly lower, differed from the rest. However, in the 9th grade the rural schools undergo a greater change than the others, and by the end of the basic school, all school types are equal. It is possible that this indicates the ability of the Estonian education system to relatively successfully help weaker students catch up; a feature revealed also by the PISA study.

With respect to collective efficacy, schools with Estonian and Russian language of instruction differ to a great degree. still differ somewhat. There are more students in Estonian urban schools who have a high collective efficacy index, (3.5-4.0), while in Russian-tuition schools there are more students with low indexes (2.2-2.6) (Figure 2.3.5).

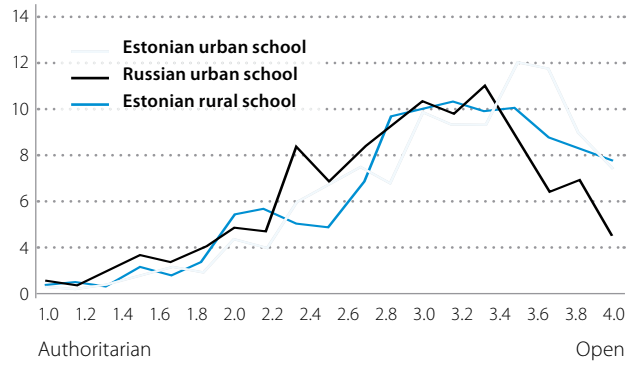
Still, one should not overestimate the differences of collective efficacy between schools. The students' belief in joint activity is related more to the openness of the classroom climate than to the working language or location of the school. We considered the classroom climate to be open if the students can openly disagree with the teacher, if they are encouraged to form and express their own positions, if problems are treated from different viewpoints, and if the problems causing dissenting opinions in the society are discussed. Students who perceive the classroom climate as open also have a stronger belief in the efficacy of joint actions. In Russian-tuition schools, there are fewer children who consider their classroom climate to be maximally open than in Estonian schools (Figure 2.3.6 scale of 3.7-4.0).

Figure 2.3.5. Belief in joint activities at school, % of students with the corresponding attitude



Source: CivEdEst 2005, 9th grade

Figure 2.3.6. Perception of the open classroom climate, % of students with the corresponding attitude



Source: CivEdEst 2005, 9th grade

This might be an explanation for the lower belief of students in Russian-language schools in joint activities. Thus one can suggest that school ethos is more important than the language of instruction.

In summary

During the last ten years, an advanced legal framework has been implemented in Estonia for the school democracy; many strong national interest groups are active in the field of general education. Civic education has been a compulsory subject in basic schools for the same period, which should support the enhancement of democratic values stated in the general part of the national curriculum.

Unfortunately, the existence of these formal preconditions has not been sufficient to develop a vital school democracy. Students aged 14 to 15 tend not to believe that they could have a say in politics or that those in power will listen to the citizens' opinion. The belief that it is possible to achieve positive change by

acting together is lower in 2005 than it was in 1999. Current civic education improves the attitudes and knowledge regarding national government, but leaves attitudes toward one's own school as an arena of democracy unaffected. As students become older, the interest and opportunities in participating in school life do not increase, but rather decrease.

Belief in oneself and in the actions of the community is mostly related to interest in school affairs or politics, while the link between the levels of general society-related knowledge and efficacy indicators is very modest. The practices have a minimal effect on the political effectiveness indicators. On the one hand, there are few young people who have practical experience in student government (about 20%), and on the other hand, this practical work is not of "high-quality", i.e. does not affect the belief of the participants in the rationality of acting and does not form democratic attitudes. Somewhat surprisingly, organized pro-political activity (student government) and informal hanging out, which provokes conflicting opinions, have a similar effect.

Therefore, of the two factors that influence efficacy – interest and opportunities to act – the situation with the former is much more positive. Almost half the 14- to 16-year-olds are interested in politics and the organization of school life, but only 10-20% can actually participate in decision making. Thus, three-quarters of the interested young people cannot realize their plans.

The positive message of the entire analysis is that the most important factors of political efficiacy are located in the school system and therefore the state of affairs could be advanced by education policy. The critical message is that much has been said about the need to provide young people with meaningful opportunities to practice democratic skills. Unfortunately, changes in the organization of school life have not been achieved yet. As long as democracy starts and ends with civic education classes, one cannot expect a breakthrough in the students' perception of an active citizen's role.

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Chapter III

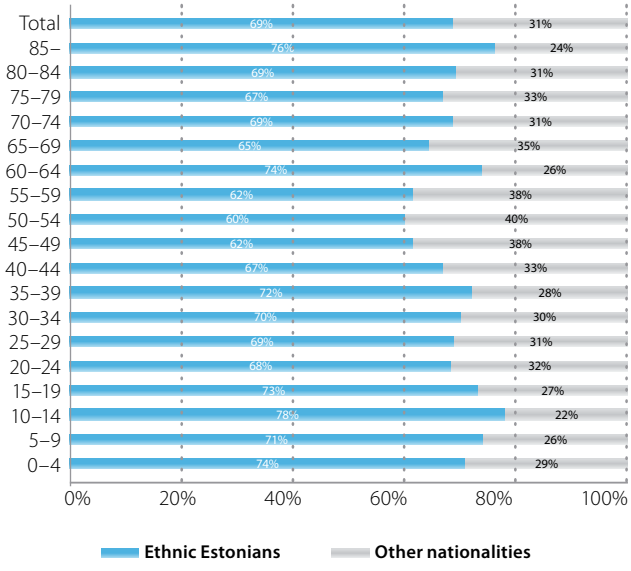
Non-Estonians as Part of Estonian Society

3.1. Non-Estonians as part of the population and citizenry of Estonia

Estonia today is an ethnically diverse society with members of more than a hundred ethnic groups in addition to ethnic Estonians as the core nation. According to Statistics Estonia, the population of Estonia in 2007 was 1,342,409, of whom 921,062 (68.6%) were ethnic Estonians. Consequently, 421,347 persons (31.4%) belonged to other ethnic groups, including 344,280 Russians, 28,158 Ukrainians, 16,133 Belarusians, 11,035 Finns, etc.

Relations between ethnic Estonians and members of the other ethnic groups are still affected by the burden of Soviet policies – memories of Stalinist deportations and the Russification policies of the 1970s and 1980s are still alive in the minds of ethnic Estonians, sustaining their fear of becoming a minority in their own country. It is true that when we look at the ratio of ethnic Estonians to non-Estonians by age groups (Figure 3.1.1), we see that among persons currently middle-aged (aged 35–54), the ratio of non-Estonians has remained at 35–40%. If we follow the changes in the relative weight of ethnicities in the younger age groups however, the situation seems to be changing: the percentage of ethnic Estonians among children of school age (aged 7–16) has increased to 77–78%. The growing numerical superiority of ethnic Estonians will hopefully contribute to their liberation from the post-colonial attitude focused on self-defence and fears of national disappearance, thereby setting the stage for the democratic development of interethnic relations.

Figure 3.1.1. The percentage of ethnic Estonians and other ethnic groups in 2007 by age groups



Source: Statistics Estonia

Meanwhile, the attitude of the non-Estonian population towards their new homeland is also undergoing a change with citizenship being the clearest indicator. If we compare 2007 with the time of the restoration of independence, when the term "Estonian citizen" was practically equivalent to the term "Estonian" in meaning, the change is impressive. Despite the fact that foreign observers and often ethnic Estonians themselves frequently speak of all non-Estonians as "non-citizens", the percentage of Estonian residents without Estonian citizenship (16.3%) is just over half that of the total percentage of non-Estonians in the population.

According to the Estonian Ministry of Foreign Affairs, 1 million 139 thousand and 599 Estonian citizens lived in Estonia as of 2 July 2007 . By hypothetically equating the number of ethnic Estonians (approximately 921,500) with the number of Estonian citizens of Estonian ethnic background, it is possible to calculate the approximate number of Estonian citizens belonging to other ethnic groups – 218,000 persons or roughly 19% of the citizens of Estonia. Meanwhile, the number of persons with undetermined citizenship among permanent residents of Estonia was 115,274, the number of Russian citizens was 91,854, the number of Ukrainian

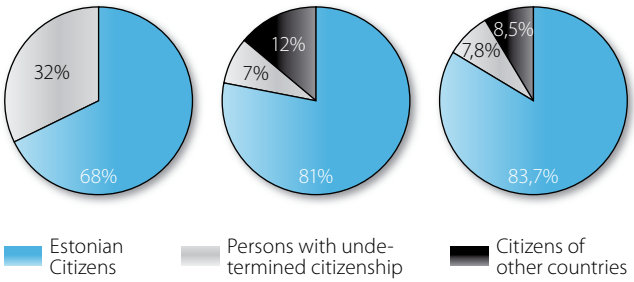
citizens 4,608, the number of Finnish citizens 1,948, the number of Latvian citizens 1,574, the number of Belarusian citizens 1,347 and the number of Lithuanian citizens 1,346. The changes in the makeup of the population of Estonia are characterized by Figure 3.1.2.

This means that we can speak of two parallel developments affecting the relations between the majority and the minorities: the gradual increase in the ratio of ethnic Estonians (up to 70%) on the one hand, and the increase in the percentage of non-Estonians among Estonian citizens to nearly a fifth of the citizenry on the other hand. The year 2007 can be viewed as a kind of a turning point where we have to ask whether the social, economic and political developments of the future will be positive or negative. The emotional shock experienced during the so-called April crisis, along with its short-term and long-term effects, is not the only event of fundamental importance to have occurred in 2007. A less dramatic event, but one with a definitely more profound effect is the change in the relationship between Estonian and Russian as languages of instruction, seen against the backdrop of the general decrease in the number of students (Table 3.1.1) and the partial transition of Russian language upper secondary schools to instruction in Estonian, launched in 2007.

Furthermore, the ratio of ethnic Estonians to residents of other ethnic groups in the population will be significantly influenced by the acceleration of emigration and immigration caused by Estonia's accession to the visa-free Schengen area at the end of 2007. This will result in an increase of freedom of movement and new job opportunities in the European Union. These benefits also apply to Estonian residents with undetermined citizenship and Russian citizens living in Estonia. There are already signs of a growing immigration pressure on the ethnic Estonian population. During the first 10 months of 2007, the Ministry of Social Affairs granted work permits to 620 immigrants, of whom 542 were from Ukraine, 31 from Russia, Belarus, Azerbaijan and Georgia, 33 from Asia, 14 from America and 1 from Africa.

The current chapter attempts to describe the present situation of non-Estonians residing in Estonia in the Estonian society, in order to facilitate the comprehension of the processes that are now underway and the development of corresponding policies.

Figure 3.1.2. Changes in the ratio of persons of different citizenships in the population of Estonia



Source: Estonian Ministry of Foreign Affairs (see http://www.vm.ee/estonia/kat_399/pea_172/4518.html)

Table 3.1.1. The changing of the relative importance of Estonian and Russian as languages of instruction in general education schools

School year	1999 /00	2000 /01	2001 /02	2002 /03	2003 /04	2004 /05	2005 /06	2006 /07
Russian as the language of instruction: number of students	61 094	57 685	54 308	50 301	46 401	42 525	37 648	33 308
Percentage of students learning in Russian	28%	27%	26%	25%	24%	23%	22%	20%
Estonian as the language of instruction: number of students	154 747	154 499	153 304	149 857	145 187	139 771	133 483	127 357
Percentage of students learning in Estonian	72%	73%	74%	75%	75%	76%	77%	78%

Source: Ministry of Education and Research

3.2. The socio-economic situation of non-Estonians

The situation of non-Estonians in the Estonian labour market has been treated in detail by M. Pavelson (Pavelson 2002, 2006), who has pointed out constant structural differences between the employment and economic situation of ethnic Estonians and non-Estonians. The origins of these differences date back to the times when workers and engineers were brought in from Russia to man the major factories and construction projects related to the Soviet military industry. During the Soviet times, the military industrial complex provided the unilingual working class, engineers and technical staff with a higher than average status, income and better access to social services. However, they also belonged to the social stratum which was

Table 3.2.1. The dynamics of the employment rate and unemployment rate of 15–74-year-olds in 1997–2006 by nationalities

Year	Employment rate, %			Unemployment rate, %		
	Ethnic	Non-		Ethnic	Non-	
1997	59.6	56.3	58.5	7.8	13.2	9.6
1998	58.8	55.6	57.7	7.9	13.6	9.8
1999	56.3	53.6	55.3	9.8	16.5	12.2
2000	55.5	53.2	54.7	11.1	18.0	13.6
2001	56.1	53.4	55.2	10.4	16.8	12.6
2002	57.1	53.5	55.9	7.9	14.9	10.3
2003	58.3	53.7	56.7	7.3	15.2	10.0
2004	58.5	53.8	56.8	6.4	15.6	9.7
2005	58.7	56.3	57.9	5.3	12.9	7.9
2006	62.8	59.2	61.6	4.0	9.7	5.9

Source: Statistics Estonia

hit hardest by the wave of privatization and structural changes in the Estonian economy in the 1990s. The socio-economic inequality generated by the structural changes has proven to be a remarkably constant factor influencing the situation of non-Estonians, and has unfortunately not received the attention it deserves in the integration programs developed to date.

Although the fast economic growth of recent years has increased the prosperity of both ethnic Estonian and non-Estonian residents of Estonia, it has also raised people's expectations and made them want to catch up with developed European countries not only economy-wise, but also in the areas of social security, self-realization and quality of life. These heightened expectations are also reflected in the growing importance of socio-economic integration, or in other words, the increase in attention towards the (in)equality of socio-economic opportunities of people belonging to different ethnic groups. Furthermore, the opening of the Estonian labour market to the European Union and the concurrent decrease in Estonia's population due to negative natural population growth has exacerbated the human capital deficit and problems related to the sustainable use of human capital. This highlights the need to devote greater attention to harnessing more effectively the potential of non-Estonians in the Estonian labour market (Lauristin, Korts, Kallas 2007: 3).

Labour market

The Estonian labour market in the last decade of the 20th century was defined by the decrease in population of more than 250,000 persons (more than 150,000 ethnic Estonians and nearly 100,000 non-Estonians) engaged in it. This was caused by both an economic recession characteristic of transitional economies and a decrease in population brought about by Estonia's negative natural population growth and negative migration balance. During the period 1989–2000, the activity rate of 15–69-year-olds fell from 76% to 66% and the employment rate fell from 75% to 58%, while the unemployment rate grew from 1% to nearly 14% (Table 3.2.1).

As a result of Estonia's long-term fast economic growth, the employment rate has increased and the number of unemployed has decreased since 2001, with the employment rate growing by more than 5 percentage points and exceeding 60%, and the unemployment rate falling to 6 per cent.

Statistical analyses have shown that compared to ethnic Estonians, the decrease in activity rate and increase in unemployment has been proportionally larger in the case of non-Estonians (Table 3.2.1). Persons belonging to different ethnic groups should have equal opportunities in the labour market as subjects of economic processes, but in most countries the situation is somewhat more complicated for non-native ethnic groups in the labour market. The problems experienced by ethnic minorities in the labour markets of various countries are similar. They stem primarily from the lack of language skills, the weakness and smaller number of social networks compared to the main ethnic group and the difference in the attitudes and relations of the ethnic groups.

The employment rate of non-Estonians, which has grown less during recent years than the employment rate of ethnic Estonians, experienced a major boost in 2005, bringing the employment gap between ethnic Estonians and non-Estonians down to 2.4 percentage points (58.7% and 56.3%, respectively), compared to 4.7 percentage points in 2004. Still, the positive developments of recent years in the labour market (general increase in the employment rate and decrease in unemployment) have had a lesser effect on non-citizens. In effect the increase in employment and decrease in unemployment of citizens of other countries residing in Estonia has occurred at a slower pace. Young people between the ages of 15 and 24 are at greatest risk of unemployment among both ethnic Estonians and non-Estonians. Their unemployment risk averages 5 per cent higher than the general unemployment rate for ethnic Estonians and 15 percentage points higher in the case of non-Estonians. The most secure position in the labour market is enjoyed by non-Estonians between the ages of 50 and 64, whose unemployment rate is lower than Estonia's average unemployment rate.

The topic sheet of the series of publications of the Ministry of Social Affairs entitled Risk Groups in the Labour Market: the Long-Term Unemployed mentions an inability to communicate in Estonian as one of the causes of long-term unemployment. Thus the long-term unemployment rates for ethnic Estonians and non-Estonians differ several-fold, and in 2004 non-Estonians made up 64% of the long-term unemployed, with the percentage as high as 72 in case of women.

Ethnicity-based differences in the labour market

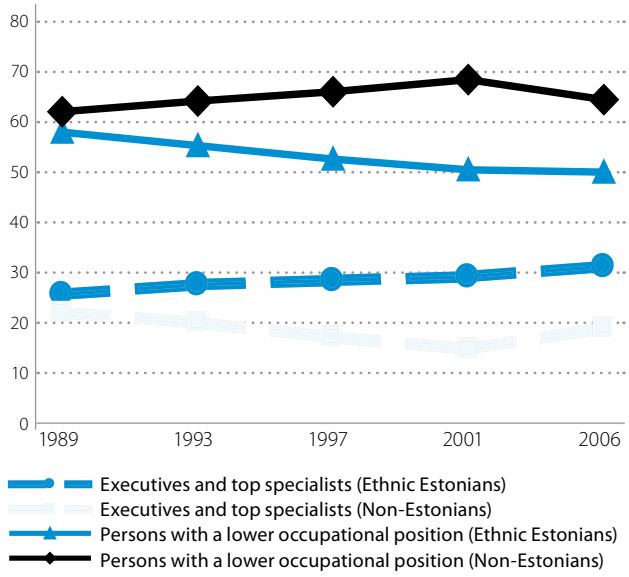
The employment of ethnic Estonians and non-Estonians has traditionally been different – for a long time,

non-Estonians have been mainly active in industry, while ethnic Estonians have been employed in the agricultural and service sectors. As a result of economic reforms, the relative importance of the primary and secondary sectors has decreased significantly. While 21% of all employed persons were employed in the primary sector and 37% in the secondary sector in 1989, in 2006 the corresponding figures were 5% and 34%. Concurrently, a significant reduction in the sectoral ethnic separation in the labour market has also occurred – the largest difference in the structure of employment of ethnic Estonians and non-Estonians is still the larger proportion of non-Estonians employed in the secondary sector (42% of non-Estonians compared to 30% of ethnic Estonians). If the current economic development continues, however, the sectoral structure of employment of ethnic Estonians and non-Estonians can be expected to equalize further.

The differences between the socio-economic structures of ethnic Estonians and non-Estonians become clear when we compare their occupational positions. Figure 3.2.1. and Annex 3.2.1 show us that the positions of executives and top specialists are being increasingly filled by ethnic Estonians – the ratio of executives and top specialists among ethnic Estonians has risen to nearly one third compared to a quarter in the beginning of the 1990s. The ratio of executives and top specialists among non-Estonians has instead decreased. The employment of non-Estonians as manual workers and attendants and the placement of ethnic Estonians into specialist and executive positions has been a steady trend over the years. This has resulted in an increasing number of white collar positions being filled by ethnic Estonians and blue collar positions being filled by non-Estonians, causing a tendency towards decreasing social mobility among non-Estonians (Pavelson 2002).

The success of both ethnic Estonians and non-Estonians in the labour market is affected mostly by education. Yet the position of non-Estonians in the labour market is worse even compared to ethnic Estonians with the same education. The fact that non-Estonians with higher education have a smaller chance of finding employment corresponding to their educational level compared to ethnic Estonians with the same education has an especially negative effect on the social status and self-image of non-Estonians. The data of the 2004 European Social Survey indicates that older non-Estonians (between ages 46 and 60) with higher education are the most disadvantaged in the labour market: just under one third of this group has found employment as executives or top specialists, while only one fifth of all non-Estonians under 30 with higher education are employed as executives or top specialists with more than half of them working in lower positions as attendants, operators and manual workers (Table 3.2.2). Among ethnic Estonians with higher education who belong to the same age group, the ratio is almost the opposite. Regarding ethnic Estonians, the generation of young people (under 30) with higher education is proportionately the most successful – 60% of the people who belong to this group work as executives or top specialists. (Unfortunately

Figure 3.2.1. Changes in occupational positions among ethnic Estonians and non-Estonians 1989–2006



Source: Statistics Estonia

Table 3.2.2. The distribution of employed persons with higher education by age and ethnic group in 2004 (%)

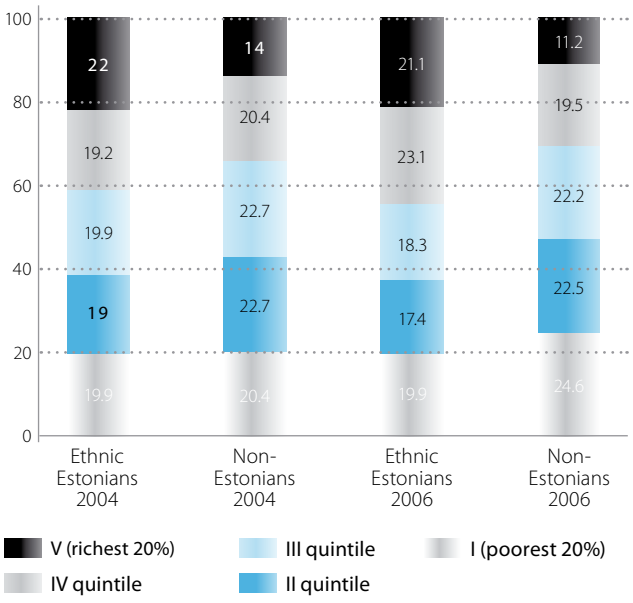
Age group	Executives and top specialists		Specialists and officials		Persons with a lower occupational position	
	Ethnic	Non-	Ethnic	Non-	Ethnic	Non-
15–30	59.3	…	23.7	…	(16.9)	…
31–45	52.0	47.6	32.5	…	15.4	33.3
46–60	48.4	31.1	25.0	…	26.6	55.6

Source: ESS 2004

the number of young non-Estonians with higher education in the sample was too small and it is not possible to determine whether younger non-Estonians are in a better or worse position compared to the other groups).

The analysis of data from the 2006 Estonian Labour Force Survey shows that the access of employees from ethnic minorities to white collar positions is significantly inhibited by their lack of citizenship and lack of Estonian and English language skills. Estonian language skills are especially important, as any level of proficiency of Estonian substantially increases a person's chances of being employed in a top position. Belonging to an ethnic minority has an adverse effect on the probability of a person being employed in an executive position or as a top specialist in the public sector (also taking into account other factors, such as language skills and citizenship). Descriptive statistics indicate that the proportion of white collar employees is higher among ethnic Estonian workers than among ethnic minorities

Figure 3.2.2. The distribution of ethnic Estonians and non-Estonians by income quintiles, %



Source: ESS 2004 & ESS 2006

and that the discrepancy is larger in the public sector than in the private sector (Anspal 2008). The qualitative research done in 2007 also suggests a tendency for even young people whose native language is Russian to have difficulties in finding work in state agencies that corresponds to their qualifications, despite being fluent in Estonian, having acquired a degree in Estonia and having Estonian citizenship (Kallas 2008).

The results of the poll *Prospects of Non-Estonians* conducted in 2006 by the research company SaarPoll show that slightly over three quarters of employed non-Estonians are of the opinion that their position corresponds to their abilities, experience and skills, while slightly less than three quarters of the respondents consider their position to correspond to their education and vocation, and just over half of employed non-Estonians reported that their jobs correspond to what they wish from a job. Estonian citizens believe their positions correspond to more of the abovementioned conditions than residents with Russian citizenship and residents with undetermined citizenship. The same survey indicates that respondents believe that the most important means of increasing their competitiveness in the workplace is improving their Estonian language skills, followed by in-service training, increasing their own activeness and assertiveness, learning a new profession, with the gaining of Estonian citizenship being the least important factor (Mitte-eestlaste… 2006).

Income and economic prosperity

Since the position of ethnic Estonians and non-Estonians in the labour market differs, it can be assumed that this dissimilarity is reflected in the incomes of the two groups. The analysis conducted by the Faculty of Economics of the University of Tartu on the difference in wages between ethnic Estonians and non-Estonians in 1989–2007 shows that an unfounded difference in wages between ethnic groups developed in Estonia at the beginning of the 1990s and in 10 years the difference in wages grew to 10–15% in favour of Estonian speaking employees. However, in 2004–2005 the difference started to decrease. (Leping, Toomet 2007).

A similar tendency is evident in the income of households calculated per one member of the household (Figure 3.2.2). The results of the European Social Survey[6] indicate that ethnic Estonians have a much better chance of belonging to the top income quintile than non-Estonians. In 2004, there were no major differences between ethnic Estonians and non-Estonians in their distribution in the lower income quintiles, but two years later the percentage of non-Estonians among workers with lower incomes has grown. Thus, comparing the years 2004 and 2006, we can confirm the increase in the differentiation of incomes between ethnic Estonians and non-Estonians. A look at the statistical differences between the incomes of non-Estonians who are Estonian citizens and non-Estonians who are not Estonian citizens shows us that compared to non-citizens, the income level of Estonian citizens was significantly higher in both 2004 and 2006. The lower level of material prosperity of non-citizens has also been described in earlier studies (Pavelson 2006).

It is evident based on an analysis of the data of the 2004 and 2006 European Social Survey that the income gap between ethnic Estonian and non-Estonian households has increased during the two years both among the younger and older age groups: in 2004 the income of non-Estonians between the ages of 15 and 30 per household constituted 75% of the income of ethnic Estonians belonging to the same age group, while in 2006 this figure had fallen to 70%. The income gap between ethnic Estonians and non-Estonians in the 46–60 age group has increased even more sharply (by 13 percentage points). The differences are not as substantial in the case of other age groups (Table 3.2.3).

As a rule, there is a correlation between the level of education and income per household, regardless of the ethnic group in question. However, when compar-

[6] ESS – The European Social Survey is an academically-driven social survey designed to chart and explain the interaction between Europe's changing institutions and the attitudes, beliefs and behaviour patterns of its diverse populations (Jowell 2005, 2007). The survey has been funded through the European Commission's fifth and sixth Framework Programme and the European Science Foundation and national funding bodies in each country. The survey was first conducted in 2002 and two rounds have been carried out after that, with the 2008 survey being prepared (see www.europeansocialsurvey.org). The data is archived and issued by the Norwegian Social Science Data Services (NSD).

ing the income per household member among ethnic Estonians with secondary and higher education with that of non-Estonians with the same education, we see a discrepancy in favour of ethnic Estonians similar to the results of an analysis based on data gathered as long ago as 1998 (Krusell 2002). While the difference between the incomes of ethnic Estonians and non-Estonians with primary and basic education are minimal, the average income per household of non-Estonians with higher education constituted three fourths of the income of ethnic Estonians with the same education in 2006. The study on income gaps between ethnic Estonians and non-Estonians (see Leping & Toomet 2007) also confirms that income is more dependent on education in the case of ethnic Estonians than in the case of non-Estonians. This means that ethnic Estonians with higher education earn considerably more than ethnic Estonians with lower education, while a worker's level of education does not play as important a role in case of non-Estonians. Thus, ethnicity-related differences in both employment opportunities and average income are more pronounced in the case of persons with higher education.

It is also necessary to take into account regional characteristics when comparing the incomes of non-Estonians and ethnic Estonians. It is a well-established fact that incomes in Tallinn and Harju County are significantly higher than elsewhere in Estonia (Lehto 2006). Studying the average incomes of ethnic Estonians and non-Estonians in three regions (North Estonia, Northeast Estonia and the rest of Estonia (Table 3.2.3)) shows that the average income of ethnic Estonians is considerably higher in North Estonia than that of non-Estonians and that the income gap grew in 2006. Living in North Estonia does not have as positive an effect on the incomes of non-Estonians as it does in the case of ethnic Estonians: the average income of ethnic Estonians living in North Estonia is 34 percentage points higher than the income of ethnic Estonians living in other regions and 30 percentage points higher than the income of non-Estonians residing in North Estonia, while the difference between the incomes of non-Estonians living in North Estonia and those living elsewhere in Estonia is 14 percentage points. Hence, income levels in North Estonia are much more differentiated on the basis of ethnicity than elsewhere in Estonia and inequality based on place of residence is considerably greater among ethnic Estonians than non-Estonians.

Table 3.2.3. Average income of ethnic Estonians and non-Estonians per member of household by age groups, education and place of residence

	2004		2006	
	Ethnic	Non-	Ethnic	Non-
Age group:				
15–30	3639	2712	6169	4345
31–45	3110	2266	4982	3875
46–60	2948	2810	4834	3969
60 and over	2593	2457	3610	3439
Education:				
primary/basic	2344	2315	3452	3335
secondary	2725	2470	4544	3759
higher	4191	2989	6366	4797
Place of residence:				
Tallinn + Harju County	4296	2835	6210	4425
North-Eastern Estonia	2212	2267	3999	3196
elsewhere in Estonia	2562	2512	4090	3508

Source: ESS 2004 & ESS 2006

Poverty and stratification

Various studies have shown that on average the relative poverty rate of non-Estonians is 1–2 percentage points higher than that of ethnic Estonians (Fløtten 2006, Trumm 2005). The gap between the two ethnic groups was largest in 2001, when the relative poverty rate was 20% for non-Estonians and 16% for ethnic Estonians (Trumm 2005).

In addition to income and the poverty rate, it is important to pay attention to how the individuals in question rate their financial status. This is a subjective assessment that not only describes the actual situation, but also reflects the individual's feelings of deprivation compared to their environment. Different sources confirm that compared to ethnic Estonians, non-Estonians often deem their economic situation complicated or very complicated (Fløtten 2006; Sissetulekud ja elamistingimused 2005). According to the 2004 Estonian Social Survey, 63% of ethnic Estonian and only 30% of non-Estonian households rated their level of subsistence as normal or very good (Sissetulekud ja elamistingimused 2005). Yet the discrepancies between the level of subsistence of non-Estonian and ethnic Estonian families are gradually decreasing: a comparison of the years 2000, 2002 and 2005 shows that deep poverty has subsided both among ethnic Estonians and non-Estonians and the percentage of families able to save has increased. The percentage of well-to-do families among both groups has equalized, constituting one fifth of the households (Pavelson 2006:9). If we evaluate social stratification in Estonia on the basis of the self-assessments of individuals, it becomes apparent that ethnic Estonians consider themselves to belong to a somewhat higher social stratum than Estonian Russians. On a scale of one to five measuring social standing, ethnic Estonians gave themselves an average rating of 3.13 points and non-Estonians gave themselves an average rating of 2.96 points. Although the average rating was different for ethnic Estonians and non-Estonians, the Estonian Russian community was divided along similar lines to the ethnic Estonian community in 2002: approximately one third believe they are on a higher than average rung of society

(Lauristin, 2004). When the same question was repeated in the studies of 2005 and 2007, it appeared that the fast growth of wealth in society had caused an increase in the differences between ethnic groups in the stratification pattern: while the tendency to position oneself as being better off than average has increased by 10 percentage points among ethnic Estonians, an opposite development has occurred among the Estonian Russian community – nearly one tenth of respondents who earlier thought themselves more successful than average now consider themselves average. A lower than average rating is typically given to their social position in Estonia by residents of undetermined citizenship or citizens of Russia (respective average ratings 2.91 and 2.74) (Lauristin, 2004: 259).

Social exclusion

Income and employment, known as objective indicators of wellbeing, are important, but are not the only factors in characterizing social stratification. A comparison of the stratification patterns of ethnic Estonians and non-Estonians reveals a number of differences in assessing one's status, despite the same objective situation. It is especially conspicuous that non-Estonians with higher education and an average income have a tendency to assess their social position more negatively than ethnic Estonians with similar education and income. It is possible that the low self-esteem is caused by the social exclusion syndrome.

There is no single definition for social exclusion, but it can generally be understood as a process of accumulating welfare deficit which brings about a decrease in social participation, a deepening of a sense of impotence and disappointment, as well as detachment from social life. Researchers of exclusion (Kronauer 1998; Amartya Sen 2000; D'Ambrosio, Papadopoulos and Tsakloglou 2002; Alber & Fahey 2004) have determined that social exclusion expresses a lack of social integration, and the incapacity of the member of society to participate in political, economic and social structures. The concept of social exclusion incorporates many different social and economic problems: poverty, inequality, spatial reclusion and repulsion, discrimination, a lack of social capital, a deficit of trust, incompatibility of values and models of behaviour, helplessness in using public services, etc.

The multidimensional social exclusion index prepared by Eurostat (Eurostat 1998) comprises characteristics that indicate (1) financial difficulties related to subsistence; (2) unmet basic needs; (3) below average living conditions; (4) a lack of necessary durable goods; (5) a bad state of health; (6) inadequate social contacts and (7) general dissatisfaction with life.

Although the measuring of social exclusion is mainly based on objective characteristics that characterize access to opportunities and resources in various spheres of life, several authors (Böhnke 2001a, 2001b, 2004, Robila 2006, Bude and Lantermann 2006) have stressed the importance of subjective indicators in studying social exclusion.

The first social exclusion risk analysis concerning the situation in Estonia, conducted in 1994 based on the data of the living conditions study NORBALT (Kutsar 1997) indicated that nearly one fifth of the residents of Estonia are at a high risk of social exclusion and more than half are at an average risk of social exclusion. The main socio-demographic factors that influence social exclusion are gender (women are at a greater risk of social exclusion), age (exclusion is characteristic of older age groups), ethnicity (the risk of social exclusion is 25% higher for non-Estonians than for ethnic Estonians) and education (the risk of social exclusion is nearly two times higher for people with primary and basic education, compared to those with higher education) (Kutsar 1997).

Social exclusion in Estonia in 2004 and 2006 will be analyzed below on the basis of the data from the European Social Survey. This data allows for the analysis of social exclusion through four subcomponents: poverty, lack of trust, lack of information and isolation. Indexes containing attributes along with attributable values based on ethnicity and citizenship were prepared to measure each of the abovementioned subcomponents. Taking into account the distribution of the attributes, the index values were converted into a two point system, where the value "0" indicates the absence of a certain component (e.g. poverty) and the value "1" indicates its occurrence. The frequency of occurrence of the social exclusion components by social groups is presented in the form of indexes in Annex 3.2.2.

While in 2004 ethnic Estonians and non-Estonians exhibited differences only in terms of poverty and information, a general tendency related to social exclusion (see Table 3.2.4) shows that by 2006 there had been a considerable increase in the number of non-Estonians who do not trust institutions or who feel isolated. The differences between ethnic Estonians and non-Estonians related to risk of poverty and lack of trust are, to a large degree, connected to citizenship: non-citizens differ sharply from Estonian citizens of Russian ethnicity both in terms of the risk of poverty and lack of trust. It can be said that the polarization of the Estonian Russian community has increased in the course of the two years and that the differences between ethnic Estonians and Estonian citizens of Russian ethnicity have decreased, while the situation of non-citizens has worsened in relative terms.

While the risk of isolation remained the same in 2006 for non-Estonian citizens and non-citizens as it had been in 2004, the risk of isolation for ethnic Estonians fell significantly during the two years (20% in 2004 and 13% in 2006). Meanwhile, the number of people who have little interest in news and politics as well as topical newspaper articles has grown considerably both among ethnic Estonians and non-Estonians. Although it might be assumed that non-Estonian citizens are more informed than non-citizens, this is not the case. There is a tendency, however, for citizens of Russian ethnic background to use the internet significantly less than either non-citizens or ethnic Estonians.

Table 3.2.4. The frequency of the subcomponents of social exclusion among ethnic Estonians and non-Estonians in 2004 and 2006.

	2004				2006			
	Ethnic Estonians (%)	Non-Estonians (%)			Ethnic Estonians (%)	Non-Estonians (%)		
		All non-Estonians	Estonian citizens	Non-citizens		All non-Estonians	Estonian citizens	Non-citizens
POVERTY index – "poor"	46	57	52	60	33	43	37	48
LACK OF TRUST index – "does not trust"	20	25	26	23	15	29	21	36
LACK OF INFORMATION index – "is not informed"	18	28	25	30	29	51	49	52
ISOLATION index – "is isolated"	21	18	16	19	13	17	14	20

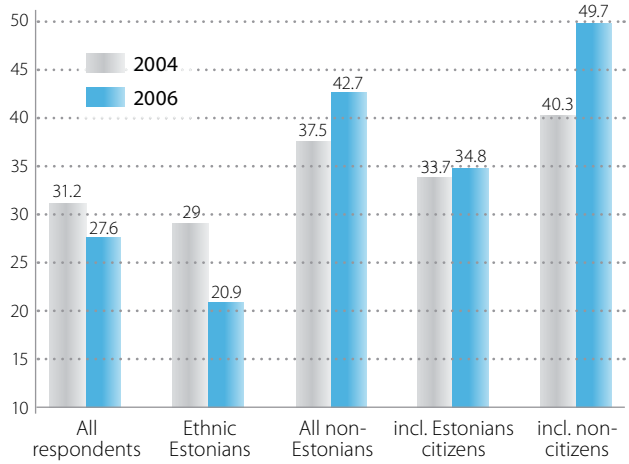
Source: ESS 2004 & ESS 2006

A composite social exclusion index was created by combining the four dichotomous indexes presented in Annex 3.2.2., to which 1 point was added for every additional risk, whereby the index values ranged between "0" and "4", where the value "0" means the total absence of the risk of social exclusion and the value "4" (which denotes the occurrence of all the risks measured by the sub-indexes) denotes the maximum possible risk of social exclusion. In order to facilitate further analyses, persons for whom risks were apparent in the case of at least two subcomponents were considered to be at risk of social exclusion (index value >1) (see Figure 3.2.2).

The figure shows that the gap between the social exclusion risk rate of ethnic Estonians and non-Estonians has increased during the last two years: the risk of social exclusion has fallen in the case of ethnic Estonians and risen in the case of non-Estonians, especially non-citizens. The main reason for the increase in the social exclusion of non-Estonians is the growing rate of lack of trust and lack of information experienced by them. Compared to ethnic Estonians, the lack of information of non-Estonians with Estonian citizenship is 1.7 times higher and the lack of trust towards the institutions of the Republic of Estonia is 1.4 higher, while the lack of trust felt by persons without Estonian citizenship is 2.4 times higher than that of ethnic Estonians.

In general, the average risk of exclusion of non-Estonians compared to ethnic Estonians was 1.5 times higher in 2004 and three times higher in 2006. In addition to lack of citizenship, the main factors influencing the rate of social exclusion of non-Estonians is age and unemployment. It also appears that there is a partial positive correlation between the improvement of the general economic situation and decreasing social exclusion only in the case of ethnic Estonians, which means that special purpose measures have to be applied as part of the strategies of the integration program and other domain-based strategies in order to lessen the risk of social exclusion of the non-Estonian community.

Figure 3.2.2. Changes in the social exclusion risk rate by native language and citizenship (% of the corresponding group)



Source: ESS 2004 & ESS 2006

In summary

It is true that both the employment structure and income level of non-Estonians differ to a significant degree from those of ethnic Estonians. This is characterised by a higher unemployment rate and job insecurity, a tendency to belong to the ranks of blue collar, rather than white collar workers and a larger discrepancy between their level of education and the requirements of their position. Regardless of the general increase in incomes, the differences between the socio-economic situation of non-Estonians and ethnic Estonians have not decreased, but rather grown in recent years. A feature characteristic of this tendency is that the differences become deeper not for people with less education and lower incomes, but instead for persons with higher education and potentially higher

aspirations for self-realization. The problems related to socio-economic inequality and exclusion, the importance of which has been pointed out by social scientists based on the results of integration monitoring ever since the year 2000, have not been prioritized by the national integration policy to this day. Discontentment among middle-aged non-Estonians with higher education related to their prospects (and those of their children) in the Estonian labour market and the resulting increase in their lack of trust towards Estonian state institutions are also important factors in understanding the social background of the events of April 2007.

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3.3. The participation of non-Estonians in Estonian social life and politics[7]

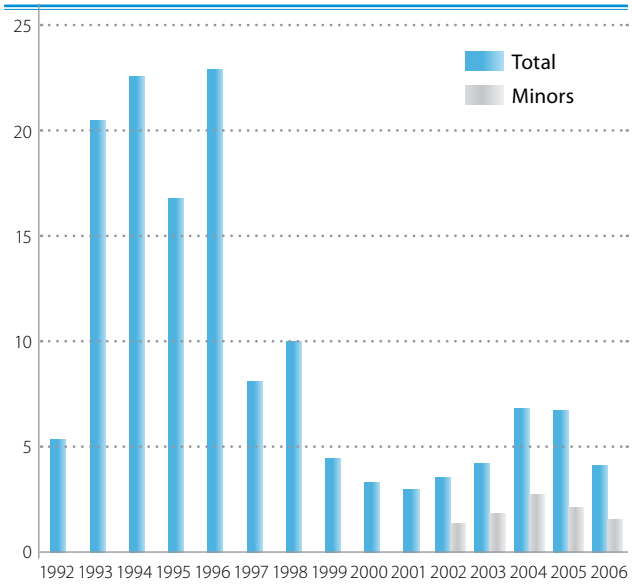
Estonian citizenship policy and its effect on interethnic relations

The restoration of the independence of the Baltic states proceeded from the principle of the continuity of statehood and its bearer – the citizenry. Based on this principle, the Supreme Council of Estonia adopted a resolution already in 1991, stipulating that only the citizens of the Republic of Estonia that existed before the Soviet occupation (1918–1939) and their descendants are entitled to automatically receive Estonian citizenship. In the spirit of this declaration, the 1938 citizenship law was reinstated in Estonia in 1992, dividing the population of the country into citizens who were predominantly Estonian, and Russophone non-citizens, the majority of whom had immigrated to Estonia during the Soviet period. As a result, the list of persons eligible to vote in the 1992 Constitution Referendum included only 669,100 names – 42% less than the referendum on independence that had been conducted a year earlier where all persons with a permanent registration in the former Estonian SSR were eligible to vote (Raitviir 1996: 296)[8]. Nearly 475,000 residents who had immigrated to Estonia during the Soviet era and their descendants were defined legally as aliens who were required to complete the naturalisation process along with the pertinent procedures. Non-Estonians constituted approximately one tenth of the persons who received Estonian citizenship as a result of legal succession. In addition, citizenship was granted as an exception to all non-Estonians who were the bearers of the so-called green card as electors of the Congress of Estonia, since they were considered equivalent to people who had registered as Estonian citizens. The division between citizens and non-citizens ran mostly along the lines of ethnicity, since almost 100% of ethnic Estonians had Estonian citizenship and nearly 85% of Estonian Russians lacked citizenship. In the 1992 Riigikogu elections no non-Estonian representatives were elected to the legislative body.

In the years 1992–1996 Estonian citizenship was acquired by an average of 17,500 people per year (Figure 3.3.1). In 1995, the Riigikogu adopted a new citizenship law, increasing the stringency of the requirements for gaining Estonian citizenship – the residential qualification was extended from two years to five years and an examination on the citizenship law (to be completed in Estonian) was instituted in addition to the Estonian language examination. The new law immediately affected the figures for naturalisation. The number of people gaining citizenship fell by 65% – from 22,773 people in 1996 to 8124 people in 1997.

The legal status of non-Estonians who were not citizens of the Republic of Estonia either through legal succession or the naturalisation process was regulated by the Aliens Act adopted in 1993, which determined the procedure for issuing residence permits (temporary permits at first) to all former citizens of the Soviet Union legally residing in Estonia who had not become citizens of any other country.

Figure 3.3.1. The number of people who gained Estonian citizenship through the naturalisation process 1992–2006 (thousands)

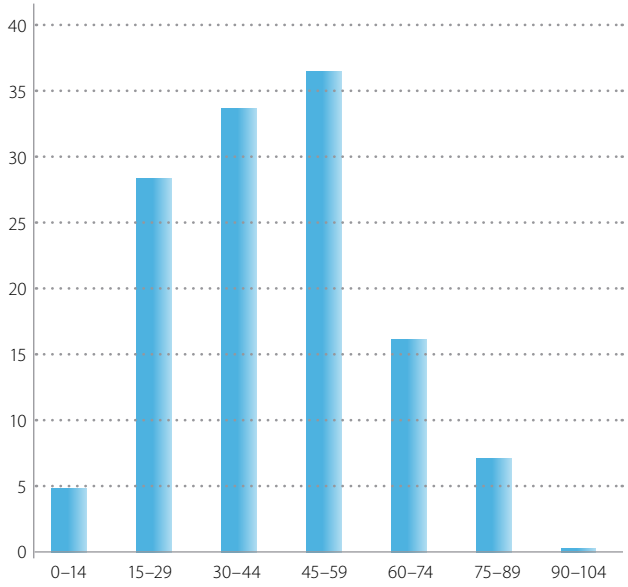


Source: Citizenship and Migration Board

[7] The present analysis is based on surveys conducted with the participation of the authors regarding the political integration of non-Estonians at very different moments in time. The first survey (TÜ Pol 2005) was conducted on request of the Department of Political Science at the University of Tartu after the elections of local governments in 2005 with the aim of analyzing political participation and gauging the value judgements related to politics that were predominant in society. The second survey (MeeMa 2005 - Mina, Maailm, Meedia) was conducted in November 2005 by the Department of Journalism and Communication at the University of Tartu, and the third by the University of Tartu and the research company SaarPoll in 2007 (TÜ/SaarPoll 2007), immediately after the so-called Bronze Soldier crisis in Tallinn.

[8] 1,144,309 people were included in the list of residents eligible to vote in the referendum for independence conducted in March 1991 (Raitviir 1996: 296).

Figure 3.3.2. Distribution of residents with undetermined citizenship by age (in thousands, as of January 2007)



Citizenship and Migration Board 2007

At the time, the law applied to nearly 500,000 people (32% of the population) who were not automatically entitled to receive Estonian citizenship (Kodakondsus- ja Migratsiooniamet 2006: 13). Some of these people went through the naturalisation process and gained Estonian citizenship. However, a large number of residents decided to leave their citizenship undetermined and apply for a permanent residence permit in Estonia along with an alien's passport. Also, 90,000 persons (6% of the population) took the opportunity of undergoing a simplified procedure for gaining the citizenship of the Russian Federation, accounting for the largest number of applications from any former republic of the Soviet Union.

As a result of the processes described above, the non-Estonians residing in the Republic of Estonia were divided into three large groups in 2007: citizens of the Republic of Estonia (ca 218,000 or half of the non-Estonians), citizens of the Russian Federation, CIS member states and other countries (ca 100,000) and persons with undetermined citizenship (ca 115,000). As a result, the situation is qualitatively different from the situation at the beginning of the 1990s when the citizenry was dominantly Estonian, and the main challenge regarding the social involvement of non-Estonians now is their participation in the life of the country on par with Estonians. There is, of course, a continuing need to reduce the number of persons with undetermined citizenship, despite the fact that the relative significance of this problem has decreased.

Problems related to naturalisation

Today, residents with undetermined citizenship, most of whom are aged between 15 and 59 (see Figure 3.3.2), constitute approximately 8.5% of the population of Estonia.[9] Despite having the same social and legal protection as citizens, the social position of people with undetermined citizenship is more unstable compared to that of citizens. Furthermore, their alienation from the Estonian state is greater and their overall level of integration lower. The alienation of non-citizens from the state and their greater social exclusion is caused partly by a lack of political rights (right to vote in elections to the Riigikogu, right to run for office in elections to local governments, right to work in certain positions, right to belong to a political party). In addition a large number of other factors exist, such as poor command of the Estonian language, geographical separation from an Estonian speaking environment (in East Viru County), the resulting lack of information regarding life in Estonia and a lower social position. Just as the citizens of any country living in Estonia with a permanent residence permit, persons with undetermined citizenship have the right to vote (but not run for office) in elections for local governments. Their voter turnout is as good as that of citizens, staying on par with Estonia's average or even surpassing it.[10]

The pace of naturalisation has slowed since the mid-1990s, with the average number of new citizens at 4600 per year. Estonia's accession to the European Union increased the popularity of naturalization for a while, but the last years have again shown a downward trend. According to a SaarPoll poll conducted in March 2006, a little over half of the non-Estonians without Estonian citizenship (54%) wished to become Estonian citizens. The desire to gain Estonian citizenship is much more widespread among persons with undetermined citizenship than among citizens of Russia and other countries. Yet, compared to 2000, the number of people wishing to gain Estonian citizenship has decreased among those with undetermined citizenship (Table 3.3.1).

There are several reasons why persons with undetermined citizenship, many of whom were born in Estonia, do not wish to undergo the naturalisation process. The obstacles include a lack of information or the inaccuracy thereof, a lack of proficiency in Estonian or a lack of motivation. According to the 2006 poll by SaarPoll, only slightly more than one tenth of all people without Estonian citizenship were prepared to take both the Estonian language examination and the examination on the Estonian constitution

[9] There were 125,799 persons with undetermined citizenship residing in Estonia as of the beginning of 2007, including 4383 children under the age of 15 (data from the Citizenship and Migration Board).

[10] Voter turnout in East Viru County and Tallinn has always been near or higher than the Estonian average in all elections to local governments. Voter turnout has exceeded Estonia's average in Narva and Sillamäe which are predominantly Russophone towns (www.vvk.ee).

immediately. Just 19% of the people without citizenship believed that they were ready to take the language examination. The level of motivation is decreased in part by pragmatic reasons, such as better terms for doing business with Russia or the expansion of opportunities for travelling in Europe to persons without citizenship.[11] At the same time, this group also includes the so-called offended faction that considers the citizenship policy of the Republic of Estonia to be unfair and humiliating. The qualitative studies conducted in 2007 show that the value of Estonian citizenship has decreased among Estonian Russians, due partially to the fact that non-Estonian citizens do not feel that citizenship has given them actual equal opportunities with ethnic Estonians in Estonia, for example, with regard to accessing the higher positions in state public service (Kallas 2007). For these reasons, participation in the naturalisation process is not likely to become more active during the next few years, meaning that the legal and political status of people without citizenship and the problem of integration will remain one of the major challenges for Estonia's integration policy.

An alarming phenomenon has emerged with the addition of children already born in the independent Republic of Estonia to the number of people without citizenship. According to the UN Convention on the Rights of the Child, every child has a right to citizenship, regardless of the legal status of their parent(s). The issue of children lacking citizenship was first raised in 1993 by Max van der Stoel, the OSCE High Commissioner on National Minorities, in his letter to the Estonian Minister of Foreign Affairs Trivimi Velliste (Van der Stoel 1993) and repeatedly surfaced in the following years both in OSCE recommendations and the reports of the European Union and the Council of Europe. Despite the amendment to the law, according to which the children of non-citizens permanently residing in Estonia are eligible to receive citizenship under a simplified procedure, there are about 4000 children under 15 in Estonia today who are not citizens of any country.

Citizenship, national identity and trust in the Republic of Estonia

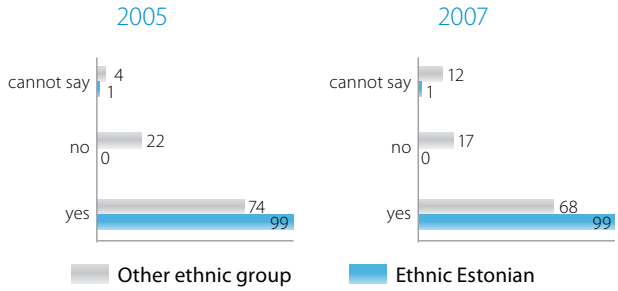
The participation of individuals in politics and social life is affected not only by their formal rights as citizens, but also by their sense of affiliation or, in other words, whether or not they identify with the state and its citizenry. Estonian social scientists have called this identification either state identity (Vetik 2005) or citizenship identity (Lagerspetz 2003). The extent of the sense of affiliation is directly dependent on the definition of the nation and on how far the participants in the democratic system acknowledge each other as legitimate partners in a dialogue. Study results have shown that even Estonian residents of non-Estonian ethnic background

Table 3.3.1. Desire to gain Estonian citizenship

	2006			2000	
	Citizen of	Citizen of	Undetermined citi.	Citizen of	Undetermined citi.
Yes + rather yes	35%	35%	72%	36%	81%
No + rather not	55%	61%	21%	58%	12%
Difficult to say	10%	5%	7%	6%	8%

Source: Saar Poll, 2006

Figure 3.3.3. Do you consider yourself a part of the Estonian nation?



Source: TÜ, 2005; TÜ/Saar Poll, 2007

consider themselves to be part of the Estonian constitutional nation (Figure 3.3.3). Meanwhile, one fifth of the respondents with Estonian citizenship polled in June 2007 do not consider themselves part of the Estonian nation. Of people without citizenship, 59% feel that they are part of the Estonian nation while the figure for citizens of other countries is 54%. We would like to point out that the legal basis for non-citizens to feel they are part of the Estonian nation in the constitutional sense of the term, i.e. to feel as one of the bearers of democratic power in Estonia derives from their right to vote in the elections for local governments.

In qualitative interviews conducted in the autumn of 2007, the higher state officials and politicians also interpreted the term Estonian nation in the constitutional sense as including all residents of Estonia, regardless of their native language and ethnic belonging (Kallas 2007). This indicates that the definition of Estonian nation is broad enough to accommodate people who differ from each other ethnically and linguistically. Despite this, the focus groups and expert interviews conducted with rep-

[11] A European Union directive is in effect as of 2006 according to which the citizens of third countries living in EU member states on the basis of a permanent residence permit have the same rights regarding free movement of people and labour as EU citizens.

Table 3.3.2. Preferential treatment based on ethnicity or language in distributing certain positions or benefits (%)

		All respondents	Ethnicity	
			Estonian	Other
Have you personally experienced a situation where a person has been preferred to another due to language or ethnicity in hiring, distributing certain positions or benefits?	No answer	0.1	0.1	0.2
	Yes, repeatedly, it is a fairly common phenomenon	12.3	3.9	29.5
	Rarely	15.4	10.6	25.2
	I have not experienced the phenomenon myself, but have heard about it	25.1	25	25.2
	I have not had any contact with situations like this	47.1	60.4	19.9
ALL RESPONDENTS		100	100	100

Source: TÜ/Saar Poll 2007

resentatives of ethnic groups other than Estonian in the autumn of 2007 (see Kallas 2007) demonstrated the dominance of the opinion that the current definition of the Estonian nation is too narrow and that people with a different ethnic and cultural background often do not feel part of the nation, although they have all formal political and civil rights. Obtaining formal citizenship rights does not automatically increase people's civic activity. This occurs if they do not feel they are gaining a wider variety of opportunities to implement their new rights when they change their legal status. It is the absence of the feeling of belonging that is considered to be the barrier, with reference primarily to the continuing withdrawn attitude of ethnic Estonians towards the non-Estonian speaking community. Members of the non-Estonian ethnic groups themselves continue to consider the greatest obstacle for the development of a sense of affiliation with Estonia to be the distrust of the ethnic Estonians towards them. This distrust can be seen as primarily stemming from a fear of Russia's strengthening political influence. The results of the 2007 survey (TÜ/Saar Poll 2007) indicate that 34% of ethnic Estonian respondents thought that the wider participation of non-Estonians in Estonian politics and economic life would rather be harmful to Estonia, while a smaller percentage of ethnic Estonians considered the participation of non-Estonians to be a positive development (28% of ethnic Estonian respondents). While 83% of Estonian Russian respondents believed that Estonian politicians should take the opinions of Estonian Russians into account to a greater degree than before, just 34% of ethnic Estonian respondents agreed with this opinion. Among ethnic Estonian respondents 37% still believed that paying more attention to the non-Estonian speaking community would amount to yielding to the pressure of Russia. In this since, Russia's so-called compatriot policy does the Estonian Russians a disservice by stressing that all people with a Russian ethnic background – even the ones who are citizens of other countries – still belong to the sphere of interest of the Russian Federation. This may explain why a remarkable number of ethnic Estonians still doubt the loyalty of the Russian speaking citizens and residents to Estonia when the large majority of these people identify with the Estonian state and nation. This may also be a reason why young people of non-Estonian ethnic groups (with Estonian citizenship and a higher education in Estonian) expressed the opinion in the integration-related survey conducted in the autumn of 2007 that citizenship does not create equal opportunities when applying for positions in state administration where a partiality to ethnic Estonians can still be felt. Complaints regarding the low numbers of Estonian Russian youths applying for positions in state administration were also voiced by state officials interviewed in the course of the same survey (Kallas 2007).

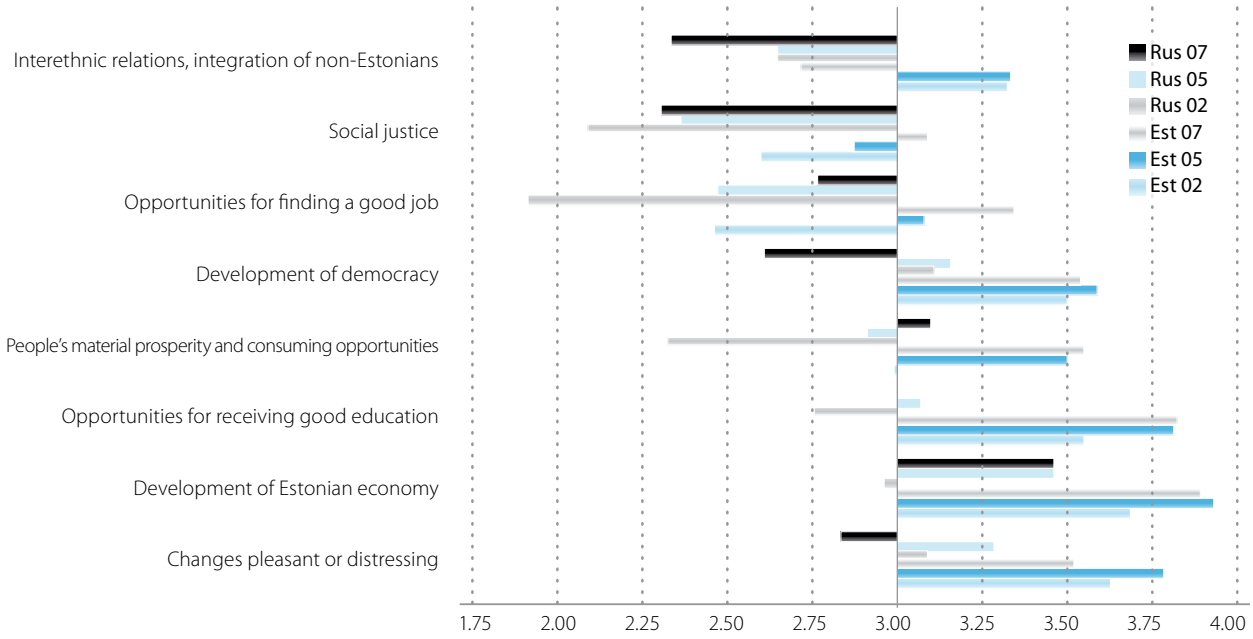
The representatives of the Estonian Russian community who participated in the focus groups, including both citizens and persons with undetermined citizenship, connected the inequality between ethnic Estonians and other ethnic groups to the problem of discrimination, although different opinions emerged on how to define the latter term. Both the absence of formal equality, especially in the area of political rights and education, and the inequality of the opportunities of different ethnic groups to participate in social life and access services were considered problematic by the respondents. In the case of the latter problem, the respondents most often emphasized the fact that ethnic Estonians were better informed (due to the reported shortage or even total lack of official information in Russian) and therefore had an advantage over non-Estonians (Kallas 2007).

The survey conducted by TÜ/SaarPoll in 2007 also showed that inequality in favour of ethnic Estonians is felt primarily in the political sphere (only 28% of the respondents thought that there were equal opportunities for all).

One of the most important indicators of whether non-Estonians feel that they are part of Estonian society lies in their attitude towards the changes that occur in society. Those who accept the changes are usually the more active members of society; their level of social self-assertiveness is higher and they have more trust in the institutions operating in society. A decrease in the difference of the attitudes between non-Estonians and ethnic Estonians towards changes that have taken place in Estonia during the past 15–20 years is one of the most important ways of measuring the success of integration. Comparing survey data from 2002, 2005 and 2007, we see that until 2006 the difference became considerably smaller with respect to several indicators. After the crisis in April 2007, the attitudes of non-Estonians towards changes in Estonian society once again changed for the worse, especially with regard to the development of interethnic relations and democracy. At the same time, the opinions of non-Estonians regarding material prosperity and the chances of getting good jobs have become somewhat more positive (Figure 3.3.4)

Figure 3.3.4. The dynamics of opinions of ethnic Estonians and non-Estonians in 2002–2007 regarding changes that have taken place in various areas

Ethnic group assessment averages on a scale of 1-5, where 1= changes are found distressing, 5= changes are found pleasant



Source: MeeMa 2002, 2005, TÜ/Saar Poll 2007

Another indicator of an individual's relationship with a society is their trust in the state and the authority of the state and public institutions. According to the figure above, the poll conducted after the April crisis indicates that compared to 2005, there was a decrease in the trust of Estonian Russians in state institutions, such as the government, the Riigikogu, the President of the Republic and the police. In comparison with 2005, the divergence of trust ratings among ethnic Estonians and non-Estonians has grown sharply. A poll carried out immediately after the April crisis showed that the trust of non-Estonians in the Estonian state fell to 24% (as opposed to 62% in the case of ethnic Estonians). Even among citizens of Estonia with a non-Estonian ethnic background, only 25% of respondents had confidence in the Estonian state. Among Estonian Russians, the highest level of confidence in the Estonian state was expressed by the wealthiest respondents (33%), while the lowest confidence was characteristic of non-Estonians who were young (11%), relatively poorer (14%) and without citizenship (12%) (for more detailed information on trust, see section 2.1. of the present report).

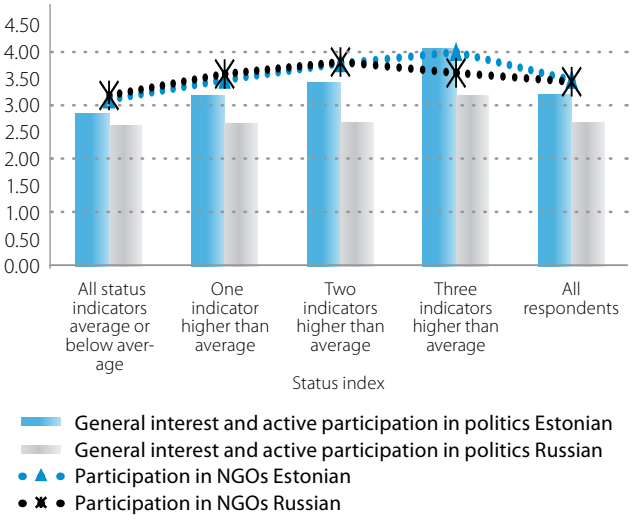
Social status and attitudes

On comparing the general social attitudes and activeness of ethnic Estonians with other ethnic groups, it can be seen that all ethnic groups feature significant differences in this respect related to income, level of education and social stratum membership. Based on the results of the poll, these indicators were combined into a summary status index, according to which both ethnic Estonian and Russian-speaking respondents were divided into four groups: those who do not exceed the average or are below average in terms of every indicator; those for whom one indicator (e.g. education) exceeds the average, but the other two (income and social standing) are average or below average; those who exceed the average with two indicators. Finally, the respondents with the highest status index, (i.e. with higher education, and above average income and social position), who could provisionally be considered the elite of the two ethnic groups were grouped together.

As shown in Figure 3.3.5, a connection exists between status indicators and political involvement both in the case of ethnic Estonians and non-Estonians: the "higher" a person is on the social scale, the more they are interested in what goes on in society and the more prepared they are to actively participate in both civil society and elections. This tendency is especially clear in the case of ethnic Estonians. Among non-Estonians, however, it is in the higher status group that a certain decrease in participation levels is noticeable. In other words: there is a higher than expected level of alienation from the Estonian society detectable among the Estonian Russian elite. Here it is appropriate to recall the social exclusion syndrome described above as being characteristic of a certain segment of non-Estonians with higher education and above average ambition, who are dissatisfied with the opportunities they have in Estonia.

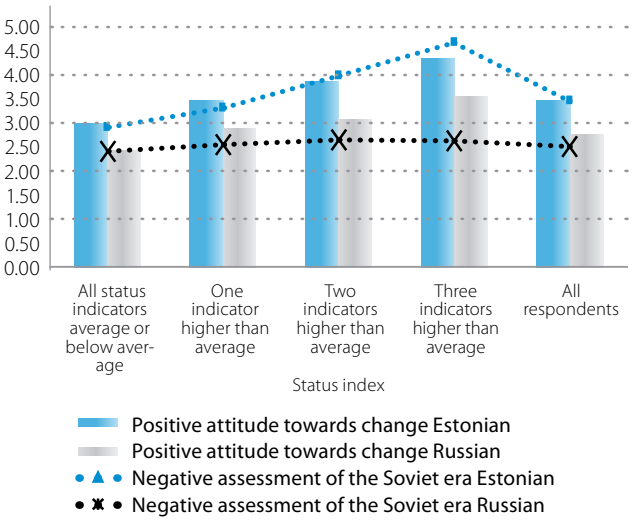
In addition to participation, we compared the attitudes of ethnic Estonians and representatives of other ethnic groups from different status groups towards the changes taking place in Estonia today and towards

Figure 3.3.5. Interest and participation in politics among ethnic Estonian and Estonian Russian respondents compared to their status (average index values on a scale of 1–5)



Source: MeeMa 2005

Figure 3.3.6. Attitudes towards social changes and the Soviet era (average values of summary indexes of assessments on a scale of 1–5) among ethnic Estonian and Estonian Russian respondents compared to their status.



Source: MeeMa 2005

the Soviet past (Figure 3.3.6). While there is a positive correlation between attitudes towards the changes and status in both of the ethnic groups, the tendencies regarding the evaluation of the past were different: non-Estonians were uniformly uncritical of the Soviet era (criticism index value below 2.5) regardless of the status group they belonged to. However, in the case of ethnic Estonians there is a definite connection between the respondent's attitude towards the past and success in contemporary Estonia – those who currently hold a higher position and have more opportunities for self-realization are also more critical of the Soviet past.

Civic activity and voting in elections

The more civil society organizations exist in a society and the tighter their cooperation network, the more actively the residents participate in the political life of the country, including the elections. The joint activity of citizens also has a positive effect on the strength of a common national identity. Voter turnout has decreased in Estonia year by year. The participation of 68% of eligible voters in the 1992 elections for the Riigikogu was followed by a decrease in activity. Voter activity rose again in the 2007 elections, where the voter turnout was 62%. Turnout is even lower in the case of elections for the local governments. The voter activity is the same for ethnic Estonian and Estonian Russian voters. The 1992 elections of the Riigikogu, and especially the elections for local governments where non-citizens can also vote, have shown that the voter activity of non-Estonians is similar to the Estonian average – often even higher. Thus the overall voter turnout in Estonia in the 1992 Riigikogu elections was 67%, similar to that of predominantly Russian speaking towns – 66.8% in Narva, 66.4% in Kohtla-Järve and as high as 83.4% in Sillamäe. In the 1996 local government elections, the voter turnout of non-citizens reached 85% in all of Estonia according to the Electoral Committee, while the total voter turnout was just 49.7%. However, in two of the last elections (Riigikogu elections 2003 and 2007) it was East Viru County that had the lowest voter turnout (52% on both occasions, compared to average turnouts of 58 % in 2003 and 61% in 2007).

A further similarity appears in the level of interest of ethnic Estonians and non-Estonians in politics and their participation in political groups. The poll "Me, the World and Media" conducted by the Department of Journalism and Communication at the University of Tartu shows that 74% of both ethnic Estonian and Russian speaking respondents stated that they were not members of any political group or party and that they were not interested in politics (MeeMa 2005). A survey conducted the same year by the Department of Political Science indicated that there were no major differences in this regard between citizens and non-citizens, except for the fact that respondents with undetermined citizenship claimed more frequently that they were uninterested in politics (see Figure 3.3.7).

According to MeeMa 2005, ethnic Estonians and non-Estonians both have equally little interest in participating in charitable clubs (1% of respondents participate regularly in such clubs) and the temperance movement (0.6%). There is somewhat more interest and participation in apartment and cottage associations as well as consumers' cooperatives (10.9%), sports clubs (10%) and hobby and leisure clubs (9%). However, ethnic Estonians more than non-Estonians tend to be members of cultural societies (7% of ethnic Estonians compared to just 3.3% of respondents of other ethnic groups), leisure

clubs (10.5% compared to 5.4%) and educational and training societies (4.7% compared to 2.3%).

Although actual membership in organizations is similarly low in the case of all ethnic groups, ethnic Estonians expressed interest in public activities more often. Accordingly, more ethnic Estonians reported that they were interested in the activities of the following organizations without being members themselves: environmental protection, heritage conservation and locality associations (52.1% of ethnic Estonians compared to 31% of respondents of other ethnic groups), educational and training societies (40% and 20%, respectively), charitable clubs (30.4% compared to 8.9%) and leisure and hobby clubs (48.5% compared to 23.6%). Religious societies, whose activities received more attention from respondents of other ethnic groups than ethnic Estonians (15.4% of respondents of other ethnic groups compared to 8.2% of ethnic Estonians) emerged as an exception to this trend (MeeMa 2005). (See also section 4.2. of the report).

Despite the fact that the participation of the Estonian Russian community in civil society has recently shown some improvement, the important problem of segregation in civil society organizations persists in the case of youth organizations, professional associations and hobby clubs.

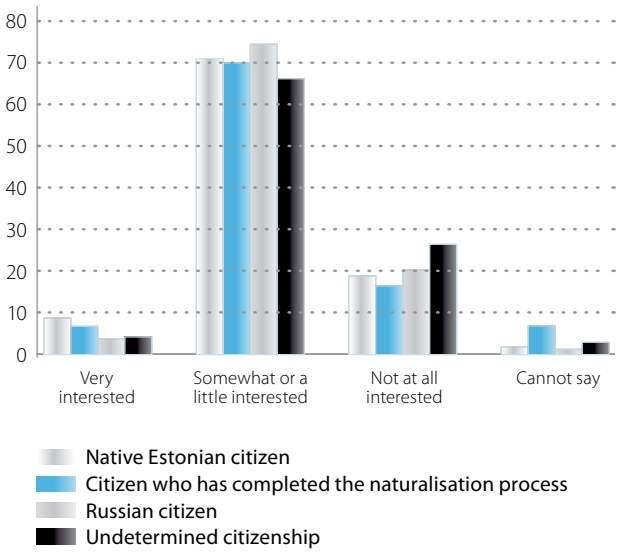
The self-categorization of non-Estonians in terms of political parties and their situation in the political landscape

The fact that naturalised citizens now constitute one sixth of the electorate (voting as active as ethnic Estonians), should theoretically mean that the role of non-Estonians in the country's political life has increased in importance. It should also mean that their identification with political parties has become clearer and their representation in elected bodies has increased. Two courses exist for the realization of this increased representation: either through what are called ethnic parties (i.e. the so-called ethnic Russian parties), or through parties representing both ethnic Estonians and non-Estonians based on ideology rather than ethnic identity.

In the Estonian political practice, the electoral lists of candidates with an ethnic background other than Estonian have thus far been unable to cross the 5 per cent threshold in elections to the Riigikogu. Even more remarkably, no ethnic Russian party has won the elections of local governments in Tallinn or East Viru County when non-citizens are also eligible to vote, although their representatives have been elected to councils.

The voting preference study conducted by the Department of Political Science at the University of Tartu regarding the 2007 Riigikogu elections (TÜ Pol 2007) indicated that ethnic Russian parties have almost no appeal for non-Estonians. The study also showed that the preferences of the latter are divided between major political parties dominated by ethnic Estonians that are represented in the Riigikogu, with the majority of non-Estonians supporting the Estonian Centre Party (see Table 3.3.3).

Figure 3.3.7. How interested do you think you are in politics?



Source: TÜ Pol 2005

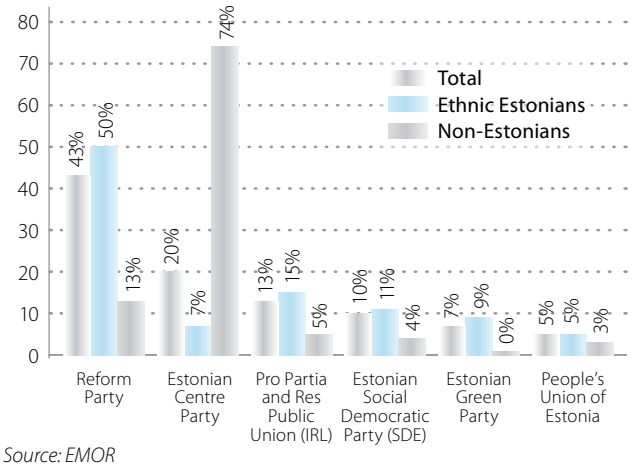
Table 3.3.3. Party preferences by ethnic group

Party	Who did you vote for in the 2007 Riigikogu elections?		Do you feel close to any of the parties? If so, then which party?	
	Ethnic Estonians (%)	Estonian Russians, Belarusians, Ukraininans (%)	Ethnic Estonians (%)	Estonian Russians, Belarusians, Ukraininans (%)
Pro Partia and Res Public Union (IRL)	11.5	1.9	6.4	1.9
People's Union of Estonia	5.8	1.3	3.9	0.6
Reform Party	22.7	3.9	16.3	3.2
Estonian Social Democratic Party (SDE)	10.3	1.3	7.5	1.3
Estonian Centre Party	12.9	51.6	9.6	44.8
Estonian Green Party	7.6	0.6	5.6	1.9
Constitutional Party of Estonia	0	0.6	0	0.6
Russian Party in Estonia	0	0.6	0	0.6
Estonian Left Party	0.1	0	0	0
Does not wish to answer, cannot say, does not feel close to any party	27.3	37.4	49.2	44.1

Source: TÜ Pol 2007

In the aftermath of the crisis of April 2007, the aforementioned tendency of the Russian speaking electorate increased further: according to polls conducted by EMOR, support for the Centre Party became domi-

Figure 3.3.8. Support for parties among ethnic Estonians and non-Estonians in July 2007



Source: EMOR

Table 3.3.4. Estonian Russian representatives in the 1992, 1995, 1999, 2003 and 2007 compositions of the Riigikogu, by factions

Year of Riigikogu	1992	1995	1999	2003	2007
Number of non-Estonian members	0	6	6	5	6
Faction		Our Home is Estonia	Centre Party (2); United People's Party of Estonia (4)	Centre Party (4); Reform Party (1)	Centre Party (5); Reform Party (1);

Source: www.riigikogu.ee

nant among the Russian speaking community in Estonia (Figure 3.3.8)

In response to the question on why Estonian Russian voters do not feel affinity for ethnic Russian parties and overwhelmingly support the Centre Party, the sociologist Juhan Kivirähk suggests that there simply are no other parties in Estonia that would protect the political interests of non-Estonians. This became especially clear after the events of the "Bronze Soldier" riots in April. "Ethnic Russian parties in Estonia are weak and lack prominent leaders," said Kivirähk, explaining the reason for the lack of real support for these parties. Pavel Ivanov, the editor-in-chief of the Russian language weekly MK-Estonia, has also stated that ethnic Russian parties have put themselves in a bad light in Estonia. "There simply are no alternatives to the Centre Party," he said. "The only ethnic Russian politicians who can be taken seriously and are able to treat the society as a whole are members of the Centre Party," said Kadri Must, Secretary-General of the Centre Party, commenting on the strong support of non-Estonians for the party (see PM 10.08.2007).

Attempts have been made to interpret the overwhelming support of non-Estonians for the Centre Party through the latter's "pro-Russian mentality", but this begs the question of why the Estonian Russian community fails to vote exclusively for ethnic Russian parties, whose "pro-Russian mentality" is even more obvious. Instead, a more appropriate explanation might be that a large segment of the Estonian Russian population is characterized by feelings of inequality and exclusion related to nostalgia for the way of life during the Soviet era. Thus they are similar to many of the ethnic Estonian supporters of the Centre Party, who likewise feel that they have become part of the so-called second Estonia, the losers, since the restoration of Estonia's independence. Unfortunately, non-Estonians make up an increasing number of the residents of Estonia who feel they have lost out in the transition process.

Despite their increasing percentage in the citizenry, Estonian Russians have not been able to realize their potential as voters. The representation of the Estonian Russian community in the Riigikogu has remained the same for years and is currently three times lower than the percentage of Estonian Russian voters in the population. Incidentally, it is through the lists of candidates of the Centre Party that most members of the Riigikogu with a Russian ethnic background have been elected to both the last and the last but one composition (see Table 3.3.4).

Meanwhile, 24 of the 63 members elected to the Tallinn City Council in 2005 are non-Estonian, while an entire 63% of the 32 members of the Centre Party faction are non-Estonian. The Reform Party faction has two non-Estonian members, IRL has one, and one non-Estonian person is a member of the City Council but does not belong to any faction. An unbalanced bias towards one political party (which is certainly enhanced by the other parties' disregard for or timidity or inability to make contact with the Russian speaking voters) does not offer the segment of Estonian Russians who feel comfortable in Estonian society enough opportunities to constructively participate in Estonian politics.

In the focus groups and personal interviews conducted for the study carried out in connection with the preparation of the new integration strategy (Kallas 2007), Estonian Russian respondents did not consider favouring candidates according to their ethnic belonging to be justified. Rather they expressed the opinion that parties should be voted for based on their worldview and not based on cultural and ethnic affiliation. This position indicates that the non-Estonian population is more interested in the representation and protection of their vital interests than the ethnic criterion. Their desire to distance themselves from ethnic party politics gives us reason to believe that the potential for the development of multiethnic worldview-based parties and a corresponding electorate in Estonia is high. This is clearly more beneficial to the development of a strong common national identity than political separation along ethnic lines.

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3.4. Estonia's linguistic capital

Language proficiency has become one of the most important types of educational capital for gaining better work opportunities and self-realization both in Europe and Estonia. As a nation state, Estonia has to protect and develop its national language. As a member of the European Union, however, Estonia is also obligated to attend to the linguistic opportunities and foreign language study of minority groups[12].

In this context, the possibilities and motivation of non-Estonians to learn and use both the national language and foreign languages are important factors in shaping their socio-economic status, as well as improving cooperation and understanding between ethnic Estonians and non-Estonians. Naturally, the other precondition for mutual understanding is the readiness of ethnic Estonians to communicate with non-Estonians and improve their proficiency in foreign languages, including Russian.

Below, we have analyzed the linguistic capital of Estonian society, taking into account the current level of language proficiency as well as the set attitudes towards learning Estonian as the national language and the contacts between members of ethnic groups. The analysis is based on the premise that the development prospects of the Estonian language are influenced significantly by both positive attitudes towards learning Estonian and adequate contact between the ethnic groups.

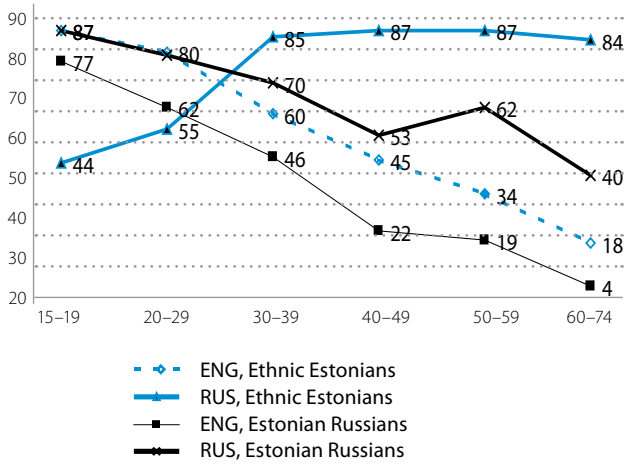
Changes in foreign language proficiency during the last 20 years

In the overall European context, Estonia is a country with a fairly high level of language proficiency – monolingual residents constitute just 14% of its adult population (Masso ja Vihalemm, 2005). The remaining 86% have at least a passive level of proficiency in at least one foreign language. Approximately one third of Estonia's population has a level of proficiency in one foreign language which is mostly Russian for ethnic Estonians or Estonian for Estonian Russians, while English is popular among the younger generation. About one third of Estonia's residents are proficient in two foreign languages and a quarter of Estonia's residents are skilled in three or more foreign languages (Masso ja Vihalemm 2005).

The number of people with at least minimal (passive) English and Finnish language skills among ethnic Estonian adults has increased nearly twofold during the last 20 years (1987 – 2007) (from 39% to 73% in the case of English and from 32% to 62% in the case of Finnish) (data on the changes in foreign language skills is available in Annex 3.4.1). The number of people with at least minimal (passive) proficiency has increased almost twofold among Estonian Russians for both Estonian and English (from 42% to 83% in the case of Estonian and from 20% to 53% in the case

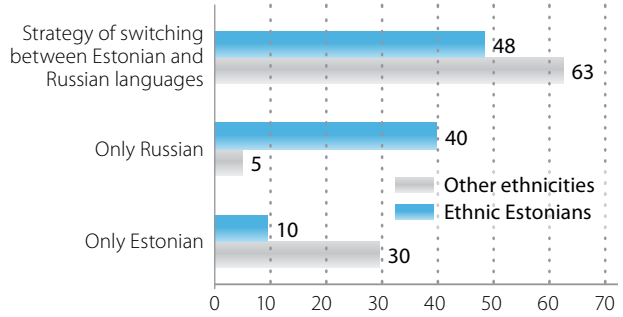
[12] The European Union calls for the residents of its member states to have a level proficiency in at least two foreign languages in the future and delegates the fulfilment of this task primarily to the educational systems of the member states (New Framework Strategy for Multilingualism, Council of Europe, 2005).

Figure 3.4.1. Foreign language skills by age groups. (%)
Active or fluent command of Estonian and English among Estonian Russians by age groups and active or fluent command of Russian and English among ethnic Estonians by age groups (Aggregated responses: am fluent, speak and write, understand and speak a little).



Source: TÜ/ Saar Poll, 2007

Figure 3.4.2. Use of languages in communication between ethnic Estonians and Estonian Russians, %



Source: TÜ/ Saar Poll, 2007

of English). While these figures are relatively high, it has to be taken into account that the self-image of the respondents is probably better than their actual level of linguistic proficiency. The increase in German language skills has been comparatively small. The overall level of ethnic Estonians' Russian language skills has not changed much – while at least 88% of ethnic Estonian adults had a passive knowledge of Russian and 23% were fluent in the language in 1987, in 2007 91% of ethnic Estonian respondents believed they had at least a passive knowledge of Russian and 22% said they were fluent in Russian. However, as indicated in Figure 3.4.1, knowledge of Russian has decreased considerably in the younger age groups. The Estonian language proficiency of the Estonian Russians has developed in an opposite direction – the younger the age group, the better their knowledge of Estonian.

The majority of the members of the youngest age group of Russian background (ages 15–19) are able (in their own opinion) to communicate in English and also in Estonian. The ethnic Estonian youths' Russian language skills are inferior, usually limited to passive knowledge, despite the fact that Russian is taught as the second language in most Estonian schools[13]. While the language skills of young people in their 20s are proportionately similar, the differences between the ethnic groups are not as pronounced. The turning point in terms of age at which the Russian language skills of ethnic Estonians begin to deteriorate and the Estonian language skills of Estonian Russians begin to improve is approximately 30. While most middle-aged residents can speak Estonian or Russian, respectively, knowledge of English is less common in this age group. Two age groups with worse than average language skills can be identified among Estonian Russians – persons in their 40s and persons over 60 years of age.

While ethnic Estonians of older age groups often preferred to use Russian when communicating with other ethnicities (which, in turn, was the reason why Estonian Russians were able to live in Estonia without speaking Estonian), the changes in the language skills of young ethnic Estonians and non-Estonians have brought about a situation where Estonian is increasingly becoming their common language of communication, though in some cases English is preferred.

What language do ethnic Estonians and persons of other ethnic groups actually use when communicating with each other (see Figure 3.4.2)? According to the poll conducted in 2007, the most common option was to use a strategy of switching between Estonian and Russian languages (53% of ethnic Estonians and 43% of respondents of other ethnic groups). Of ethnic Estonians, 10% and of Estonian Russians, 5% sometimes also use a third language, primarily English. Of ethnic Estonians, 30% and of respondents of other ethnic groups, 40% used only their native language in communication.

Of the ethnic Estonian respondents 5% used only Russian in communicating with other ethnicities and 10% of respondents of other ethnic groups used only Estonian when communicating with ethnic Estonians. Among all respondents only 2% used English when communicating with the other group.

A total of 57% of all respondents who had communicated with people of other ethnic groups during one week before the poll had the used the option of switch-

[13] During the 2006–2007 academic year a total of 83.7% of the students of general education schools were studying English, 40.9% were studying Russian and 17.8% were studying German. Source: the draft of the Estonian Foreign Language Strategy, Ministry of Education and Research, 2007.

ing between languages when communicating. The results of the poll show that the percentage of persons of other ethnicities who are prepared to use only Estonian in communicating with ethnic Estonians continues to grow. Already 10% of non-Estonians communicated with ethnic Estonians only in Estonian. The relative importance of Russian in communication in Estonia is beginning to decrease.

The language use of different age groups varies widely: while 45% of young ethnic Estonians use only Estonian when communicating with residents of other ethnicities, approximately three quarters of middle-aged ethnic Estonians switch between Estonian and Russian in similar situations. The strategy of switching between Estonian and another language is especially often used in communication by ethnic Estonians with higher education (74%). The percentage of ethnic Estonians who only use Russian in communicating with non-Estonians does not exceed 6–8% even in older age groups, while nearly half (45–54%) of Estonian Russians over 45 claim that they communicate with ethnic Estonians only in Russian. We can conclude from this information that non-Estonians who do not understand Estonian prefer to confine themselves to only replying in their own language when taking part in a conversation where several languages are used.

The attitudes of Estonian Russians towards the national language

As stated above, the Estonian language skills of Estonian Russians have improved significantly during the last 20 years, especially among the younger generation. Young people's knowledge of Estonian language has been affected positively by the gradual transition of Russian language schools to subject study in Estonian and the increase in the volume and quality of Estonian language study and subject study in Estonian. Furthermore, the growing number of children from an Estonian Russian background who wish to study in Estonian language schools has also had a positive impact (according to the Ministry of Education and Research, students whose native language is not Estonian constituted approximately one sixth of all students attending Estonian language schools in 2006). Another positive influence has been the increasing popularity of language immersion – 3066 students participated in the language immersion program in the 2006/2007 academic year.

However, changes do not occur in people's behavioural strategies and attitudes as fast as they do in institutions (e.g. schools, mass media, etc.). Table 3.4.2. indicates that during the first decade of the transition period a significant section of the Estonian Russian community did not experience any problems when communicating solely in Russian. It is probable that their ethnic Estonian interlocutors in the public sphere and elsewhere were prepared to communicate in Russian. Although the value of the national language as a key to opening new opportunities in the labour market has increased in the last 10 years, 50% of the population believes that it is possible to find a good job in

Table 3.4.1. Language use by age groups (% of age group)

	Language used in interethnic communication	Age			
Ethnic Estonians	Only Estonian	45	22	22	31
	Only Russian	1	5	6	8
	Strategy of switching between Estonian and Russian languages	47	70	72	60
Other ethnicities	Only Estonian	9	12	9	9
	Only Russian	28	36	45	54
	Strategy of switching between Estonian and Russian languages	61	50	45	34

Source: TÜ/ Saar Poll, 2007

Estonia without being proficient in the national language. This belief has not diminished over time, but rather has become more widespread. Thus it can be said that the position of Estonian as the national language is ambivalent – it is good to know it, but it is possible to manage without it. As the comparison between ethnic groups (Table 3.4.2) shows, ethnic Estonians are conscious of this problem. This might be the reason for the recent increase in the so-called symbolic value of Estonian – most Estonian Russian and ethnic Estonian respondents find that learning Estonian increases the mutual confidence between ethnic Estonians and non-Estonians. There is also a growing conviction among ethnic Estonians that learning Estonian will "do away with" the discriminatory attitudes towards other ethnicities in Estonia (regardless of which ethnicity the person who has learned Estonian belongs to). Estonian Russians a little more cautious regarding the linguistic liberalism and ethnic openness of Estonians, though their scepticism has decreased over time.

Table 3.4.2. Opinions of the ethnic Estonian and Estonian Russian population regarding the Estonian language in 1995, 2000 and 2005. (Percentage of the people agreeing with the statement among all respondents)

Agreement with the statements, %	1995	2000		2005	
	Russians	Russians	Estonians	Russians	Estonians
Estonian language skills are necessary (for non-Estonians)* primarily in order to find a good job	66	62	58	75	69
If you are a capable specialist or have contacts, it is possible to find a good job without knowing Estonian	43	47	43	53	43
If a person knows the Estonian language, there is no difference whether they are ethnically Estonian or not (it is not important whether they belong to another ethnic group)*	49	53	70	64	77
If a non-Estonian learns the Estonian language, it will increase their mutual confidence with ethnic Estonians	-	64	54	68	80
It is normal for an ethnic Estonian and an Estonian Russian to communicate with each other in English	-	10	18	43	14
I have not had any problems communicating only in Russian (The person has not experienced problems in Estonia when communicating solely in Russian)	65	62	49	-	-
Learning the Estonian language is necessary primarily for gaining Estonian citizenship	42	45	58	-	-

** the wording in the brackets was used on Estonian questionnaires*

Sources: 1995 – T.Vihalemm's Doctoral thesis, Emor; 2000 – Target financed study project The Integration of Non-Estonian Youth into Estonian Society, Emor; 2005 –Mina.Maailm.Meedia, Department of Journalism and Communication at the University of Tartu, Faktum

Due to the increase in the language skills of the younger generation, the legitimacy of English as a local interethnic language of communication has grown considerably during the last five years. This option is not good for the Estonian speaking community, however.

It can be said that Estonian generally has a positive image in the minds of the people as a symbol of trust and mutual good relations, but has to compete with other alternatives as a practical means of communication (e.g. people's social networks, English). It follows that the symbolic value of the Estonian language should be maintained through developing a relationship of mutual acceptance.

In summary

The foreign language skills of Estonian residents have increased considerably during the last 20 years. The English language proficiency of both ethnic Estonians and Estonian Russians has increased twofold. This is equivalent to the increase in the Estonian language skills of the Estonian Russian community. Residents of Estonia who are 20 or younger are better "capitalized" linguistically. Taking into account bilateral language skills, the young Estonian Russians who are able to communicate in both English and Estonian are best equipped language-wise. The knowledge ethnic Estonian youths have of the Russian language is more frequently passive. The lowest comparative foreign language proficiency is characteristic of Estonian Russians in their 40s and 60s. The worse linguistic "capitalization" of middle-aged residents who are able to make themselves heard in society probably also has an effect on their social attitudes, their level of social cohesion and the socialization strategies of the younger generation.

The value of Estonian as a communication and career instrument has grown during the last decade. The social value of Estonian as the national language has increased through legislation, education programs, the media and other means. Meanwhile, the increase in the value of Estonian as a language of everyday communication and language of work has lagged behind the increase in actual language skills. The development of the social value of a language in people's consciousness is a complicated process only partially affected by the actions of the state at the administrative level. It is likely that in a geo-culturally open context the instrumental value of Estonian as a national language will not develop as fully as in the nation states of Western Europe. Awareness of the existence and availability of other alternatives – utilizing professional contacts, using English or Russian – has increased during the second decade of the transitional period. It is probable that the tensions between "small" and "large" languages will continue to shape the language relations in Estonia in the future and the situation will not be alleviated by the more advanced language skills of the younger generation.

In general, the position of Estonian as the national language is stronger in the minds of the people as a symbol of trust and mutual good relations. Currently a large majority of interethnic contacts occur in what can be termed official situations (the consumer and professional sphere), where it is less probable a pleasant association will form. Here the ethnicity and potential communication difficulties of the interlocutor are less noticeable than in the private and entertainment sphere. Future policies and plans of action related to language should focus on maintaining and strengthening the symbolic value of Estonian. This, however, necessitates the creation of a more tightly knit Estonian language communication environment between ethnic Estonians and non-Estonians in the form of professional networks and leisure contacts and civil societies comprising both ethnic Estonians and residents of other ethnic groups. For Estonian to be used as a common language of communication, positive motivation is needed in addition to language skills. It is possible to provide positive motivation by encouraging persons of other ethnicities to use Estonian and recognizing their linguistic efforts.

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3.5. Cultural differences: identity and values

Recently, there have been public disputes in Estonia regarding whether integration is more of an issue of language or mindset. Both the political and cultural elite have pointed out language, political loyalty and historical experience as the main causes for the divide between the ethnic Estonians and Estonian Russians. The aim of the following analysis is to discuss the degree of difference between the general tendencies and thought patterns of the ethnic groups and assess the cultural resources available to them for interpreting the processes that have occurred in Estonian society.

Due to large-scale socio-economic changes, the Estonian cultural space is fragmented; containing symbols, standards, values and other cultural elements characteristic of the "old" society, but also incorporating "new" currents (see Alexander *et al.* 2004). Many authors who have treated social change in their work have stressed the importance of values (Kennedy 2002, Sztompka 2004, Vogt 2005) and identities (Hall 1990, Castells 1997) in analyzing historical and cultural change and the process of adapting thereto.

In discussing **identity** we make use of a theory from the field of social psychology that defines social identity as "a part of an individual's self-conception which derives from knowledge about one's belonging to social groups, together with the value and emotional meaning ascribed to the groups" (Tajfel 1981: 225). Although interpretations of identity vary according to the field of research (see Cerulo 1999), the generally accepted premise is that an identity is constructed selectively. In defining their identity, individuals prefer to identify with certain cultural and social environments and certain types of people in order to achieve a sense of belonging. This sense of belonging provides their actions with meanings and symbolic goals. Identity is reproduced through symbols, rituals and patterns of behaviour. We will assume that changes that occur in society are reflected in people's self definition, including changes in their identity.

Values convey people's notions of what is desirable (the ideal), although individuals may not base their daily activities on these conceptions (see Kroeber & Kluckhohn 1952, Rokeach 1973). At the same time, values are phenomena that do have some effect on everyday life. Researchers who have studied values (e.g. Inglehart 1990) have pointed out that values and their changes reflect the reactions of individuals to transformations in their environment. In less affluent societies, a prominent position is occupied by scarcity values, such as *wealth*, etc. As the economic situation of a society improves, the importance of scarcity values decreases and attention shifts to "softer" values, such as *friends*, *exciting life*, *clean environment*, etc. Based on data from worldwide comparative studies, Inglehart has created a conception of the gradual shift from materialist values related to subsistence to the so-called post-materialist (also known as post-modern) values related to self-expression and human relations. According to this theory, a culture progresses from traditionalism to modernism and from modernism to postmodernism (see Inglehart 1997). According to this conception, values have also been divided into traditional values (e.g. *salvation*), modern values (e.g. *power*, *wealth*, *technical development*) and postmodern values (e.g. *clean environment*, *health*, *world at peace*).

The objective of our analysis is to compare the values and identities of the ethnic Estonian and Estonian Russian communities. Thus, we wish to determine the thought patterns and tendencies that could lead to the development of a common cultural space for all residents of Estonia and identify the characteristics that separate the self-images and dispositions of the ethnic groups. Our analysis is based on the data of three representative surveys of Estonia's population (*Balticom* 1995, see Lauristin & Vihalemm 1997; *Me. The World. The Media* 2002 and 2005, see Kalmus et al. 2004). Twenty-five (25) value indicators were measured in all three surveys (see Annex 3.5.1) on a five-point scale (*5*

Table 3.5.1. Self-categorizations in Estonia by ethnic groups in 2002 and 2005 (% of the respondents of an ethnic group who chose the category).

	Ethnic Estonians		Estonian Russians	
	2002	2005	2002	2005
Network identity				
Own ethnic group: ethnic Estonians / Estonian Russians	86	92	52	79
Family	91	89	76	79
Friends	83	86	66	70
Colleagues	67	70	44	33
Relatives	68	64	64	65
Schoolmates	48	59	34	35
Sub-cultural identity				
People with whom I share common experiences, memories of events	56	52	50	45
People whose views on life are similar to mine	51	50	45	50
Persons of the same age and generation as me	44	49	48	50
People with whom I have hobbies in common*	55	43	48	38
People who have the same taste as I do, people with similar predilections	37	38	29	35
Local and civic identity				
Residents of the town, rural municipality, countryside where I live	33	43	29	32
Neighbours, people from my house or street	47	41	32	29
All people living in Estonia	25	32	42	44
Another ethnic group (ethnic Estonians / Estonian Russians, Ukrainians, Latvians, etc.)	18	15	20	29
Transnational and global identification				
Residents of the Nordic countries	30	35	12	15
Europeans	19	30	12	24
Humanity as a whole	26	24	30	28
People who have the same citizenship as me	21	24	20	21
Identification with people with a low socio-economic position				
Ordinary working people*	29	31	23	34
Poor people in financial difficulties*	14	10	21	12
People who are unlucky in life	7	8	9	5
Identification with people with a high socio-economic position				
Successful people	11	11	21	5
People who are financially well off*	3	10	1	5

** in these cases, there were some differences in wording between the two surveys and the wording used in the 2005 survey is presented here*

Source: University of Tartu survey Me. The World. The Media. (MeeMa 2002 ja 2005)

– very important … 1 – not important at all). In order to gather information on identities, the 2002 and 2005 questionnaires used 30 and 31 categories of self-definition, respectively (see Table 3.5.1); the respondents were asked to indicate (on a *yes–no* scale), which group they felt they belonged to at a level that would allow them to use the word "us" when speaking about themselves and the group.

Identities and their development

The groups presented to the respondents for consideration regarding their feelings of solidarity are listed in Table 3.5.1. The names of the groups were included in the questionnaire in a random order, while in the table the groups have been arranged into categories formed in the course of the factor analysis of the 2005 data. The table provides an overview of the changes that occurred in 2002–2005 and the differences found between self-categorizations of ethnic Estonian and Estonian Russian respondents.

The most common form of identity is the so-called **network identity**, or identification with one's closest relatives and the people one is in contact with on a daily basis (*friends, family, relatives, colleagues, schoolmates).* The fact that ethnicity – *ethnic Estonians / Estonian Russians* – was included in the category of network-based solidarity (on the basis of the factor analysis of both 2002 and 2005 survey data) indicates that for the residents of Estonia, ethnic belonging is closely related to concrete personal communications networks and actions. This appears in contrast to the so-called *symbolic national identity*, in which case individuals feel that they are part of an abstract group with a common historical and cultural heritage. It is notable that the relative importance of ethnic self-categorization has increased among Estonian Russians in recent years. Self-categorization through colleagues, work- and schoolmates is more prevalent among ethnic Estonians than Estonian Russians.

The next category can be termed **sub-cultural identity**, as the sense of identification is created in this case by common interests and worldviews, similar tastes and common experiences and memories. Generational identities are also mainly based on lifestyles. Sub-cultural identity represents an identity relatively free of formal social structure which is characteristic of a network-based society. It seems that sub-cultural identity is a more "natural" course of self-categorization among the inhabitants of Estonia, compared for example to political and territorial self-categorizations. Although there are no significant differences between the ethnic groups regarding the importance of this identity, it must be noted that the range of sub-cultural differences between ethnic groups is very wide. Studies indicate that the Estonian and Russian language communication environments, infospheres, citizens' associations and free time activities continue to be separated. Thus, participation in social networks, including citizens' associations, may breed not only common interests, but also tendencies towards ethnic

segregation. It is likely that the sub-cultural identity serves primarily to reproduce the separation of ethnolinguistic groups promoting the image of an alien "other", rather than a collective "us".

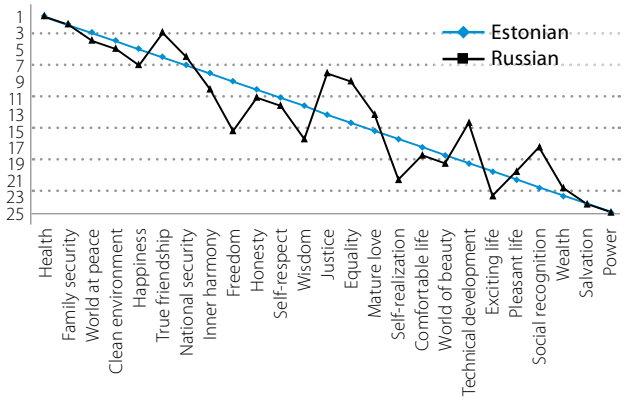
Local and civic identity is the feeling of commonality with neighbours, with the residents of the home town or rural municipality, with all of the people living in Estonia and with other ethnic groups residing in Estonia. As the latter thought pattern became distinguishable only in 2005, it can be assumed that this type of identity is developing in Estonia. The rate of solidarity with all people who live in Estonia was higher among Estonian Russians, although there has been an increase in this regard among ethnic Estonians during recent years. Feelings of solidarity with the respondents' neighbours and residents of their home towns occurred more frequently in the case of ethnic Estonians. While solidarity with the neighbourhood decreased somewhat in 2002–2005, feelings of unity on the level of towns and rural municipalities has grown among both ethnic groups. It seems that in Estonia solidarity with other ethnic groups is starting to develop on the basis of shared territory and local unity, rather than on a national level, through citizenship.

According to factor analysis, the following categories were included under **transnational and global identification**: *people who have the same citizenship as the respondent, residents of the Nordic countries, Europeans, humanity as a whole*. Transnational self-categorization is not widespread in Estonia and the thought pattern in itself is relatively new – in 2002, for instance, this pattern was not identified. It is probable that Estonia's accession to the EU has contributed to its formation. This is confirmed indirectly by the fact that the percentage of respondents identifying themselves as Europeans grew in 2002–2005. In general, regional/global identification is slightly more common among residents of Estonia than political identification on the basis of citizenship. An ethnicity-based contrast that can be highlighted in this category is that ethnic Estonians often identify with the residents of the Nordic countries, while the Nordic dimension remains alien to the Estonian Russians.

Identification with people with a low socio-economic position lies in feeling solidarity with *people who are unlucky in life* and with *poor people*. It is significant that the social class-related category of *ordinary working people* is classified as part of the same factor, i.e. is associated with social failure. The categories that belong to this group are seldom used in creating feelings of solidarity.

Identification with people with a high socio-economic position is opposite in its meaning and also relatively uncommon. During the period 2002–2005, identification with either unsuccessful or successful groups has decreased further. This result is somewhat surprising, considering how often the distribution of people on the basis of their financial status is discussed in public. A comparison of survey data from 2002 and 2005 reveals that identification with both the rich and successful and the unsuccessful has decreased substantially particularly among Estonian Russians.

Figure 3.5.1. Comparison of the importance of individual values for ethnic Estonian and Estonian Russian respondents (ranking of 25 values)



Source: University of Tartu survey Me. The World. The Media. (MeeMa 2005)

The values of the ethnic Estonians and Estonian Russians 1995–2005

By comparing the importance of values based on the evaluations provided by ethnic Estonians and Estonian Russians in reply to the 2005 survey (see Figure 3.5.1), it is possible to divide the 25 values that were observed into four groups: (1) values that are equally important to ethnic Estonians and Estonian Russians (placed at the top of the rankings, variation of ranking two places or less): *health, family security, clean environment, happiness, true friendship, national security, self-respect, honesty, wisdom*; (2) values that are more important to ethnic Estonians and are located at least two places higher in the rankings by ethnic Estonians than by Estonian Russians: *mature love, self-realization, pleasant life, wealth*; (3) values that are more important to Estonian Russians and are located at least two places higher in the rankings by Estonian Russians, compared to ethnic Estonians: *world at peace, inner harmony, freedom, equality, justice, comfortable life*; (4) values that are located at the bottom of the rankings list in the case of both ethnic groups: *world of beauty, technical development, exciting life, social recognition, salvation, power.*

The tendencies of the last 10 years (1995-2005) (see Annex 3.5.1) indicate that the values of the ethnic groups have changed in somewhat different ways. Among ethnic Estonians, the importance of *clean environment* and values centred around the individual, such as *self-respect* and *self-realization* has increased substantially (having gone up at least three places in the 25 value ranking), while the significance of values like *national security, freedom* and *technical development* has grown among the Estonian Russians. The relative importance of *comfortable life* and *justice* has decreased considerably both among ethnic Estonians and the Estonian Russians; ethnic Estonians have also

Table 3.5.2. Means of value orientations (factor scores) among ethic Estonians and Estonian Russians in 2005.

	Ethnic Estonians language respondents, N=1033	Estonian Russians N=442
F1 Personal harmony: self-respect, mature love, happiness, pleasant life, self-realization, true friendship	.15*	-.35*
F2 Spiritual harmony: world at peace, equality, salvation, world of beauty, inner harmony, freedom	-.18*	.42*
F3 Environment and security: family security, honesty, national security, clean environment, health, technical development	.07*	-.17*
F4 Material well-being and self-establishment: comfortable life, wealth, power, exciting life	-.08*	.18*
F5 Social maturity and recognition: justice, wisdom, social recognition	-.03	.07

** Difference between the groups is statistically significant at p ≤ 0.01*

Source: University of Tartu survey Me. The World. The Media

begun to attribute less importance to such universal or collectivist values as *world at peace*, *inner harmony* and *honesty*. The importance of *comfortable life* as well as *wealth*, *pleasant life*, *mature love*, *world of beauty* and salvation has dropped among the Estonian Russians.

The differences between the ethnic groups appear clearer and more constant upon the examination of value orientations or value clusters. Five clusters of closely connected individual values or value factors were distinguished on the basis of the 2005 survey data (the composition of these clusters is presented in Table 3.5.2).

A comparison of the importance of the value factors by ethnic groups defines in more detail the situation that was apparent to some extent already on the basis of the rankings described above: Estonian Russians attribute greater relative importance to values related to spiritual harmony – *inner harmony, equality* and *world of beauty* – on the one hand and values connected to material well-being (*comfortable life*) and self-establishment on the other hand. Both of these value orientations can be characterized according to R. Inglehart's classification as scarcity values, as values that cannot be realized in the given social environment. The spiritual harmony value cluster can be associated to an extent with a communal religious background, referring to the effect of the Orthodox value system on the worldview of Estonian Russians.

Joint structures of values and identities

An overview with the greatest possible power of generalization regarding the cultural similarities or differences between ethno-linguistic groups is based on a joint analysis of values and identities. In order to create a classification fitting this purpose, a secondary factor analysis was conducted, with the afore-described identity factor (Table 3.5.1) and value factor (Table 3.5.2) scores used as new input variables. As a result of the analysis, it was possible to differentiate between five identity and value clusters, or composite mental structures. Figure 3.5.2 shows how these structures have been adopted by the ethnic groups.

The first factor, labelled **spiritual harmony and community solidarity**, incorporates values related to spiritual harmony and solidarity with the local community. This factor also includes identification with people of high social status with a negative loading. This mental pattern has a strong statistical relation to the negative assessment of changes that have taken place in Estonian society during the last 15 years and the positive assessment of the Soviet era (Vihalemm & Kalmus, forthcoming). In a certain sense, this thought pattern represents mental "encapsulation" in response to the changes of the transition period. It seems that the Soviet ideology and an Orthodox worldview have combined in a peculiar manner and are playing an important role in the cultural memory of people adhering to the pattern. This thought pattern is significantly more widespread among Estonian Russians.

The second factor, entitled **personal harmony and global orientation**, connects values related to personal harmony with a supranational and global identity. This orientation is more common among ethnic Estonians. Other sources (e.g. Vihalemm 2005) also indicate that Estonia's opening up geo-culturally and the country's accession to the EU has had a deeper positive effect on ethnic Estonians than on Estonian Russians. However, it is important to note that this difference between the ethnic groups is considerably smaller in the case of the younger generation – a cosmopolitan thought pattern centred on self-actualization is prevalent among both ethnic Estonian and Estonian Russian youths (Vihalemm & Kalmus, forthcoming).

The third factor, designated **network identity and security,** combines values related to the environment and security and identification with people socially closest to the respondents. This thought pattern points to the considerable importance of social capital. Figure 3.5.3 shows that this pattern is significantly more common among ethnic Estonians. It is possible that the lower incidence of this factor among Estonian Russians is a result of their perception of social exclusion. It could also result from the feeling that the networks and social capital of Estonian Russians are less useful in Estonia following the restoration of its independence.

The fourth factor, where values related to material well-being and self-establishment are combined

with a sub-cultural identity, indicates a desire to identify with people who share the respondent's lifestyle, interests and preferences and to be in possession of the means necessary for affording such identification. The factor was accordingly named **sub-cultural identity and desire for capitals**. This attitude occurs more frequently among Estonian Russians. It seems that subcultures, reproduced in today's society by the global economy based on popular and consumer culture, offer an opportunity for positive or neutral self-identification to a certain segment of Estonian Russians. However, the same thought pattern is also common among the younger generation of ethnic Estonians.

The fifth joint factor, **deprivation and desire for social justice**, does not discriminate among ethnic groups. This thought pattern is equally widespread among the older generation of both ethno-linguistic groups. (Vihalemm & Kalmus, forthcoming).

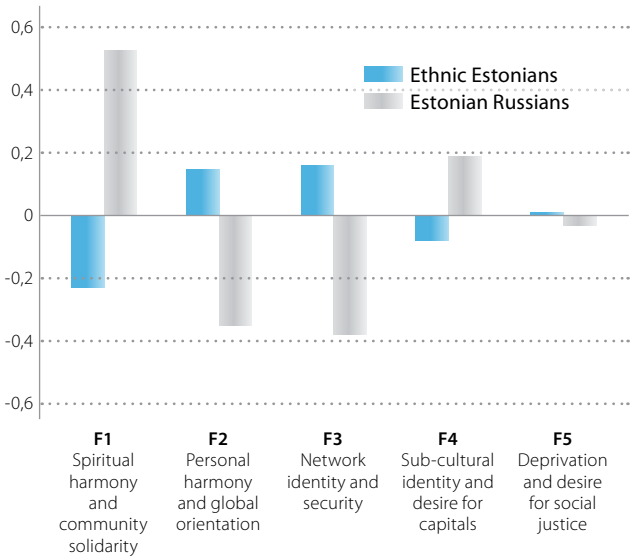
In summary

It can be said that solidarity between relatives and friends as well as people belonging to the same ethnic group as the respondent is widespread in both ethnic groups. Another important source of feelings of affiliation is a common subculture (lifestyle, interests and preferences). The meaning of nationality continues to be mainly ethnocentric in Estonia. Interethnic identification and solidarity are more likely to develop in the global / European dimension and at the level of the local community, instead of the national level.

A certain equalization of values has occurred among the ethno-linguistic groups during the transition period, but a new set of contrasts has also appeared. Regarding recently manifested differences in values, it is important to note that compared to ethnic Estonians, Estonian Russians have started to attach less value to *health*, *clean environment* and *national security* (as well as the value cluster oriented towards *environment and security* as a whole) and also *happiness*. This can be seen as indicative of an increasing sense of alienation and pessimism in a certain segment of Estonian Russians. This interpretation is supported by differences in other value orientations: compared to ethnic Estonians, Estonian Russians place much more value on *spiritual harmony* (including *salvation* and *equality*), which can provide support for overcoming a cultural trauma, and on *material well-being and self-establishment*. This indicates that resources are perceived as scarcity values and consumption opportunities are used to foster a positive self-image. At the same time, Estonian Russians consider values related to *personal harmony* (including post-materialist *self-realization*) less important – the definition of these values as goals would cause cognitive dissonance in the context of social exclusion.

The surveys analyzed above measured both values and identities in a relatively abstract manner, without associating them with specific situations. Yet it seems that the general mentality and orientations of

Figure 3.5.2. Joint mental structures by ethnic groups (mean factor scores)



Source: University of Tartu survey Me. The World. The Media

ethnic Estonians are more related to social capital, networks and a global identity, while Estonian Russians give more importance to spiritual and communal values, sub-cultural solidarity and the valuation of resources necessary for attaining and maintaining these values and identities. Interpreting this difference from the standpoint of shifting values or movement from modernity to post-modernity, it can be said that traditional community values and scarcity or subsistence values, characteristic of early capitalism, are more widespread among Estonian Russians. In the case of ethnic Estonians, however, a shift seems to be occurring towards the increase in importance of post-materialist values typical of welfare societies. The effect of these different cultural patterns on the reactions of the two ethnic groups to the changes in Estonian society is manifested in the greater optimism and support shown by the more self-actualization oriented ethnic Estonians towards political reforms. However, it is also expressed in the concordance of the feelings of social exclusion experienced by Estonian Russians with scarcity values and compensatory spiritual values. This cumulative effect results in the creation of a mental basis for the spread of a collective identity centred on protest. Nevertheless, a plurality of values and identities exists among both ethno-linguistic groups. Furthermore, divergences between generations and people of different social positions and levels of material welfare are to be found. The mental orientations of young people of both ethnic groups manifest tendencies to conform to the increase in importance of values related to globalization and self-actualization, typical of the consumer society.

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3.6. Contacts between ethnic Estonian and Estonian Russians

The analysis of the value consciousness of ethnic Estonians and Estonian Russians indicated that in both cases respondents' feelings of solidarity were centred on family and their own ethnic group. The study demonstrated that there are differences in the value orientations of ethnic Estonians, whose values are closely related to social networks, and Estonian Russians, whose values are more communal in nature. Both groups, however, were characterized by a lack of identification with common (e.g. state-related) abstract symbols. Thus it seems probable that there is relatively little ground for an increase in the sense of solidarity between all of the residents of Estonia. Instead, the cultural resources of both groups tend to intensify differentiation based on ethnicity, while trans-ethnic solidarity, which characterises a small part of the population, expresses itself rather in a global context.

These observations have to be considered in the analysis of interethnic relations in Estonia. Besides abstract, attitudinal levels (openness/closeness towards different "others", attitudes towards cultural diversity), it is necessary to examine the willingness of members of the ethnic Estonian and Estonian Russian communities to cross the boundaries of existing ethnically-based social networks, accept members of the other group into their social networks and share their social as well as personal space. The reasons underlying this willingness or lack thereof must also be explored. An individual's positive attitude towards cultural diversity related to their general value consciousness may not apply to their reactions towards a specific (majority or minority) group. This may occur, for example, if the person feels that the members of the other group are not likely to reciprocate their positive attitude (Tropp 2006: 535). The willingness to communicate with another group may be sig-

nificantly influenced by the person's assessment of the attitude of that group towards the "us" group or the appreciation of cultural diversity in general.

Studies of intergroup communication and contacts have indicated that there is a strong correlation between the frequency of contact between the groups and positive and negative attitudes (stereotypes) (Tropp: 533). It has been concluded in the studies conducted during the last decade, however, that the positive correlation between the frequency of contacts and attitudes applies if the communication between the groups is dominated by a negative, withdrawn attitude. In many societies considerable changes have taken place in this regard. Although ideas of multiculturality are losing their popularity as a political standard in Western societies, valuing diversity has become a widely accepted norm. Thus positive attitudes towards members of other ethnic groups do not necessarily presume positive personal experiences (Tropp: 534).

Valuing cultural diversity

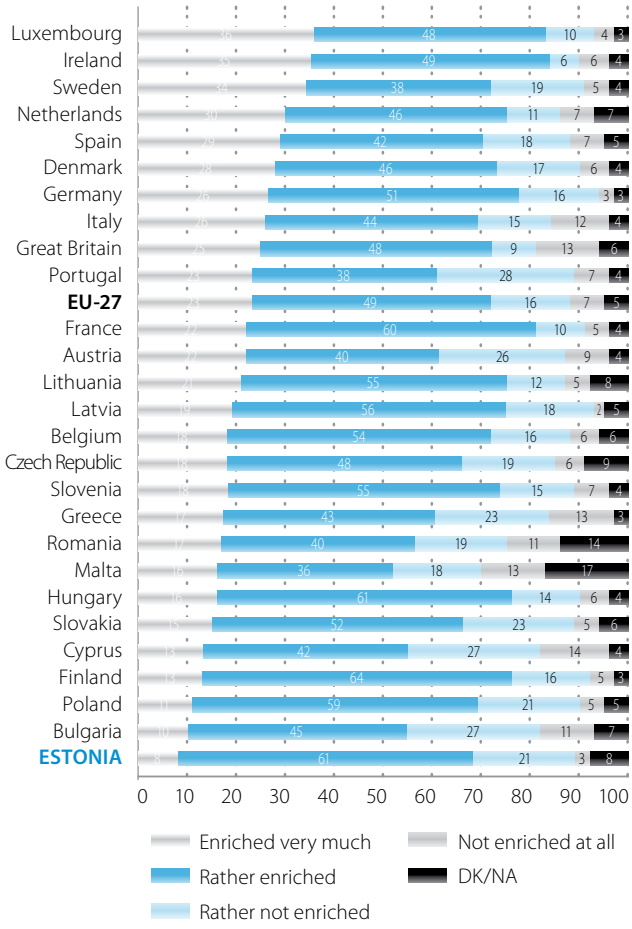
A Eurobarometer poll conducted in 2007 points out a significant difference (with a few exceptions) between the populations of old and new EU member states in their assessment of the influence of cultural diversity on the society (see Figure 3.6.1).

At the same time, the poll confirmed a strong correlation between tolerance and the frequency of contacts between the members of different cultural groups. This is a two-way process: more frequent contact between people of different cultural backgrounds promotes positive attitudes, while a prior positive attitude promotes the occurrence of contacts.

In the aforementioned Eurobarometer survey, Estonians ranked last among EU countries both in terms of assessments regarding the enriching effect of minorities on the culture of the majority and the frequency of contacts between people of different ethnicities. The latter result is somewhat surprising, taking into account the large percentage of minorities in the population of Estonia. The comparison between Estonia and other countries with regard to tolerance and frequency of contacts indicates that a shift towards valuing multiculturalism similar to societies in Western Europe has yet to occur in Estonia. The studies on interethnic relations conducted in Estonia have reached the same conclusion (see e.g. Pettai 2000, Kruusvall 2000).

Presumably, however, a similar shift will also occur in Estonia in time. Based on the data of the 2005 survey *Me. The World. The Media* (carried out by the Institute of Journalism and Communication of the University of Tartu), it can be said that a tolerant attitude towards ethnic, cultural and lifestyle-related differences (the so-called cosmopolitan orientation) is related to a personality type characterised by general openness, such as preparedness for change, interest in world events, a

Figure 3.6.1. Assessment of the enriching effect of minorities on the cultural life of the society[14]



Source: Eurobarometer, Intercultural dialogue in Europe. November 2007

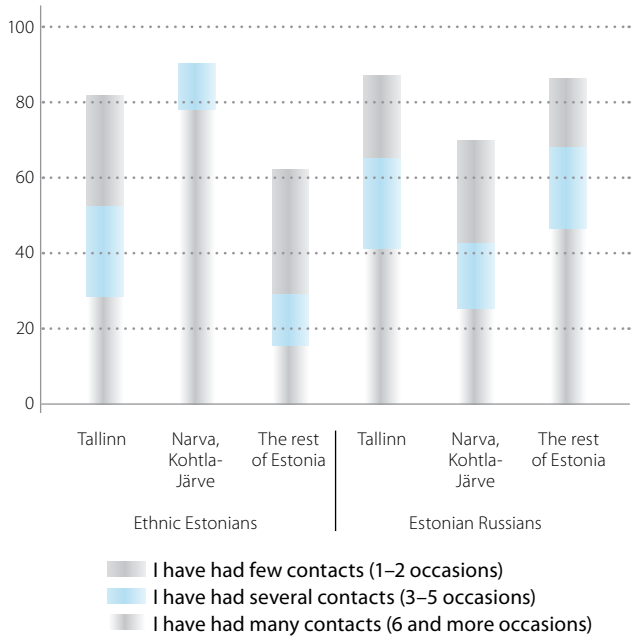
personal experience of living abroad, knowledge of foreign languages. At the same time, tolerant attitudes are inversely related to the preference for order and security to personal freedom, as well as fears related to the decline of common values and morals.

Contacts between ethnic groups

The study conducted in 2007 by the University of Tartu/SaarPoll indicates that everyday contacts with the other ethnic group are minimal for two thirds of ethnic Estonians and one third of the Estonian Russians (Figure 3.6.2). The relative separation of ethnic groups is also characteristic of Tallinn, where nearly half of the ethnic Estonian population and over a third of the Estonian Russians deem their contacts with the other ethnic group either nonexistent or minimal. While the frequency of communication with the other group is some-

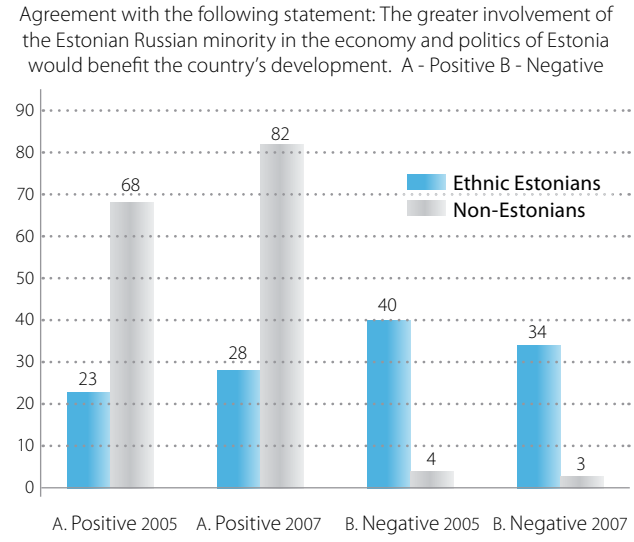
[14] Answer to the question: Would you say that [COUNTRY]'s cultural life is enriched by people with different cultural background than the majority?

Figure 3.6.2. Frequency of contacts among ethnic Estonians and Estonian Russians[15]



Source: TÜ/Saar Poll 2007

Figure 3.6.3. Attitudes of ethnic Estonians and non-Estonians towards the involvement of the Estonian Russian minority in the economy and politics of Estonia



Source: TU MeeMa 2005, TU/Saar Poll 2007

what higher among the younger age groups of Russian language speaking residents of Tallinn (67% confirm 3 or more contacts), the percentage is correspondingly lower among young ethnic Estonians (38%).

A more detailed analysis of the nature of contacts between ethnic Estonians and Estonian Russians (see Table 3.6.1) shows that in both cases the predominant types of contacts tend to be random encounters, including e.g. meeting in a shop, on the street or in public transport, while contacts with friends and acquaintances of other ethnicities are much rarer. Many contacts especially in Tallinn, occur at the workplace (although in the case of the present study it is impossible to differentiate between collegial and service-related contacts).

The analysis of contacts also indicates that the social networks of ethnic Estonians and Estonian Russians are ethnically based and contacts which transcend ethnic boundaries (other than the inevitable everyday contacts) are very rare. This situation is fostered by the language-based segregation of the education system, which serves to shape social networks (or refrain from helping people cross the boundaries of their existing social networks centred on family and friends), as well as reproduce value orientations based on ethnicity.

Attitudes towards the other ethnic group

The relations between majorities and ethnic minorities in traditional nation states are characterized by an asymmetry resulting from a difference in their position of power: the majority is usually involved in the processes as the "engager", while the minority is in the position of the "engaged". This is also reflected in the surveys, where the representatives of the minority express their wish to be recognized as an equal partner in making decisions regarding the society, while the majority is dismissive or sceptical of such ambitions. A similar asymmetry is demonstrated by surveys conducted in Estonia, where the majority of ethnic Estonians are still sceptical of the involvement of non-Estonians in making decisions related to the Estonian economy and politics, while most non-Estonians believe that such involvement would be in Estonia's best interests. (see Figure 3.6.3)

Figure 3.6.3. Attitudes of ethnic Estonians and non-Estonians towards the involvement of the Estonian Russian minority in the economy and politics of Estonia.

Tolerance towards minority groups entails more than just willingness to co-operate with other ethnic groups in the public sphere. A common method for measuring tolerance at a certain level is determining a person's willingness to share their social and personal space in various degrees of closeness, starting from living in the same building up to having family ties with a

[15] Answers to the question: "Have you had contacts with Estonians / Russians and other people speaking Russian during the past week? Try to recall all contacts, even very brief ones and contacts that did not involve people you know personally." by ethnic groups.

person from another ethnic group. Survey results show that both ethnic Estonians and non-Estonians consider free time social activities to be the most acceptable form of spending time together (see Figure 3.6.4).

The general tendency regarding attitudes towards members of other ethnicities can be measured by summarizing the answers to several similar questions in a composite tolerance index.[17] The results of this procedure are presented in Figure 3.6.5.

Ethnic Estonians in Tallinn show the lowest level of tolerance towards members of other ethnicities, compared to the inhabitants of all the other regions. Among Estonian Russians, negative attitudes were voiced by nearly 10% of the respondents, and there was a small difference between the disposition of Estonian Russians living in Tallinn and those living elsewhere in Estonia. Among ethnic Estonians, the respondents expressing the strongest negative attitudes belonged to the youngest age group (15–29) and the oldest age group (56-75). Among Estonian Russians such sentiments were voiced similarly by the youngest age group. The higher level of negative attitudes among both ethnic Estonian and Estonian Russian youth is especially noteworthy when taking into account that openness to cultural diversity at an abstract level is more widespread among the youngest age-groups. As mentioned above, these negative feelings are usually related to the mutually reproducing distrust towards the attitude of the other group towards the "us" group.

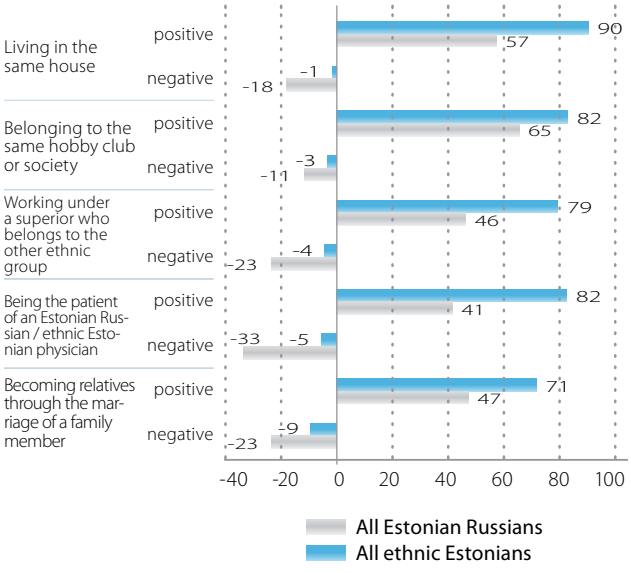
Another explanation may be related to the number and nature of contacts between the ethnic Estonians and Estonian Russians. As the analysis of values revealed, the value orientations of both ethnic groups favour their own ethnic community and ethnicity-based reproduction of social networks, while previous research discovered a strong correlation between the

Table 3.6.1. Nature of contacts between ethnic Estonians and Estonian Russians (%)[16]

	Whole of Estonia		Tallinn	
	Ethnic	Estonian	Ethnic	Estonian
at work	37	47	53	53
in the shop or shopping centre	20	51	36	58
on the street, in the park	18	29	19	25
at the place of residence –house, courtyard	17	35	33	42
In public transport	13	28	22	30
at the bank, post office or other service point	11	35	15	37
among friends	8	28	25	24
at a medical institution	5	25	13	23
among acquaintances	4	15	6	11
in school	4	6	6	4
among family or relatives	3	10	5	6
on the internet: forums, chat rooms	3	8	3	6
at a bar, café, pub	2	9	4	8
at a state or rural municipality administrative agency	2	7	2	5
at a state authority	1	11	5	12
at a night club, disco, etc.	1	6	5	5
at a workout facility	1	6	4	6
at courses, trainings	1	4	3	2
in a hobby group	1	3	1	1
At an association/society/political party/voluntary organization	0	3	0	2

Source: TU/Saar Poll 2007

Figure 3.6.4. The openness of ethnic Estonians and Estonian Russians towards relationships with members of another ethnic group (% of the members of the ethnic group)



Source: TU/Saar Poll 2007

[16] Answer to the question: Please try to recall all of the contacts you had during the past week with Estonians / Russians and other people speaking Russian. Note all the situations in which you have had contacts during the past week in the following list.

[17] he following questions from the survey conducted in June 2007 by the University of Tartu and SaarPoll were used as individual attributes to calculate the composite tolerance index:

How do you consider …

* living in the same house with Estonians/Russians

* belonging to the same hobby club or society with ethnic Estonians/Estonian Russians

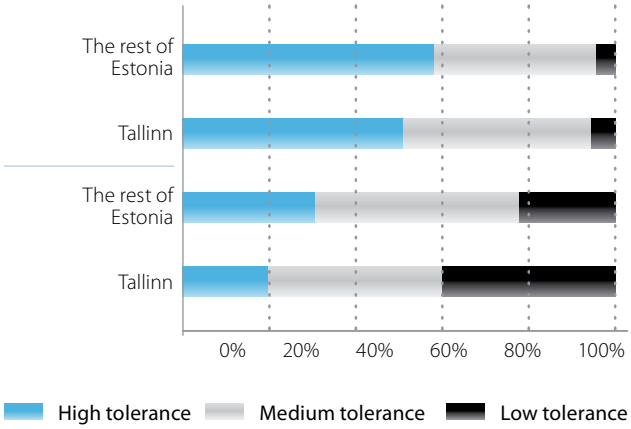
* working under an ethnic Estonian/Estonian Russian superior

* being the patient of an ethnic Estonian/Estonian Russian physician

* becoming relatives with ethnic Estonians/Estonian Russians through the marriage of a member of your family

Scale: 0 – Completely positively, it would not bother me at all... 5 – it would bother me very much

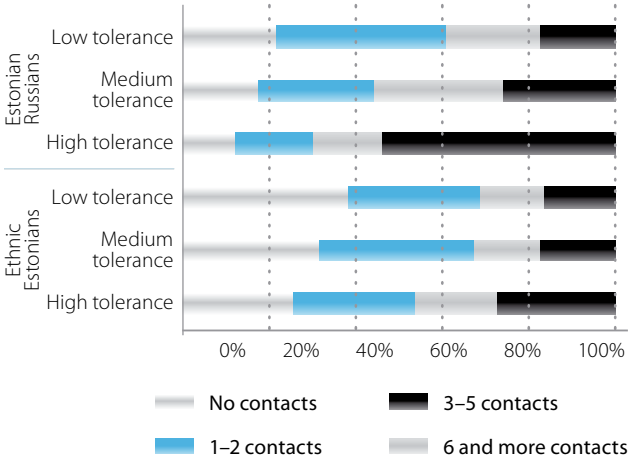
Figure 3.6.5. The distribution of the ethnic Estonian and Estonian Russian population based on their attitude towards the other ethnic group



** High tolerance 0–3 p, medium 4–10, low 11–20*

Source: TÜ/Saar Poll 2007

Figure 3.6.6. The connection between the frequency of interethnic contacts and tolerance among ethnic Estonian and Estonian Russians



Source: TÜ/Saar Poll 2007

frequency of contact between the groups and mutual attitudes toward the other group (e.g. Tropp 2006, Hayes 2006, Eurobarometer 2007).

In the analysis of interethnic contacts and attitudes in Estonia the traditional model applies: a positive disposition towards another ethnic group is generally sustained by the existence of personal contacts with members of the other ethnic group, while negative attitudes and stereotypes can be intensified by brief everyday contacts that are usually negative in nature (misunderstandings related to poor or lacking language skills, e.g. in commerce, public transport, conflicts arising in the streets, especially in the case of children and young people). The large number of negatively disposed people particularly among ethnic Estonians living in Tallinn might be a result of the large predominance of random contacts compared to personal acquaintances with the members of the other ethnic group. This hypothesis is also supported by Figure 3.6.6, which demonstrates the connection between the closeness of contacts and disposition towards the other ethnic group. Again, the effect is presumably mutually reinforcing: positive experiences generate tolerance, while tolerance favours the occurrence of contacts.

The process of identifying factors that promote the development of interethnic tolerance through a regression analysis of the survey conducted in June 2007 revealed that tolerance is most dependent on the following factors: the views of the respondents regarding the changes that have taken place in Estonia; the frequency of contacts between ethnic Estonians and Estonian Russians; the degree of trust the respondents had in public institutions; also whether they had experienced positive and friendly communication with members of other ethnicity.

In summary

It can be concluded on the basis of the previous analysis that the level of solidarity and mutual trust between all Estonian residents is still relatively low. The feelings of trust and solidarity are limited to the respondents' actual social network, which tends to be ethnicity-based for both ethnic groups. Although the first signs of a certain transnational dimension are recognizable with regard to both the networks and a sense of solidarity, this dimension seems to be global, rather than encompassing the whole of Estonian society. This situation also affects the relations between persons and the state – the general level of trust between people is closely linked to their trust in political institutions (see e.g. Lühiste 2006: 479). In the Estonian context this is especially important in the case of the Estonian Russians, who tend to associate political institutions strongly with the ethnic majority. As a result, their trust in political institutions is based heavily on their trust in the majority population and their assessment of the attitudes of ethnic Estonians towards ethnic minorities. In the case of ethnic Estonians, interethnic tolerance is also related to the general decrease in the alienation between the citizenry and the state, but also to the growth of personal welfare.

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3.7. The infosphere and media use of Estonian Russians

It is a well known fact that the worldview of ethnic Estonians and non-Estonians is largely different since the content of the information they receive concerning the rest of the world is dissimilar. Besides, they receive their information from different sources, in different languages and through different media channels. As early as the 1970s and 1980s, studies on media use revealed the smaller impact of periodicals and radio, and the greater impact of television on the lives Estonian Russians compared to ethnic Estonians (see Saar 1985; Paulson 1986 and 1993; Lauristin, Vihalemm, Uus ja Peegel 1987: 94–102). These trends continued and even increased during the 1990s (Lauristin & Vihalemm 1998; Šein 2004: 202). The media use of the Estonian Russians was characterised already in the 1970s and 1980s by a strong orientation towards the so-called pan-Soviet Union newspapers and magazines published in Moscow and the similarly Moscow-based Central Television. Ethnic Estonians, however, primarily made use of the local Estonian language media content and programs broadcast on the Finnish television channels that were very popular among ethnic Estonians in those days (Paulson 1993, Vihalemm & Kõuts 2004: 69, 82).

Subsequent to the restoration of the independence of Estonia, the availability of Russian newspapers and magazines as well as the interest of Estonian Russians in them fell sharply. The Russian television channels, however, accordingly became much more important for this segment of the population, since in addition to offering Western entertainment in Russian, these channels provided a typically Russian worldview, a sense of solidarity and subject matter to reminisce about. When Russian TV stations stopped broadcasting in Estonia in 1994, Russian television channels disappeared almost completely from the media use of ethnic Estonians, while the number of daily viewers of Russian channels among Estonian Russians recovered quite quickly (Veskimägi & Susi 1998: 131–133).

On analyzing the orientation of media use towards local, national, Russian and Western channels by comparing data from 1993 and 1999, Triin Vihalemm concludes (1999: 48) that Russian television channels have a stable audience among Russian residents of Estonia, but the tendency of this group to watch Western television channels and read Western newspapers and magazines has increased. The tendency is contrary among ethnic Estonians – the viewing of Western television channels has decreased, primarily due to the considerable drop in the number of viewers of Finnish television. Ethnic Estonians spend an increasing amount of time watching television programs broadcast by Estonian channels, which in 1999 had 7–8 times the program volume of 1993.

The abovementioned tendencies in the different media use and separate media spheres of ethnic Estonians and non-Estonians have generally continued into the 21st century (see Vihalemm 2006; Table 3.7.1).

Table 3.7.1. Media use among ethnic Estonians and non-Estonians 2000–2006 (the November of the given year)

	Ethnic Estonians				Non-Estonians			
	2000	2002	2004	2006	2000	2002	2004	2006
Reads newspapers regularly (%)*	87	84	78	79	65	66	56	61
Reads magazines regularly (%)*	79	81	72	78	59	52	48	38
Listens to the radio (hours and minutes per day)**	3.47	3.44	4.55	4.10	2.56	3.01	4.13	3.55
Watches television (hours and minutes per day)**	4.02	4.36	4.02	3.52	4.35	5.17	4.15	4.33
Uses the internet (%)	34	49	53	62	18	32	37	54

**Percentage of regular readers among the population aged between 15 and 74 (have read more than half of the 6 last issues of a publication)*

***Due to a change in research methods, the data gathered before and after 1 January 2003 is not directly comparable*

Source: Emor

Russian media channels in Estonia in 2000–2007

In 1995–2000 the number of Russian language publications published in Estonia remained steady, around 65–67, and has increased by approximately twenty publications since (see Jakobson 2004a: 216–218). The new publications have been predominantly magazines, for example in 2001–2003, six new magazines were created each year, several of which had a rather short life span, however (Jakobson 2004b: 293–295). Despite this, the number of general public-oriented Russian language magazines published in Estonia in 2007 was seven, while only five such magazines were published in 1997.

An increased co-operation with Russian media channels has emerged as a new trend in recent years – versions of Russian channels directed at the Russian speaking Baltic and Estonian markets have appeared. TEM TV, which started as the Baltic version of the national Russian television channel ORT in 2001, was redesigned in 2002 into the First Baltic Channel (PBK) with its headquarters located in Riga. As of April 2004, PBK broadcasts a 20-minute news program entitled Estonian News every weekday. This program has the same format and style as the popular Russian news program Vremya, although it has been much more competent and Estonia-friendly than its parent program. PBK quickly became the most popular television channel among the Russian residents of Estonia.

Molodezh Estonii, the Russian language daily with the largest circulation in Estonia in the 1980s and 1990s, has been working in close co-operation with Moscow-based newspapers Komsomolskaya Pravda and TV-Park as well as the Russian news agency Novosti since 2002, participating in the production of the Baltic version of Komsomolskaya Pravda and publishing the weekly supplement of the Molodezh Estonii newspaper entitled Sootechestvennik (see Jakobson 2004a: 220–221).

Table 3.7.2. The following of different media channels in June 2007 (% of the population aged between 15 and 74, often + occasionally).

	Ethnic	Non-
Estonian language newspapers	92	21
Russian language newspapers published in Estonia	8	68
Russian newspapers	3	37
Estonian television channels	95	41
Russian television channels	18	93
Estonian language radio programs	85	22
Russian language programs broadcast by Eesti Raadio (Estonian public radio)	9	64
Estonian language internet portals	61	20
Russian internet portals	6	47

Source: Saar Poll and University of Tartu

April 2004 saw the termination of the publication of the newspaper (Sovetskaya) Estonia, created in 1940, which was remodelled into the daily paper Vesti Dnia oriented at publishing articles gathered from many Russian publications, especially light reading material originally printed in magazines. A new newspaper named MK-Estonia was launched in June 2004, containing mostly material from the newspaper Moskovskii Komsomolets, but also pages with local news.

As a counterbalance to the increasing trend of orientation towards Russian media products, Estonian publications have started to publish Russian language versions of their own in recent years, which also have become very popular. The Russian language version of Postimees, published since November 2005, competes with Molodezh Estonii for the title of the most popular Russian language newspaper in Estonia (according to the print media study conducted by Saar Polli in October 2007, the readership of Molodezh Estonii was slightly higher – see www.Saarpoll.ee/meedia2007.pdf). The Russian language version of Linnaleht has reached the largest circulation among the Russian language publications of Estonia (see www.eall.ee).

Media use of ethnic Estonians and non-Estonians in 2007

According to the representative poll conducted by Saar Poll and the University of Tartu (Table 3.7.2), ethnic Estonians are firmly oriented towards Estonian language media and follow Russian language channels rarely, if ever. Ethnic Estonians pay slightly more attention to Russian television channels which are regularly viewed by 18% of the population, but are never viewed by 69%. Contrary to the preferences of local Russians, PBK has a somewhat smaller number of viewers among ethnic Estonians than other Russian television channels.

A fifth of Estonian Russians follow Estonian media (Estonian language newspapers, radio programs, internet portals) regularly. However, the media sphere of Estonian Russians is dominated by PBK and other Russian television channels and reading newspapers and listening to the radio are considerably less common in the case of Russians compared to ethnic Estonians. The most popular newspapers among Russians are the Russian language papers published in Estonia and the most popular radio station is the publicly owned Russian language Radio 4. The fact that the Russian language television programs produced in Estonia are trailing far behind locally produced radio programs and newspapers in terms of popularity indicates that there is a distinct need for a Russian language television channel in Estonia.

As the data above shows, the media spheres of ethnic Estonians and Estonian Russians differ to a significant degree. 75% of Estonian Russians are completely or mostly unfamiliar with Estonian language media, while the percentage of ethnic Estonians who never or almost never follow Russian language media produced in Estonia or Russian media is even greater (92–93%). There is also a strong correlation between the fre-

quency of a person's media use and their confidence in Estonian and Russian language media channels.

Could the spreading of Estonian language skills among non-Estonians contribute to the potential formation of a joint Estonian language information space? The table below shows that this holds true only for one fifth of Estonian Russians who reported in June 2007 that they follow Estonian language press, radio and television regularly (let us recall in comparison, that 39% of Estonian Russians claimed that they had good knowledge of Estonian in the same survey). Accordingly, there is no hope that an information space connecting Estonian Russians and ethnic Estonians could function in the future solely on the basis of the Estonian language. The same table reveals that a much more promising way of achieving the creation of a joint information space is to make effective use of the Russian language information produced in Estonia. Taking this course, for example by launching a Russian language public television channel (an idea supported, according to the survey conducted in June 2007, by 84% of Russian language speaking respondents and 67% of Estonian language speaking respondents) is prevented probably not so much by lack of funds, as by the ethnic Estonians' lack of trust in Russian language information and the subconscious fear of an expansion of the Russian language media sphere. This is demonstrated, for example, by the data presented in Table 3.7.3, according to which only 7% of ethnic Estonians claimed to follow Russian language media produced in Estonia, yet 75% were convinced that such media was untrustworthy. In contrast, 60% of the Estonian Russian population deems local media content more reliable than the media produced in Moscow which is trusted by 38% of the respondents.

A look at the media use of non-Estonians shows, however, that their media habits are shaped primarily by the programming executives of the Russian national television (Table 3.7.3).

However, the chances of Estonian public television competing with Russian sources are better than is often claimed. This is proven, first of all, by the constant popularity of Raadio 4 among Estonian Russians and secondly, by the interest shown by 41% of Estonian Russians in Estonian television channels (granting that some respondents might have considered the PBK local newscast Estonian television). Yet further evidence confirming the potential popularity of Russian language Estonian television stems from the situation during the April crisis, when 25% of Estonian Russian viewers attempted to find relevant information on Estonian television channels (Table 3.7.4).

Media use during the April crisis

The abovementioned representative survey prepared by the University of Tartu and conducted by Saar Poll in June 2007 revealed that television is also the predominant source of news and commentary in a crisis situation. Notably, the most watched television channels were completely different in the case of ethnic Estonians and Estonian Russians. However, it should be noted that a substantial share of Estonian Russians,

Table 3.7.3. The following of different media channels and the trust put in them by ethnic Estonians and non-Estonians

	ing	nguage naire	nguage naire	st	nguage naire	nguage naire
Estonian language media	Does not follow at all	1	36	Does not trust at all	3	21
	Follows very little	5	39	Generally does not trust	8	28
	Follows occasionally	21	18	Trusts to a certain degree	29	7
	Follows a lot	73	7	Generally trusts	57	11
Estonian Russian language media	Does not follow at all	64	4	Does not trust at all	75	15
	Follows very little	29	34	Generally does not trust	16	25
	Follows occasionally	5	42	Trusts to a certain degree	7	35
	Follows a lot	2	21	Generally trusts	1	25
Russian media	Does not follow at all	68	0	Does not trust at all	36	11
	Follows very little	24	13	Generally does not trust	10	44
	Follows occasionally	6	52	Trusts to a certain degree	2	23
	Follows a lot	1	35	Generally trusts	0	15

Source: TÜ/Saar Poll 2007

Table 3.7.4. Media use during the April crisis

Which media channels did you use to acquire information and follow commentary during the April crisis? (% of the population representing ages between 15 and 74)

	Estonian speaking respondents			Russian speaking respondents	
	Often	Not at all		Often	Not at all
Estonian television channels	83	3	PBK	71	5
Estonian language newspapers (including online editions)	71	7	Russian television channels other than PBK	59	5
Eesti Raadio (Estonian public radio)	62	9	Russian language newspapers in Estonia	37	23
Estonian language internet portals	41	36	Russian language internet portals in Estonia	32	46
Local cable TV channels	6	72	Estonian television channels	25	35
Russian television channels other than PBK	5	76	Russian internet portals	23	48
PBK	4	79	Eesti Raadio (Estonian public radio)	21	45
Russian language newspapers in Estonia	4	82	Russian newspapers	15	43
Russian newspapers	2	86	Local cable TV channels	14	42
Russian internet portals	2	87	Estonian language internet portals	12	68
Russian language internet portals in Estonia	2	84	Estonian language newspapers	10	63

Source: TU/Saar Poll 2007

namely one in four, also frequently followed Estonian television. The percentage of ethnic Estonians who followed Russian television channels was several times lower. Newspapers, radio and the Internet followed television in terms of frequency of use. However, the significance of newspapers and radio as a source of information and commentary was considerably less among Estonian Russians, compared to ethnic Estonians.

The same survey also investigated the opinions of both the ethnic Estonian and Estonian Russian public regarding the objectivity and balanced coverage or, to the contrary, the bias and provocation of conflict they had encountered in the media. In the case of both criteria, the rankings of media channels are pronouncedly different for ethnic Estonian and Estonian Russian respondents.

Channels that put an overdue emphasis on violence and provoked conflict:

According to	According to
1. Russian language papers in Estonia 49%	1. Estonian language newspapers 30%
2. Russian language Estonian Internet 39%	2. Estonian language Internet 30%
3. Russian Internet 32%	3. Kanal 2, TV 3 29%
4. PBK 32%	4. Russian Internet 28%
5. Other Russian TV channels 31%	5. Other Russian TV channels 25%
	6. ETV 25%

Source: TU/Saar Poll 2007

It is noteworthy that while for Russians the top five media channels that provoked conflict include Russian Internet portals and Russian television channels other than PBK, the ethnic Estonians' top five consists only of Russian language channels.

Channels that practiced one-sided political propaganda:

According to	According to
1. Other Russian TV channels 60%	1. Estonian language newspapers 36%
2. Russian Internet 59%	2. Estonian Internet 35%
3. PBK 48%	3. ETV 27%
4. Russian language Estonian Internet 36%	4. Kanal 2, TV 3 27%
5. Russian language papers in Estonia 19%	5. Russian Internet 19%

Source: TU/Saar Poll 2007

The problem of separate media spheres became glaringly obvious during the crisis situation. The different interpretation and experiences of the events of April 2007 among ethnic Estonians and Estonian Russians was greatly intensified by the use of different media channels and the divergence in the communities' attitudes towards these channels. Stereotyped black and white attitudes were more common among ethnic Estonians than Estonian Russians, 25% of whom also used and trusted Estonian media channels.

The belief that all local Russian language channels are equally untrustworthy and represent attitudes similar to the rioters seen on television shouting "Russia, Russia!" during the April crisis appears widespread among ethnic Estonians. Therefore it is also important to put a stronger emphasis on providing the Estonian opinion leaders with more of an overview of the local Russian language media. According to the analysis performed by the Department of Journalism at the University of Tartu, the Russian language newspapers and broadcasting channels in Estonia can be divided into three categories. The first group comprises media outlets that express the various opinions of Estonian Russians, including very critical ones, in a balanced way. It also gives ethnic Estonians and integration-minded public figures from among Estonian Russians the opportunity to voice their opinions. This is all done while adhering to the principles of neutrality and loyalty to the Republic of Estonia in the materials of the editorial board. The second group consists of populist commercial publications that avoid expressing political opinions altogether, but like to publish scandalous and ridiculing materials regarding the politics and politicians of Estonia. The third group includes Estonian or Baltic versions of the Russian media which directly (and publicly) represent the attitudes of Russia, not the Estonian public, towards events in Estonia.

The first group includes, for instance, the public Russian language radio channel Raadio 4, local newspapers and producers of cable TV shows, and the papers Molodezh Estonii and Den za Dnem. The second group includes commercial radio stations and the newspapers Vesti Dnya and MK Estonia. Representatives of the third group include PBK and the Estonian edition of Komsomolskaya Pravda.

The main issue regarding the local Russian language media increasingly seems to be the question of clear self definition as a media channel operating either in Estonia or Russia. Both the newspapers and PBK have often avoided defining themselves by not providing clearly Estonia-based or Russia-based interpretations. It is as if the authors have inhabited a kind of a joint space based on the Russian language, which encompasses both of the previously mentioned countries as well as others. The backdrop to this phenomenon has been the Russian Federation's systematic tactic of exploiting and maintaining its "near abroad".

To counteract this process, it is essential to develop the Russian language media sphere focused on Estonia. According to one of the foremost experts on Russian language media in Estonia, 2007 was an important year for the local Russian language press, in that the view of the world and of Estonia presented in the papers became considerably more balanced by the end of the year, compared to the first half of the year. "While before the events in April, many of the articles in Molodezh Esto-

nii were no different from those printed in Vesti Dnya and the whole affair was reminiscent of the propaganda aimed at soldiers during World War II, the attitudes of the two newspapers split decisively after the riots. Molodezh Estonii is currently a balanced, very informative and culture-friendly paper, and has been scolded for its sympathy for Estonia by both local competitors and the taskmasters across the border." (Makarov 2007)

Ivan Makarov's synopsis of the changes in the local Russian language press in 2007 encourages the assumption that development of the Estonia-based Russian language media towards balanced coverage and dialogue is possible. It is important to sustain this trend with purposeful and consistent efforts which should definitely include the creation of a Russian language television channel as part of the Public Broadcasting system. It is obvious that there is no point in setting up a Russian language entertainment channel funded by Estonia's taxpayers. However, no information provider based in Russia can show its audience how an Estonian Russian resident of Narva, Kohtla-Järve, Lasnamäe, Valga, Mustvee or Pärnu is handling their life and problems, what they think of the situation in Estonia and the issues they agree or disagree on with ethnic Estonians. It is the local coverage, the eye on the everyday life of the local Estonian Russians and the representation of their attitudes that is currently missing from the Estonian media sphere. The success resulting from addressing this shortcoming is exemplified by the rise of the Russian language edition of Postimees to the top of the list of the most popular Russian language newspapers in Estonia.

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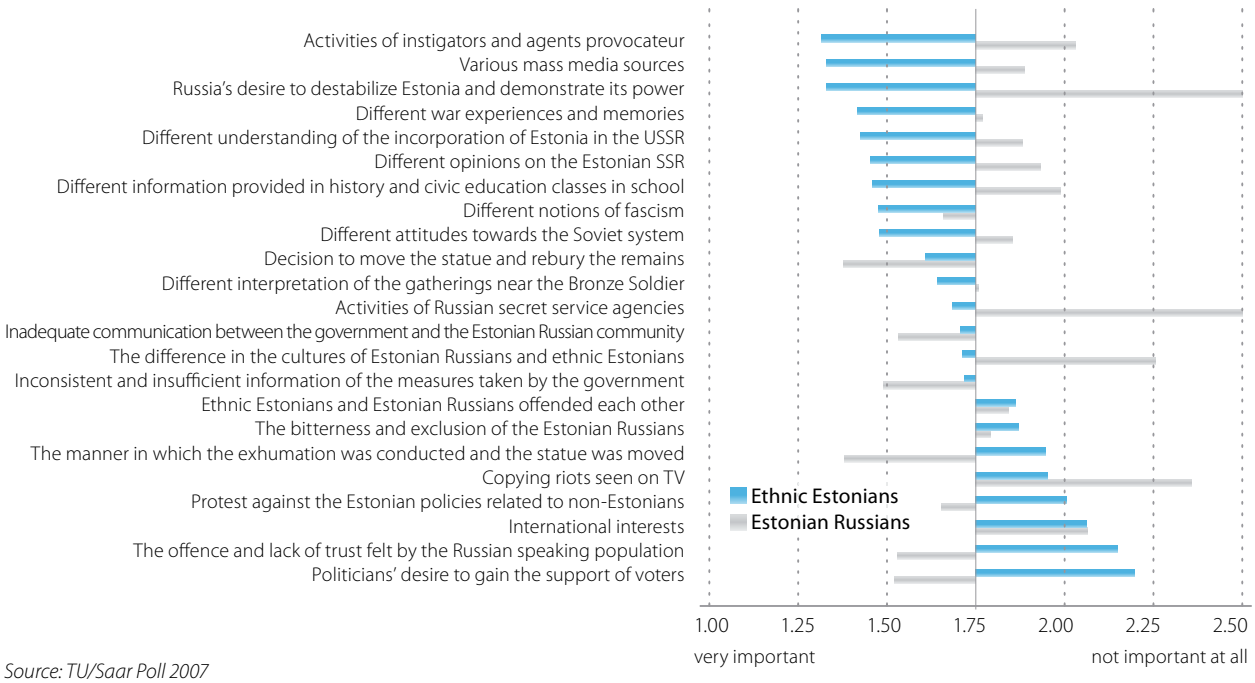
3.8. The readiness of Estonian society for integration

Immediately after the April crisis, summarizing the preliminary results of the poll conducted in June 2007, the well known sociologist Andrus Saar wrote in his research report:

"The society that had developed in Estonia before the April riots and the current society (as of June) are dramatically different in nature. Starting from 2000, Estonian society was gradually becoming more equal. Both ethnic Estonians and Estonian residents of other ethnic groups had similar attitudes towards a large number of phenomena related to life in Estonia. The socio-political and economic background of non-Estonians was generally positive. A survey conducted six months ago by a social and market research firm indi-

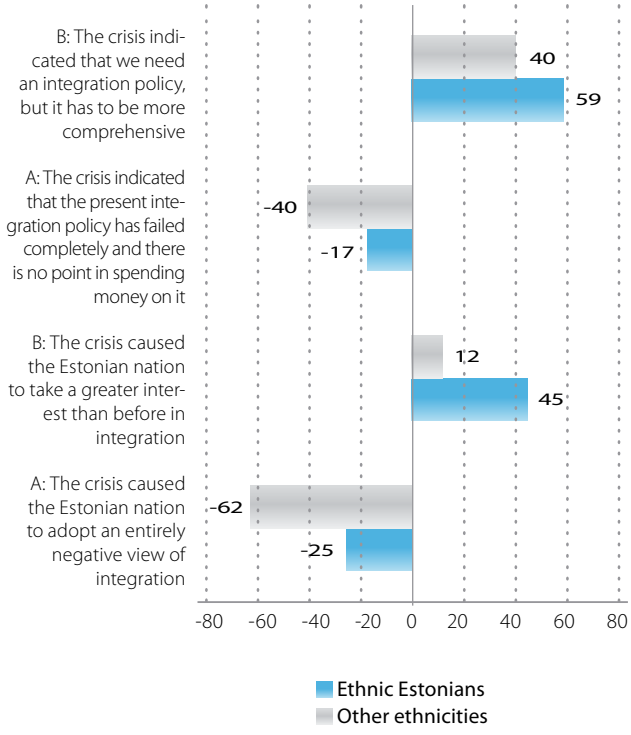
Figure 3.8.1. The opinions of ethnic Estonians and Estonian Russians on the reasons for the occurrence of the April crisis (averages on a scale of 1–3)



Source: TU/Saar Poll 2007

Figure 3.8.2. General assessments regarding integration policies

Attitude towards integration after the April crisis (% of the members of an ethnic group who agreed with the following statements)



Source: TU/Saar Poll 2007

cated that non-Estonians tended to be even more satisfied with the development trends of Estonia than ethnic Estonians themselves. According to trend studies, these changes took more than ten years to occur. Currently, we are facing a mentality in Estonia similar to that of the middle and late 1980s, both in the case of non-Estonians and ethnic Estonians." (Saar 2007)

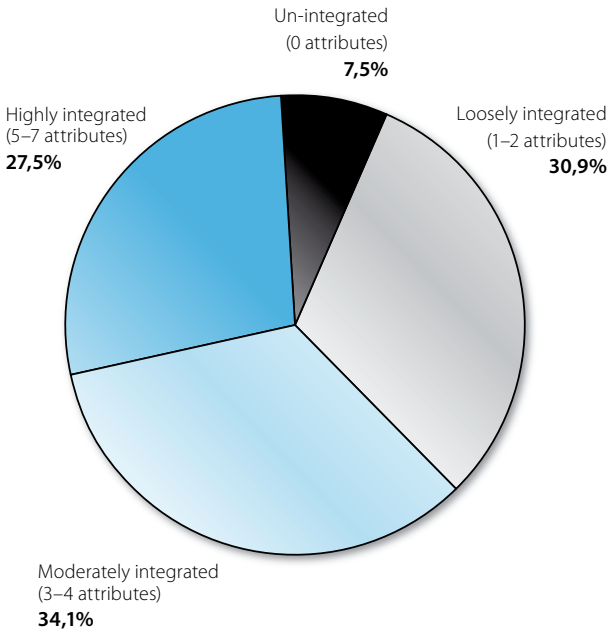
Fortunately, it can be said at the end of the year that the ethnic confrontation that had been feared did not escalate, and the holiday season was characterized by a sense of relief felt by both ethnic Estonians and non-Estonians regarding the continuing peaceful development. Nevertheless, the deeper causes of the April riots and their effects on the development of Estonian society have not been addressed in terms of a serious public discussion. Instead, a certain "spiral of silence" exists, an atmosphere favouring the concealment of more heated and critical opinions, which is facilitated by the classification of all of the themes related to the April crisis under the heading of "national security". Any serious and constructive discussion is prevented by the diametrically opposite attitudes of ethnic Estonians and Estonian Russians towards the implications and reasons for the events. The poll conducted in June 2007 showed that the opinions of the ethnic groups regarding the April riots, the reason for their occurrence and subsequent developments were basically opposite (see Figure 3.8.1).

According to ethnic Estonians, the riots were not so much an outcome of a conflict within Estonia, as disturbances inspired by forces outside Estonia and sparked by Russian policies and the activi-

ties of instigators. Non-Estonians, however, did not consider the involvement of Russia to be a significant issue, although the presence of Russian influence was noted. Concerning the internal reasons, ethnic Estonians emphasized primarily the ideological differences regarding the Soviet occupation. People of other ethnicities, however, believed the crisis had been caused by the inadequate policies of the government towards non-Estonians and its lack of communication with the Estonian Russian community reflected in the manner in which the moving of the statue and reburial of the bodies was handled. Ethnic Estonians see the riots mainly as criminal activity and aggression, while non-Estonians tend to view the events as a protest demonstration. Despite reflecting widely different opinions regarding the interpretation of the causes for the crisis, the results of the survey also contained a number of points that are positive from the standpoint of integration policies. Firstly, the results indicated that regardless of the outward problems, the crisis did not in reality deteriorate the relations between people of different ethnicities in their actual living environments. Secondly, despite the claim voiced in the media that the April crisis was proof of the failure and futility of the Estonian integration policy, the majority of the Estonian respondents (59%) and a large segment of non-Estonian respondents (40%) were of the opinion that the integration policy should be continued and made more efficient (see Figure 3.8.2). Among non-Estonians, however, pessimism towards the effectiveness of integration was widespread after the April crisis: 62% of non-Estonians and just 25% of ethnic Estonians agreed with the statement that the crisis had caused the public to take a negative view towards integration. The results of the survey also showed that a significant number of ethnic Estonians and non-Estonians held a common view on the importance of the pillars of the current integration policy – language learning and naturalization. Similar attitudes were also expressed regarding the importance of sponsoring various ethnic culture societies and alleviating the situation of social risk groups. The ethnic groups had different opinions regarding the assessment of the importance of the problems related to socio-economic and socio-political integration: while equality of opportunities is the key issue of the integration process for non-Estonians, a large number of ethnic Estonians do not consider this issue to be important.

The most important positive effect of the April riots, however, was the sparking of a public discussion over the nature of the integration process; its necessity and content, including also the role of ethnic Estonians in the process (see Möte 2007). It can be said that the April crisis brought the Estonian public to understand that the success of Estonia's integration policy is one of the key issues related to the development of the entire country and the secure future of both ethnic Estonians and non-Estonians. The discussion resulted in the realization that ethnic Estonians and non-Estonians cannot be viewed as opposing "communities" when assessing the success of the integration process, or discussing its future. Sociological studies reveal that groups have formed that favour integration and groups that are suspicious of it, or view it negatively among both ethnic Estonians and other ethnic groups.

Figure 3.8.3. The distribution of non-Estonians by level of integration



Source: TU/Saar Poll 2007

One of the common misconceptions in both the Estonian language media and the rhetoric of the politicians has been the frequent treatment of Estonian Russians as a homogeneous (disgruntled) mass. This tendency increased further during the events connected to the Bronze Soldier, when the mob of youths rampaging in the centre of Tallinn became the "symbol" of the Estonian Russians. The results of the survey conducted in June 2007, immediately after the April crisis do not support this homogenizing view of the Estonian Russian population. Taking into account seven different indicators characterizing the relationship of the respondents with the Republic of Estonia, we were able to compile an index indicating the level of integration of non-Estonians.

The integration index was created through the aggregation of the following indicators: 1. Estonian citizenship; 2. knowledge of the Estonian language; 3. identification as part of the Estonian public (in the constitutional sense); 4. frequent contacts between ethnic Estonians and Estonian Russians; 5. Estonian or both languages used in communication; 6. positive attitude towards the changes that have occurred in Estonian

Table 3.8.1. The attitudes reflecting citizenship and state identity at different levels of integration.

	Un-integrated (8%)	Loosely integrated (31%)	Moderately integrated (34%)	Highly integrated (27%)	All Estonian Russian respondents
Citizenship					
Estonian	0	22	57	91	51
Russian/other	62	40	22	5	26
Undetermined	38	38	21	4	23
Consider themselves a part of the Estonian public					
Yes	0	52	76	95	68
Trust in the Republic of Estonia					
Does not trust	54	42	38	19	35
Does trust	0	11	25	44	13
Attitude towards the changes that have taken place in Estonia during the last 15 years					
Negative	68	43	37	20	36
Positive	0	19	26	43	27

Source: TU/Saar Poll 2007

Table 3.8.2. The socio-demographic background of groups on different levels of integration

	Un-integrated	Loosely integrated	Moderately integrated	Highly integrated
Education				
Basic education and less	27	23	19	7
Secondary education	57	60	57	59
Higher education	16	18	24	34
Age				
Younger than 40	28	31	48	54
40–60	36	42	38	30
Over 60	36	27	14	16
Income				
Up to 3000	40	37	25	18
3000–5000	41	39	39	37
More than 5000–8000	16	21	32	42
Gender				
male	57	53	43	42
female	43	47	57	58

Source: TU/Saar Poll 2007

society during the last 15 years, 7. confidence in the Republic of Estonia.

Based on the values of the integration index, the Estonian Russians fell into one of four groups: 1) those who are not integrated according to any of the attributes, i.e. people who lack virtually any positive connection to Estonian society (only 7.5% of respondents aged between 15 and 74 were classified as members of this group); 2) the 31% of Estonian Russians who are loosely integrated (i.e. exhibit only 1–2 attributes of integration); 3) a third (34%) of Estonian Russians who are at the intermediate level of the integration process (3–4 attributes of integration); and finally the people who can be said to be fully integrated into Estonian society (5–7 attributes of integration). These highly integrated members of the Estonian society with a Russian language background constituted just over a quarter of the respondents (27.5%) (see Figure 3.8.3).

The division of the groups characterized by different levels of integration according to the attributes used in the integration index to reflect state identity is shown in Table 3.8.1.

Estonian *citizenship* by itself is not a guarantee of complete integration. Among the 252 non-Estonians who were citizens of Estonia, one in four (25%) proved to be un-integrated or loosely integrated, 45% were moderately integrated and 30% of the respondents who were Estonian citizens were highly integrated. The strong connection between Estonia and non-Estonian respondents who have reached higher levels of integration is confirmed by their place of birth: three quarters of highly integrated respondents were born in Estonia, while the opposite ratio applies to the non-integrated group.

A comparison of the level of integration of non-Estonians by age groups, education groups and socio-economic strata reveals that in market economy-based Estonia, integration is easier for younger, wealthier and more educated non-Estonians (see Table 3.8.2).

All in all, non-Estonians can be divided into four categories based on their level of integration:

A **Highly integrated non-Estonians,** characterized by Estonian citizenship, good Estonian language skills, secondary or higher education, above average income and a relatively low average age. Highly integrated non-Estonians consider themselves a part of the Estonian public, have confidence in the Republic of Estonia (even if they disagree with certain steps taken by a certain cabinet), are pleased with the positive changes in Estonian society and have a higher than average number of daily contacts with ethnic Estonians, with whom they mostly communicate in Estonian. The group includes a quarter to one third of all non-Estonians who live primarily in Tallinn or Tartu, Pärnu and other towns with an Estonian speaking majority. The main problems for highly integrated non-Estonians are involvement in public life, recognition and opportunities for participation in processes as an active partner.

B **Moderately integrated non-Estonians,** characterized either by citizenship, prosperity and a positive disposition towards the Republic of Estonia, but less so by good language skills or communication with ethnic Estonians (typical of East Viru County), or by good language skills and relative prosperity combined with lack of citizenship and

a greater degree of alienation from the state (characteristic mainly of Tallinn). This group includes a third of the non-Estonian residents. Main preconditions for further integration: closer contacts with ethnic Estonians, development of greater mutual trust, opportunities for participation and self-expression in a joint information space. With regard to this group, it is especially important to place high value on Estonian citizenship, increase their motivation for naturalization and link language learning with career opportunities.

C **Loosely integrated non-Estonians,** who exhibit only a few of the attributes of positive integration, be it citizenship or contacts with Estonian colleagues, but who are generally characterized by a lack of prosperity, insufficient involvement in Estonian society and information deficiency regarding events in Estonia, also by social exclusion and substandard language skills as well as a lack of trust in the Republic of Estonia. Mostly non-citizens or citizens of Russia. Often older people with a lower level education. The group includes nearly one third of the non-Estonians, most commonly from East Viru County. Main requirement: social security.

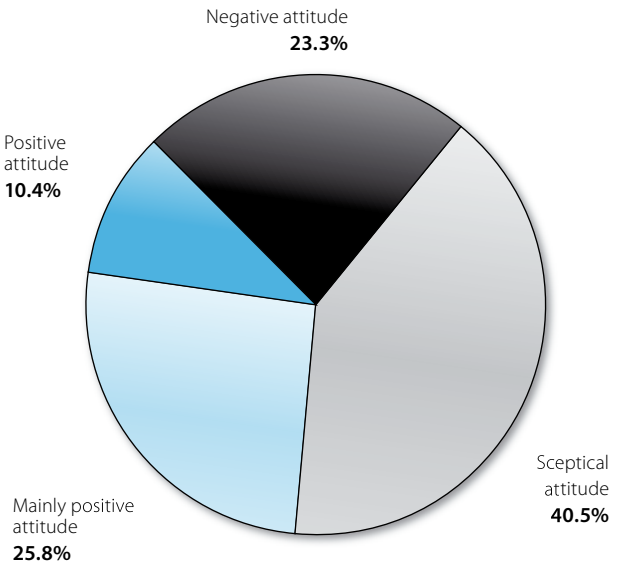
D **Completely un-integrated non-Estonians who are marginalized and negatively disposed towards Estonia,** constituting less than a tenth of the non-Estonian population and consisting primarily of non-citizens, citizens of Russia, probably partially also of illegal aliens. Main requirement: observance of laws and social rehabilitation.

The distribution of ethnic Estonians by attitudes towards integration

An important factor in the efficiency of the integration process is its reciprocal nature – the show of goodwill by both ethnic Estonians and members of other ethnicities regarding mutual understanding and cooperation within the framework of Estonian society. Accordingly, it is important, in addition to calculating the level of integration of non-Estonians, to be aware of the extent to which ethnic Estonians are prepared to recognize Estonian residents of other ethnicities as equal members of society; to involve them in the development of Estonian society and economy, including giving them access to the decision making process.

The composite index of ethnic Estonians' attitudes towards integration, compiled on the basis of the data from the survey conducted in June 2007, provides an overview of the general attitudes among ethnic Estonians regarding the goals of the integration process and interethnic relations. The index was created by aggregating the following indicators: the importance of the social objectives of the integration process; the importance of the institutional objectives of the integration process; tolerance in relationships with people of other ethnicities; willingness to involve and recognize non-Estonians in public life.

Figure 3.8.4. The distribution of ethnic Estonians on the basis of their attitude towards integration



Source: TU/Saar Poll 2007

Table 3.8.4. The socio-demographic background of ethnic Estonians with different attitudes to integration

	Percentage of the group of respondents who answered questions regarding				Percentage of the aggregated
	1 Negative attitude	2 Sceptical attitude	3 Mainly positive attitude	4 Positive attitude	
Generation					
ages 15–24	21	19	21	22	20
ages 25–39	24	27	30	28	27
ages 40–54	25	26	26	25	26
ages 55–74	30	28	23	25	27
Status					
0 of 3 attributes above average	39	43	38	35	40
1 attribute above average	29	28	32	30	29
2 attributes above average	22	22	21	27	22
3 attributes above average	10	7	10	9	9
Gender					
Male	52	46	45	43	47
Female	48	54	55	57	53

Source: TU/Saar Poll 2007

The Estonian respondents aged between 15 and 74 were divided on the basis of their attitudes towards integration as follows: 36% were characterized by a clearly positive and open attitude, 40% were "sceptics", i.e. had a less positive, partly negative or uncertain disposition, while 23% were plainly hostile and intolerant towards the objectives of the integration process and the involvement of people of other ethnic groups (see Figure 3.8.4).

It is remarkable that a person's attitude towards integration is a relatively independent attribute, only very loosely connected to the customary markers of social distinctions (age, income, social class, gender, education). While there is a slight tendency towards a more positive disposition among younger people and those with higher education, the relation of attitudes towards integration to social strata is minimal – a negative disposition towards integration is even somewhat more common among people with a higher status (see Table 3.8.4).

The relative lack of connection between readiness for integration and socio-demographic traits along with the evidently more personal nature and comparative inalterability of the former were observed initially by Jüri Kruusvall. He found in his analysis of the results of integration monitoring conducted in 2000, that one fifth of ethnic Estonians exhibited a negative disposition towards integration. "This segment of ethnic Estonians is divided fairly equally between all ages, education and income brackets. Therefore, it is probable that negative attitudes towards non-Estonians manifest among ethnic Estonians by "colonies" (families, territorial or work-related communities, etc.)" (Kruusvall 2000).

In summary

Admittedly, the people who are willing to undergo a thorough integration process, take part in real co-operation and contribute to the dialogue of the ethnic groups as members of a united Estonian public are a minority among both ethnic Estonians and other ethnic groups (constituting approximately one third of both groups). Their visibility in public as well as their courage to take on the role of an opinion leader is crucial to the development in society of a general atmosphere favouring integration and co-operation. Unfortunately, an apprehensive and sceptical attitude has spread following the April crisis also among the more sincere and constructive non-Estonian intellectuals, who could in different circumstances act as partners in a dialogue with those ethnic Estonians who are open minded and favour co-operation. Meanwhile, there is a rather large and vocal segment of both ethnic Estonians and non-Estonians (one tenth to one quarter of the population) who exhibit a completely negative attitude towards integration. They are not interested in the success of the process and are consequently prepared to propagate negative inclinations and judgements in their surroundings and, in certain cases (if they are in the position of an opinion leader or in case of a wider conflict and crisis), throughout the entire society. Although there are fewer negatively inclined people than positively inclined people in both language environments, the influence of the former may be critical in some situations. This is relevant in light of the relatively large number of "sceptics" on both sides who are cautious of integration and whose attitudes and behaviour can change either for the positive or for the negative, according to the circumstances.

Changes that can be achieved through integration policies are slow and relate primarily to the socialization process that takes place in the public sphere, in the media and in school. Profound cultural shifts that affect people's personal values, identities and behaviour patterns take place only gradually. It has to be admitted that such changes have been very slow to occur in Estonian society. Statements propagated as a result of the shock caused by the April crisis regarding the "failure of integration" are an expression of the nature of these profound processes: setbacks were clearly noticeable at the superficial level, in the relations between the public sphere and the media, while people's behaviour patterns generally remained unchanged in the case of personal relationships.

The official analysis of the April crisis has so far focused on aspects related to foreign policy, security and legal issues. However, it has avoided the social, economic and cultural processes that brought about the situation where Russian youths were ready to act in a manner unprecedented in its aggressiveness in the context of Estonian society. An investigation of these processes could also explain why even after the crisis nearly half of Estonian Russians believed that the use of violence by the young rioters constituted a "justified social protest". It would be short-sighted to dismiss these opinions as purely the result of Russian propaganda. The isolation of the Russian language infosphere as well as the inability of the Republic of Estonia to find resources to include its Russian speaking population in the Estonian information space and joint public sphere is regrettable. Propaganda is effective only when its influence is augmented by unsolved social problems, economic inequality perceived as unfair and community-based exclusion and encapsulation. These advantageous conditions for propaganda are created, in part, by the decrease of the proportion of Estonian Russians in relation to ethnic Estonians and the resulting contraction of Russian language education. Such circumstances have strengthened the protest identity of Russian youths as an "endangered ethnic group". In addition, it is important to take seriously the trends confirmed by Estonian national statistics and many sociological surveys indicating that during the recent years, despite the increasing prosperity and expanding freedom of movement, a gap has widened between the incomes, career prospects and opportunities for participation in the public life of middle aged ethnic Estonians and the same generation among Estonian Russians even when they are educated, have Estonian citizenship, and are proficient in Estonian language. This gap cannot be overcome by economic growth alone. Polit-

ical will is needed in order to overcome the mistrust and alienation between the ethnic groups. Serious efforts must be made to guarantee equality in terms of education and career opportunities. The contributions to society of non-Estonians should be recognized, the positive involvement of naturalized citizens in public life should be supported. Analyses must be conducted regarding of the objective causes of interethnic tensions and serious effort must be put into dealing with these causes in order to guarantee that events similar to the April crisis can be prevented from occurring in the future, and the majority of Estonian Russians will contribute positively to Estonian economic and social development.

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Chapter IV

Future of Estonia's Economic Structure

4.1. Foresight for Estonia: what and why

Today's rapid and contradictory development, where technological progress, changes in the patterns of the world economy, the emergence of ecological and new social problems create great opportunities , but raise the cost of failures inevitable in the trial-and-error practice, makes increasingly topical the issue of development models of the society and mechanisms ensuring acceptable development. Proactive strategy, foresight and development networks are some of the most frequent keywords used when describing this direction of search.

Richard Slaughter, the internationally renowned researcher of future studies and recent President of the World Future Studies Federation, has compared the functioning of social systems to the operation of a human brain. The brain has in-built "wiring" that gives the person a highly developed preventive environmental sense. This intercepts and selects important signals triggering activities necessary for responding to these signals. It is also important to have such functions available in social systems. They should also be included at the level of society in order to facilitate "a capacity to create and maintain high quality, a coherent and functional forward view, and to combine and use the visions and ideas (including insights) and to use these visions in organizationally useful ways" (Slaughter, 2002). Analysis indicates that we are very far from this target. It is true not only for systems whose development has reached a dead end (e.g., state socialism which in reality lacked the mechanism to adequately reflect the external environment, consider its results and build a consensus which is why there was no new future vision for development, (Slaughter 2002)), but also for more complex modern systems based on a market economy and democracy. It appears that without special supplementation, traditional policy making mechanisms are not capable of selecting and contemplating on many important environmental (technological, ecological, global economic, etc.) developments. They are not capable of adapting development strategies and policies accordingly. This creates the need for foresight.

The above is undeniably valid also for Estonia. Although more comprehensive efforts to map the options for Estonia's future development have already been made since the mid-1990s, there is still no functioning system that would focus on „searching for signals from the future," processing future views and, on their basis, offering foresight. Although the Estonian Institute for Future Studies has been operating since 1992 and respectable workgroups have been formed time to time for drafting development related documents, Estonia has not yet embraced the intellectual logic of foresight, according to which, the proper sequence of the process is to map the future's space of possibilities. Within this space, various "roads to the future" should be identified and the preferred direction found. Only then are conclusions formulated on how to shape the present so that this preferred road can be realized (see Figure 4.1.1).

Unfortunately, so far there has been no systematic approach to the preparation of documents (development strategies, visions) aimed at determining the long-term development of Estonia. Strategy-drafting process, organized by ministries, as a rule, does not take into account opportunities offered by the changing external environment and the development of Estonia as a whole. This is due to the fact that search is limited to setting sector-specific objectives in a fairly static context. Consequently, due to its methodical and procedural organization, development planning in Estonia is notably lagging behind not only in theoretical thinking, but also in the best modern practices (e.g., Finland).

Because of the above-mentioned reasons, future orientations that should direct the development of the Estonian economy and society tend to remain non-specific and declarative. They are often based on external sources, for instance, having been rewritten from the materials of the European Union or some other international organizations. Moreover, the

threats and opportunities for the long-term future of Estonia are either not properly analyzed - or at least relevant decisions have not been made[18]. The involvement of experts and the public in the debate about future-related decisions, has largely remained a formality.

Movement towards the future lacks momentum, as there is no active search for new development models. Opportunities and relevant decisions at the state level are prepared and made in a close circle of officials and politicians, instead of actively involving society as a whole. As emphasized in the strategic document Sustainable Estonia 21, the current type of administration is not favourable for the development.

There is a need for government practice to organize future planning by involving experts and the public through the so-called development network. Such practice is suitable for a knowledge-based society characterized by broader and more inquisitive orientation, high dialogue culture and skills. One definite step in improving the above situation would be to include the foresight function in the legal act of setting up the Estonian Development Fund, a new institution that has been recently created by the Riigikogu.

However, one should clearly not expect that foresight in Estonia could be implemented on the basis of this single institution alone. The Estonian Development Fund can only serve as one of the partners (such as various government institutions, public interest groups e.g., employers, researchers and analysts) that will both help guide Estonia's development more towards the future, and make better use of the future opportunities.

It must be emphasized that foresight in its modern interpretation does not mean passive monitoring and forecasting, but instead means a future-shaping activity that uses data collection and trend analysis and forecasting merely as tools (see Figure 4.1.2). It is underlined that at least in the ideal case this should not be a linear process, started at a given moment and having a definite beginning and an end, but a continuous process, ongoing monitoring of future, the results of which are constantly put to use.

Thus, foresight is not research in its narrow meaning, but is a discipline oriented towards action and change. "Action that lacks an objective is meaningless: foresight is targeted at initiating actions and such prioritization of activities that comply with environmental developments and possibilities as well as one can." This formulation was provided by Michel Godet, one of the outstanding intellectuals in this area (Godet, 2002). Yet the complexity and interconnection of problems create the need to start implementing them by adopting a collective approach and involving people from very different areas, both experts and leaders. This in turn raises the complex need to organize as effectively as possible communication between the people who have very different information. Through settling their differences in the course of the debate, good preconditions are created to ensure that the stakeholders remain motivated and are well prepared to help implement planned activities.

Foresight in the broadest sense is defined as a "process by which one comes to a fuller understanding of

Figure 4.1.1 Logic of analysis in foresight

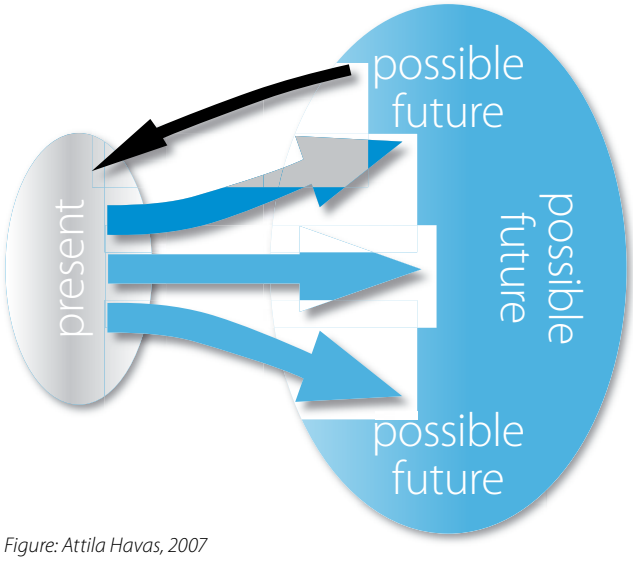
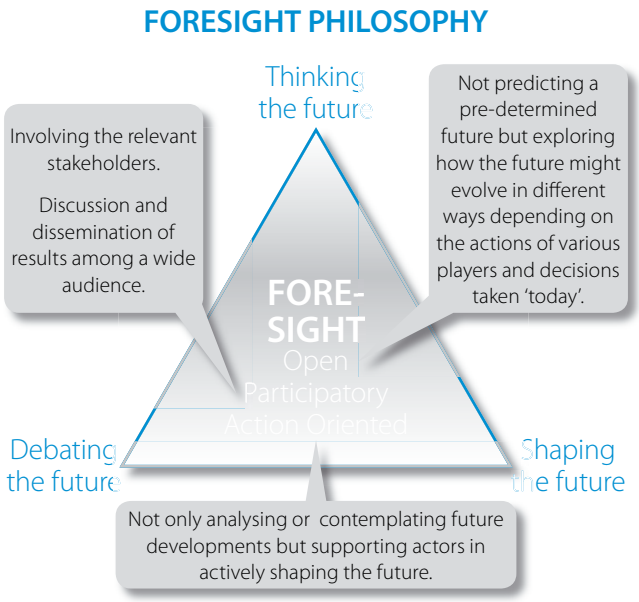


Figure: Attila Havas, 2007

Figure 4.1.2. Foresight as an integrated activity



Source: European Commission

[18] While the Sustainable Estonia 21 Strategy succeeded in formulating a number of key choices, it unfortunately failed to trigger serious efforts from politicians to take clear positions on them.

the forces shaping the long-term future, which should be taken into account in policy formulation, planning and decision making" (Coates 1985).

Such posing of the problem and the principles referred to above are nothing new in themselves; they have been fairly well known for quite some time in literature on strategies as well as futures studies. In essence, the line separating the terms of futures studies (futures research) and foresight is quite fuzzy. When observing the recent world developments, two trends stand out: firstly, practical projects aimed at better understanding of future opportunities have been lately presented as foresight projects rather than those using the competing labels. Figuratively speaking, the same content is placed in a new vessel. The second trend is the now-dominant position of foresight practice that focuses mainly on research and technology. Foresight-related reviews and methodical materials published lately (e.g. Popper et al 2007) also predominantly reflect works, which focus on the drafting of research or technology problems vitally important for a state's future or the explaining of generic technologies of central signficance. This latter trend is not as noticeable in the literature issued under the "futures studies" label. At the same time there is no reason to talk about foresignt and futures studies as two opposing directions. A large part of the theory and methods of both directions remains the same, including the key terms.[19] It may be said that this is one common know-how and practice area that can be regarded under two aspects. Foresight can be regarded as a way of perfecting policy preparation or even as policy preparation in a specifically more complicated manner. In this case the organisational side of arranging the cooperation of individuals engaged in foresight comes to the forefront, while theories and methods related to the cognition of future opportunities are rather reduced to the secondary status as a means for practical activity. At the same time, future studies, but if so desired, also foresight, may be regarded as a field of theoretical knowledge; in such case the know-how of organising the cooperation process (how many individuals should be involved, how and by whom the process should be planned and controlled, etc.) becomes a matter of applying this theory.

One of the reasons foresight projects focusing on research and technology have begun to dominate at the national level[20] stems clearly from the support provided for this foresight trend by such international organizations as the European Commission and OECD. States are offered suitable methods, assistance in exchanging experience and relevant funding from the European Commission.

An essential reason also exists: when we deal with longer time horizons it may really be said that the research and development policy is a source of long-term development success for the state. This happens provided it does not remain an isolated area, but instead creates a basis for the state innovation policy, which is linked to the education policy. After all, in the long run it is necessary to consider the development of new base technologies that would change the whole economic structure. Countries that are capable of embracing this innovation process are winners in many ways. At the same time, in addition to research and technology it is important to focus also on other important factors influencing the development of states. Attila Havas (Havas 2006) has classified three types of development monitoring:

a) Foresight projects with pure science and technology (S&T) focus. The objective is usually to specify the state research strategy; in a better case it also analyses the transfer of scientific development to the economy or education. In this case the project leader is usually from the Academy of Sciences, or from a leading technical university. In addition, the majority of people participating in different project workgroups represent these institutions.

b) Technical-economic focus. As mentioned above, the main focus is on technology, but it is regarded through the prism of enhancing the competitiveness of the state economy and business logic. Issues to be regarded include the impact of S&T solutions on the modernization of the state economy, and different aspects of the relations of the academic world and the business world, etc.

c) Societal/socio-economic approach. This includes the analysis of the impact of opportunities and solutions provided by science and technology on such problems and policies important for the state. They are not only economic. The participants must include, at least ideally, all the most important interest groups, the stakeholders.

Havas emphasizes that the realization of the last option requires highly educated and open-minded decision-makers and policy-developers as well as a developed civic society. Therefore it is not a surprise that there are relatively few cases of such pure third type foresight. Most of the countries have technocratic characteristics, both in problem setting and stakeholders, and have not had an extensive socio-

[19] Both practical and theoretical literature is published under both keywords, although foresight-literature pays somewhat less attention to the purely methodological issues of the discipline.

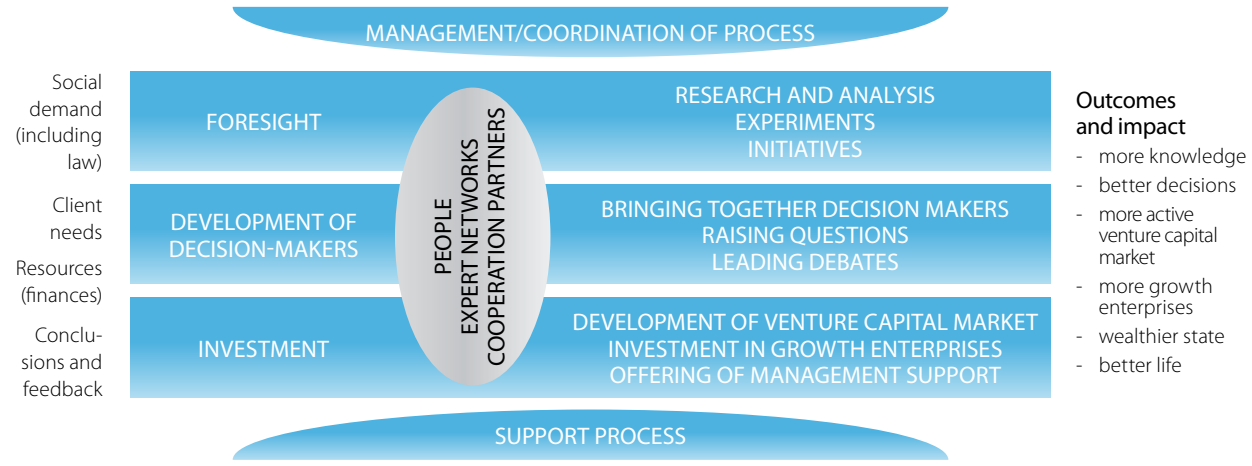
[20] The picture on the regional level where there is relatively massive practice development monitoring is somewhat different. On this level the development monitoring usually includes a relatively wide range of factors that influence regional development. From the viewpoint of integrated approach, the foresight projects of regions with certain national identity (Lorraine, Catalonia, French Basques, Flanders and Vallonia) are an interesting read.

economic impact. However, one may note that in the case of technology-based development monitoring projects, more efforts are being made to show how a research and technology trend (e.g., ITC or biotechnology) developed in one country can assist in solving such problems as the ageing of the population, or contribute to fulfilling national defence tasks. The recent Finnish foresight project, Finnsight-2025, exemplifies this. Havas has also offered typology on the policy-making aspects of countries in transition. These aspects are valid with regard to development planning and foresight. The first aspect is made up of questions related to the so-called transformation pressure placed on the economic structure during the country's transition to a market economy and during its integration to larger economic blocks such as the EU. This includes such factors as the country's macroeconomic situation, foreign trade, competition pressure and competition position. Other aspects related to the capacity of the state and the public to develop, to renew and adapt to changes including education, training and re-training, labour market developments and innovation in its broader sense. The third aspect is, according to Havas, predominantly related to choices that must be made in the field of social policies and regional policy.

In its foresight-related plans, the Estonian Development Fund has decided, at least in the early stages, to focus primarily on the dynamics of the economy as a whole, instead of the scientific-technocratic matters. While doing this, it is important to focus on activities that contemplate the need and opportunities for the modernization of the Estonian economic structure, and on activities that process acceleration and active involvement of various stakeholders in this process. One of the first outcomes of this direction involves the research carried out by the scientists of the Faculty of Economics of the University of Tartu in the second half of 2007. This also forms the basis for the sections 2.2 and 2.5 of this report. In the future, the Estonian Development Fund plans to initiate practical monitoring of several other specific sectors. This monitoring includes the search for new business models in the so-called old economy (which inevitably plays a large role in the Estonian economy both in terms of employment and value adding), opportunities for ITC to increase Estonia's competitiveness, innovation and export of the service sector (and its sub-sectors, e.g., in financial mediation). It also involves a more broadly focused foresight: cycle of activities for specifying Estonia's longer-term socio-economy development vision.

According to the law, the Development Fund must be involved in at least two types of activities: venture capital investments in innovative undertakings that have growth potential, and in foresight. Foresight not only assists venture capital investments, but also provides an independent contribution to the strategic development of Estonia (and its economy). Foresight is implemented in conjunction with real decision-makers. Thus in the course of this process, the decisions-makers develop while their views are harmonized (that is a process co-impact which is at least as important as process outcome). At the same time the Estonian Development Fund can participate in such projects, whose main objective is to increase the competence of decision-makers, for instance, by studying the development experience of other countries, and by using it to draw conclusions relevant for Estonia. Such a learning process is a good precondition for further successful cooperation between economic policy developers (both from the public, private and third sector). Supplemented and harmonized collective positions and personal contacts created through a common training and development process offer hope of notably better results in later cooperation in shap-

Figure 4.1.3. Foresight in the activity model of the Estonian Development Fund



Source: Estonian Development Fund

ing Estonia's future. The three-layer activity model of the Estonian Development Fund is shown on Figure 2.1.3.

The structures of national economies develop in the markets; it is not possible to ignore the impact of markets. However, the ability of one country or another to foresee and make ose of the opportunities of the changing markets depends on the active nature and wisdom of its policies, but this in turn depends on the quality of the national foresights.

4.2. Structure of the Estonian economy

It is important to analyse economic structures and their dynamics as it provides valuable data for assessing the condition of the country's economy and helps shape policy measures necessary for guiding economic development. Macroeconomic balance and short-term economic growth perspectives are essential issues of economic policy, at the same time, the economies with different structures have essentially different opportunities of growth.

Until now there has not been an in-depth and complex analysis of the economic structure in Estonia. In compiling this report, the authors used the findings of a study conducted by the researchers of the Faculty of Economics of the Tartu University in the second half of 2007. This study measured the changes that have taken place in the Estonian economic structure in the last twelve years from the viewpoint of competitiveness potential. It also compared the structure and dynamics of the Estonian economy with that of other EU countries.

The structure of an economy can be analysed on the basis of a wide range of indicators (employment, added value, GDP, etc.) and at different levels (a small number of broad economic sectors vs. a large number of narrow economic sectors). The analysis mentioned above focused on the share of added value in the so-called broad economic sectors.

The data for the analysis was derived from the Eurostat figures on the sectoral structure of value added in EU27 member states in six key economic sectors in 1995-2006 (see Table 2.2.1). In assessing the economic structure, the study measured the ratio of the added value created in the given sector to the GDP. It also looked at the relationship between the economic structure and productivity, measured as value added per employee (in euros, in year 2000 prices).

Figure 4.2.1. Classification of economic sectors

		Classification
Agriculture, hunting, forestry, fishing	H1	A-B
Industry (except construction)	H2	C-E
Construction	H3	F
Wholesale and retail trade; repair of motor vehicles and household appliances, hotels and restaurants, transport, warehousing, communication	H4	G-I
Financial mediation, real estate, renting and business activities	H5	J-K
Public administration and civil defence; compulsory social insurance, education, health care and social welfare, etc.	H6	L-P

Development of the Estonian economic structure

The most notable change in the economic structure in Estonia in 1995-2006 was the growth of such sectors as construction (H3), trade and services (H4), financial mediation and real estate (H5) in the structure of added value. At the same time the share of agriculture (H1) decreased notably (Figure 4.2.1).

As for industry, it underwent somewhat different changes during this period (see Annex 4.2.4). For instance, in 1999 there was a major decline in connection with the Russian crisis, which was then followed by a rise. Overall, the share of industry has been declining.

In the public sector areas of activity (economic sector H6) the share of added value increased briefly in 1999, but fell back to earlier levels already in the following year, and has continued to decline in recent years. Such a downward trend contrasts with the changes taking place in the economic structures of most EU27 member states. In 2005 the share of added value in Estonia in sectors offering public services was higher only than that of Bulgaria and Romania, and was comparable to Lithuania and Slovakia (see Annex 4.2.8). In Latvia, the role of the public sector (H6) has been decreasing, but remains notably higher than in Estonia (14.3% in Estonia and Lithuania vs. 16.4% in Latvia in 2005).

In recent years the rapid growth in the share of the construction sector (H3) (see Annex 4.2.5) has become a notable development in the Estonian economic structure. In 2005 only four countries – Spain, Ireland, Cyprus and Lithuania – were ahead of Estonia by share of added value created in the construction sector. Furthermore, the share of trade and services (H4) in the structure of added value was relatively large (around 25%) in comparison with other member states, and has been stable since 1998.

With regard to the share of added value created in the trade and services sector in 2005, Estonia was only behind Latvia (31.7%), Lithuania (28.5%) and Greece (26.3%). In the period under review, the share of financial mediation and real estate sector (H5) in the structure of added value increased in Estonia and reached a similar level to that of Hungary and Portugal. However, its share in creating added value still remains notably below that of the most developed countries of EU15 (Luxembourg, Great Britain, Germany, France, Belgium).

Based on the share of added value created in agriculture (H1) and industry (H2), Estonia is positioned at the average level of EU27 countries; the development of these sectors broadly corresponds to what has happened in most other countries.

It may be concluded that by the mid-2000s the economic structure of the so-called old EU member states (except Spain and Greece) became relatively similar. At least this is evident when assessing the economic structure at the general level of economic sectors. Its characteristic features include not only the low share of agriculture, but also the relatively high share of the financial mediation and public sectors in creating added value.

While in some areas Estonia has been catching up with the indicators of the most advanced economies in the EU, unfortunately, this is not the case in the dynamics of the economic structure. While some countries have deviated from this mainstream development described above by focusing strongly on such sectors as tourism, hotel administration and trade, the share created by these three sectors in Estonia is so modest that there is no point in discussing it. To a certain extent, this is offset by the comparably higher share of the transport and logistics sector in Estonia than in other countries. However, most of this added value comes from serving the transit flow of goods, which is a high risk business. Moreover, the construction and real estate sector that developed rapidly mainly thanks to cheap loans is already slowing down. Consequently, the future development of the Estonian economy structure raises more questions than it answers.

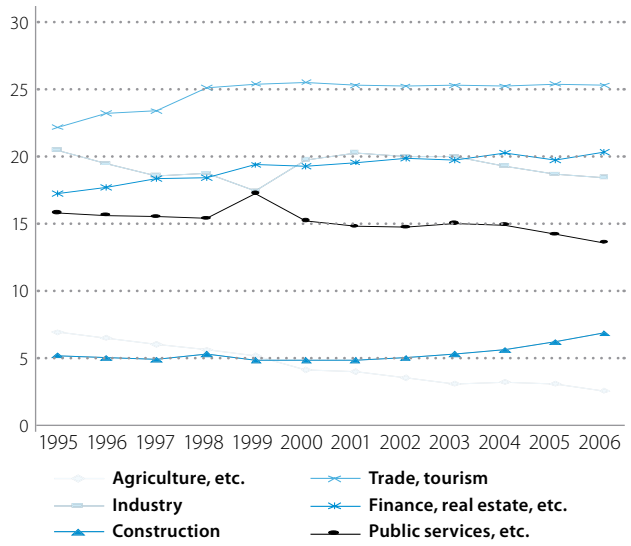
Analysis of the economic structure

For a more in-depth analysis of the Estonian economic structure, we used three mathematical-statistical analysis methods: correlation analysis, factor analysis and regression analysis. At first, the initial statistical assessment of relationships was made by a correlation analysis. Then, by using the factor analysis some general indicators characterising the economic structures of EU27 countries were found that enable one to make a more comprehensive interpretation.

A correlation analysis was carried out both for individual years (1995, 2000 and 2005) and for the general data of the whole period (data on EU27 countries in 1995-2005). The correlation matrixes provided in Table 4.2.2 and Table 4.2.3 show that there are some statistically important and stable connections between the economic sectors. The share of sectors 5 and 6 (public services) in the added value is above average in countries where the importance of agriculture (H1) and industry (H2) is smaller. The share of added value created in sector 4 (trade, tourism, etc.) is somewhat higher in these countries where the importance of agriculture (H1) is also higher, and in countries where the importance of financial mediation (H5) is lower. As shown in Table 3, the construction sector (H3) has a statistically important positive connection with H4 (trade, etc.) and a negative connection with H6 (public services).

General indicators for describing the economic structure of EU27 countries were obtained by factor analysis. We prepared a factor model both for individual years (1995, 2000 and 2005) and for consoli-

Figure 4.2.1. Ratio of added value to GDP in Estonia 1995-2006



Source: compiled on the basis of Eurostat data

Table 4.2.2. Correlation matrix of indicators describing the structure of value added (share of value added in GDP), EU27, 2005.

	Sector 1	Sector 2	Sector 3	Sector 4	Sector 5	Sector 6
Sector 1	1	.262	.154	.407(*)	-.631(**)	-.632(**)
Sector 2	.262	1	-.055	-.210	-.541(**)	-.458(*)
Sector 3	.154	-.055	1	.279	-.199	-.245
Sector 4	.407(*)	-.210	.279	1	-.468(*)	-.326
Sector 5	-.631(**)	-.541(**)	-.199	-.468(*)	1	.297
Sector 6	-.632(**)	-.458(*)	-.245	-.326	.297	1

** Correlation coefficient is statistically important at the level of 0.05*

*** Correlation coefficient is statistically important at the level of 0.01*

Selection volume: n=27.

Source: calculations based on Eurostat data

Table 4.2.3. Correlation matrix of indicators describing the structure of value added (share of value added in GDP), EU27, 2005.

	Sector 1	Sector 2	Sector 3	Sector 4	Sector 5	Sector 6
Sector 1	1	.261(**)	.064	.246(**)	-.596(**)	-.599(**)
Sector 2	.261(**)	1	-.102	-.298(**)	-.536(**)	-.473(**)
Sector 3	.064	-.102	1	.285(**)	-.137	-.218(**)
Sector 4	.246(**)	-.298(**)	.285(**)	1	-.411(**)	-.218(**)
Sector 5	-.596(**)	-.536(**)	-.137	-.411(**)	1	.294(**)
Sector 6	-.599(**)	-.473(**)	-.218(**)	-.218(**)	.294(**)	1

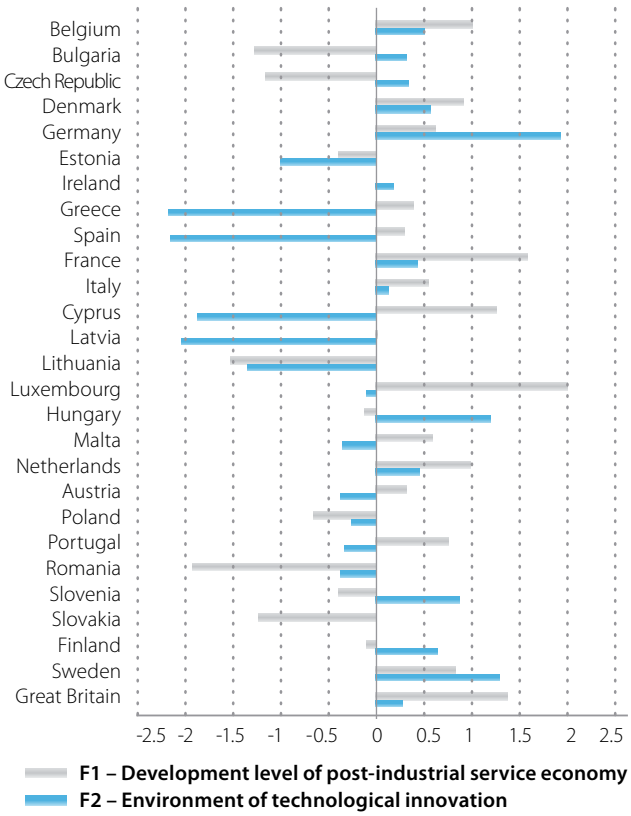
** Correlation coefficient is statistically important at the level of 0.05*

*** Correlation coefficient is statistically important at the level of 0.01*

Selection volume: n=27.

Source: calculations based on Eurostat data

Figure 4.2.2. Values of general indicators (factors) describing the economic structure in EU countries in 2005.



Source: The diagram and calculations were made by the authors on the basis of Eurostat data on added value of six aggregated economic sectors

dated data (27 countries and 6 years; 2000-2005) (see Annex 4.2.2) The analysis showed that factor structures in various selections were relatively stable. In all cases two factors (F1 and F2) stood out that described around two-thirds of the variance of initial indicators. The most complicated phase of the factor analysis was the interpretation of factors and assigning them economically meaningful labels. Factors were interpreted on the basis of a factor matrix whose components (factor loads) expressed the correlation between the initial factor indicator and the generalized factor indicator (see Annex 4.2.1)

In the factor matrix prepared for the period as a whole, factor F1 provided higher negative factor loads for initial indicators describing sectors H1 (agriculture, forestry) and H2 (industry), and higher positive factor loads for initial indicators describing sectors H5 (financial mediation, etc) and H6 (public sector services). Since the latter involves mostly complex modern types of services, we will call the aggregate indicator F1 a factor describing the development level of a post-industrial service industry.

In the case of factor F2, the largest negative factor loads in creating added value were detected in sectors H3 and H4 (construction and trade-tourism-transport), while the largest positive factor loads were observed in industry (H2). Industry can be regarded as the necessary prerequisite for broad-based innovation. Most service areas included in H3 and most of H4 are relatively passive in terms of innovation – they are rather recipients than providers of innovation transfer. Thus we decided to interpret factor F2 as the factor describing the environment of industrial technological innovation.

In comparison with others, the importance of the indicator of the post-industrial service economy (F1) is low in all Central and East European countries that acceded to the EU.

Based on the level of the indicators describing the technological innovation environment (F2), Southern Europe and Baltic countries differ from the average European indicator notably, being much lower (see Figure 4.2.2). However, this is not the case for some Central European countries such as Hungary, Czech Republic and Slovenia as well as Bulgaria.

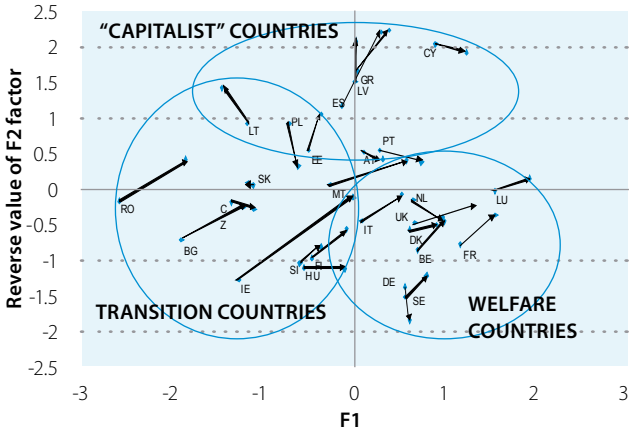
Looking simultaneously at the EU countries in the framework of the two abovementioned parameters, one can separate economic structures dominated by a strong service economy (Luxembourg, France and United Kingdom), from structures dominated by industry and technology (Germany, Sweden and Hungary) and from economic structures not dominated by either component. As expected, most post-socialist countries belong to the last-named group. Denmark, Belgium and Holland have a relatively balanced (by the level of development of these two components) positive structure, despite the service dominant being slightly stronger than the industrial dominant. On interpreting data one should take into account that the factor F1 was created through contrasting the so-called old economy, which includes

industry. In principle, both F1 and F2 factors can be "positive" if the summarised share of such sectors as agriculture, construction and "lower" (i.e., low-innovative) trade and tourism services in creating added value is small. It should be noted that countries which are dominated by strong industry and technology sectors usually also have an above-average component based on financial mediation and public services, or it may be slightly weaker. Conversely, among countries with relatively strong F1 value, one can find countries with clearly weak industrial-technological structure, especially in Southern Europe (in particular, Cyprus).

The general trends in the development of economic structures in these countries have both shifted towards a post-industrial service economy and towards a slight decline in the share of industry in creating added value. Estonia has been experiencing both trends, although the first trend has been notably slower than the second. What should one conclude from the relationship between the declining share of industry and the economy's innovation capacity? In countries with developed industry, the technological innovations created in the industry are transferred gradually to other economic sectors, thus creating additional opportunities for technological innovation in the field of development, while offering new services. The case is more complicated in countries that lag further behind in the economic cycle. It has been said that Estonia's economic future could be following the path of Luxembourg (i.e., to develop strong modern service sectors including financial services). However, the dominant view is that modern industry plays an important role in the transfer of innovative thinking into services. Therefore it is very difficult to build up a modern and internationally competitive service sector without passing the interim stage of more complex industry (Hirsch-Kreinsen et al, 2005). Unlike in most developed EU countries, the Estonian economic structure is characterised by a low level of industrial and technological innovation (see Figure 4.2.2). Therefore, such a development may not support the long-term competitiveness of Estonia. In the Estonian economic structure, construction is more dominant than industry and low-productivity trade, while hotel business is more dominant than high-productivity business services and financial mediation. Such an economic structure and its development are closer to that of the countries of Southern Europe. In other words, the structure of the Estonian economy is becoming more similar to that of Greece than that of Luxembourg.

The first group is made up of West and North European countries with developed service economies, characterised by the high level of values of the first general indicator F1. In some of these countries (Germany, Sweden), industry maintains a strong position in creating added value. Thus in this respect, they are clearly distinctive from the second group, consisting of South European countries with "trading" economies. The third group is made up of transition countries with low F1 values (on the figure: positive F1 weighting) divided into sub-groups by the value of F2.

Figure 4.2.3. Movement of EU27 countries in the two-dimensional factor space on sector structure added value 2000–2005 (factor loads).



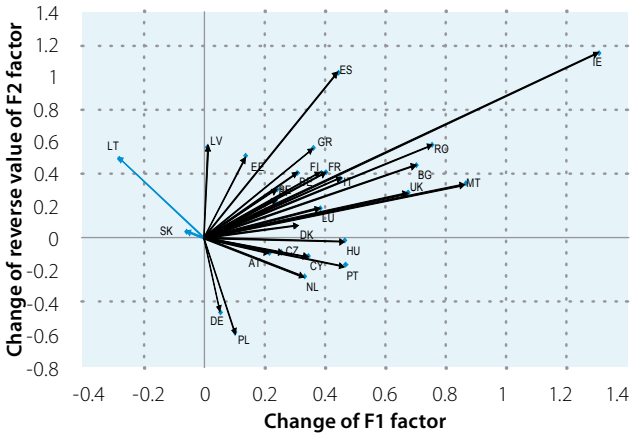
BE Belgium	FR France	AT Austria
BG Bulgaria	IT Italy	PL Poland
CZ Czech Republic	CY Cyprus	PT Portugal
DK Denmark	LV Latvia	RO Romania
DE Germany	LT Lithuania	SI Slovenia
EE Estonia	LU Luxembourg	SK Slovakia
IE Ireland	HU Hungary	FI Finland
GR Greece	MT Malta	SE Sweden
ES Spain	NL Netherlands	UK Great Britain

Source: Authors

With their development and construction boom, the Baltic countries are becoming closer to the countries of Southern Europe. Hungary and Slovenia are exceptions, which together with Finland and Ireland form a specific group. This has been created on the basis of average values during the period where, as in Germany and Sweden, the industry still "withstands" the offensive from trade. However, the changes in factor loads show that the roads of these countries are likely to separate. This is especially true since Ireland, which has been remarkably successful mainly thanks to industrial production, has been deviating from the industrial development model in the last period.

The dynamics of indicators is even clearer. In 2000–2005 there was a general shift among the countries in the field of indicators from left upwards to right. On Figure 4.2.3, traditional economic structures are on the left and structures based on modern service economy (financial mediation, education, healthcare, etc.), on the right. The structures dominated by industry are down, while the structures based on trading are above.

Figure 4.2.4. Shifts of EU27 countries in the factor space of the added value sector structure in 2000-2005.



BE Belgium	FR France	AT Austria
BG Bulgaria	IT Italy	PL Poland
CZ Czech Republic	CY Cyprus	PT Portugal
DK Denmark	LV Latvia	RO Romania
DE Germany	LT Lithuania	SI Slovenia
EE Estonia	LU Luxembourg	SK Slovakia
IE Ireland	HU Hungary	FI Finland
GR Greece	MT Malta	SE Sweden
ES Spain	NL Netherlands	UK Great Britain

Source: Authors

In some sense one can claim based on our general indicators that a simultaneous development of knowledge-based and traditional economy existed. The difference in the dynamics between the above three large groups of countries is insignificant, which makes it interesting.

To better understand the above, one should study the relationship between factor loads and some other socio-economic indicators. As for the latter, we have limited our analysis to key indicators offered by Eurostat (see Annex 4.2.2).

As expected, the F1 values have a close positive relationship with the indicators of economic wellbeing and welfare: GDP per capita and labour productivity. A weaker, but still positive relationship exists with the costs of education and R&D, the share of high technology, export and public debt. Yet the value of "trade" orientation is more closely related to the inequality in the people's income! Unlike F1 values, it also has a positive relationship with the level of investments and overall economic growth. This remark brings new and interesting opportunities to interpreting the second general factor that we highlighted. In a way, orientation to "trade" seems to be linked to a more aggressive market economy, where the state role in the social and economic issues is below-average. This is exactly the case in South European and Baltic countries. Moreover, these countries have not yet completed the development stadium of an economy based on investments and efficiency, nor have they entered the innovation-based development stage (see also Chapter 3 of the 2006 Estonian Human Development Report). This is proven by the negative relationship of the orientation to "trade", to the share of R&D spending and to high technology exports. It is difficult to predict when this situation will change. There has not been a major need for this until now when existing growth opportunities are appearing (relationship with higher growth rate is visible). Still it is clear that this development model is becoming exhausted.

Figure 4.2.4 paints a clearer picture of the dynamics, showing the change in factor loads regardless of the initial level of indicators. It seems that "swimming against the stream" moving counter to the general trend of some countries is only possible in the short or medium term. While in the case of Poland we can note a return to the so-called mainstream, the special position of Germany in Europe has become more distinctive. The development of Lithuania is unique since it is moving against the stream in both dimensions. The same situation exists in Slovakia, but only minimally.

While Estonia is swimming "downstream", the shift from industry towards the relatively low-innovation "trading" has clearly been more dominant than the shift towards the actual modern post-industrial service economy.

Impact of the economic structure on productivity

The sectoral structure of the economy is clearly related to productivity. In order to study this relationship we developed a regression model that would describe the relationship between productivity and two general indicators used to describe the economic structure above, more specifically, F1 (the development level of post-industrialist service economy) and F2 (environment of industry-based technological innovation). Regarding the dependent variable (Y) of the regression model – productivity is measured as added value per employee in euros (in year 2000 prices). In EU27 countries, these two general indicators of the economic structure explain approximately 64% of the variability of productivity (added value per employee).

In addition to the general indicators of the economic structure (F1 and F2), the variations in productivity are also related to both institutional and other factors of countries (country-specific factors). To consider their impact, the analysis uses two other so-called fictitious variables D1 and D2, which describe whether the country is a new member state (EU 15) or an old member state (EU12) and the size of the country (more than 6 million inhabitants or not). The analysis that was carried out showed that both the development level of the post-indus-

trial service economy and the technological innovation environment are related to the productivity in the same direction. The productivity of new member states is below-average, in ceteris paribus terms, while the productivity of small countries is somewhat higher than average.

Furthermore, productivity assessments of 2005, obtained on the basis of the regression model, offer interesting information. In some way, these evaluations forecast what the productivity level could have been in the given country if it had been influenced only by the regularities described by general economic structure indicators F1 and F2. A comparable assessment of the so-called structure positions of EU27 economies shows that the productivity of the Estonian economy is notably lower than the estimated level. That indicates the level that Estonia could have achieved if there had been only general regularities from 2000-2005 in the economic structure of EU27 countries. Such a situation is also characteristic of other new member states where the productivity level assessed on the basis of general economic structure indicators is, as a rule, higher than the actual level.

If one regards low productivity as one of the key problems facing the Estonian economy, it should be emphasised that productivity cannot be raised only through such measures as better technology or implementation of supplementary training separately in individual economic sectors. Instead, it requires planned efforts in modernising the economic structure. The structure of a lower development level simply does not enable such productivity growth as does the structure characteristic of a higher development level. Data on added value created in various economic sectors in EU countries are provided in Annexes 4.2.3.–4.2.8.

4.3. Economic structure, labour market and education

Employment structure

The distribution of employees in the Estonian economy, based on sectors and sub-sectors, has changed over time. This has occurred in a similar manner to the changes in the economic structure described in the previous section. At least such a conclusion can be drawn if we limit ourselves to the analysis of the most general level, the three broad sectors (agriculture, industry, services): The significance of the primary sector (agriculture) has declined drastically, while that of the services has increased. Yet the structural adjustment occurred not via the relocation of labour (although it happened as well), but by a decline of general employment. Out of the three broad sectors, only employment in the services sector (in the broad sense) has shown some growth in absolute figures since the 1990s. In other words, part of the jobs lost in agriculture and to a lesser extent in industry, have gone unreplaced. However, when viewing the occurred process from the structural aspect, it must be admitted that in general the same change has taken place here as in other countries, i.e. movement towards a postindustrial services economy.

The view based on sub-sectors, for instance, by individual branches is more problematic. Naturally, some dynamics can also be seen here, but at the same time it may be said that the re-distribution of the workforce in the manufacturing industry has fallen behind the change in the competition position of industrial sectors. Relatively many people are working in low-wage export industries or at least in enterprises whose business models exist to benefit from low wages. While in the textile industry strong contraction of the labour force has already become a reality, one may assume that in several other industries this will be the trend in the next few years. In such a situation the capacity to retain and re-adapt the workforce becomes extremely important. This capacity is notably higher in the case of employees who have higher education and higher qualifications.

If you look at the distribution of employed people in European countries based on their professions, it appears that Estonia has a significantly higher share of unqualified workforce, especially workers doing physical work (so-called blue-collar workers), while the share of white-collar workers is notably lower (see Table 4.3.1 and Section 1.4).

Table 4.3.1. Employed according to profession area (ISCO88) in Estonia and EU25, 2006

		Estonia	EU25
Total number of main groups of the profession area		100	100
(1) Legislators, higher civil servants and managers	White collar workers (1-4)	12.8	8.6
(2) Top specialists		14.7	13.8
(3) Medium-level specialists and technicians		12.2	16.5
(4) Public servants		5.1	11.1
(5) Service and sales employees	Blue collar workers (5-9)	12.6	13.5
(6) Skilled workers in agriculture and fishing		1.8	3.7
(7) Skilled and manual workers		15.5	13.9
(8) Operators of equipment and machinery		14.5	8.5
(9) Unskilled workers		10.1	9.5
Defence Forces		..	0.6

Source: Statistics Estonia and Eurostat

In this respect the statistical picture does not match the public perception of Estonia as a country of officials, traders and business managers. As for white-collar workers, Estonia has significantly more employees than the European average only in the 1st ISCO group (legislators, higher officials and managers). We also marginally exceed the reference countries as to the significance of top-level specialists. In all other white-collar groups Estonia has fewer employees than the European average. Similar to Estonia, also Central and Eastern Europe have fewer white-collar workers than other EU member states. It is noticeable that Estonia is especially lagging behind in the 4th ISCO main group, i.e. other (not belonging to the first main group) officials.

The share of blue-collar workers in the Estonian employment is higher than the European average in most groups. In comparison with the European average an especially distinctive difference is noticeable in the large number of blue-collar workers in the 8th ISCO main group, equipment and machine operators. The only ISCO main group where the number of employed people in Estonia is significantly below the European average is the 6th main group, skilled workers in agriculture and fishing. We also lag behind slightly in the signficance of services and sales staff. Besides the fact that more people in Estonia are employed in blue-collar jobs and fewer people employed in white-collar jobs, we also have relatively fewer employees working in highly qualified white-collar jobs that require higher education. There are at least two reasons for this. Cörvers and Meriküll (2007) who studied the reasons that would explain the differences in the structure of professions between countries came to the following conclusions: The first reason, which also explains the Estonian situation, lies in the structure of economic sectors in which production sectors requiring many blue-collar workers play a greater role. The second reason lies in the fact that the technology used in the production sector is mainly based on the use of low-qualification workforce. In comparison with the European average, the current structure of the production sectors and the technology used in them in Estonia is heavily based on blue-collar workers. This constitutes an important brake in restructuring the economy since it is not easy for workers doing physical work to adapt to new professions, especially if their education has been oriented more towards fulfilling narrow functions. The lack of blue-collar workers in many areas of activities is, naturally, an acute problem. However, a longer-term and more serious problem is that the economic structure of Estonia will not actually be sustainable when the input costs increase. In fact, the re-orientation of the current Estonian workforce to different types of work will not be easy.

Educational requirements for knowledge-based economy

In transition economies, one of the key problems is not the low level of education of the population. It is rather the orientation towards preparing the workforce, specialized in a narrow technical field, often focusing on contracting sectors and professions. In a wider sense, the problem lies in the inadequate reaction of the education system to the labour market developments.

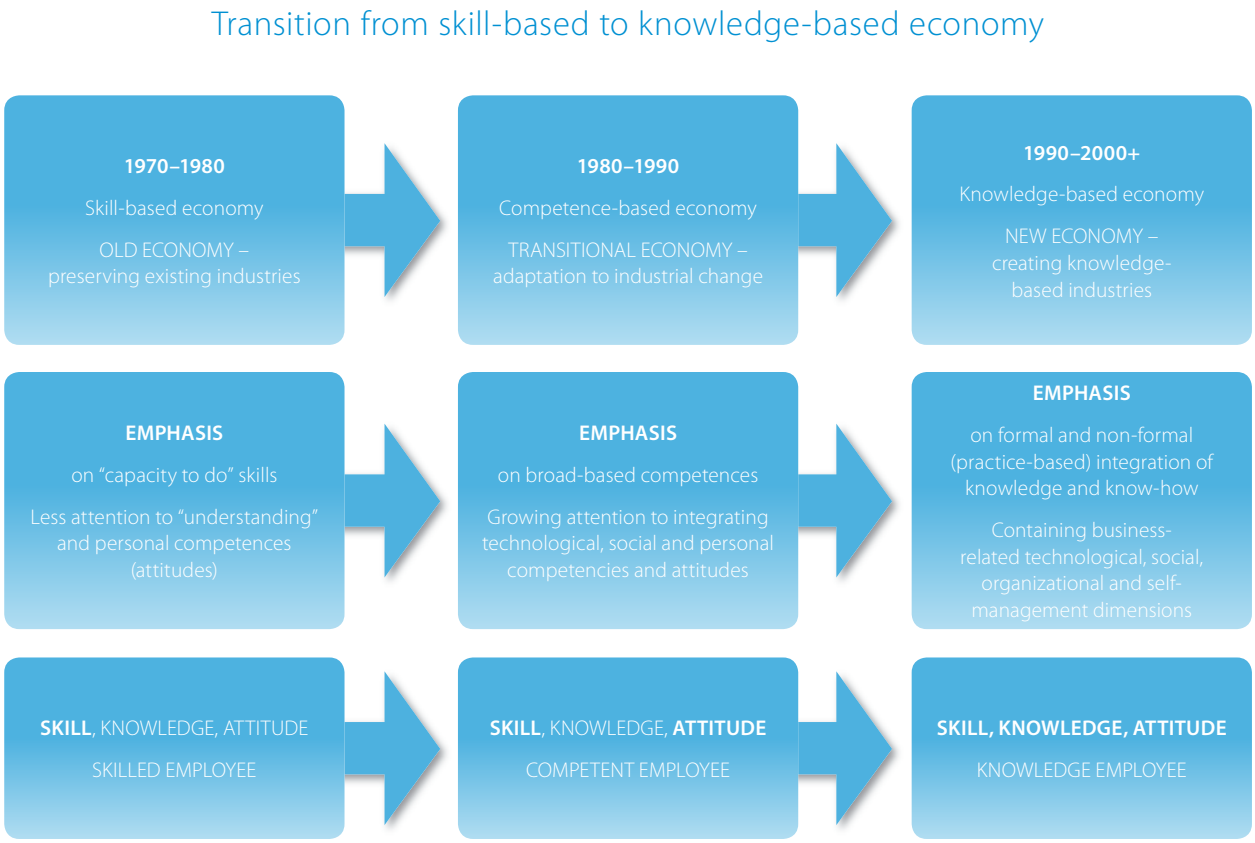
The situation was even characterized as the deterioration in the quality of education and training, including human capital, at least in the 1990s. The problem was further exacerbated by the fact that the liquidation of centralized planning in the economy and the liberalization of the economy brought about a shift in the objectives of the education system. Instead of clearly planned targets, the objectives were now developed by ambiguous market requirements. Skills required in the open economy are quite difficult to forecast. There was also a lack of forecasting skills in uncertain conditions since in the closed economy it was easy to forecast the demand for workers' qualification and education level (World Employment Report 1998–1999). Based on formal characteristics one may even assume that the workforce is relatively highly qualified. Nevertheless, the lack of experience, and of a system of lifelong learning, together with a rapidly growing economy have created the situation where human capital is being deformed (i.e., ageing) very quickly. Thus the relative initial advantage could begin to hamper development.

General changes in the nature of work are characterized by the diagram provided on Figure 4.3.1.

In terms of nation-building and the general economy, Estonia has completed the transition process relatively successfully in building up a market economy. Still the changes involving the work process take much more time. It is obvious that the number of economic sectors dominated by so-called pure conveyor operators, or narrowly specialized skilled workers is decreasing over time. Moreover, as shown in the analysis provided in the previous section, their prospects in Estonia are bleak, at least as long as the current business models remain in force.

The demand is growing for employees with universal skills, who are flexible and who can be employed in different parts of the production process. Unfortunately, not many enterprises have arrived at the phase of the knowledge-based economy where in addition to acquired skills and suitable approach a third important component also exists: knowing how to integrate technology, social skills and business understanding. This includes knowledge acquired by education that enables people to handle complex computer-controlled tools and knowledge of how to arrange things, the so-called project management competence. While skilled workers or more competent regular workers need clear descriptions of work tasks and solutions for achieving the outcome, knowledge employees are able to offer a specific solution themselves and it suffices to just set up a work task. This could be said to be the main difference.

Figure 4.3.1. Transition from skill-based economy to knowledge-based economy



Source: Nyhan 2002

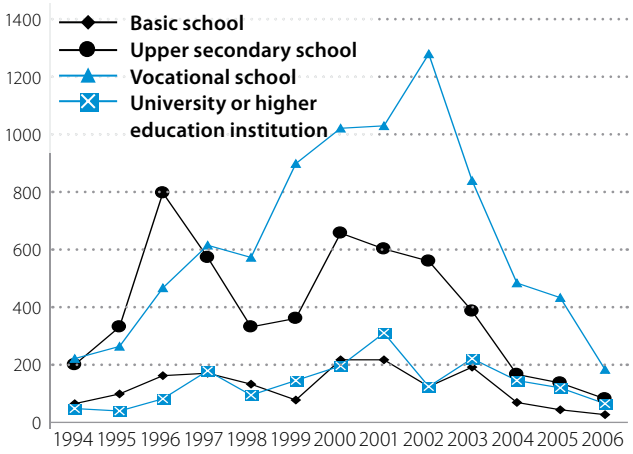
In today's Estonia it is still often said that too many employees have higher education and that we need more skilled workers with narrow specialization, etc. The hidden objective behind these claims is to preserve the current economic structure based on low added value and cheap labour. However, as the analysis above showed, it is doomed to fail in practice.

When we analyse the situation of school graduates on the labour market, one informative coping indicator is the number of people who have registered themselves with the Labour Market Board for the first time and its distribution by education level. In 1996, graduates who registered themselves with the Labour Market Board mostly came from secondary schools (53%), while only 31% of unemployed came from the vocational schools. By now however, the proportion has unfortunately reversed. In 2006, 51% of first-time unemployed had vocational school background and 23% had secondary education (Figure 4.3.2). At the same time it should be noted that in absolute figures the number of unemployed has decreased among all levels of education in recent years. It is clear that plenty of reforms have been implemented in the vocational education system. The last major reform concerned setting up vocational education centres, which should make their operation more efficient and end the overlapping of professions, etc.

The share of young people with higher education diplomas has increased among the unemployed, in recent years. This can be explained, at least partly, by the rapid growth in the number of young people obtaining higher education and the excessively high number of higher education institutions, which makes it difficult to ensure the quality of the obtained education. It is generally known that the lion's share of students is studying social studies, including business and law. Since 1998 the students in this area have made up around 40% of the total. The small private universities predominantly specialise in the teaching of these very subjects.

The Estonian liberal education policy and its related multitude of universities and higher education institutions have brought about uneven quality in higher education. This is clearly reflected in the fact that young university graduates, while not facing unemployment, cannot find jobs that correspond to their level of education, and work in jobs that demand lower qualification. From the viewpoint of the society, such situation is a waste of resources. It is true that since over 50% of all students pay for their studies themselves (as many

Figure 4.3.2. Number of young people who have registered themselves for the first time as unemployed with the Labour Market Board based on the level of education.



Source: Statistics Estonia

Table 4.3.2. Financing of participation in lifelong learning

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Employer	63.4	61.2	66.9	66.5	60.8	71.6	70.5	70.7	65.2	68.1
Trainer	22.1	25.4	18.5	20.5	26.6	16.2	12.6	16.1	21.5	21.6
Other	14.5	13.4	14.6	13	12.6	12.2	16.9	13.2	13.3	10.3

** Participation in training during four weeks before the time of poll*

Source: Statistics Estonia

as 85% in the field of social studies), one may say that these funds are provided by the households and not by the taxpayers. Yet this does not deal with the problem from the employment viewpoint. What are the solutions? One direction is related to a better corresponding of education and the future employment structure, while the other certainly concerns the quality of education. The Ministry of Education and Science has in recent years introduced tougher requirements for universities, as a result of which some have already left the market. In addition the education market is being restructured thanks to demographic processes. In 2010 a new generation born at the beginning of 1990s, when birth-rate was very low, will enter the university market, which means that there will be almost half the number of students than there were in 2006-2007. One could presume that such a drastic downturn in the number of students would lead to a higher significance of quality standards.

Enterprises and supplementary training

As the economy is in a rapid growth phase, people's capacity to learn becomes the most important factor describing the labour. While the acquired education and profession are very important, employees' capacity and wish to constantly develop themselves in order to keep abreast with changes in their job area are even more important. General trends in supplementary training and lifelong learning are analysed in Chapter 1 of this report. Below we will look at the relationship of supplementary training to enterprises and the functioning of different economic sectors.

On analysing the sources of funding supplementary training in Estonia we can see that almost 70% of training of this type is funded by enterprises (Table 4.3.2). As a rule, the enterprise only pays for training related to the job/profession, while training that concerns the person's interests, hobbies and self-consumption must usually be paid by the person in question. According to the Work life Barometer conducted in 2005, 95% of the respondents whose job-related training was financed by the enterprise stated that the training had been useful and necessary for future work contribution. This is indirect proof that work-related training is relatively efficient.

Specialized vocational training was used in 67% of enterprises in Estonia. Specialized vocational training is more common in the energy sectors and in banking (more than 80% of enterprises). In the leather and footwear as well as in the textile industry employee training was carried out by slightly more than half of the enterprises. It also refers to the fact that entrepreneurs see less future potential for these sectors. There has been a significant decline in the interest of postal and telecommunication companies to train their employees. One of the reasons is that many new companies have just entered this sector and haven't started their vocational training yet.

It is obvious (see Table 4.3.4) that the size of the enterprise determines the importance of offering training. Among large enterprises (more than 250 employees), 96% offered specialized training to their employees.

At the state level we see three large employee groups being trained from public sector funds. These include public servants (within the meaning of the Public Service Act), school teachers and the unemployed. Supplementary training of other categories is financed by the public sector in the event that these have been designated as priority areas in Estonia. For instance, long-term courses (more than 56 hours) are financed for various categories. In addition, funding is provided for teaching the Estonian language to non-Estonians. The percentage spent on training teachers amounts to 2-4% of their whole payroll fund.

Estonia is spending very little money on labour policy measures in comparison with other EU member states. In 2005 spending on active labour policy measures amounted only to 0.05% of GDP (and 0.03% on

training). All in all, labour policy measures amounted to only 0.2% of the GDP, which in comparison is ten times less than in the old EU countries on average (Labour market policy, 2007, Eurostat).

The lion's share of active labour policy based on the number of participants and funds include various specialized supplementary and retraining courses. In addition, the unemployed receive so-called adaptation training so that they can cope in job interviews; know how to prepare a CV, etc. Labour market training is usually purchased from the corresponding educational and training institutions. The maximum length of training is up to six months.

As shown in the table 4.3.4, significant differences in supplementary training appear between the economic sectors (from 53 to 86%) and different sectors have different dynamics. For instance, the share of supplementary training in the sectors of manufacture of machinery, transport vehicles and wood creates hope that the companies in this sector may succeed in their transition to more complicated business models Yet no such positive trend can be seen in construction, procurement industry and such major Estonian sectors as the food industry, the textile industry and the sewing industry. It appears that the state policy should start to pay more attention to the supplementary and retraining of employees of sectors that find themselves in a difficult situation.

Table 4.3.3. The share of enterprises that organized continuing vocational training (%), 1999 and 2005

	1999	2005
Total	63	67
Mining and quarrying	85	61
Manufacture of food products, beverages and tobacco	65	66
Manufacture of textiles and textile products, leather and leather products	57	53
Manufacture of pulp, paper and paper products; publishing and printing	66	71
Manufacture of, refined oil products, chemical products, etc.	65	73
Manufacture of basic metals and fabricated metal products	65	77
Manufacture of machinery and equipment n.e.c.	62	74
Manufacture of transport equipment	50	68
Manufacture of wood and wood products; manufacturing n.e.c.	55	64
Electricity, gas and water supply	81	80
Construction	66	61
Sale, repair of motor vehicles, retail sale of automotive fuel	74	60
Wholesale trade and commission trade, except of motor vehicles and motorcycles	67	72
Retail trade, excl of motor vehicles and motorcycles; repair of household goods	50	56
Hotels and restaurants	63	62
Transport, storage and communication, except post and telecommunications	62	69
Post and telecommunications	97	66
Financial intermediation; Insurance and pension funding	88	85
Activities auxiliary to financial intermediation	86	86
Real estate, renting, business and other service activities	65	73
10-49 workers	58	62
50-249 workers	85	84
250 and more workers	95	96

Source: Statistics Estonia

4.4. Policy benchmarks for Estonia

In order to better understand the spectre of economic policy possibilities that will be facing Estonia in the upcoming development period, we should study how other countries have become successful. Naturally, it is not possible to directly copy development analogies since major differences have existed between the countries' situation and their earlier and later development periods. Nevertheless, practical development experience provides an insight into how factors that have contributed to the development have been interrelated. A study of practical experience often highlights certain success factors not yet visible in available theories, have not yet arrived or may at times be even contrary to the dominating dogmatic ideology.

In searching for success factors we have chosen Ireland and Denmark as analogue countries. We will focus not so much on what is happening in these countries at present, but on earlier development periods that offer more lessons for Estonia. Both countries have commonalities: both are small countries; they have limited natural resources; both implement a generally liberal economic policy; both are successful; and, last but not least, they are European Union members. As for the differences, the Irish experience should be interpreted as an extremely successful effort in catching up, while Denmark has been a highly developed economy for an extended time. In recent decades Denmark has been remarkably successful in ensuring that, while being a welfare state, it has avoided many typical problems of welfare countries by being more flexible than others.

Ireland

Because of its rapid economic growth that started especially in the mid-1990s, Ireland has often been dubbed the Celtic tiger. In just one decade the GDP per capita doubled and Ireland clearly became one of the EU economic leaders instead of a European laggard. . The Irish success story attracts attention also because of the speed with which one of the most undeveloped countries in Western Europe managed to catch up with some of the wealthiest nations. This is why Irish experiences have attracted major interest in Central and Eastern Europe interested in copying its success.

There are two alternative explanations as to why the Irish economy started to develop so rapidly in the 1990s. The first can be named "delayed convergence", which means that the growth in 1990s can be interpreted mainly as a reaction to decades of excessively slow growth. While the country's politicians recognize that the macroeconomic policy and EU integration had certain (positive) influence, the general view is that Ireland's "catching up" with developed countries was largely a self-regulating process. The proponents of the second explanation focus on the export base and the employment that it helped to create. Important components also included corporate taxation incentives and the industrialization strategy guided by the IDA (Industrial Development Agency). The latter can be interesting for Estonia as an institution.

The Republic of Ireland started with the new type of economic policy already at the end of the 1950s. Years of isolation and protectionism had largely failed and it had become clear that there was dire need to open the economy to foreign trade and investments. A more specific target in restructuring the industrial strategy was the need to create additional jobs. The profit earned from the export of industrial products was initially released from any income tax and restrictions on the foreign ownership of enterprises were eased. However, more extensive measures were taken also. Among all EU member states, Ireland has been one of the most proactive countries in promoting its economic development. For more than forty years the country has focused on attracting foreign direct investment (FDI). For decades the development strategy of Ireland has been based on the following principles:

- Development of modern export-oriented manufacturing industry through providing financial and fiscal support. Later, internationally tradable services have been added as one of the types of support;
- New greenfield investments by foreign companies to export-oriented industries;
- Contributing to creating contacts and relationships between domestic and foreign enterprises. This trend became more acute after initial success when there was a real risk that Ireland could become a two-economy country: one being modern economy based on the activities of foreign enterprises and the other based on domestic small enterprises and traditional economic sectors.
- Contribution to the creation of clusters in certain sub-sectors of manufacturing industry;
- Support policy to convince private enterprises to invest in less developed regions also.

The strategy chosen by Ireland was aimed at building the capacity based on new technologies. The starting point was the condition where the wage level was relatively low in comparison with developed industrial countries, but high in comparison with competing regions in Asia or South America. Therefore the actions were guided by the following principles:

- To become competitive requires high productivity and quality, not only low labour costs;
- It is necessary to create clearly defined niches in the global value chain, both through liberalization of trade, developing human capital and infrastructure and direct incentives that facilitate investments;
- Constant enhancement of quality and a shift towards activities that have higher added value.

The IDA, which was previously mentioned, used to be part of the Ministry of Industry and Trade. In 1969 the IDA became an autonomous agency funded by the state, which was made responsible for all aspects of industrial development. The IDA is an interesting example of a state development agency that mediated the narrow enterprise-based interests of potential investors and wider economic and social interests of policy makers. In the 1960s the main task of the IDA was to attract the required amount of suitable foreign investments to the country. The Planning and Research sub-unit of the Agency was generating new ideas and tested them in cooperation with its colleagues from other sub-agencies. The sub-agencies were trying to attract various companies to resettle in Ireland and therefore had direct practical contact. Initially the industrial development planning system designed by the IDA consisted of the following components:

- Defining the criteria for selecting prospective sectors either by the suitable geographical location of Ireland or by the capacity to attract investments;
- Identification of specific foreign companies, establishing contacts with them and assessing the investment proposals submitted by these companies;
- Assessing whether Ireland can meet the development needs of these companies;
- Monitoring the success of the progress of investment projects.

Since initially, the main focus of the activities of the IDA was to create jobs, FDI was not differentiated by sectors in the early years. At the beginning of the 1980s preferences were given to such rapidly growing high tech sectors as electronics, computer software, biotechnology and healthcare.

Through its transnational strategic network consisting of foreign affiliates, and through communication with investors that had already settled in Ireland, the Agency has managed to constantly adapt to the changing economic conditions and global trends. This provides information about sectors that are already being targeted and is marking potentially interesting sectors. This information does not only influence the determination of priority sectors, but provides a basis to inform the government of the necessary legal amendments, infrastructure enhancements and training.

At the beginning of 1970s Ireland found that it could most benefit from the electronics and pharmaceutical sectors. Most investments were expected to come from the US, which is why Ireland started to market itself to US companies as an export platform for the European market. It should be mentioned that the country's education system was notably flexible and the IDA played a large role in shaping it. The components of the technical education system developed in the 1970s included regional technology colleges, which were later renamed technology institutes. They offered shorter curricula than universities and were focused on industrial needs in providing corresponding engineering and business education. At the end of 1970s the universities, under pressure from the IDA, started themselves to feel the need to better respond to the demands of the labour market. In 1978 Ireland founded the Manpower Consultative Committee, which started to mediate the dialogue between the IDA and the educational establishments. Since the IDA found that the demand for electronics professions was growing, it convinced the government to allocate much more funding to this sector. As a result, the number of people who had obtained engineering education increased in 1983 by 40% from the 1978 level whereas the growth in computer sciences was tenfold.

In addition to general information exchange, the proactive development strategy includes fiscal and financial incentives. The main incentive is favourable corporate taxation. Already in the 1950s Ireland introduced zero rate income tax on export income, but since it was in violation of the Rome Treaty, the income tax was increased to 10% in 1980. Since 2003 the standard income tax rate has been 12.5%, , which remains one of the lowest in Europe. Financial incentives exist mainly in the form of financial grants that must not be repaid if the agreed targets are achieved. In the 1960s and 1970s the grants were allocated at a certain percentage of the cost of a new plant or equipment, while in certain regions the maximum rate was higher than elsewhere because of regional policy reasons. In the following decades the range of financial incentives increased and Ireland started to hand out, according to need, investment grants, support training, issue low-interest loans, support technology transfer, etc. In addition, projects were being assessed from the viewpoint of employment that reflects Ireland's historic industrial policy emphasis on the need to create jobs. The principle was that when the employment targets were not met, the grant had to be repaid. Since the industrial policy approach was focused on enterprises, relatively high attention was paid to policies that offer security and consistency. Maximum incentives were backed by establishing long and fixed time horizons, while in the case of financial incentives it was done by grant advances.

Besides, European Union regional aid funds played an important role. This was especially true in times when Ireland was not capable of allocating such funds without deteriorating its macroeconomic stability. At the same time these aid funds did not exceed 5% of the GDP. Among other events that influenced the development of the Irish economy one should definitely mention the so-called national or social pact signed by social partners and the government in 1987. Within its framework the trade unions agreed to a limited wage growth in exchange for certain guarantees.

Another aspect, which especially should not be forgotten in Estonia while the interpreting the Irish experience, is the fact that one of the factors enabling rapid economic growth was certainly the increase of the share of working population as well as their absolute figures, provided by high, although declining, birth rate as well as by involvement of previously unemployed population. In other words: it would be difficult to emulate the Celtic tiger without a proper labour reserve.

Irish lessons for Estonia

Estonia can learn at least seven lessons from the Irish experience:

- It is easiest to implement major changes in tough times;
- A necessary precondition for continuing development success lies in the cooperation of social partners. Without their mutual understanding the success story could easily be interrupted;
- Although success could come fairly quickly, it requires long-term preparation and implementation;
- The importance of education cannot be overestimated; the education system must correspond and react to labour market needs;
- If one works hard, it is possible to attract the necessary companies to invest in the economy;
- A proactive approach and an efficient competence centre (IDA in Ireland) play an important role;
- By skilful activities, it is necessary to attract foreign capital to the economy according to national priorities (technology, sectoral, regional, etc.).

Denmark

In international comparisons, Denmark has always been one of the most preferred places of residence – this is a country with a high GDP per capita, large social benefits, low income differences and long-term political stability. The wealth of the Danes is based on high employment and productivity. When economists talk about the Danish model they generally mean the structure and organization of the Danish labour market and, sometimes, the networking of enterprises.

Unlike in Ireland, there is no specific single reason for rapid growth in Denmark in recent years. In fact, the country has been among the wealthiest nations in Europe for a long time. In spite of this, there are several factors that justify a study of the Danish experience in order to help Estonia learn from this experience. First of all, Denmark, like Estonia, is a small country with a limited inner market. Secondly, in both countries small and medium-sized enterprises (SMEs) and the agriculture and food sector play a relatively large role. Thirdly, the role of large multinational corporations remains modest in the economy of both countries. The Danish example is interesting also because its SMEs have been surprisingly successful in the globalization of the world economy. Because of the specific features of the country's economic development, the following study focuses on the reasons behind the high competitiveness of Denmark and its development in the globalised world.

One may highlight two different categories of the enterprise system or two aspects of market economy usually named liberal and coordinated. In the case of the Danish policy targeted at the small enterprises one may see signs of the coordinated approach that differs from the liberal approach mainly in two aspects: in motivating economic subjects and increasing enterprise activity the main focus is not only on market incentives, but also on the state role in strengthening the intra-enterprise cooperation and consolidation of objectives. Secondly, a major emphasis is placed on strengthening the relations of the companies with other market participants (suppliers, clients, trade unions and research enterprises), the objective being to promote cooperation in the field of research work, marketing and product development. Under the coordinated approach the state institutional framework serves the following objectives: to set up a communication channel between the enterprises and the state, to coordinate economic subjects, to lay down common objectives, to reduce objectives that cannot be consolidated and to hedge risks.

This view is supported by the central institutional aspects of the Danish model which include the high level of political and economic decentralization, focus on small and medium-sized enterprises, openness of the economy to foreign trade and a relatively homogenous and active society.

In Denmark, public sector spending as a percentage of the GDP is one of the highest in comparison with other countries because of free education and health care services. In all decades the average economic growth has been between 2-3%, which can seem low in the context of Central and East European countries, but entirely acceptable among the European countries with a developed economy. By now unemployment has fallen to around 4%. Inflation is also impressive at around 2%, and so are the

modest wage growth and current account surplus. Although Denmark is a highly developed service economy it is also successful in developing agriculture and industry.

One of the specific features of the Danish economy is that negotiations and agreements between different interest groups hold major importance, a tradition that dates back to the 19th century. In 1899 representatives of employees and employers signed an agreement that laid down the mechanism for negotiations and settlement processes for solving problems at the first instance. In a more detailed manner such an arrangement is upheld by various institutions and their networks. These stand as the platform for problem-solving debates and negotiations, which will lead to conflict solution. Such an arrangement can function thanks to the relative homogeneity of the nation, the balance between employers and employees, the availability of functioning institutions and the generally accepted socio-economic ideology.

Another characteristic feature of the structure of the Danish economy is the existence of a large number of SMEs. In total, SMEs provide more than half of the companies' total turnover and almost 40% of exports. Although the companies are small and largely non-high tech, it cannot be seen as a problem in terms of globalization.

Namely, the level of trust and cohesion in the enterprise environment is so high that companies are able to create experience-based knowledge that is hard to copy and that increases their competitive ability. Globalisation has provided better access to new markets and wider opportunities for outsourcing as well as more trade which has especially benefited the shipping industry.

Industrial modernization and development got a major boost in the tax legislation adopted in 1957, which granted companies very favourable terms to depreciate machinery. In the 1970s and the 1980s the industrial policy became more selective. The state started to hand out grants to companies that were cooperating with each other. The objective was an economic strategy that emphasized investments in education and public services. This was a reaction to the economic crisis that has dominated in Denmark since 1987 In the course of which the government liquidated major shortcomings in the state budget and balance of payment by saving and rationalization. Such a policy brought along low economic growth and increasing unemployment.

At the start of 1990s there was a shift from industrial policy to innovation policy. It was understood that "top down" approach is inefficient and work was begun in developing framework conditions. The principles of a coordinated approach were well reflected in the network program started in 1989 whose objective was to promote cooperation between small enterprises in order to achieve beneficial terms that were available only to large enterprises. To become eligible for the support, at least three companies needed to cooperate in at least two activities.

The resources area concept adopted in 1993 had a notable impact on the development of the dialogue between the industry and the state and emphasized the importance of intra-enterprise relations in the policy targeted at Danish small enterprises. The objective was to lay down the resource areas and to understand the relations between these actors as well as to find potential problems in the dialogue. This project started the cluster-based industrial policy.

Industrial policy plays a major role. In 1993 the so-called flexicurity (flexibility+security) model, which today characterizes the flexibility of the Danish economy, was developed. This consists of three components: a flexible labour market, social protection and an active labour market policy. Its objective is to replace job security with employment security. Hiring and firing of employees has been made simple for the enterprises, but at the same time laid-off employees can receive state support that equals their wages provided they agree to supplementary training or are actively looking for work.

Additional factors that helped to shape the modern structure and competitiveness of the Danish economy include:

- An efficient education system that focuses also on developing communication skills and creativity;
- A liberal industrial policy that is expressed also in the fact that the state has not "bailed out" those in trouble;
- The small size of the country and the liberal foreign trade policy that forced domestic enterprises to increase their competitiveness;
- The state economic policy that has helped domestic enterprises to find several market niches also on the world market, for instance, by the wide-scale offering of general healthcare services. In addition, tax breaks were granted in the 1990s and funds were allocated for developing wind power, which has now helped to increase exports.
- A persistent objective to move towards activities that create higher added value. Trade unions played a major role in this development by promoting supplementary training and agreeing to relatively high minimum wages in the collective agreements. The developments proved that supplementary training and new investments helped to keep unemployment low in spite of high minimum wage.
- Relatively low corporate tax burden, considering the available social benefits and high tax rates of natural persons;

- Significant increase in the employment rate of women (75%), which is one of the highest in the world.

Danish labour costs are one of the highest in the world, which is why the country's manufacturing industry is becoming much more knowledge-based and less labour- intensive. To ensure that the Danish economic model can sustain itself also in the future, the government has taken additional steps, for instance, developed the Globalization Strategy. One of the main objectives is to increase the number of employed persons by raising the pensionable age and providing more incentives for people to become more active as jobseekers. In July 2007 Denmark cut the corporate income tax rate from 28% to 25%. Until now R&D funding has remained fairly modest for such a developed country, but by 2010 it should increase to 3% of GDP.

Danish lessons for Estonia

While Flexicurity is considered a model with high potential, it cannot be copied just like that. The Danish organizations of employers' and employees' are traditionally strong and there is a system aimed at seeking cooperation and political negotiations. The Danish labour market is one of the best organized in the world. About 80% of all employees belong to trade unions and members of the employers' associations employ around 55% of private sector employees. Collective agreements determine the wages and the main work condition issues. Although the Danish economy is characterized by the constant seeking of compromise by various interest groups (so-called negotiated economy), which some other countries cannot copy just like that, there are also other lessons for Estonia:

- It is much easier to increase the flexibility of the labour market by offering social guarantees and opportunities for supplementary training (although they bear a fairly high cost).
- Also countries with a fairly high tax burden can be competitive. This does not mean that Estonia should raise taxes, but could well learn from Denmark how to develop its tax structure and lower some taxes.
- If the productivity is at the comparable level, then even one of the highest labour costs in the world is not a problem in terms of economic competitiveness.
- Constant learning and self-development is important, which should be more emphasized also in Estonia. One of the steps could be, for instance, to abolish the fringe benefit tax from employee training costs.
- The importance of networks between SMEs in creating competition capacity, especially in the case of non-high tech enterprises.

In summary

The development paths of Ireland and Denmark offer Estonia food for thought at least in the following issues:

First: The state can influence the enterprise structure and, through that, the economic structure by relevant policies. It can initiate certain developments or contribute to the dynamics of the economy in the necessary direction, both in the condition of the liberal market economy and in the internationalization of the economy.

Second: The focuses of such a policy could be quite different in different countries and in different circumstances. For instance, Ireland focused on attracting large multinational companies to the country and regularly had different, but clearly defined sectoral focuses/priorities. On the other hand, Denmark focused on domestic small and medium-sized enterprises, supporting their networking, playing to a large number of narrow niches and a small number of key sectors.

Third: Enterprise support policy is related to the macroeconomic context of the development. This ensures the necessary stability of the business environment and the need to find incentives for enterprises and employees that would offset the impact of the toughening of the economic policy.

Fourth: For achieving results it is important to have both the cooperation of the state and enterprises and social partnership (employers, employees). The latter can differ notably depending on the state traditions.

Fifth: Education policy is an extremely important component of development policy, especially in the area of supplementary training and retraining.

Sixth: Speeding up economic development does not necessary require a general low tax burden, but requires a tax system favourable to enterprises.

The conclusions provided above have been used for developing the following policy measures of the so-called North Star scenario prepared for Estonia.

4.5. Future scenarios

The state development model and development directions can be checked by preparing alternative development scenarios. On the one hand, it will provide policy developers a bigger and reasoned picture of how a certain proposed action course or measure could function in a certain context. On the other hand, it will enable one to communicate with the public, explain one's approach logic and receive feedback and additional ideas that could be taken into consideration when developing the proposals further.

Until now there has been no development foresight system in Estonia for checking and adjusting the long-term action course developed more or less systematically. However, Estonia has certain experience on the complex level of a state in preparing development scenarios and, on their basis, in triggering a wider debate. The first example is the "Estonia 2010" project implemented in the mid-1990s and the second was the "Sustainable Estonia 21" (SE21) project implemented in 2003-2005. The latter included a fairly long planning horizon of 30 years.

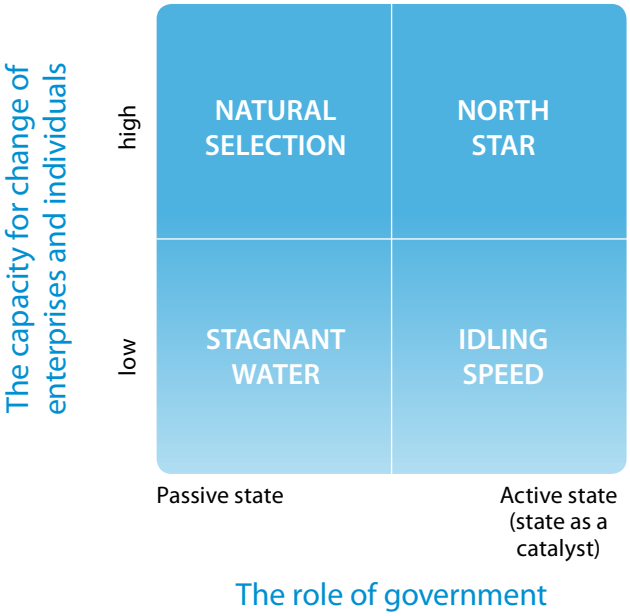
One characteristic of both of the abovementioned projects is that despite having been ordered by state authorities, the status of both works remained relatively ambiguous among the normative documents determining the state development. Meaningful planning of the Estonian development has taken place mainly on the basis of financial logic according to short-term (annual budget) or, in a better case), medium-term documents: the state investment plan, medium-term estimated budget projection, the National Development Programme prepared on the basis of EU format and under the supervision of the Ministry of Finance. In its framework attempts have been made to consolidate the priorities of the political parties in power with a certain mechanical consistency in financing various areas and by keeping a financial balance in the medium-term period. Essentially, there has been a situation where two development planning schemes have been implemented at the same time. One of these schemes is the official one that follows developed routines or external logic (EU, earlier also the World Bank), and are implemented by civil servants. The second scheme is the ideology that uses more complex approaches. It is more targeted at the future and demands bigger changes. Such changes have formed the basis for work done by researchers and analysts who were hired by the government agencies, but in their methods are relatively autonomous. Unfortunately, the dialogue between these two schemes has been insufficient. The documents derived from more complex future planning were approved and agreed to by the authorities in the end, even at Parliament level. However, the use of these conceptual documents that determine long-term development, but do not have the status of a law or even financial coverage for preparing short-term normative documents has remained very formal.

In this condition, where direct normative influence may remain weak, it is extremely important to introduce different alternative opportunities and scenarios to state institutions, politicians, other interest groups and the wider public. The objective of this effort is to ensure that current routine thinking models are thawed. Thus preconditions would be created where strategic thinking in the society is renewed, becoming more compliant with the requirements of the changing environment.

This is what good skills in preparing scenarios and initiating discussions on their basis enable. For instance, in 1996-1997 a whole series of discussions took place centring on the packages of the Estonia 2010 scenarios at the level of ministries, Parliamentary committees and factions, different business sectors and regions that were also actively supported by the media. One can claim that as a result of these discussions the Estonian society acquired a deeper understanding of how economic growth opportunities are related to the geo-economic context and technological modernization of Estonia. A large number of different level discussions also took place in the SE-21 project. These focused on such issues as the changing structure of wellbeing in the course of development (changing requirement and priorities); social cohesion and the links of the cultural environment to the economic and other development; the need to qualitatively change governing practice, especially the practice of preparing development plans and programmes at the state level, involving more experts, including the public.

One of the main tasks of the newly founded Estonian Development Fund (EDF) is to intensify work and cooperation in the field of development foresight in Estonia. The status of EDF (in the area of government of the Riigikogu, financial resources and the membership of key ministers of the government in the supervisory board of EDF) should create good preconditions that the work done by EDF is really targeted at solving the key development problems of Estonia. At the same time dialogue with different structures and interests groups of the society is a central issue in EDF's work with foresight. This is why EDF included in its first major foresight project the analysis of the trends of the Estonian economic structure. It not only analyzed the development that has taken place until now, and the preparation of recommendations, but it also offered alternative development scenarios that would demonstrate how further progress of events

Figure 4.5.1. Possible development scenarios in the Estonian economy



Source: Authors

could happen under various combinations of factors. These scenarios are described below.

One of the most complicated issues in starting to develop scenarios is the choice of key factors in preparing the structure for the scenario. The main objective of scenarios is to show, first, the capabilities in a certain type of development space and, secondly, how the opportunities created in this framework could be used.

The above analysis leads to the conclusion that the main threat to the sustainability of the Estonian economic growth (also an opportunity to increase our competitiveness) lies in the economy itself, and in its structure that has been slowly modernized so far. In addition to the general structure of the economy regarded above, this is especially true about the structure of the Estonian manufacturing industry, which is clearly oriented towards low-productivity sectors and low-profit business models. Therefore, the risk is not so much the sharp increase in the likelihood of external shocks, but in the fact that our economic structure does not comply with the general trends of this external environment where we found ourselves after we joined the EU. This means that the deciding component is the capacity to change of all subjects of the economy. As a result, the capacity of enterprises and individuals to change and cooperate was chosen as one of the key dimensions of the following scenarios. This is characterized by such indicators as an enterprise's readiness to respond to a changing position in the value chain, to modernize technologies in use, to innovate products, services and processes and to be open to learn.

The government sector also plays a fairly important role in supporting such changes. Therefore, the capacity of the government sector to contribute to the necessary changes was chosen as the second key dimension. Under our method, the government sector can be either passive (i.e., mostly like a bystander looking at how processes take place) or active (i.e., a catalyst in triggering the processes and supporting them). Such an impact can be either direct, through economic policies and policies supporting enterprises, or through other economy-related policies such as, educational policy, research policy, migration policy, etc. When one considers the level of the internationalization of our economy and our current development phase (exhaustion of simpler opportunities for economic activities), two keywords stand out: export promotion and innovation. Although these issues are covered by our enterprise support policy, they are not focused on enough. Besides, there is a danger that they are carried out with the objective of absorbing structural aid funds with the least effort, rather than for achieving priorities. Naturally, if the government sector wants to have a positive influence on the economic situation, it must itself be capable of change. It must focus on and invigorate its activities in order to conduct them more efficiently.

The third dimension in our approach involves the economic political background, i.e. the critical state of the Estonian economy in the next few years. In other words, it depends on whether decisions about the necessary long-term changes are made either during a minor slowdown of economic growth or during a more significant economic downturn. Concerning the first two, this dimension is only background, which can facilitate or hamper the implementation of the given scenario, and in some way may influence its progress, but does not change in essence.

On the basis of the possible combinations of the two main dimensions provided in Figure 4.5.1, four economic development scenarios stand out. We have code-named them as "Stagnant Water"; "Natural Selection"; "Idling Speed" and "North Star". These scenarios are different development paths and lead to different states. It is also possible to move from one scenario to another.

Stagnant Water is a scenario where the enterprise continues its current, very slow restructuring. The state does not consider it necessary, or is unable to notably change its relevant policies to make them more efficient or active.

Idling Speed is a scenario where the state becomes more active and attempts to do something more significant. This increased activity, however, will not comply with the needs, initiative and

cooperation will of the enterprises, or it proves to be inefficient for some other reason.

Natural Selection is a scenario where enterprises become (or are forced to become) more active. However, they remain operating individually and fail to take advantage of the benefits of cooperation.

North Star is a scenario that succeeds in harnessing the growing cooperation of enterprises. Thus the initiative based on networking/clustering together with state support creates the leverage necessary for a development jump.

In the following we will look at the likelihood of different development paths depending on our macroeconomic situation.

1. One may contemplate that in case of a "soft landing" of the Estonian economy the current rapid (8-10%) development will recede to moderate economic growth in the next year or two (3–5%). Large setbacks in the economy are not directly evident. It is very likely that it does not mean the continuation of the current economic behaviour, i.e. the continuation of the Stagnant Water scenario. If, however, the state becomes more active for some reason, there is a high risk that state activity will not bode well for these enterprises that have not yet undergone the activity push (shock), and thus could trigger the Idle scenario. It cannot be entirely ruled out that, in this case, the sense of risk is felt on both sides and they will attempt to move towards the North Star scenario, but this option needs at least a very strong public awareness campaign to succeed.
2. In the event of a "hard landing", (which is likely to affect the society), should the accumulated problems be solved rapidly, adjustment will take place through a stronger setback. This situation will generate support for thinking that continuing current policies is not practical and that changes are needed. Slowdown of the economic growth will develop into an economic stagnation or economic recession which may trigger the Idling Speed, Natural Selection, or North Star scenario. The continuation of Stagnant Water scenario is not likely.

On the basis of the previous analysis of the competitiveness of the Estonian economy, one can conclude that should the players in the economy decide to continue operating in the same way or in the same direction as up to now, it will lead to gradual stagnation, i.e. the scenario Stagnant Water. The risk in this situation lies in the fact that there may be initially an illusion as if unwanted results have been avoided, but actually, the structural problems in the economy are accumulating. Under this scenario, enterprises and individuals will not show a higher capacity for change and the government sector will not sense the need to become more active. As a result, the current problems will deepen.

In the event of a "soft landing" there is a major risk that the ongoing evolutionary development will end up in a bigger controversy with the changed environmental requirements. At least it could occur when the enterprises, business organizations and the state do not sense the imminent danger and do not become more active. Labour-intensive sectors will slowly contract, workers who have been made redundant will not be able to quickly find new jobs and employment will start to grow at a moderate but stable pace. A large share of the highly qualified workforce will not be able to find challenging job offers in Estonia and will thus leave for work abroad. The inflation spiral will pick up speed, prices will rise forcing wages to increase, which will further weaken the enterprises' international competitiveness.

Production will be leaving Estonia more than ever since, as a result of the combination of inflation and currency board decisions, enterprises will be unable to compete on the world market at their prices. At first nothing will be very dramatic that should cause the adjustment of the country's risk ratings. Still with problems piling up, as happened in Latvia, it could create mistrust also towards Estonia and current processes could result in adjustment of the risk rating. The interest of foreign investors in setting up new companies in Estonia will wane, capital inflow will fall and exodus will increase. The government must adapt to a slower growth of budget revenues. Transition to the euro will shift to the more distant future.

In the event of a "soft landing", the first choice could be to continue the Stagnant Water scenario, but such a situation cannot continue very long. Because of the small scale of modernization of the Estonian economic structure the Standing Water scenario is not sustainable in the long term even when external conditions are mild. This situation can be resolved in various ways, either by crisis or slow recovery after long suffering. In any case, it will mean that the changing of our economic structure to an economic structure oriented towards European added value will be delayed for a long time.

In conclusion, when initially the Stagnant Water scenario is activated and the development continues for some time in this direction, the most likely outcome will be a delay of further development by the stronger or weaker interim crisis to the Natural Selection path. In principle, it will be possible to have a turn towards more active scenarios (Idling Speed or North Star), but it should be considered that the state has been in development stagnation for some time, and it lacks finances to implement a stronger innovation policy or export support policy.

In the event of a "hard landing", many enterprises that operate in labour-intensive sectors and offer services to the internal market will be forced to cut production sharply, which will rap-

idly increase unemployment. Estonian country ratings will fall and many risk-averse foreign investors will leave. Under the economic recession, state budget revenues will dry up, but social obligations will increase. The positive side of the "hard landing" is that it will rapidly drive home the idea of the need for urgent changes that would push enterprises and the government sector to seeking new activity lines. At the same time the acquisition of the necessary assets would be more complicated, long-term cooperation plans could seem unreasonable and there is a risk of major losses that are difficult to overcome.

If the enterprises cannot prevent the crisis and prepare change options while the government prefers to remain passive in supporting the change process and reducing crisis opportunities, it is likely to trigger the Natural Selection scenario. This will essentially continue the processes that started with the "hard landing" while the outcome of the problem should not be by cooperation, but by individual efforts. The main source of changes lies in the enterprise sector and individuals. Motives that force enterprises and individuals to change are driven by the need to survive. In a crisis, only efficient and adaptable enterprises can survive. The rapid repositioning of the Estonian economy from the Stagnant Water scenario suddenly to the Natural Selection scenario will trigger the contraction of the economy, liquidation of a large number of enterprises in the short term and loss of a lot of workforce. Unemployment and inactivity will increase and migration may start to grow again. Although the enterprises will be fighting for their survival, it will not trigger the rise in their technological level, at least initially, since there will be big problems in acquiring the money needed for technological modernization. The state role in supporting innovation and adaptation will be weak, unlike in some competing countries where the state pays large advances to support companies. The positive image of Estonia on the international level will quickly erode.

Moving through a sharp crisis to a new state is costly economically, socially and morally. It is especially expensive for Estonia as a small country with a very limited number of quality workforce, successful companies and resources.

The government will have major obligations to alleviate social problems, but no intention or capacity to fulfil them. The enterprises' market value will fall; the interest of aggressive foreign investors towards taking over Estonian enterprises will increase (analogy with 1998). There will be a new wave of company takeovers, but this time, largely between the foreign investors themselves. In conclusion: the economic structure will change relatively rapidly in terms of areas of activity and business models. It will restore competitiveness in some areas, but at first will not be accompanied by the growth of the technological level of production. This means that significant export markets will be lost, which will be very costly for Estonia both economically and socially.

In development scenarios Stagnant Water and Natural Selection the government sector is passive and is not triggering active changes. But what happens when the state attempts to become more active? In development scenarios Idle and North Star, the government sector is expected to have a stronger activating role. These two scenarios mainly differ according to the degree of the active role of the government sector, and according to its focus on solving the key issues of the period and its contribution to the growing initiative of the enterprise sector, including cooperation between the enterprises themselves.

In the first case (Idling Speed) the efforts of the government sector will not be planned properly, they have not been developed in cooperation with enterprises and thus will not take into account the real contribution capacity of the enterprise. In the second option (North Star) the society will be able to revitalize to cooperate for development. The reasons that could trigger Idle can be different: the measures can be badly planned, actions can be executed in wrong order, there could be failures in the choice of partners, etc. The reasons for this could be political agreements that may not match economic needs, or the administrative incapacity of civil servants. This can be caused by very strong lobbying of different interest groups or a combination of all the above factors. One possible problem could be the abuse of corporate interest if the measures are triggered in the situation where existing corporate groups have a big impact and there is no competition. For instance there may be an unsuitable migration policy (together with the corresponding financial support systems) to bring into Estonia workforce that is not needed in the long term. For instance, unqualified workers could be imported under the label of qualified workforce in order to preserve low labour costs. This actually would hamper the necessary restructuring of the economy, etc. The measures could be right and necessary in the abstract meaning, but cannot be managed, or their administration could be too expensive. The second reason for failure is that state measures do not motivate enterprises to cooperate. For some reason, enterprises cannot understand the benefit of the projects. Another difficult obstacle is the relatively common alienation from the government sector that "does its own thing" while enterprises and people "do their different thing". There may also be doubts about the consistency of the policies. There may be fears that after the elections the agreed priorities will be changed again, etc.

If the state is not active enough, the growth of the government sector spending will bring about only short-term re-vitalization to some part of the enterprises, or delay their crisis, while at the same

time there will be no results in terms of long-term development of capacity. There will be no significant changes in the economy, or they will create artificial strongly supported areas (oasis) not capable of developing after the support ends.

In this scenario, the public sector spending will increase rapidly, but its efficiency will be small. The increase of the impact of corruption and the politicizing of the decision-making process can notably hamper making the necessary adjustment in planning the spending. When the country has gone through the Idling Speed scenario over a lengthy period, there will be a major danger of falling back to the Standing Water scenario, or to the Natural selection scenario if the macroeconomic situation has deteriorated. Transition from this scenario to North Star scenario is very unlikely.

Among all scenarios, the development scenario North Star is clearly the most preferred, while assuming its development path and its "implementation" has sufficiently complicated tasks. It requires, among others, overcoming the developed intellectual inertia both by the state and the enterprises, and notably developing more efficient cooperation models between politicians, civil servants, representatives of the enterprise and the public.

This scenario can be triggered and be successful if:

- The (administrative) capacity of the government sector to identify the need for strategic changes and to manage and rapidly implement them has notably improved.
- Government sector policies are consolidated into packages that have a strong activating and supportive impact. Packages aimed at the internationalisation of enterprises, cooperation between the enterprises, the government sector and branch associations and the deployment of modern production technologies are functioning well.
- Enterprises are able to better cooperate, create joint clusters, especially in the areas focused on export activities. Also the state assists them in their activities according to state possibilities.
- There is a large enough number of small enterprises that know the world market better than at present, have sufficiently global vision and are ambitious and adaptable. A number of them can build up international sub-units in many countries.
- There have been positive changes in the education system: the share of students studying technology has increased, business education has expanded to the curricula of natural sciences and real subjects. Estonia is successfully hooked to the international education system: there are sufficient numbers of foreign students who remain to study and live in Estonia.
- The labour market policy is efficient and enables flexible retraining of employees and training of company managers. The migration policy is efficient and qualified workforce is being imported.
- Estonia has a positive image in the world and it is developing it intensely. Estonia is a respectable partner and is able, as a state, to contribute to developing key clusters in the Baltic Sea economic space.
- Most importantly – enterprises have notably improved their position in the value chain that has increased their capacity to create added value in services and the industrial sectors; sub-sectors and niches are developed where these enterprises are major players (oil shale energy and chemistry, medical equipment, timber houses, etc.). They start to offer internationally competitive more complex services (e.g., healthcare and care, specific tourism, creative tourism/adventure tourism, financial mediation, telecommunication, etc.).
- There is a dominant positive attitude towards the future and a meaningful debate among the partners at all levels, people and enterprises up to the state level.

It is clear that all above features cannot be achieved in the case of the North Star scenario. What is important is the hope that in the event of a complex approach there will be a functioning constant learning and change process adapted according to the changes in the external and internal environment. As a result of implementing the scenario it would be possible to achieve stable and sustainable economic growth that preserves the convergence speed of the Estonian economy and takes us from among those who have successfully risen from the bottom actually to among those who are Europe's most competitive countries.

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Annexes

Annex 1.1.1. Index of Human Development in Selected Countries

	Human Development Index 2005	Life expectancy at birth 2005	Adult literacy 1995–2005	PPP in $ 2005
1. Iceland	0.968	81.5	*	36,510
2. Norway	0.968	79.8	*	41,420
3. Australia	0.962	80.9	*	31,794
4. Canada	0.961	80.3	*	33,375
5. Ireland	0.959	78.4	*	38,505
6. Sweden	0.956	80.5	*	32,525
7. Switzerland	0.955	81.3	*	35,633
8. Japan	0.953	82.3	*	31,267
9. Netherlands	0.953	79.2	*	32,684
10. France	0.952	80.2	*	30,386
11. Finland	0.952	78.9	*	32,153
12. USA	0.951	77.9	*	41,890
13. Spain	0.949	80.5	*	27,169
14. Denmark	0.949	77.9	*	33,973
15. Austria	0.948	79.4	*	33,700
…..				
27. Slovenia	0.917	77.4	99.7	22,273
…..				
32. Czech Republic	0.891	75.9	*	20,538
…..				
36. Hungary	0.874	72.9	99.4	17,887
27. Poland	0.870	75.2	99.7	13,847
…..				
41. Bahrain	0.866	75.2	86.5	21,482
42. Slovakia	0.863	74.2	*	15,871
43. Lithuania	0.862	72.5	99.6	14,494
44. **ESTONIA**	0.860	71.2**	99.8	15,478
45. Latvia	0.855	72	99.7	13,646
…..				
177. Sierra Leone	0.336	41.8	34.8	806

** The value 99.0 has been used to calculate the Human Development Index*

*** Here the UN data differs from Estonian data. According to the Estonian Statistics Office, life expectancy in Estonia in 2005 was 72.82 and in 2006, 73.02, see http://pub.stat.ee/px-web.2001/Dialog*

Source: Global Human Development Report 2007

Annex 1.3.1. Estonia, against the background of the institutional settings of more successful and weaker countries

Country	Percentage of non-formal learning participa-	Skill formation regime				Labour market institutions: employment protection, unemployment and wage protection				
		ification of l system	upper second- ents enrolled l education	f population ic education	f population education	protection leg- index*	membership	nditures on market poli- of GDP)	nditures on employed, (% DP)	ture on train- loyed (% of DP)
Sweden	48		50	14	32	2.6	86	1.01	0.32	1.2
Finland	41.3	low	57	17	39	2.1	81	0.77	0.4	1.47
Denmark	47.1		53	15	37	1.8	79	1.54	0.54	1.83
Great Britain	34.5	low	72	24	33	1.1	34	0.15	0.13	0.19
Portugal	9.3		29	70	15	3.5	55	0.55	0.29	1.19
Italy	5.1	medium	27	40	16	2.4	35	0.53	0.22	0.72
Greece	4.9		40	34	25	2.9	33	0.15	0.03	0.44
ESTONIA	14.8	medium	32	7	38	2	22	0.04	0.03	0.12

**OECD indicator to show the flexibility/rigidity of the labour market (regulations related to employment and dismissals), the higher the indicator, the more rigid the labour market.*

Source: Eurostat, data from the 2003 European Union Labour Force Survey

Annex 2.1.1. Trust in political institutions: country results

	Tend to trust EU	Tend to trust (NATIONALITY) government	Tend to trust (NATIONALITY) parliament
EU-27	48%	34%	35%
Belgium	65%	43%	49%
Bulgaria	58%	16%	11%
Czech Republic	58%	21%	16%
Denmark	59%	57%	74%
Germany	39%	40%	41%
ESTONIA	67%	62%	46%
Greece	65%	46%	52%
Spain	58%	49%	47%
France	51%	42%	40%
Ireland	55%	32%	33%
Italy	43%	23%	25%
Cyprus	55%	49%	49%
Latvia	50%	19%	16%
Lithuania	59%	24%	13%
Luxembourg	54%	65%	56%
Hungary	60%	21%	21%
Malta	56%	45%	42%
Netherlands	53%	49%	54%
Austria	46%	53%	54%
Poland	62%	17%	10%
Portugal	57%	30%	34%
Romania	68%	21%	18%
Slovenia	65%	32%	31%
Slovakia	58%	40%	37%
Finland	43%	58%	65%
Sweden	40%	41%	57%
Great Britain	25%	30%	34%
Croatia	32%	20%	20%
Turkey	25%	63%	64%
FYR Macedonia	63%	36%	23%

Source: Eurobarometer, autumn 2007

Annex 3.2.1. The distribution of ethnic Estonian and non-Estonian employed persons between higher and lower occupational positions, 1989–2006 (%)

Year	Executives and top specialists			Persons with a lower occupational position		
	Estonians	Non-Estonians	Difference	Estonians	Non-Estonians	Difference
1989	25.8	22.2	-3.6	57.8	61.8	4
1990	25.9	22.3	-3.6	57.6	62.1	4.5
1991	26.1	21.6	-4.5	57.4	62.5	5.1
1992	26.6	21	-5.6	56.6	62.9	6.3
1993	27.7	20.2	-7.5	55.1	63.9	8.8
1994	27.6	19.6	-8	54.9	65.1	10.2
1995	27	16.9	-10.1	53.3	63.4	10.1
1996	27.3	16.7	-10.6	52.3	62.8	10.5
1997	28.5	17.3	-11.2	52.5	65.8	13.3
1998	28.1	17.5	-10.6	52.5	65.8	13.3
1999	29.1	18.4	-10.7	51.9	64.6	12.7
2000	29.8	18.3	-11.5	50.7	63.9	13.2
2001	29.3	15	-14.3	50.4	68.2	17.8
2002	30	18.5	-11.5	50.5	65.5	15
2003	29.6	17.5	-12.1	51.3	66.7	15.4
2004	28.6	19.3	-9.3	52.4	63.9	11.5
2005	30.6	18.9	-11.7	51	62	11
2006	31.3	19.2	-12.1	49.9	64.2	14.3

Source: Statistics database, Statistics Estonia

Annex 3.2.2. Values of the basic attributes of the social exclusion index by ethnicity and citizenship (%)

	2004				2006			
	Ethnic Estonians (%)	Non-Estonians (%)			Ethnic Estonians (%)	Non-Estonians (%)		
		All	Estonian citizens	non-citizens		All	Estonian citizens	non-citizens
POVERTY index – poor	46.4	56.7*	52.3	59.9	32.7	43.4*	37.1	48.1*
Subjective subsistence assessment – difficult/very difficult to manage	39.7	57.2*	54.1	59.4	23	43*	35.4	49*
Taking a loan – difficult/very difficult	72.5	65*	62.2	67	70.9	55*	53.2	56.4
Assessment of happiness – unhappy	34.6	44.7*	39.4	48.4+	24.7	33.8*	26.2	39.9*
LACK OF TRUST index – does not trust	20.4	24.6	26.4	23.3	15.1	29.1*	20.5	36.4*
Does not trust the Riigikogu	22	24.1	26	22.7	16.3	25.4*	21	29.1*
The legal system	14.5	18.8*	18.6	18.9	11	20.7*	13.1	26.7*
The police	9.1	16.5*	16.9	16.1	8.4	21.4*	15.9	25.7*
Politicians	32.8	41.2*	43.3	39.8	29.3	44.3*	37.4	50*
Political parties	36.6	41.4	41.1	41.6	29.7	40*	32.5	46*
LACK OF INFORMATION index – is not informed	17.5	28.2*	25.1	30.4	28.7	50.9*	48.9	52.4
Mostly does not follow news programs on TV	32.6	44.3*	46.8	42.5	28.1	45.7*	53.6	39.5*
Mostly does not follow news programs on the radio	23.5	33.3*	33.8	32.9	51	67.1*	70	64.9
Reads few newspaper articles concerning politics and topical events	61.7	63.3	66.7	60.9	72.2	82.2*	82	82.4
Does not use the internet	49.3	58.8*	47.6	66.8+	39.6	47.6*	31.3	60.5*
ISOLATION index – is isolated	20.5	17.8	15.9	19.2	12.8	17.2*	14.3	19.5
Little communication with friends / relatives / people of the same age	15.8	13.8	12.2	14.9	9.6	9.7	9	10.2
Has no one close to them with whom they can discuss their personal problems	14.8	16.1	14.6	17.2	10.6	16.3*	13.2	18.7
Participates in events less frequently than other people of the same age	49.9	55.3*	48.6	60.2+	47.6	61*	56.5	64.6

** difference in assessments is statistically relevant, relevance level ≤ 0.05*

Source: ESS 2004 & ESS 2006

Annex 3.4.1. Foreign language skills among ethnic Estonians and Estonian Russians in 1987, 2003 and 2007

	Russian (ethnic Estonians) / Estonian (Estonian Russians)				English				German				Finnish			
	Well	Passive language skills	Language skills: spoken and written		Well	Passive language skills	Language skills: spoken and written		Well	Passive language skills	Language skills: spoken and written		Well	Passive language skills	Language skills: spoken and written	
Ethnic Estonians 1989	12	65 *	23	61	38 *	1	65	34 *	1	68	30 *	2				
Estonian Russians 1989	58	32 *	10	80	19 *	1	74	25 *	1	93	7 *	0				
Ethnic Estonians 2003	3	39	39	19	28	47	20	5	53	38	8	1	34	57	7	2
Estonian Russians 2003	12	61	18	9	49	39	9	3	69	29	2	0	83	16	1	0
Ethnic Estonians 2007	9	47	33	12	27	46	19	8	-	-	-	-	38	52	7	3
Estonian Russians 2007	17	44	27	12	47	38.5	11	3.5	-	-	-	-	82	15	2	1

** Active and passive language skills were not differentiated in the 1987 survey.*

Sources: 1987 – survey by the Department of Journalism of the Tartu State University; 2003 – Me. The World. The Media, Institute of Journalism and Communication, University of Tartu, Faktum; 2007 – Rahvussuhted ja integratsioonipoliitika väljakutsed pärast Pronkssõduri kriisi, Office of the Minister for Population and Ethnic Affairs, Saar-Poll

Annex 3.5.1. Values in order of importance by ethnic groups 1995–2005 (based on averages)

Ranking	Ethnic Estonians						Estonian Russians					
	1995		2002		2005		1995		2002		2005	
	N	809	N	957	N	946	N	484	N	507	N	413
1.	Health	4.86	Health	4.84	Health	4.89	Health	4.87	Health	4.86	Health	4.84
2.	Family security	4.78	Family security	4.79	Family security	4.78	World at peace	4.81	Family security	4.82	Family security	4.81
3.	World at peace	4.76	World at peace	4.69	Clean environment ↑	4.70	Family security	4.80	World at peace	4.79	World at peace	4.76
4.	National security	4.74	Clean environment	4.69	Happiness	4.69	Happiness	4.69	Clean environment	4.69	Clean environment	4.63
5.	Honesty	4.69	National security	4.67	National security	4.67	Justice	4.63	Happiness	4.68	Happiness	4.61
6.	Happiness	4.67	Happiness	4.66	World at peace ↓	4.66	Clean environment	4.62	True friendship	4.62	True friendship	4.56
7.	Clean environment	4.66	Honesty	4.66	True friendship	4.59	True friendship	4.62	Inner harmony	4.62	National security ↑	4.56
8.	True friendship	4.64	True friendship	4.63	Honesty ↓	4.58	Inner harmony	4.61	National security	4.60	Inner harmony	4.56
9.	Inner harmony	4.63	Freedom	4.61	Mature love	4.56	Honesty	4.53	Freedom	4.59	Freedom ↑	4.53
10.	Justice	4.62	Inner harmony	4.58	Self-respect ↑	4.55	National security	4.52	Honesty	4.55	Honesty	4.53
11.	Mature love	4.62	Self-respect	4.58	Wisdom	4.52	Mature love	4.52	Equality	4.50	Self-respect	4.52
12.	Freedom	4.55	Mature love	4.58	Self-realization ↑	4.52	Freedom	4.50	Self-respect	4.48	Wisdom	4.50
13.	Wisdom	4.50	Justice	4.56	Inner harmony ↓	4.50	Self-respect	4.45	Wisdom	4.48	Justice ↓	4.44
14.	Self-respect	4.48	Wisdom	4.54	Freedom	4.49	Wisdom	4.43	World of beauty	4.48	Equality	4.43
15.	Pleasant life	4.48	Self-realization	4.43	Justice ↓	4.47	World of beauty	4.43	Justice	4.44	Mature love	4.38
16.	Self-realization	4.46	Pleasant life	4.32	Pleasant life	4.39	Equality	4.25	Comfortable life	4.44	Self-realization	4.37
17.	World of beauty	4.42	World of beauty	4.30	World of beauty	4.29	Self-realization	4.24	Mature love	4.32	Comfortable life	4.37
18.	Comfortable life	4.13	Equality	4.15	Technical development	4.12	Pleasant life	4.15	Technical development	4.28	World of beauty ↓	4.35
19.	Technical development	3.99	Technical development	4.14	Equality	4.02	Wealth	4.00	Self-realization	4.27	Technical development ↑	4.27
20.	Equality	3.91	Wealth	4.12	Wealth	3.99	Exciting life	4.00	Exciting life	4.27	Exciting life	4.27
21.	Exciting life	3.81	Comfortable life	4.08	Exciting life	3.95	Salvation	3.87	Wealth	4.15	Pleasant life ↓	4.03
22.	Wealth	3.78	Exciting life	4.01	Comfortable life ↓	3.93	Technical development	3.86	Social recognition	4.11	Social recognition	4.01
23.	Social recognition	3.69	Social recognition	3.77	Social recognition	3.74	Comfortable life	3.79	Pleasant life	4.03	Wealth ↓	3.95
24.	Salvation	3.46	Salvation	3.40	Salvation	3.27	Social recognition	3.79	Salvation	3.96	Salvation ↓	3.89
25.	Power	2.94	Power	3.09	Power	3.02	Power	2.38	Power	2.63	Power	2.83

↑- *rose in the ranking by at least three places*

↓- *fell in the ranking by at least three places*

Sources: Projekt Balticom (1995 data), Me. The World. The Media (2002 and 2005 data)

Annex 4.2.1. Factor matrix of indicators describing the economic structure in EU27 (2000-2005) (inverted factor matrix)

Sectors	Factor loads	
H1	-.786	-.211
H2	-.745	.531
H3	.096	-.642
H4	.188	-.858
H5	.791	.213
H6	.762	.127

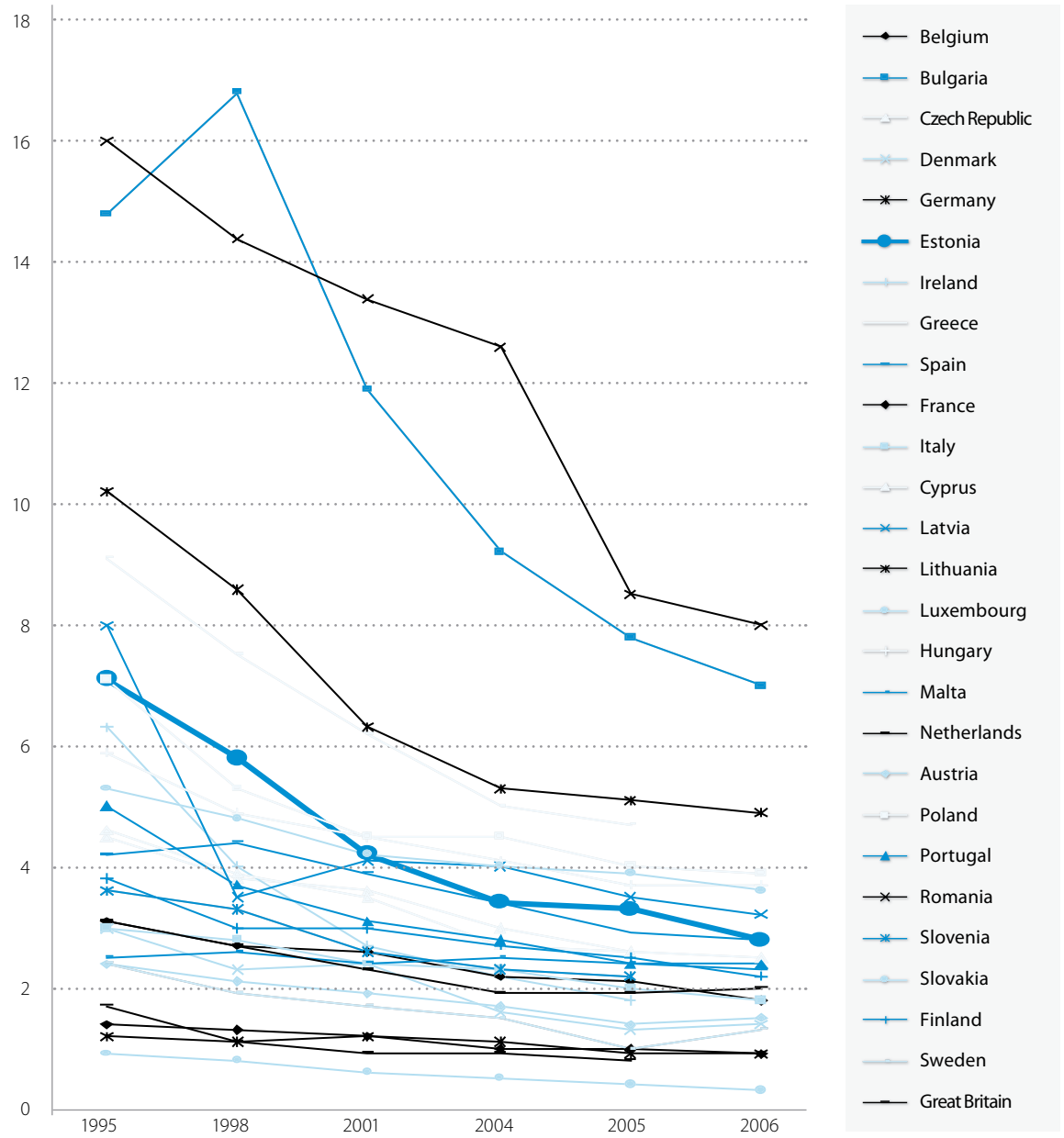
Source: calculations based on Eurostat data

Annex 4.2.2. Relationships of the values of general indicators of added value sector structure (factor loads) with socio-economic indicators in the given selection in 2000-2005

Indicators	F1 (orientation towards post-industrial	F2 inverted indicators (orientation
GDP per capita	0.72	-0.25
Labour productivity	0.75	-0.25
Investments in fixed assets	-0.35	0.34
Economic growth	-0.52	0.38
Public debt	0.33	0
Inequality of income	-0.09	0.61
Education cost	0.39	-0.19
R&D costs	0.44	-0.6
Export of high technology	0.33	-0.3

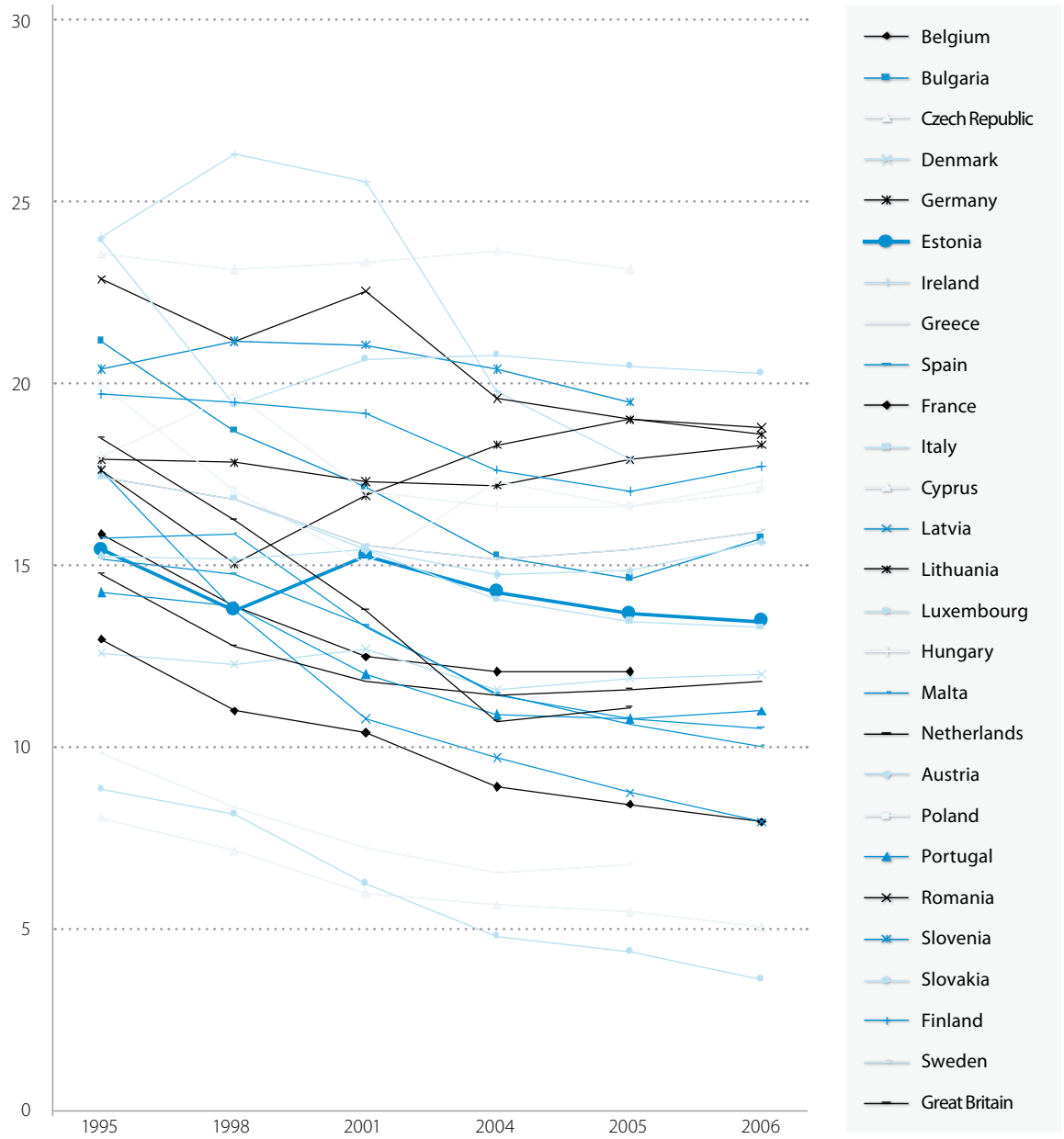
Source: Eurostat

Annex 4.2.3. Share of added value created in Sector 1 (agriculture, etc.) in EU27 countries in 1995-2006



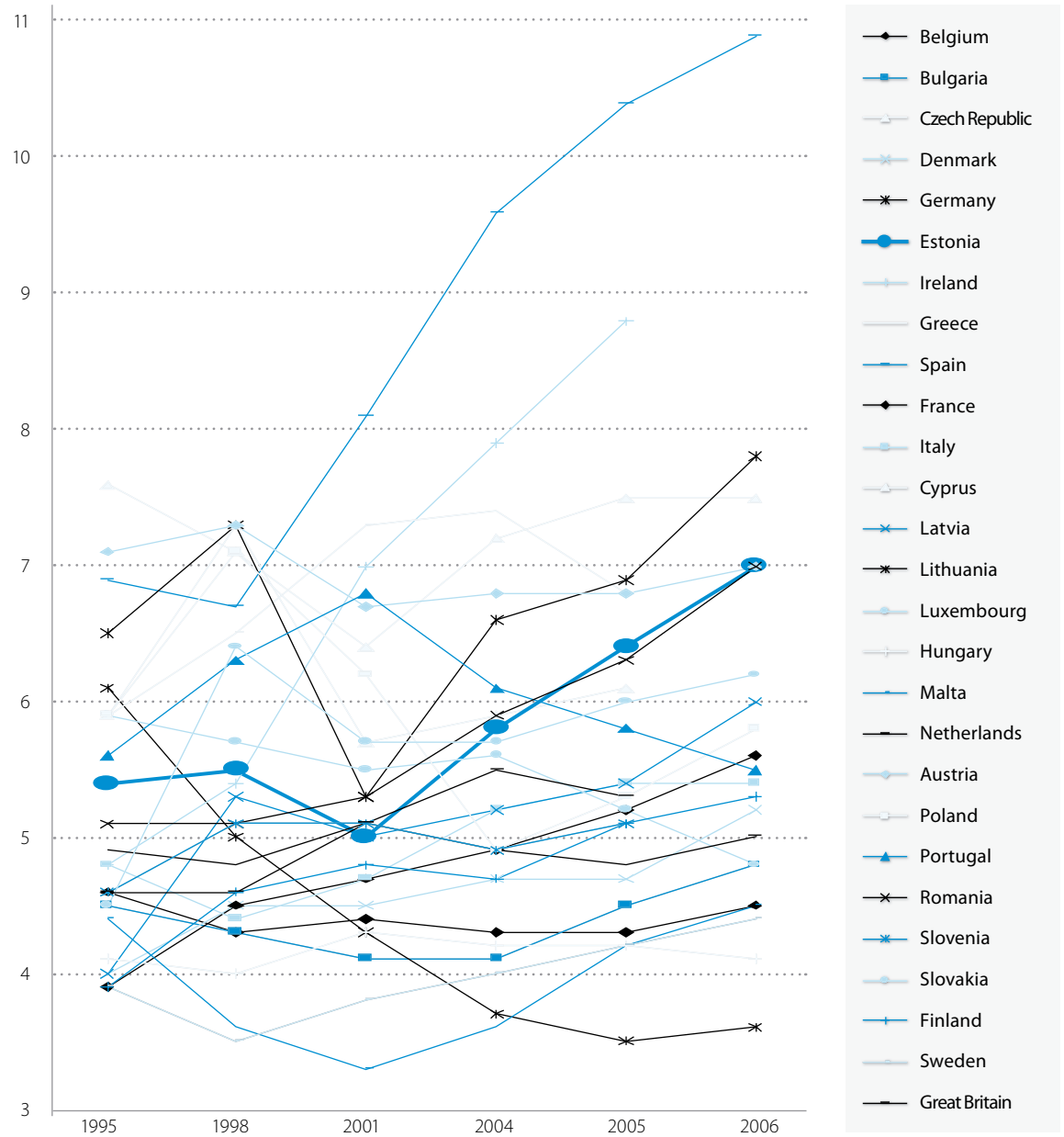
Source: Eurostat

Annex 4.2.4. Share of added value created in Sector 2 (industry) in EU27 countries in 1995-2006



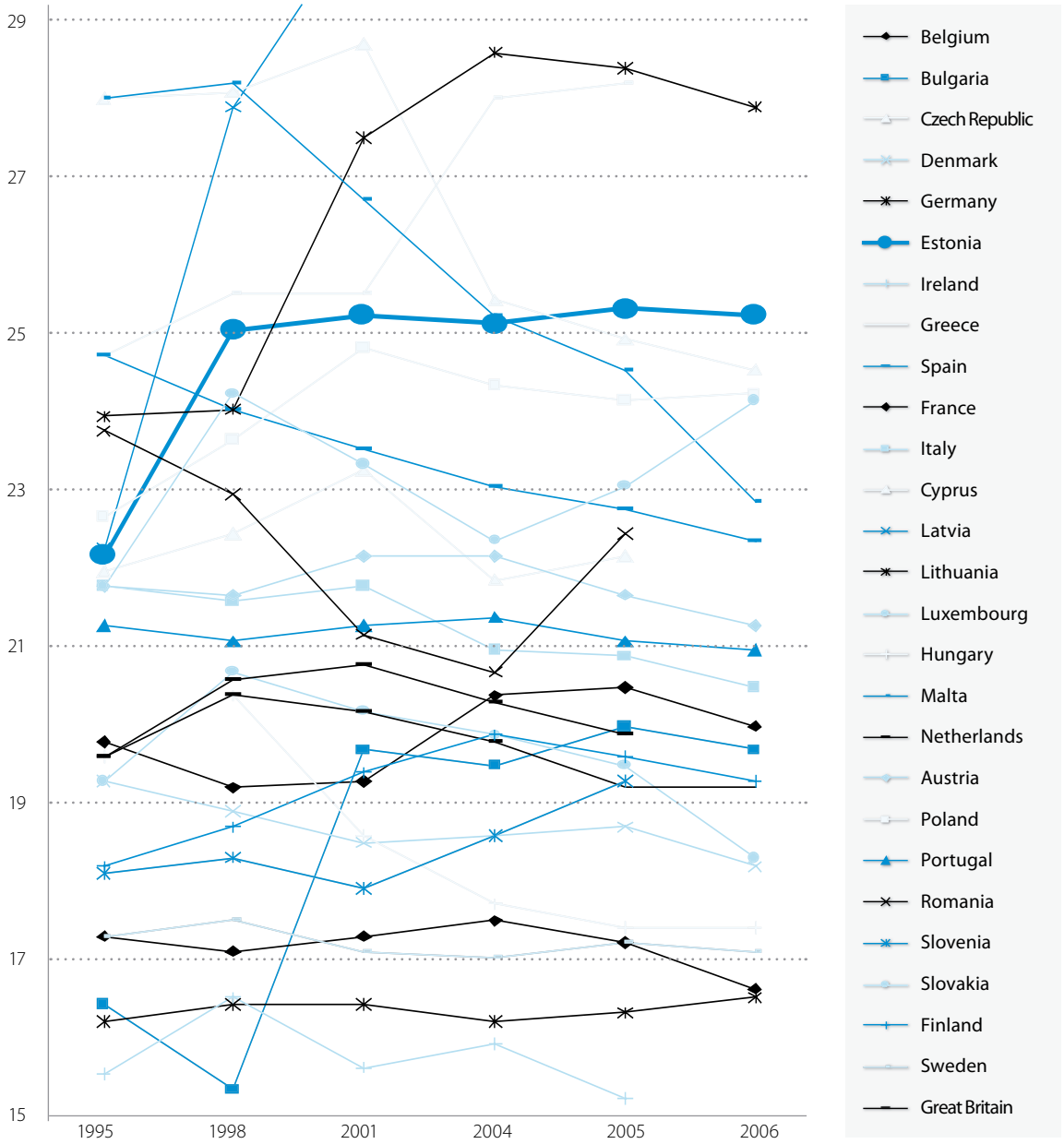
Source: Eurostat

Annex 4.2.5. Share of added value created in Sector 2 (industry) in EU27 countries in 1995-2006



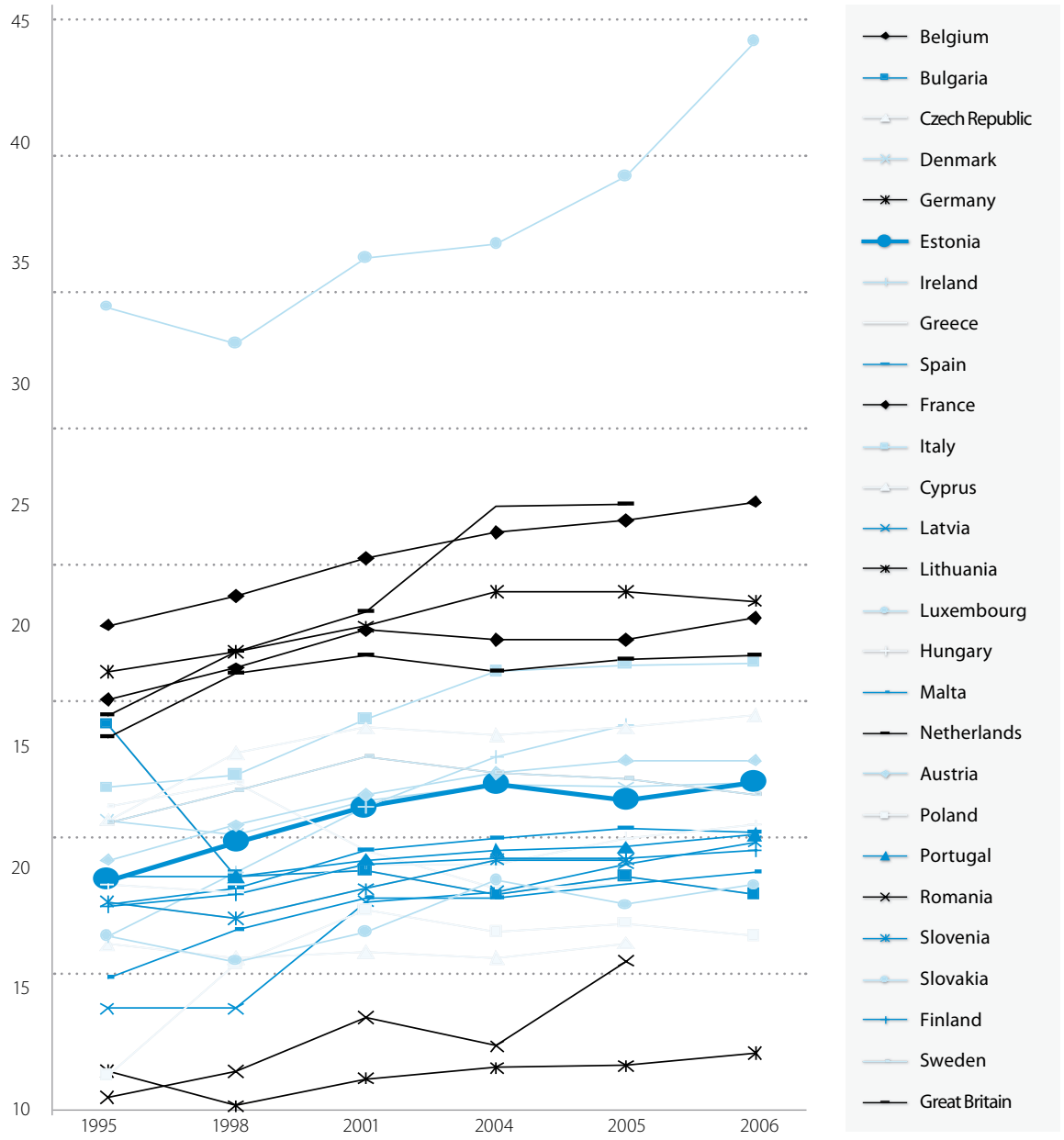
Source: Eurostat

Annex 4.2.6. Share of added value created in Sector 4 (trade, tourism, etc.) in EU27 countries in 1995-2006



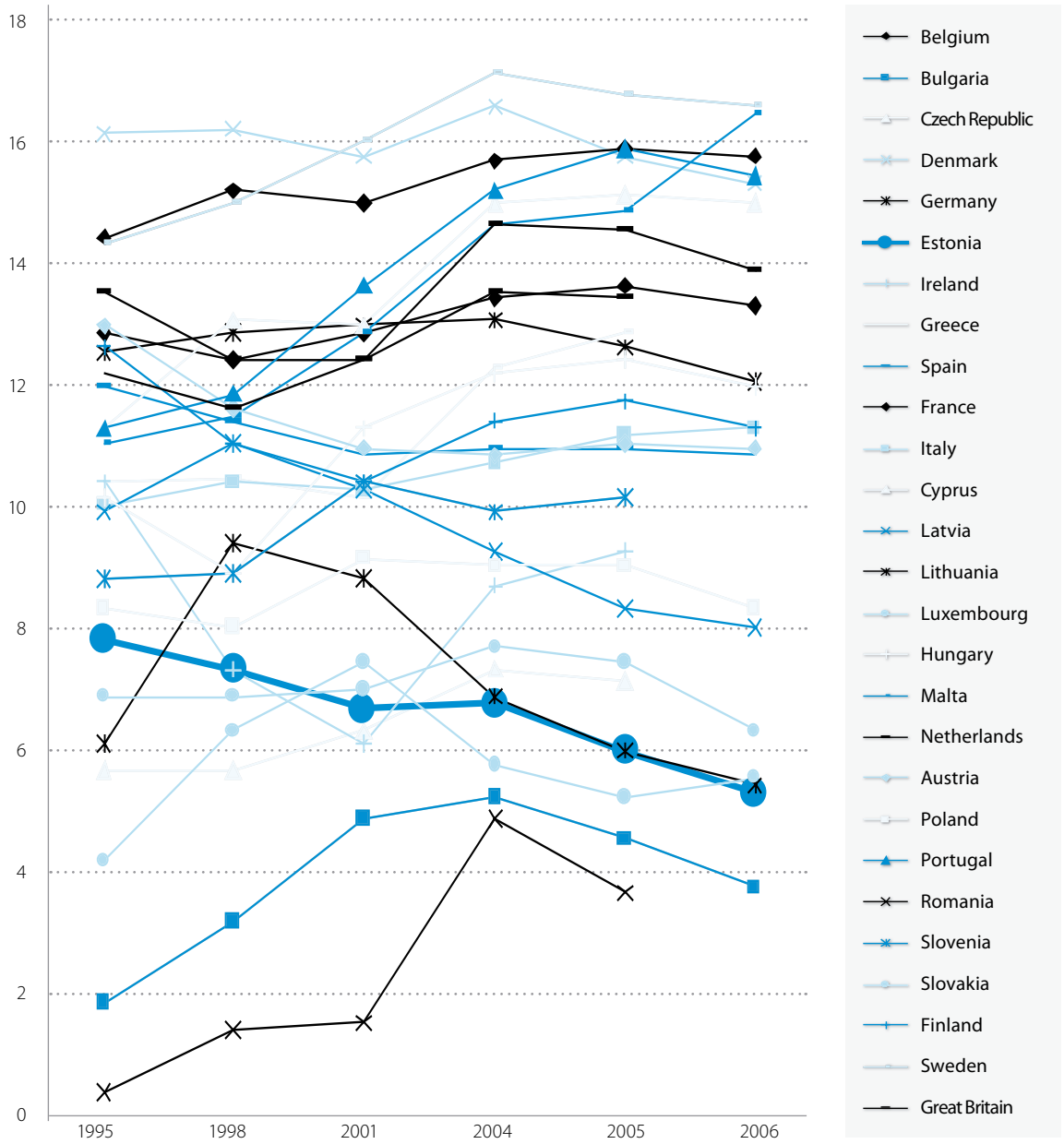
Source: Eurostat

Annex 4.2.7. Share of added value created in Sector 5 (financial mediation, real estate, etc.) in EU27 countries in 1995-2006



Source: Eurostat

Annex 4.2.8. Share of added value created in Sector 6 (public sector services, etc.) in EU27 countries in 1995-2006



Source: Eurostat

The children's drawing competition *My Estonia* held by the Estonian Cooperation Assembly.

Winning entries

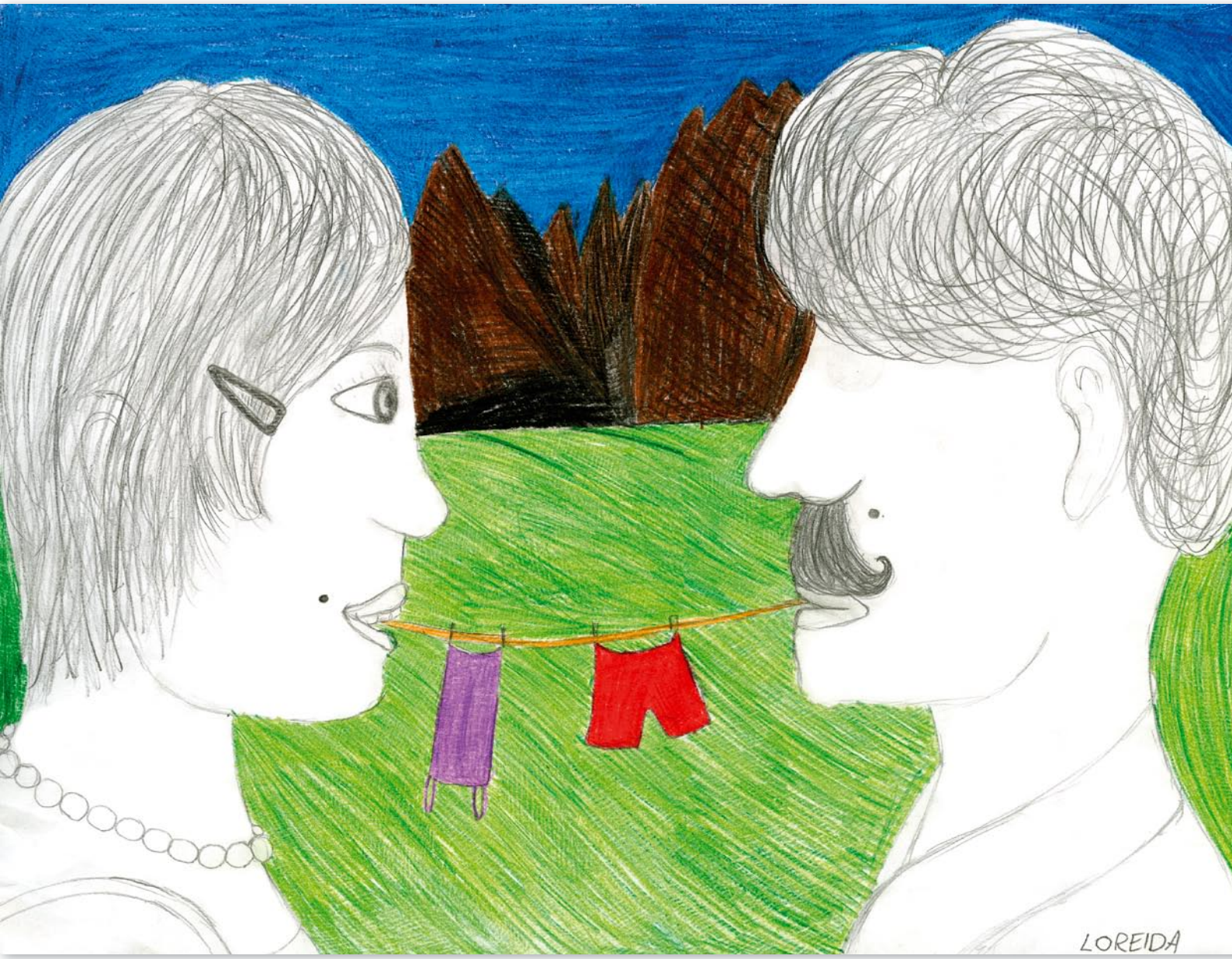
What do Estonia and our lives look like through the eyes of children and youngsters? What do our future decision makers and creators think about?

The children's drawing competition entitled *My Estonia* searched for answers to these questions, and the works chosen from the competition illustrate the 2007 Estonian Human Development Report.

There were five subject categories in the drawing competition: *Estonia 10 Years from Now*, *My Family*, *Life is Beautiful*, *What Happens in School*, and *We are Alike – Let's Stick Together*. The participants included children and teenagers from the pre-school level to the secondary school level. A total of 1,100 works were entered into the competition.

First Place:

Loreida Purga (12). Kehtna School of Arts. *My Family: Mother and Father Talking on Laundry Day.*



Special prizes:

Silva Lill (11). Jõgeva Upper Secondary School. Estonia 10 Years from Now. "Life in Estonia 10 years from now is connected with caring for and conserving nature. Young treelets have been planted and are growing in places where old trees were chopped down."
Estonia 10 Years from Now

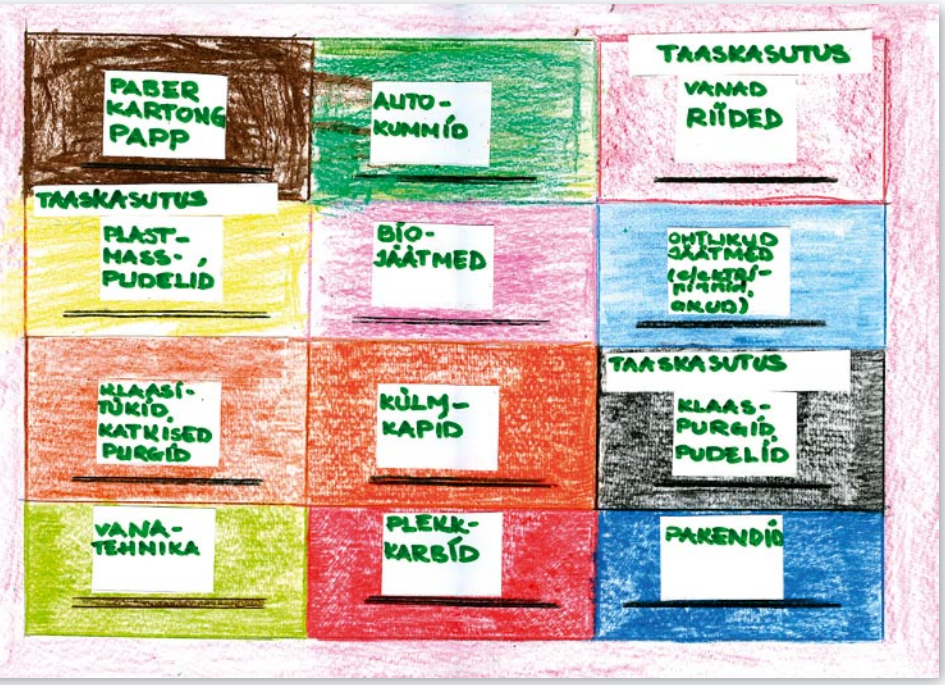
Annika Kuusk (18). Pelgulinna Upper Secondary School. *Soft Wind.*
Estonia 10 Years from Now

Life is Beautiful
Karin-Britta Suimets (8). Jõgeva United Upper Secondary School. *In the Garden with Grandmother.*

Incentive awards:

Estonia
10 Years from Now

Mihhail Brodski (11).



Keio Ehrlich (17). Rakvere Lille School (coping school). "Waste management in 10 years' time. 10 years from now, specific colors will have developed for waste containers in Estonia's waste management:

Cardboard, corrugated cardboard, paper – brown (dark)

Plastic bottles – yellow

Pieces of glass, broken jars – brown (light)

Old appliances – light green

Car tires – dark green

Biological waste – pink

Refrigerators – orange

Tin cans – dark red

Old clothes – light red

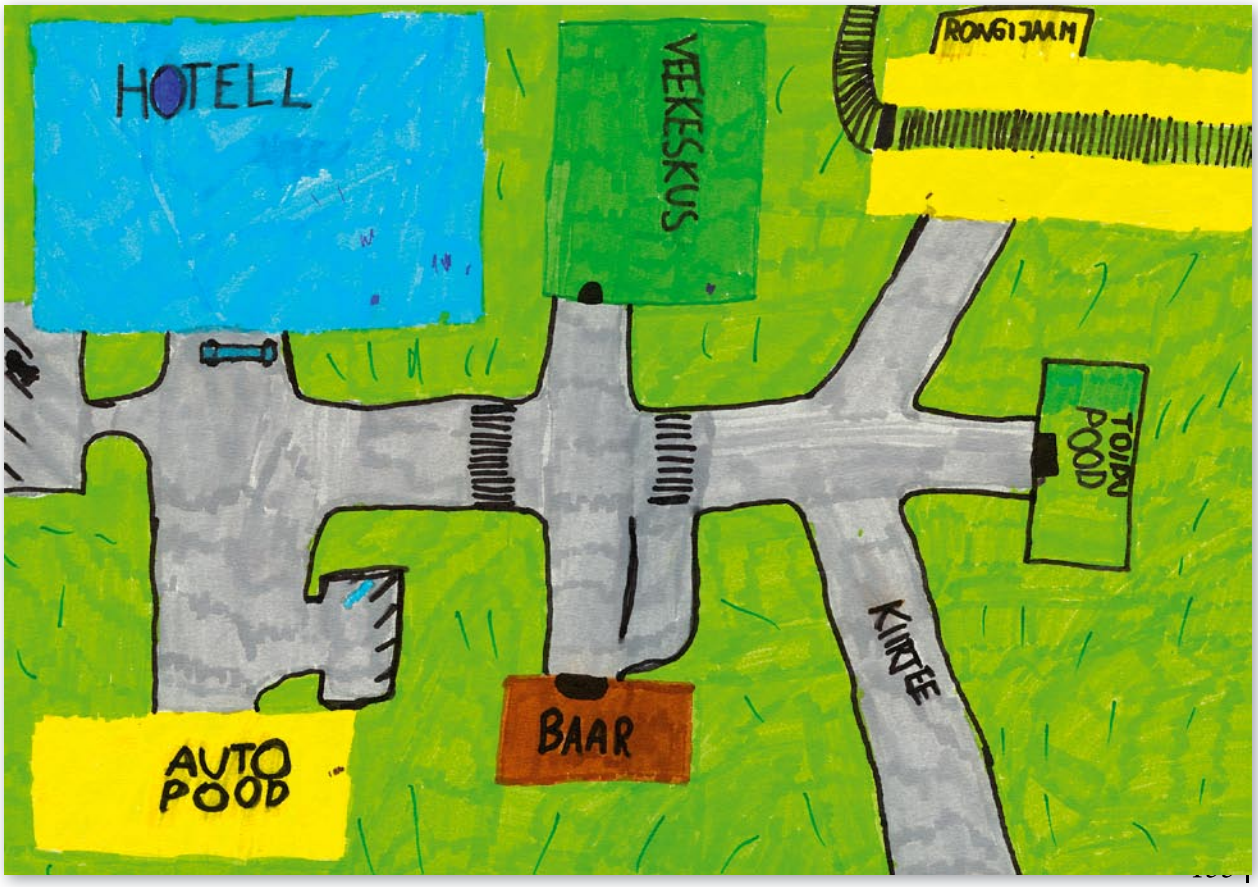
Hazardous wastes (electric bulbs, batteries) – light blue

Glass jars, bottles – black

Packaging – dark blue"

Karl Nikopensius (12). Rakvere Upper Secondary School.

Kardo Lilleleht (10). Kilingi-Nõmme Upper Secondary School. "The picture depicts Kilingi-Nõmme in 10 years. The picture shows things that do not exist today."



Incentive awards:

My Family

Ines Ivask (7). Jõgeva Kindergarten Karikakar.

Iris Nõmmann (7). Turun iltalukio (Finland), class for Estonian children.

Triinu Sepp (7). Pelgulinna Upper Secondary School. *Trick or Treating with My Sister.*

Incentive awards:

My Family

Karina Svjatskaja (10). Mustvee Russian Upper Secondary School. *My Pet!*

Incentive awards:

What Happens in School

Martha-Liis Muttika (13). Tartu Miina Härma Upper Secondary School. *Up and Down Stairs and Emotions.*

Incentive awards:

What Happens in School

Triinu Sepp (16). Pelgulinna Upper Secondary School. *Contemporary Educational Methods.*

Aleksandr Sepp (10). Tamsalu Upper Secondary School.

Incentive awards:

Life is Beautiful

Karl-Hendrik Kahn (6). Torma Kindergarten. "I like summer. In the summer I can go swimming and it is warm, the sun is shining. In the picture I am happy because it is a beautiful summer."

Karl Aarne Vihm (7). Otepää Upper Secondary School. "Life is beautiful when you can go to the pool."

Annabel Abram (8). Aruküla Basic School.

Incentive awards:

Life is Beautiful

Darja Veresova (6)
Summertime.

Mari-Leen Lao (12). Haapsalu Upper Secondary School.

Incentive awards:

Birds of a Feather...

Mairi Mölder (15). Pelgulinna Upper Secondary School. *My People.*

Incentive awards:

Birds of a Feather...

Lisl Harriet Mikko (5). Old Town Kindergarten. *Let's Eat Estonian Food.*

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