Pinpointing Poverty in Estonia

Rates of poverty and social exclusion vary widely across European Union (EU) member states and there is also a high degree of variability in living standards within member states. In its 2014–2020 multiannual financial framework the EU has budgeted one trillion euros to support growth and jobs and to reduce the number of people living at risk of poverty or social exclusion by 20 million by the year 2020. To this end, the Government of Estonia has set a national goal of reducing the risk of monetary poverty rate from 17.5 percent in 2010 to 15.0 percent by 2020.

Success depends on developing the right policies and programs and targeting them effectively; however, the European Commission has previously had to rely on sub-national data at a relatively high level of aggregation for program planning and the allocation of EU funds. The European Commission and the World Bank, in cooperation with individual EU member states, have developed a set of high resolution poverty maps. The greater geographic disaggregation of the new poverty maps reveals which parts of these larger regions have particularly high rates of poverty and require greater attention for poverty reduction programs.

The poverty maps for Estonia confirm existing knowledge about poverty in Estonia, but also reveal new insights. For example, previous surveys have shown counties in the North-Eastern and South-Eastern regions to have the highest rates of poverty (map 1, left panel), but the more disaggregated estimates reveal contrasts between lower poverty estimates in large cities and surrounding areas vis-à-vis other parts of the counties (map 1, panel a). Such is the case in the county of Jogeva, which has a high poverty rate overall, but has a lower poverty incidence in the western regions. There are also local

Map 1  At-Risk-of-Poverty Rates, Estonia


Note: The risk of poverty rates are defined using the EU standard of 60 percent of median national equivalized income after social transfers.
government units with high poverty incidence in counties that otherwise have low-to-mod-erate overall poverty rates. For example, the county of Tartu has a moderate poverty rate at the LAU1 level, but more disaggregated estimates suggest a sharp divide between the low poverty incidence in the city of Tartu and its surroundings, and the higher poverty incidence in the eastern municipalities. Knowing which areas have higher poverty rates can help in more efficiently targeting resources for development and poverty reduction.

Targeting poor areas alone can have its limitations. Policy makers have an interest both in areas where poverty is high and also in areas that have the highest number of poor people. These two are not the same: areas that are very poor may also be sparsely populated, whereas large cities tend to have low poverty rates, but large numbers of poor people because of large populations. This contrast is readily seen in the large concentration of poor people in Tallinn and Tartu cities and their surrounding areas (map 2). Even though risk of poverty rates are low, these cities are home to a large share of Estonia’s poor population. On the other hand, Ida-Viru county in the northeast has both high poverty rates and a large number of poor people. This is most pronounced in the former military-industrial city of Narva, Estonia’s third-largest city, which has a large ethnic Russian majority.

Poverty maps do not provide all the answers—they must be combined with other information, including local expertise, to inform decision-making. After identifying the areas or populations in greatest need it is necessary to understand why these places are poor. The reasons are likely to vary from place to place, and may include inadequate infrastructure, lack of economic activity, an insufficiently skilled work force, or other reasons. Poverty maps provide finer grained information on sub-national variation in poverty than was previously available and may help improve resource allocation. The maps also force more thinking on how best to allocate resources aimed at improving standards of living, balancing the targeting of poor areas and poor people. While the right combination of approaches will vary by country, the maps provide important information to help improve policies and programs to combat poverty and exclusion.

Notes
2. These maps combine microdata from the 2011 population census and the 2012 EU-SILC survey.
3. The NUTS (Nomenclature des Unités Territoriales Statistiques) classification is a hierarchical system of dividing up the economic territory of the European Union for the development of regional statistics, regional socioeconomic analysis, and the framing of EU regional policies. To date the NUTS 2 classification has been used for determining eligibility for aid from European Structural Funds. Below the NUTS 3 classification areas are defined according to Local Administrative Units (LAU). Most EU member states have LAU 1 and LAU 2 divisions, but some only have LAU 2.