



Estonia

People and Welfare

Estonian National Report for Habitat II

Tallinn 1996



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Prepared by the Institute for Socio-Economic Analyses of Estonia

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PART I

Introductory Remarks

The aims of the present report are:

- to introduce the foundations and background of Estonian settlement to international organisations and institutions to direct their attention towards problems and tendencies of our interest. Therefore our differences from others are stressed;
- to describe main discrepancies, and 'bottlenecks' in Estonian settlement system and living condition;
- to outline major conclusions on the juridical and social-psychological background of settlement developing;
- it is also important to evaluate social elements that favour further development of the living standard (inhabitants ability to improve their living standard with their own means, possibilities of local authorities to support citizens, and to take care of outsiders; national government programs that deal with improvements to living conditions and infrastructure.

From these grounds arise some suggestions how Estonia can be helped to integrate with the market economy.

Basic Facts About Estonia

Estonia lies on the eastern shore of the Baltic Sea and shares borders with Latvia in the South and Russia in the East. Estonia has a territory of 45,215 square kilometres (about the size of Denmark and Switzerland) and a population of 1.6 million people, of which 64.2 per cent are of Estonian origin and 28.7 per cent of Russian origin, 7.1 per cent of other nations (Ukrainians, Byelorussians, Finns, Tatars etc.). The capital is Tallinn, with a population of 0.5 million. The official language of the Estonian Republic is the Estonian language which belongs to the Finno-Ugric group of languages. Estonian terrain is relatively flat, forests cover 40 per cent of the territory. The most important mineral resources are located in the north and include oil-shale, phosphorite and limestone.



TERRITORY: 45 227 km²
 POPULATION: 1491583 (1995 total)
 URBAN: 1044083
 RURAL: 447500

TOWNS: 50
 RURAL MUNICIPALITIES: 205

The number of local governments according to their population

POPULATION	NUMBER OF MUNICIPALITIES
<2000	126
2001 - 5000	92
5001 - 10000	22
10001 - 50000	11
50001 - 100000	3
>100001	1

Short History

The earliest signs of settlements in Estonia date back to the 8th millennium BC. The early Estonians arrived to the territory of the present-day Estonia in the middle of the 3rd millennium BC, and have since lived on their own land for 5,000 years – one of the longest periods of settlement among European nations. At the end of the 12th century Estonia was attacked by the German knights and partly conquered by Danes in 1219. From the year 1227 Estonia was governed by Danes and Germans. In 1561 Estonia became a Swedish territory. In 1721 Estonia was conquered by Russia. The time of national reawakening of Estonian people began in the 1860s. In 1884 the Estonian Students Society's blue, black and white flag was consecrated which later became the Estonian national flag.

On February 24, 1918 the independence of the Republic of Estonia was declared. The Estonian War of Independence followed, where Estonians fought (and beat) Red Army troops and Baltic-German Landeswehr. On February 2, 1920 the Tartu Peace Treaty was concluded, wherein Soviet Russia recognised the Republic of Estonia. During the next 22 years of independence, the Estonian people gained a lot in culture and economy. Estonia was a member of the League of Nations.

According to the Molotov-Ribbentrop Treaty signed in 1939 Estonia was included into the Soviet Union domain of influence. In 1940 the country was occupied and incorporated into the USSR.

The Road to Independence

The roots of independence became evident in the 1980ies with the formation of the Popular Front of Estonia (Eestimaa Rahvarinne) in April 1988. Initially it advocated autonomy within a confederate USSR, but its policies soon evolved into demands of full independence. In August the Estonian National Independence Party (Eesti Rahvusliku Sõltumatus Partei) was created, and in January 1989 Estonian was adopted as the state's official language. In March 1990 elections to the Estonian Supreme Soviet (later renamed the Supreme Council) led to the victory of the Popular Front and other patriotic groups. During the course of the year relations with Moscow deteriorated as the Supreme Council voted to restore the constitution of the Estonian Republic of 1938. Soviet Union President Gorbachev claimed that it was in violation of the Soviet Constitution, but did not resort to economic sanctions or violence as occurred in Latvia and Lithuania. Nevertheless, the pressure Moscow applied on the Baltic States merely increased their determination to become independent.

In March 1991 Estonia ignored a referendum initiated by Moscow on the question of unity and held its own referendum on independence, which resulted in 77.8 per cent vote in favour. After the aborted coup in Moscow, full and immediate independence for Estonia was declared in August 1991 by the Estonia Supreme Council and was internationally recognised. Moscow itself granted recognition in September 1991. In the same month Estonia became the member of the UN and in April 1992 of the World Bank and the IMF as well.

International Relations

European organisations

Organisation	Date of admission or establishment
Conference on Security and Co-operation in Europe	Sept. 1991
North Atlantic Co-operation Council	Dec. 1991
EU Trade and Co-operation Agreement	March 1993
Council of Europe	May 1993
Baltic Council	est. Nov. 1993
Western European Union	Associate status, May 1994
NATO Partnership for Peace	Feb. 1994
EU Free Trade Agreement	Jan. 1995
International Union of Local Authorities	1995
Council of European Municipalities and Regions	1995

Estonian Political System and Local Governments

Parliament and Government

The present parliament (Riigikogu) was elected in March 1995 for a four-year period. The city and municipal councils were elected in 1995 for three years and on October 20th of the present year regular local government elections will take place.

The President of the Estonian Republic – Lennart Meri (elected by the Parliament in 1992)

The Prime Minister of the Estonian Republic – Tiit Vähi (from April 1995)

The Speaker of the Estonian Parliament (Riigikogu) – Toomas Savi (from April 1995)

1995 Parliament election results

Party	Seats in Parliament	% of votes
Coalition Party-Rural People's Party (KMU)	41	32.23
Estonian Liberal Democratic Reform Party	19	16.19
Centre Party	16	14.17
Isamaa-National Independence Party (ENIP)	8	7.86
Moderates	6	5.99
Estonia is Our Home (Russian)	6	5.87
Right wing/Rightists	5	5.00
Others	-	12.69
Total	101	100

Next general elections: in March 1999

Next Presidential elections: in October 1997

Local Governments

The Estonian Constitution was passed on June 28, 1992. Chapter 14 of the Constitution determines the local self-government as follows:

- All local issues will be resolved and regulated by local government, which will operate independently in accordance with the law.
- Obligations may be imposed upon local government only in accordance with the law or in agreement with local government. Expenditures related to the obligations imposed on local government by law will be covered from the national budget.

- The units of local government are municipalities and cities. Other units of local government may be formed in accordance with the bases and procedures determined by law.
- The representative body of local government will be the Council, which will be elected in free elections for a term of three years. The elections will be general, uniform and direct.
- Voting will be secret.
- In the election of the local government Council, all persons who have reached the age of eighteen years and who reside permanently on the territory of that local government unit will have the right to vote, in accordance with conditions determined by law.
- Local government will have independent budgets, for which the principles of formation and procedures will be determined by law.
- Local governments will have the right, based on the law, to impose and collect taxes and to impose fees.
- Orders of local government units may not be altered without taking into consideration the opinion of the respective local governments.

On June, 2nd 1993 the new Local Government Act was passed.

Tasks and Competence of Local Government Units

Local government units (rural municipality or town) shall be responsible for the social assistance and services, care of elderly, housing and communal economy, water supplies and sewerage, common weal, physical planning, transport, maintenance of roads and streets, in case these tasks have not been in someone else's responsibility.

Local government units (rural municipality or town) shall be responsible for the maintenance of pre-school institutions, basic schools, public and high schools, hobby schools, libraries, clubs, museums, sports facilities, shelters, care homes, health care institutions and other local institutions, in case they are municipal property. In cases prescribed by the law certain expenditures of the aforementioned institutions may be financed from the state budget or from other sources.

The Current Structure of Estonian Tax System

The main components of Estonian tax system are:

- income tax (corporate and personal);
- value added tax (VAT);
- impersonal social tax that consists of pension and health insurance;
- excise on beverages and alcoholic drinks, tobacco and cigarettes and liquid fuel (engine fuel)

Independent local tax system was virtually inexistent up to 1996. Starting from 1995 local governments have the right to introduce taxes themselves and from 1996 they have started to set forth local taxes. From possible (admissible) taxes most popular will probably be vehicle tax, sales tax and advertising tax. As the tax burden has been

formed out by national taxes, introducing new ones is going to be very accomplished and often impossible due to low solvency.

Tax Sharing Arrangements 1990 – 1995

(per cent of total revenues)

		Corporate Income Tax	Personal Income Tax ¹	Sales Tax/VAT ²	Land Tax ³
1990	Central	65	—	100 of 7% tax	65
	Local	35	100	optional 3% tax	35
1991	Central	65	—	100 of 7% tax	65
	Local	35	100	optional 3% tax	35
1992	Central	65	—	100	65
	Local	35	100	—	35
1993	Central	100	—	100	50
	Local	—	100	—	50
1994	Central	100	48	100	50
	Local	—	52	—	50
1995	Central	100	58	100	50
	Local	—	52	—	50
1996	Central	100	44	100	—
	Local	—	56	—	100

¹ Until 1994 PIT was shared according to place of employment, afterwards according to place of residence. Progressive personal and corporate income taxes were reformed into flat taxes in 1994.

² Until 1992 municipalities had an optional 3% sales tax. In 1992 the sales tax was 10% because of central government tax.

³ Until 1993 the central and local government rates were 0.5 per cent each. After 1993 the local government rate can be between 0.3 and 0.7 per cent.

Local Taxes

In 1994, the Law on Local Taxes provided local governments with nine different taxes they can use at their discretion. These are:

- a) a capitation tax payable by residents between the ages of 18 and 65 at a rate set by the municipal council;
- b) a local corporate income tax, payable by enterprises registered in the municipality, piggy-backing the state corporate profit tax and with optional rates up to 2 percent of taxable profits set by the municipal council;
- c) an insurance premium tax payable by insurance companies registered in the municipality with a rate not to exceed 0.4 percent also set by the local council and piggy-backing on the state premium tax;

- d) a local sales tax payable by physical persons and enterprises engaged in business activities in the municipality, with a maximum rate of 1 percent set by the municipal council; and
- e) five other minor taxes on luxury boats, on advertising, on keeping domestic animals, on street closing for construction or events, on entertainment, on motor vehicles.

Estonian Economy

Look Outside

Several foreign financial institutions, consulting companies and journalists have made comparative researches of the changes of economies in transition. According to the published results the effects of the Estonian financial reforms are generally accepted to be successful, the changes in Estonian economy are considered to be one of the best achievements among similar countries. One of the examples is the evaluation of accomplishment of the reforms leading to market economy in different Central and East-European states by EBRD.

According to the recent research concluded by the Heritage Foundation in US the economic freedom in Estonia is estimated to rate as 26th in the world, this corresponds to a division 'mostly free'.

*Evaluation of Accomplishment of the Reforms Leading to Market Economy in Central and East-European States By EBRD**

Country	Share of the private sector in GDP	Privatisation	Restructuring of enterprises	export-import	Banks	Legal reforms
Czech	70	4	3	4	3	4
Estonia	65	4	3	4	3	3
Hungary	60	4	3	4	3	4
Poland	60	3	3	4	3	4
Slovakia	60	3	3	4	3	3
Latvia	60	2	2	4	2	2
Lithuania	55	3	2	4	2	2
Russia	55	3	2	3	2	2

- 1 – some changes
- 2 – slow transition to market economy
- 3 – fast transition to market economy
- 4 – functioning market economy

* EBRD Transition Report, November 1995

Look Inside

Economic Indicators of The Years 1992 – 1995

	1992	1993	1994	1995
1. GDP in constant prices, %	-14.2	-7.9	-2.7	1.2
2. Current account of the balance of payments, in millions of kroons.	0.43	0.30	-2.20	-1.66
3. Current account of the balance of payments, per cent of GDP	3.3	1.4	-7.3	-8.2
4. Producer price index, %			32.8	21.8
5. Export price index, %			22.2	17.2
6. Construction price index				24.5
7. Change of industrial production, %	-35	-18.7	-3.0	1.4
8. Expansion of retail trade, %	-56.6	34.7	34.4	7.9
9. Consumer price index, %	953.5	35.6	41.7	28.9
10. Unemployment among capable people, %	2.6	2.1	1.9	1.8

preliminary data

Estonian open policy causes the real growth (extent) of economy to depend on external factors, primarily on the changes of economic conditions in the main export and import countries.

According to an inquiry among entrepreneurs concluded by the Institute of Conjunction of Estonia in 1995, there are four main areas of distress:

- need for long-term investments into technology and devices
- need for trade credit
- need to change more international and competitive
- need for modern re- and in-service education

Most experts consider it a past stage in the economy, that can be characterised by an explosive progress in servicing sector, especially in commerce and banking, due to the historical retainment of this sphere. For the year 1996, the development of producing branch has reached an accumulative phase. The evidence of it are the increasing claims for investments in the main fields of economy (energetics, industry, infrastructure, agriculture, housing).

The marginal interest rates on loans was permanently decreasing until it reached the interval of 15...6 per cent by the beginning of the year 1996. At the end of 1995, 37 per cent of all the loans were given with the interest rates between 15.1...20 per cent. Thanks to the public emissions, the capacity of the Estonian stock market was over billion crowns by the end of 1995. Of grater importance were the debenture emissions of towns (Tallinn, Tartu, Narva, Pärnu and the emissions of the Restitution Fund).

One of the most important events in the development of the institutional sector of economy was the start of Tallinn Stock Exchange in 1996. It adds confidence to the investors and they become more interested in dealing with the Estonian stocks. One may

also presume the increase of public stock emissions by the Estonian entrepreneurs. Stock exchange becomes an indicator of the state of economy, which reveals the reaction of financial markets to the changes in the economical milieu in Estonia and its neighbourhood.

Inflation

The effect of inflation on the consumer price index.

A positive trend in 1995 is slowing down the incessant increase of the consumer price index. While during the last two years the growth of prices has slowed down both in the public and in the hidden trade. According to the annual summary about 1995, the growth of prices in the hidden sector of economy, which is closed for foreign competition, has been more extensive than in the public sector. It is mainly caused by the administrative regulation of prices and the monopolistic position of several producers and service companies.

During the year 1993, the price hike in the hidden sector was twice as great, in 1994 four times and during the first eight months in 1995 almost three times as great than in the public sector.

The consumer price index was growing mainly due to services, because of the increased prices of bus tickets, rent, gas and public utilities.

The liberalisation of the prices in the hidden sector is a lengthy process, therefore the prices in Estonia probably will continue to grow.

The prices in the public sector are somewhat closer to the world wide price level and the further increase of them is therefore relatively limited.

Public Opinion

Despite the prejudiced results it is very important to know people's opinion of their own economic condition at the present moment. Although memories of the past tend to change more agreeable and future is predicted cautiously, people compare the present to past and expect something from the future. The questionnaire of the Welfare Poll makes compares different conditions in the course of five years. The late 80s and early 90s can be considered last relatively stable period before rapid and sharp changes. It is also possible to expect the end of the transition period and stable economy and society by the end of century.

The scale of questions/answers reduces the opinions to four rather wide choices (rich, well off, contriving, and poor). At the same time the difference between one's contriving and poor economic condition is quite vague. The answers were mainly influenced by respondent's conscience.

Only one tenth (11.6 per cent) of inhabitants can be said to manage conveniently. The economic condition five years ago is considered to have been much better. 60.9 per cent of the respondents tell that they managed easily. Thus there is more than five times difference between evaluations of today and the past. Nevertheless the future is regarded with discreet optimism. The set of respondents expects the amount of well off people to

double. At the same time the share of poor people is not anticipated to decrease considerably. About a quarter (23.9 per cent) are not willing to foretell their future.

General opinion of one's economic condition

(per cent)

Opinion	Past (5 years ago)	Present	Future (after 5 years)
Rich	2.2	0.1	1.3
Well off	58.7	11.5	24.8
Contriving	34.4	68.2	33.1
Poor	3.7	19.7	17.0
Can't say	1.0	0.5	23.9

The opinions of the future are largely the same among Estonians and aliens. The same applies to the present situation, although somewhat more aliens consider themselves to be well off than Estonians. But evaluations of the past are remarkably different. 71.3 per cent of aliens consider themselves to have been economically well off five years ago (55.5 per cent among Estonians). Worse opinion of the past (contriving and poor) is expressed by 28.3 per cent of aliens and 43.2 per cent of Estonians. The differences of evaluations are not only caused by declining economic situation, but also by the loss of certain privileges.

Differences of opinion about economic condition among Estonians and aliens

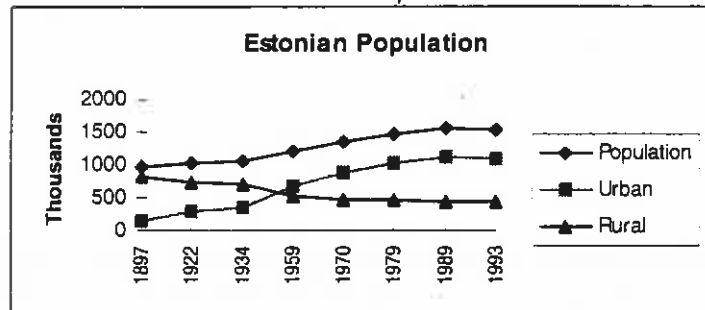
(per cent)

Opinion	Estonians	Past (5 years ago)	Present	Future (after 5 years)
Rich		1.9	0.1	1.2
Well off		53.6	10.1	25.0
Contriving		38.6	69.1	34.3
Poor		4.6	20.3	16.1
Can't say		1.3	0.4	23.4
Opinion	Aliens	Past (5 years ago)	Present	Future (after 5 years)
Rich		2.8	0.3	1.4
Well off		68.5	14.3	24.3
Contriving		26.2	66.3	30.7
Poor		2.1	18.4	18.7
Can't say		0.4	0.7	24.

The Development of Estonian Population Scheme

In the case of Estonian population scheme and dwelling conditions it is important to note that current problems are not only originated in global and common laws of developing human settlement nor the usual causes of a society in transition. Very influential factor arising new problems has been Estonia's membership in the Soviet Union. Especially its location in the Soviet empire of those days. Besides its general

social and economic policies, the central government of the USSR implied special demographical and settlement policy upon the bordering republics to insure their allegiance. The present problems in Estonia are often caused and initiated by this approach. This amplifies the difficulties originated in global tendencies and special features of transition societies and complicates application of plans devised to overcome the problems. Without understanding this background it is almost impossible to work out effective solutions.



The Soviet demographical policy has caused a very disproportionate population density in different parts of Estonia. One third of Estonian population lives in Tallinn or its nearest surroundings (in Tallinn 29.1 per cent; 33.7 per cent together with suburbs). Almost half (48.8 per cent) of the population lives in five biggest towns.

In the end of the WW II, i.e. before the Estonian territory went under Soviet administration, Estonians formed more than 90 per cent of the population of Estonia. According to 1989 census (that did not include Soviet military contingent) the percentage of Estonians had decreased to 61.5 per cent. These demographical changes in the course of a couple of decades was achieved by establishing industry primarily on coastal regions, that ignored population's potential. Thus the inhabitants of the towns by the northern coast form 52.4 per cent of the whole population. Majority of them are aliens. Typical heritage of those times includes the towns and quarters produced by the Soviet military-industrial structure, that were administered directly from Moscow. They were very loosely connected with local settlements and inhabitants, and they have now become seats of crisis due to declined industry and social depression. Such towns (townships) were typically built in ignorance of historical and architectural traditions of Estonian towns, "from zero".

The described purposeful immigration strategy has introduced very irregular population density. While the statistical average density is 34.5 persons per square kilometre, major part of Estonia has a population density of 10 persons per sq. km (1423.3 in urban, 10.4 in rural territories). The biggest population density is in Tallinn (2797.0), Tartu (2728.6), and Põlva (2639.4). Note that the settlements of rural people in Estonia have been historically dispersed villages (houses are far apart), and this tradition did not become extinct during Soviet centralisation into common farms.

This can be compared to population density in Finland; 16.7 inhabitants per square kilometre – 60.4 in urban and 7.3 in rural areas.

The Estonian towns have got a fairly long and complex history. Older Estonian towns have been developing for more than 700 years. Tartu, Tallinn, Pärnu and Narva date back to the very beginning of the current millennium.

Estonian towns can generally be divided into two large groups of urban settlements:

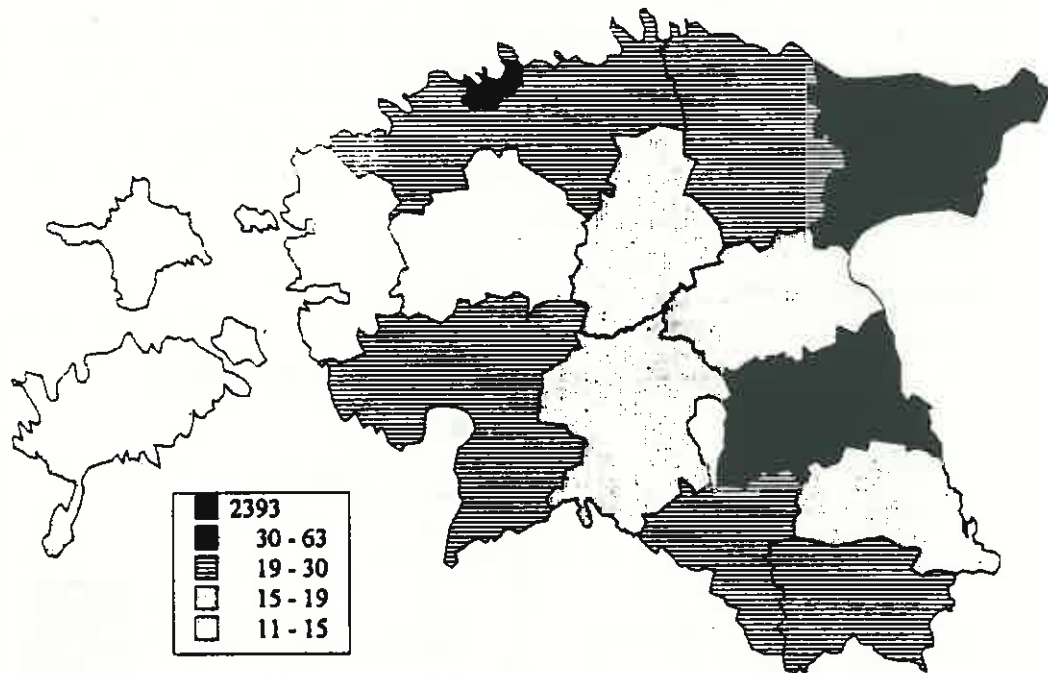
One group consists of medieval towns that were granted the town bylaws during 12th-18th century. One fifth of Estonian towns (12 towns) belong into this group. Majority of them are known as ancient Hansa-cities and were active traders in medieval Europe.

The other group includes settlements that were declared towns/townships during the Estonian Republic 1918 – 1940 or Soviet occupation after the Second World War.

Therefore to develop Estonia settlement strategy it is necessary to eliminate or at least neutralise changes and structural errors introduced under the Soviet regime. It is important to find methods which enable Estonian society to join general and natural European development tendencies as fast and fluently as possible. At the same time the differences between our present situation and that of our neighbours in Western, eastern, and Central Europe must be considered. This way it is possible to define our priorities in the combat with heritage from the near past.

Population density in Estonia

Number of inhabitants per square kilometre



Territorial Mobility

Migration problems have been under intensive public observation during the renewal of independence.

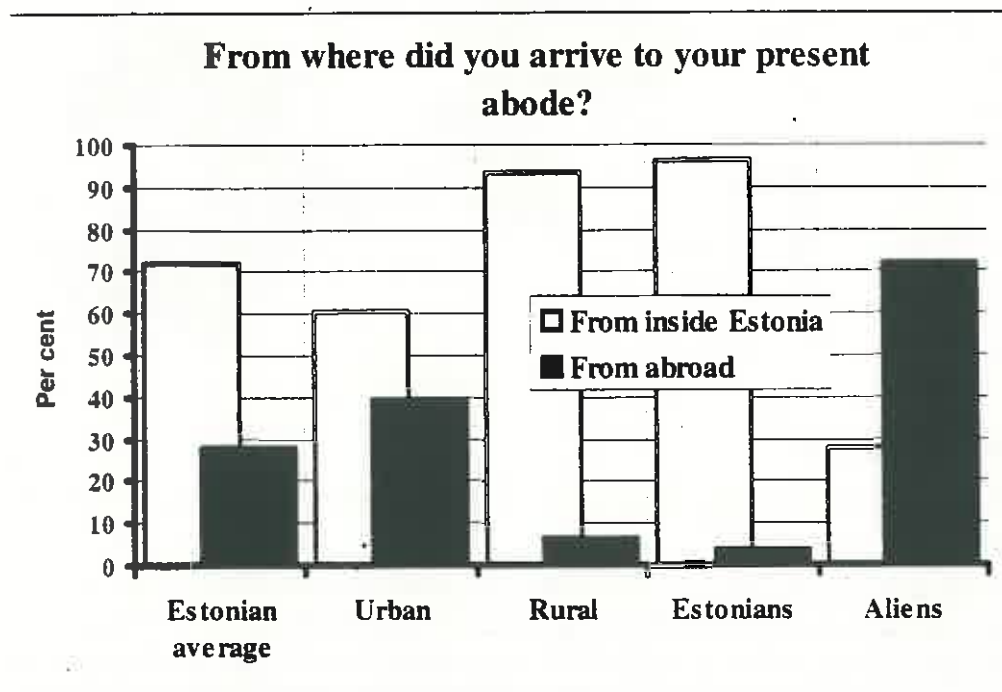
If compared to the past we can notice a decrease of immigrants among aliens. During the 1991 census there were 4-5 per cent aliens who had moved to Tallinn in the previous five years (even 10 per cent among 18-29 year old aliens). At the present moment the number of recent settlers among aliens has been decreased to 2.9 per cent (2.2 per cent in Tallinn).

At the same time the percentage of new settlers among rural population has increased (14.9 per cent; 4.3 per cent in towns). Nevertheless, the percentage of long-time residents (have been living in the same place from birth or for more than 25 years) is smaller in rural areas than in cities.

Division of residents and settlers*(per cent of respondents)*

	RESIDENTS	SETTLERS
Estonian average	59.7	7.7
Urban	68.9	4.3
Rural	40.2	14.9
Estonians	57.2	10.2
Aliens	64.6	2.9
Men	62.6	7.8
Women	57.1	7.6

In one way or another, almost $\frac{3}{4}$ Estonian inhabitants (71.4 per cent) have commuted their hometown (village, settlement); 69.6 per cent among Estonians and 74.9 per cent among aliens. Among those who have changed their abode a quarter (28.0 per cent) have come from abroad; the same share in towns – 39.4 per cent, and among aliens – 72.1 per cent. Logically majority of them have come from Russia (70.1 per cent), Ukraine and Moldova (10.8 per cent) and Byelorussia (6.7 per cent). Almost nine tenths originate there (87.6 per cent). Three quarters of (73.7 per cent) Estonians who have moved to Estonia have lived in Russia.

Answers to the question:

From Elutingimused Eestis, Tallinn, Hansar 1995

Note that the relation between urban populace and their territory has been weakened during the Soviet time. Almost half (43.6 per cent) of the people who changed their residence, moved from one village to another.

Dwelling and Welfare

Differently from the developed countries the dwelling – either a flat or a house – have not become to indicate the welfare of its inhabitants. Despite that the dwelling, its location, availability and level of public services (central heating, hot water, etc.) determines its inhabitant's extent and disposition of social life, recreation possibilities and household's consuming behaviour.

Considering the upsurge of real estate market before long, the materials accumulated in the Welfare Poll will give some comprehension about the present variety of dwellings.

Statistical Average

Best material resource for international comparison is undoubtedly statistical averages and more common cases. This enables to make conclusions about most typical living standard. The overall picture devised observing statistical averages is following:

1. a family lives in a five storied (27.0 per cent) apartment house (71.2 per cent), owned by state or local government (56.1 per cent) and have obtained the flat during 1961-1980 (36.8 per cent) through their employer (50.8 per cent);
2. one family lives in two (35.0 per cent) or three (35.0 per cent) rooms with a total domain of 32.3 m² per person. Average number of rooms in a household is 2.9 which makes 1.2 rooms per person;
3. it is often difficult to pay the rent (58.4 per cent) but inhabitants try to manage without applying for compensation from the government (74.3 per cent);
4. statistically average Estonian has the following facilities: sewage (83.0 per cent), water closet (76.1 per cent), bathroom or shower (71.3 per cent), central heating (66.6 per cent), gas stove (53.1 per cent) and telephone (54.9 per cent). But 18.3 per cent can use hot water any time, and 19.4 per cent own a sauna;
5. average family is well equipped with home electronics according to Soviet standards, but only few of them by Western standards. At least one TV set is owned by 94.0 per cent of households, refrigerator 93.1 per cent, washing machine 82.4 per cent, vacuum cleaner 81.0 per cent, car 42.7 per cent, photo camera 40.5 per cent, stereo 21.2 per cent, video recorder 13.5 per cent, micro-wave oven 6.7 per cent, personal computer 2.2 per cent, video recorder 1.2 per cent, and dishwasher 0.6 per cent;
6. family is often disturbed by noise from stairways, neighbours and piping (57.1 per cent) and from street or highway (57.6 per cent) and harassed by street dust and car exhaust gas (53.9 per cent);
7. nearest food store is less than half a kilometre away (80.7 per cent), as well as nearest primary school (51.0 per cent) and bus, train, or tram stop (75.6 per cent). Nearest polyclinic (medical attention) is nearer than a kilometre (53.7 per cent);
8. average family is more or less content with its dwelling (51.6 per cent) and does not wish to move (63.8 per cent). Those who would like to, desire bigger (54.5 per cent) or more comfortable (54.5 per cent) flat for the same family (59.1 per cent). At the same time those who would like to move, have not made up their mind nor engaged in changing their dwelling during previous 12 months (70.2 per cent), nor renting a new (91.9 per cent), enlarging the present (92.9 per cent), buying a new lodging (87.8 per cent) nor building their own house (92.5 per cent);

9. 18.7 per cent of families own a summer house, 12.3 per cent use a summer house they do not own, 31.9 per cent do not feel a need for a summer house, 35.7 per cent would like to use one, but cannot.

Number of different apartments in Estonia

(1992)

	Total	1 room	2 rooms	3 rooms	4 rooms	5 rooms	6 rooms	7 rooms	8 or more rooms
Total	81942	109852	191315	126821	27798	3688	628	85	22
State and municipal property	374590	96464	158055	96159	20410	2786	605	82	19
Property of a legal person (including foreign state property)	85419	13388	33250	25462	7388	902	23	3	3
Private property	159412								

Note that in 1992 the government statistics established only 620 apartments with six rooms, 85 with seven rooms, and 22 with eight and more rooms; among these were many common flats i.e. rented by several different families.

It is clear that overall average is influenced by a number of very dissimilar life standards. Of those most influential are the differences between urban and rural welfare.

Urban and Rural Standard of Life

Shortly the difference in rural and urban standard of life can be found in the following table:

The main differences in the urban and rural living conditions

Feature	% of urban households	% of rural households
House		
apartment	83.9	44.1
private	13.7	55.0
One storied house	6.9	40.8
Owner of the dwelling (as of 01.01.1995)		
state or municipality	67.5	31.6
dweller himself	16.8	56.0
Dwells on these premises		
from 1961-1980	39.3	31.6
before 1940	0.8	4.3
Obtained dwelling		
from employer	53.5	45.3
built	6.7	11.4
inherited	3.6	17.7
Number of rooms		
1-2	51.8	31.5
3 and more	14.5	30.7
Difficulties with rent		
often	27.2	17.6
never	37.8	49.5

Has the facilities		
water closet	87.1	52.7
bath or shower	81.3	50.0
sewage	92.0	64.0
central heating	78.0	42.3
gas stove	53.9	51.2
hot water	65.4	33.0
sauna	9.9	27.0
Owns		
car	39.9	48.6
personal computer	2.7	1.3
micro-wave oven	7.8	4.5
Nearest		
food store less than half a kilometre away	93.0	54.3
primary school less than half a kilometre away	62.5	26.4
policlinic less than a kilometre away	61.1	38.0
bus, train, or tram station more than kilometre away	4.2	20.7
In need of different dwelling	39.6	28.8

As far as the Estonian population on the whole is largely urban, the general living standard of the state is mainly urban as well.

Estonians and Aliens

No doubt that the life styles of the Estonians and aliens is very different. On the Estonian territory two ethnic groups of sharply different social-psychological mentalities have been put together. In developing different living standards this fact has not been of the main consequence. The population policy practised on the Estonian territory by the Soviet regime brought into Estonia mostly Russian-speaking workers and military contingent, which settled in towns and industrial townships. For a long time they were privileged in getting apartments and improving their living conditions. Most of the aliens live in towns. The proportion of urban and rural Estonians is much more balanced and smooth, and they are more attached to their permanent site. Therefore, the different living conditions of the Estonians and aliens depend not as much on their social-psychological mentality, but their apportionment in urban and rural areas. The present situation is also a result of different social and demographical structure of the two groups – the Estonians and aliens.

The main differences in the living conditions of Estonians and aliens

Feature	Estonians % of households	Aliens
House		
apartment	61.1	91.0
private	37.1	6.9
Owns the dwelling	39.1	10.2
Obtained dwelling		
from employer	45.5	61.3
buit	11.0	2.9
inherited	11.3	1.9
Number of rooms per person	1.23	1.06
Have had difficulties paying the rent	54.0	67.2

Has the facilities		
water closet	68.0	92.1
bath or shower	62.8	88.0
sewage	77.5	93.9
central heating	56.3	86.8
gas stove	48.9	61.3
hot water	46.0	72.8
sauna	26.9	4.8
Owns		
car	11.0	18.3
personal computer	2.1	2.5
micro-wave oven	48.1	32.1
dishwasher	0.8	0.3
Nearest		
food store less than half a kilometre away	74.6	92.5
primary school less than half a kilometre away	43.4	65.9
policlinic less than a kilometre away	49.3	62.4
Completely satisfied with the dwelling	9.4	14.8
Usage of a summer house		
can not	26.0	54.8
do not need	37.8	20.4

Private Owners

First of all, let us have an overview of the situation in October and November 1994, according to the results of the Welfare Poll. We should bare in mind that as a result of the property reform, the situation in Estonia is rapidly changing.

Although the privatisation is one of the priorities in the present transition period, more than half of the dwellings are still state or municipal property. Only 29 per cent of families live in a house owned by its member. At present, 56 per cent of rural families and only 16,8 per cent of urban families are owners of their dwelling.

By now, 10.2 per cent of alien households have become the private owners of their dwellings. At Ida-Virumaa, where the percentage of rural aliens is relatively low and the group of urban aliens comparatively prominent, 88.6 per cent of households still belong to the state or local governments. In comparison: over two thirds of the Scandinavian households are private ownership. Least of them in Sweden (67 per cent) and most in Norway (85 per cent) (Vogel, 1991). According to the available data about Baltic states, namely Lithuania from the year 1990, there was 21 per cent private households in towns and 66 per cent private houses in the country (Hernes, 1991).

When and How the Dwelling Has Been Obtained

Most of the households have settled to their present dwellings after the year 1960 whereas no remarkable difference between the Estonians and the aliens can be pointed out. Even in the country, the continuity of the present dwellings mostly date back to the sixties, though with more reservations. There are only 12.2 per cent rural households, who have been living in their present dwellings before 1960 already.

11 per cent of the Estonian households and 2.9 per cent alien households live in the dwellings built by themselves. Similar difference between the Estonians and aliens can be seen in case of bought dwellings (accordingly 13.6 per cent and 8.8 per cent). The

most ardent differences can be noticed among the inherited dwellings: 11.3 per cent of Estonian and 1.9 per cent of alien households. As a matter of course, most aliens have gained their dwellings from the employer (61.3 per cent) or by exchange (21.7 per cent). The Estonians accordingly 45.5 per cent and 10.0 per cent. Even in the country, an excessive amount of residence have come from the employer (45.3 per cent). Self built and bought dwellings in the country cover hardly ten per cent.

The Size of the Dwelling

Maybe the size of the dwelling is not as important characteristic than number of rooms per one member of a household. Let us bare in mind the former daydream of any soviet man—to use as many rooms as there are members in the family plus one more. In the Scandinavian countries they use two standards of residence—to specify whether a dwelling place can be considered overcrowded or not (Vogel, 1991). According to the Norwegian standard, a person lives in an overcrowded dwelling place, if there is less than one room in one's disposal (or less than 2 rooms, in case one is living alone). According to the Swedish standards, a living place can be considered overcrowded, if there is more than two persons living in one room. By the Norwegian standard, a family with a child needs four rooms and a kitchen, by the Swedish standards it requires three rooms and a kitchen.

In the Scandinavian countries the living conditions can be named of high standard, if there is more than one room in the disposal of any member of a family, excluding the kitchen and living-room. By comparing the Northern countries, it is alleged, that according to the Norwegian standards, 45 per cent of the Finnish families with children live in overpopulated conditions, while both in Norway and Sweden the percentage is 16 per cent. At the same time 64 per cent of retired married couples in Norway and 38 per cent in Sweden enjoy a high living standard (Vogel, 1991).

While the average living space per member of an Estonian household is 1.2 rooms, most of the families with children and two parents live in overcrowded conditions. Alike the Scandinavian countries the single people and retired married couples in Estonia enjoy much better living conditions than the other households. The rural households usually have more rooms in their disposal than the urban ones.

An average rural household has 110.7 m² aggregate floor of space in their disposal, while an urban household has 64.2 m². The statistical average floor of space in Estonia is 79 m². Considering the space per one person, the difference is still smaller: 43.5 m² in the country and 27 m² in town.

The Surroundings

Certainly the living conditions greatly depend on the position of the dwelling. The type and location of the house, the surroundings, availability of all kinds of services etc. As for the criteria given above, most of the families cannot call their living conditions very high-class. One third of the households suffer from humidity and nearly half of the families live in badly heated apartments. The domestic life is often disturbed by noises coming from the stair well, neighbours or drainage pipes (57.1 per cent) or uproar from the streets and highways (57.6 per cent of the households). The inhabitants of Ida-Virumaa, Tallinn and Harjumaa are suffering from the noise most of all. The dust and exhaust gases is a great nuisance for 53.9 per cent of the households, 29.1 per cent are

harassed by industrial contamination, grime or stink. In towns certainly more than in the country.

On the other hand, in town the services (shops, schools, polyclinics/ medical service) lie at hand, so that 80 – 90 per cent of inhabitants can reach them in half an hour. In rural conditions only half of the families can state that. Same conditions prevail in reaching the stops and stations of transportation.

Leisure, Social and Club Life

The issue of leisure is therefore limited to relatively plain criteria – the respondents were asked, how many days a week they had at least two spare hours for themselves. Nearly two thirds of them (60.4 per cent) answered, that they can find some spare time every day. About quarter of the respondents (22.9 per cent) claimed to have two hours of spare time only on one or two days a week. The difference between the groups of respondents depends mainly on the diversities of the urban and rural life styles as well as the discrepancy of domestic engagements of men and women. The greatest discrepancy arises among the group aged 35 – 44 years, whereas only 37.2 per cent of women can afford daily two hours of leisure (while 54.1 per cent of men of the same age can enjoy it). Let us say that among the next age-group the proportions have become almost equal (accordingly women 52.7 per cent and men 55.2 per cent).

The so called social activities have considerably decreased during the post-soviet period, for the simple reason, that people feel no “upper” pressure to take part in or belong to organisations founded and supported by authorities. Unprompted societies and club life is but still only taking shape. Therefore, according to the structures given in the poll, it is natural that the participation in the work of the trade-unions is the most numerous (14.0 per cent) while the political parties and fusions attract only 0.7 per cent of respondents. At present no organisation (except the trade-unions) enfold not even five per cent of the respondents. The closest to this threshold are religious organisations (4.5 per cent), professional clubs and societies (3.7 per cent) and athletic associations (3.2 per cent). As a matter of fact, 4.5 per cent of the respondents also belong to various co-operative dwelling societies and tenants’ unions, but it is the summary of an old declining and of a new arising tendency.

The rural people are a bit less organised than the urban, with the exception of belonging to some local interest group (accordingly 3.2 per cent and 1.7 per cent) or professional association (3.9 per cent and 3.6 per cent of the respondents). Women belong participate in religious organisations more often than men, as well as in the health care organisations, fellowships of aged, musical or other cultural societies and of course all kinds of ladies’ organisations:

A new developing trend in public activities have become various building and dwelling societies.

Contentment With One's Living Conditions

In spite of the Estonian standard of life, which is far from the Western one, the population is relatively content with it. Resolutely discontent about their living conditions are only 7.3 per cent of the households. More than a half (51.7 per cent) are principally or quite content with their dwelling place, whereas no difference in the contentment level in the rural and urban regions can be found. Noteworthy is only the

plenitude of "entirely content" answers from the aliens – 14.8 per cent (compared to the Estonians' 9.4 per cent), which is higher than the Estonian average as well as the urban one.

Summer House

In the first place, the problem of a summer house concerns mainly urban population, as for the rural people it may seem somewhat abstract. 62.4 per cent of rural people have no need for such a thing. Just the other way round – at their home they offer summer lodgings to lots of Estonian townspeople. 39.4 per cent of the urban people have some opportunity to use a summer cottage, and 42.7 per cent have stated the lack of such an opportunity.

Economic Situation of the Populace

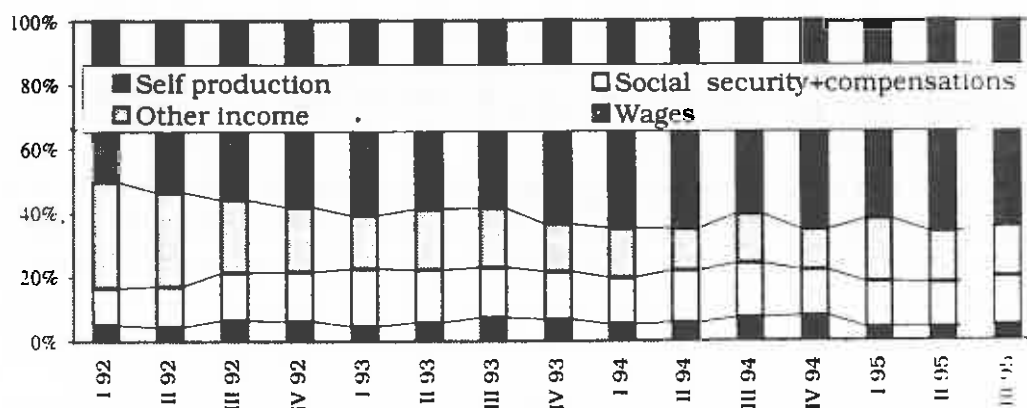
Income, Its Sources and Division

The proposed data reflect the situation in the 4th quarter of 1994 as seen in the poll conducted to study the differentiation of income. It can be said, however, that in 1995 the major differences in income proportions have not changed in principle. Considering the data within a later context one has to bear in mind inflation as well as annual seasonal fluctuations of income. At the time of the survey the gross income of a household member per month was 1,084 kroons. Subtracting taxes, it would make ca 850-900 kroons (\$70–75).

The average need not reflect the typical. Approximately two thirds of the households had an income smaller and one third bigger than the average.

In most cases (one fifth of the selection) the household member income falls into the section 451-675 kroons which is 40-60 per cent of average income. Next groups are 676-1,010 kroons (16.2 per cent) and 1,011-1,520 kroons (14.5 per cent). All in all these income groups (\pm 40 per cent of Estonian average) constitute 53 per cent of households.

Average income per household member per month, per quarter. Estonia.

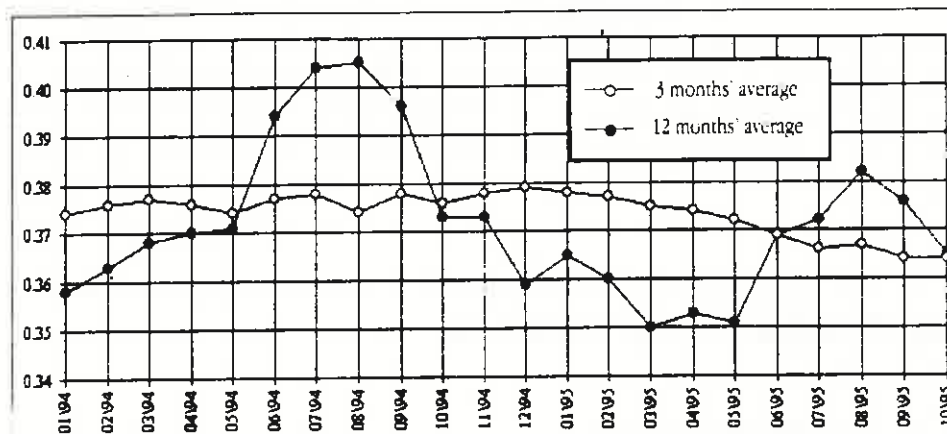


Source: Household income-expenditures survey, EMOR Ltd

An indicator of income differentiation is the Gin coefficient.

Average change in the Gin coefficient.

From Eesti Pank (Estonian Bank)



There are no significant differences between Estonians and aliens (52.6 per cent and 53 per cent, respectively). The situation, however, is conspicuously different in cities and country (54.2 per cent and 50.7 per cent). This is due to having more high income households in towns. The comparison proceeding from gender reveals that men dominate significantly among the pay group of above-the-average income. The higher the income, the bigger is the difference in shares.

The average income of an average man – 1,343 kroons – is 23.9 per cent higher than the Estonian average and that of a woman – 859 kroons – is 20.8 per cent lower. Thus, men's income surpasses women's by half – 56.3 per cent.

In comparison: in 1988 Finnish men got approximately 1.25 times more money than women and in 1993 1.23 times.

The best age for men as far as income is concerned is 25-34 years as the then average income – 1,903 kroons – surpassed the Estonian average 75.6 per cent; for women the corresponding age is 35-44 years with 1,228 kroons and 13.3 per cent.

In 1995 the average monetary income of household members was 1,338.4 kroons per month which, if compared to 1994 (1,089 kroons), had increased 22.9 per cent (252 kroons). At the same time the consumer price index had increased 29 per cent. Thus, in 1995 the real income decreased by 6.1 per cent.

In town/country comparison the city income is higher by a quarter (24.7 per cent). The average city dweller gets 7.2 per cent above the average all-Estonian level, in country the average pay is 14.0 per cent below it. Country people have smaller income in all the groups of different socio-economic status.

Economic Difficulties and Consumption Limits

Social and economic transition means inevitable backstroke in people's welfare, income and consumption. This is the social price that has to be paid for reforms and in the name of future. Estonian society at large has accepted the changes, treating them with tolerance and support while the difficulties have been endured with patience. It is important, however, for the powers as well as political forces conducting these reforms, to be aware of the limits of tolerance of the population as a whole as well as of different social groups. This implies the need to study both the depth and extension of economic difficulties on everyday level. The indicator of the situation, at that, is how often the necessities or goods characteristic of traditional Estonian way of life have to be denied.

More than a quarter of the respondents questioned within the framework of the Welfare Poll stated that they have to deny themselves milk and dairy products either often (8.3 per cent) or sometimes (17.5 per cent).

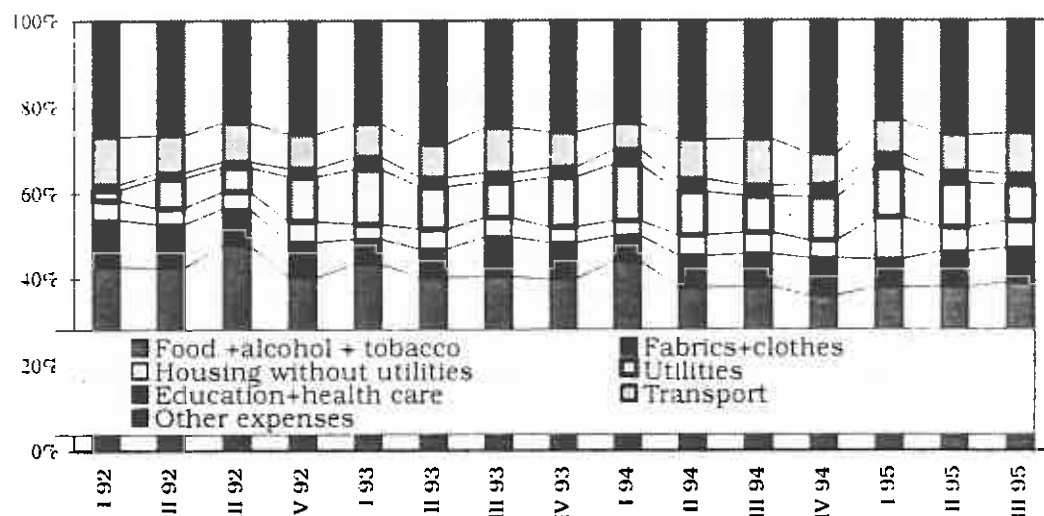
The gravity of the situation is substantiated by the sole fact that only 37.1 per cent of respondents said that within the last 12 months they had never – because of financial obstacles – refused buying meat or meat products. A quarter of households (28.1 per cent in towns and 19.3 per cent in the country) are often in the situation that forbids meat products. A third of respondents find themselves in the situation from time to time. From the point of view of healthy diet, fresh fruit and vegetables are of decisive importance. Half of the respondents (49.6 per cent) admitted that they can afford buying them, the expenditure on these products has to be cut frequently by more than a tenth of the respondents (11.5 per cent).

Expenditure on Housing

Proceeding from the data of the household panel compiled by the market and economic research company EMOR the biggest changes in Estonian expenditure structure from the 1st quarter of 1992 up to the 3rd quarter of 1995 concern food products and public services. As the price of public services has been constantly increasing, the share for food products has decreased and that of public services increased both by 5 per cent. Both expenditure groups are highly sensitive to seasonal peculiarities. Throughout years expenditure on public services has been the highest in the 1st quarter and lowest in the 3rd one. While the **total sum** in kroons paid for public services in the 1st quarter of 1995 was 6.2 times higher than at the same time in 1992, expenditure on food increased at the time 5.5 times; expenditure on public services, however, increased **30 times**.

Housing expenses per household member per month

Source: Household income-expenditures survey



Social Care

Of the respondents to the Welfare Poll 19.8 per cent got housing compensation and 5.9 per cent had asked for it without a positive result. Four families of ten (40.7 per cent) think state support necessary for their household. Country people (42.7 per cent), non-Estonians (44.6 per cent), women (45.4 per cent, especially those over 65 – 56.7 per cent), pensioners (56.7 per cent) and single parents (59.3 per cent) expressed their need for state support more frequently than was the all-Estonian average.

At the same time two thirds (66.6 per cent) of those considering themselves in need of help had never actually asked for support from welfare workers.

Self Confidence and Factors Supposedly Determining Personal Success

It is of significance to know to what extent people believe in their ability to shape their welfare and destiny. Probably the new situation of market economy has to face – and for quite a long period – the drawbacks of the old Soviet mentality governing people's minds. First about readiness to plan one's future.

Consent with the statement: no sense in planning future for the plans will fail anyhow

(Share in respondent group, per cent)

	Agree	Disagree
Estonians	39.6	56.2
Aliens	53.4	42.2
Urban	45.5	51.0
Rural	41.9	52.6
Men	40.4	55.4
Women	48.0	47.9

Younger people with higher education are more optimistic. It is worthwhile noticing that the list of those disagreeing with fatalistic frame of mind begins with:

- persons of higher education (72.2%)
- men between 25-34 (70.5%)
- women between 18-24 (69.4%)
- parents with two children below the age of 18 (64.5%).

Significantly more pessimistic was the view on the role of a single vote and its ability to influence decisions actually adopted in the state. Nearly nine tenths (86.0 per cent) of respondents agreed with the statement that in fact a voter cannot influence political decisions. The more educated a person is, however, the better he thinks of voter's chances.

More than in elections people believe in family they come from that can shape one's well-being; chance and luck are also thought to be of decisive importance. Variations within different respondent groups are not very big – elderly people, however, have learned from their life experience that origin and background is of decisive importance in life. Approximately two thirds of women think that in life chance and luck are of vital importance.

Consent with the statement: success in life depends on origin, chance and luck

(Share in respondent group, per cent)

	All you can have in life depends on the family you come from	Chance and luck determine life
Estonians	55.1	61.2
Aliens	51.7	64.2
Urban	52.9	63.3
Rural	56.1	59.9
Men	52.3	58.8
Women	55.4	65.3

Problems in Housing and Settlement Development

Current problems in housing development come first and foremost from the need to overcome as quickly as possible the consequences of Soviet "location of productive forces" and adopt a civilised pattern of European market economy. Soviet economic theory rested on the postulate that national economy is nation's economy as organised by the state. As people were considered the most important productive force, their location meant creating settlements at the will and wish of the central state power.

So, changes in settlement structure and system were not actually dependent on the population or its familiar way of life but on planned decisions. In case there was not enough labour force on a spot that would guarantee a productive result, then, proceeding from the accepted concept of relocating productive forces, it had to be brought in from some other place. In principle there were three possibilities:

1. specialists graduating from educational institutions were sent to work in some place and they had no legal right to refuse the given appointment;
2. labour was systematically recruited, especially from among those who had just served their compulsory military service;
3. the resettled population was granted numerous privileges.

At a period it was even current that people agreeing to move to work for a plant need not serve their sentenced criminal punishment. So the practice was analogous to the initial stage of Australia's settlement.

Soviet Heritage in City Planning

In periphery (which the then Estonian Soviet Socialist Republic was thought to be) there was an extra aspect: the political goal was to change population structure. This population policy could be carried into effect only with the help of specific housing policy. Its basic trait was the absence of a free apartment market to say nothing of free personal choice. Soviet housing policy was centred round giving people apartments (in blocks of flats) free, i.e. they did not have to cover the building costs of their abode. The rent did not include investments for extensive rebuilding and the fixed monthly pay, 13.2 kopecks per square meter, covered just a small part of the actual exploitation expenses. Big repairs were totally financed by the state budget. Public services (heating, water and sewerage, electricity, gas, etc.) were sold to people with significantly lower price. This way the rent with public services included made up only about 10 per cent of the salary.

Private houses were mostly built by families living in country or small towns. Or by those townspeople who could not get a flat through their working place.

Most one family houses were built in 1956-1965: 27 per cent of the total area of the built dwelling houses. In 1966-1975 the corresponding figure was 12 per cent, since 1965, however, the multi-storey co-operative blocks of flats were begun to be erected and their share at the same time was approximately 13 per cent. In 1975-1985 out of the total area of dwelling houses 9.3 per cent were one family houses and 10.2 per cent co-operative blocks of flats.

Changes of Housing System in the Country

In country the Soviet regime attempted to do away with the scattered type of villages with its dwelling houses and outbuildings on the territory of farmsteads situating far apart. Country population was systematically moved to kolkhoz centres and so-called perspective settlements following in their social pattern something similar to a traditional Russian village. Blocks of flats were introduced. The important social consequence of it was that private ownership – even in country – decreased to half of the total residential fund (in 1992 there were 98.3 thousand state owned flats and 97.6 thousand private houses).

During the Soviet power there emerged numerous so-called workers settlements in Estonia – both within existent towns as well as new – the population of which was entirely constituted by settlers from other regions of the Soviet Union. Their planning, as a rule, followed all-Union standards that paid no attention to historical or environmental peculiarities. The most frequent type of dwelling was the block of flats, the apartments had usually two rooms while these were meant to be used for ca 50 years.

Residential Fund at Present

45 per cent of Estonian residential fund (one family houses excluded) is older than 25 years and, thus, it must have had extensively repaired at least once. The technical condition is extremely poor in those buildings which have been built before the war, i.e. which are older than 50 years and have not been repaired at all. The roofs and technical systems in these buildings are, as a rule, totally amortised. In order not to worsen the situation, in 1994 repair works for 1.14 million kroons would have been necessary. This, however, is beyond our means in near future. The primary task would be to repair those parts of buildings and technical systems that cannot wait and start with works that would enable to save energy so that the danger of emergency situations would be avoided and the residential area could still be exploited. These works include repairing of roofs, packing of panel joints, changing of heating and plumbing systems, repairing and packing of windows.

This was the starting point for transition to residential policy characteristic of society living according to the principles of market economy.

First Steps in the Newly Re-established Estonian State

One of the first steps of the Estonian Republic was to start with housing reform and rent reform which meant denationalisation of the residential fund. The reforms followed two major courses:

- the houses and apartments nationalised in 1940 or later were returned to their legal owners, most often to their close or distant relatives/heirs
- state and municipal living space was privatised to the tenants. Formally it was conducted as a purchase-sale contract while the acceptable tender was the so-called national capital share (later named bonds of privatisation) which served as an artificial money.
- since 1994 state subsidies to housing were stopped altogether.

By today privatisation of residential fund has been basically completed, residence market of western type, however, has not established itself. There are three major reasons:

- most of those who have become owners in the course of the housing reform lack any experience in ownership
- both former tenants and legal owners of the residence have no monetary means to perform the duties of an owner in the full sense of the word. The state, at that, lacks the required credit resources to assist them
- the scantiness of free houses and apartments and the uniform looks of the apartments constituting the residential fund (that limits the options, hinders to begin with the process of purchase-and-sale which, in principle, is to redistribute the living space between people according to their economic possibilities as is the routine situation in market economy). As the land reform has got stuck, the real estate market has not established itself. These factors do not favour increase in population mobility which would be an important precondition for a more intensive development of enterprise outside Tallinn.

At the same time housing reform created a number of specific problems. Hereby we mention two of them as these have created tension in the society.

1. As a result of privatisation the dominant form of ownership in housing is apartment ownership in a block of flats. A problem created, thus, is that of managing those buildings with flats of several different owners. Law prescribes their management through tenants' co-operatives. Their establishment, however, has turned out to be problematic for

- it is difficult to find people ready to manage them;
- the technical condition of buildings is mostly extremely poor.

Apartment owners have not bought their flats for market price but got them for bonds of privatisation. It means that in a building there live people of widely different income level and different expectations as well as possibilities. Some are able and willing to improve their living conditions, others, at that, have problems in paying their rent without state support. Soviet housing policy put extremely different people to live together in one house, those tenants have little in common, they are strangers that hardly ever communicate.

2. Mass returning of once nationalised residential fund to its legal owners caused the conflict between owners and tenants which has made social relations tense. Tenants living in a house that has been returned to its owner do not feel guilty before them for they have got the living space from the state and as a rule it was just accidental were they found themselves to be living. The law has fixed that present rent contracts are valid until July 1, 1997. So, about 70-80 thousand households feel insecure knowing not whether and on which conditions they can continue living there after the deadline. It has been legally fixed that the rent contract in force at the time the building is being returned is valid for three more years. After that the tenant who has fulfilled his contractual duties is entitled to the right to draw a new contract in the first order. The owner has the right to sue this privilege in case he needs the living space himself or for his family or the apartment will be rebuilt into a non-dwelling space or is physically worn and needs extensive rebuilding or was lost or considerably increased or decreased in the course of rebuilding.

Proceeding from the law of living space privatisation, uninhabited space can be rented to tenants living in abodes returned to legal subjects of the ownership reform or in those got from the employer on condition the tenant will free the mentioned living space.

There is No Room to Operate With

On January 1, 1995 there were 4,048 uninhabited living rooms with total area of 174,200 square meters. 1,150 of them were in Tallinn, 1,077 in other towns, 1,871 in rural areas. The poll conducted in 14 municipal governments show that tenants living in apartments returned to the legal subjects of the ownership reform have been given only a little more than 7 per cent of this uninhabited residential space. In the course of the ownership reform which has returned property and privatised living space the ownership of most of the living space has changed. The disagreements emerging while drawing up contracts have to be solved – because of insufficient legal framework – in the court while the latter is only shaping its procedures.

In order to ease tension between owners and tenants, legal guarantees must be fixed so that tenants who have fulfilled their contractual obligations could rely on their possibility to renew the contract.

The law of privatisation entitled municipal governments to the right to fix the living space that will not be privatised as it is planned to be demolished, reconstructed, rented or used in some other way. This article in the law enabled local government to keep some of the rented area. At the same time it has to be said that the cost of the housing program mentioned above would surpass billion ECUs which is approximately the yearly budget of Estonia.

There is no hope, however, that families forced into the situation against their own will would manage to come out of it independently.

Limited Credit Possibilities

Mass purchase of residence for future income is also unrealistic. This is clear from the evidence of first year activities of the residential fund set up by the Estonian Government. In 1995-1996 its total capacity was ca 1 million ECUs. Negotiations with the World Bank and Estonian banks enable to increase it to 15-16 million ECUs at most. These credit possibilities mean in fact just that the tens of families entitled to loans will be increased to a few hundreds.

Moreover, there are but a few who can afford taking a residential loan in near future. Proceeding from the costs of building at the moment, a 20 year loan would mean monthly payback in the value of ca 5,000 kroons, in addition the apartment needs decoration, furniture, it has to be maintained. The average monthly salary in Estonia in recent months, at that, has been 2,500 kroons (170 ECUs).

Improvements in living conditions have to be related to energy saving principles for investments in energy saving would enable to decrease gradually the expenditure on abode as the cost of energy is constantly increasing.

Those families that have newly turned from tenants into owners find themselves in analogous situation. Especially these living in blocks of flats erected during the period of Soviet mass building. For the planned period of reasonable use of those houses has come to its end or is nearing it. As housing was state subsidised, big repairs in these blocks have been left undone for years. So in 1992, the year preceding the housing reform, big repairs were initiated on 86.9 thousand square meters only which constitutes 0.37 per cent of the residential fund; completion of all the necessary repairs in the residential fund would take 300 years. This undone work is the heritage co-operatives have to start with. The investments required are of approximately the same scale that would be needed to obtain a new residence. Postponing extensive repairs leads sooner or later to the need to buy a new residence after the one privatised has exhausted all its possibilities. Thus, the former residential areas with mass buildings will turn one day into slums or ghettos.

The analysis proceeding from general technical parameters would place Estonian residential qualities approximately three years behind those of their neighbours in Western Europe; the situation after the first stage of housing reform indicated to the tendency to widen the gap even more.

Priorities in International Co-operation and Foreign Aid

The experts of the Union of Estonian Cities think the co-operation of Estonian and foreign institutions has to concentrate on the following spheres:

Methodological and organisational help in launching the co-operatives and arranging their work in managing privatised residential fund.

Methodological and technical help in increasing the efficiency of the residential fund which would enable to decrease its exploitation costs.

Methodological and technical-organisational help aimed at regulating the relationship between the owners of the residence and companies offering public services.

Know-how and technical help to structures of consumer rights.

Elaborating long term strategies aimed at avoiding the total dilapidation of Soviet industrial districts and settlements as well as districts of high rising blocks of flats of mass architecture and their degradation into asocial environment.

Establishing credit system favouring building or modernisation of private residence and finding corresponding financial resources.

Founding, maintenance and financing of welfare institutions and care homes, introduction of corresponding know-how and its adaptation to Estonian society.

Modernisation of social security structures, introduction of modern methods and means in the field.

Stimulating investors in housing and public services as well as those whose entrepreneurship improves partially housing situation and the related spheres of economy.

Developing the fiscal decentralisation program of European Council and World Bank in Estonia.

Introducing the know-how of city planning and physical planning to Estonia.

Elaborating and financing programs related to infrastructures determining living conditions (especially those shaping roads and transportation).

Finding projects and technologies best suited for Estonian social and climatic conditions.

PART II

Tallinn - Short Overview

(Based on the materials of Tallinn City Government)

Electoral and Legislative Structure

Tallinn's local government is a democratic elected government, responsible for the governing and well-being of the residents of Tallinn.

The administration of the City is conducted in part by democratically elected residents, the City Council and, within the responsibilities assigned to them, the District Councils and Administrative offices.

The City Council has divided the city into 8 city districts to better serve the people.

The functions, responsibilities and arrangement of Tallinn City Council and Tallinn City Government are determined by the Law on Local Government Arrangement (approved in June 2, 1993), as in case of all other local authorities.

Bodies of local authority of Tallinn:

- City Council - representative body elected by the voters of the City on the grounds of the Law on Elections to the Local Government Council (approved in May 19, 1993);
- City government (acting as) an executive organ formed by the City Council based on the Statute of Tallinn.

The relations between Tallinn's municipal organisation and central and local administrative and court organisations are based also on laws regarding the contracts signed between Tallinn municipal organs and state organisations authorised by the above-said laws.

City Council

City Council is a legal entity consisting of 64 city councillors, who are elected for three years by the residents entitled to vote in accordance with the Law on Elections to the Local Government Council in general, uniform and direct elections. Voting is by secret ballot.

A resident of Tallinn is any person who, according to the Persons Register has a residence in Tallinn.

The number of members on the Council is determined by the complement of the previous Council. The number of members is determined on the basis of the number of inhabitants in the town as on January 1st of the year of elections (over 50 000 inhabitants, minimum 31 council members).

The last election of local government organisations in Tallinn took place in autumn 1993 (it was the first election since Estonia's independence in 1991). During the elections the seats (64) were divided as follow:

- the Coalition Party 18 seats
- Russian Democratic Movement in Estonia 17 seats
- Russian List Revel 10 seats
- Raeklubi 9 seats
- Centrist Party 5 seats
- "Pro Patria" 5 seats

The City Council is independent regarding the resolving of matters belonging to the competency of local authorities and acts only in the interests, and on behalf of the residents.

The City Council also appoints an auditing committee from among its members in order to control the activities of City Government and also the financial activities of the City.

City Government

The City Government acts as collegial executive body of the municipality, and implements the tasks set for Tallinn as a municipal unit and that are set by the regulations of the City Council. It organises the possession, usage, commanding of city property, the activities of enterprises and institutions owned by the City, prepares the city budget, and organises the fulfilment of the budget. These tasks are fulfilled by the passing of City by-laws regarding financial activities and control, and also with the help of the residents.

There are 15 members of the City Government, which consists of the Mayor, 5 Deputy Mayors, 8 City District Elders and the City Secretary.

Mayor of Tallinn is elected by the City Council in accordance with conditions stated in the Law on Local Government Arrangement and the Statute of Tallinn for the term of three years. On the day of election Mayor obtains the credentials for forming the City Government. The City Government and its members (City Secretary excluded) are approved and relieved from office by the City Council.

City Secretary is employed by the Mayor.

Distribution of Public Sector Activities

According to the Law Tallinn City Government has established number of municipal enterprises to provide all services prescribed in the Law.

The City of Tallinn owns 393 municipal enterprises, establishments and funds.

Brief Description of Services Provided by Municipal Enterprises.

1. **Education.**
 - maintaining pre-school institutions for children;
 - maintaining schools, gymnasiums;
 - maintaining hobby schools, music schools, art schools;
 - maintaining sport schools.
2. **Culture.**
 - conducting several cultural activities;
 - maintaining recreation and community centres, libraries, museums, theatre, cinemas;
 - the City of Tallinn runs number of cultural establishments important for the whole republic: Tallinn Song Festival Ground, Tallinn City Concert Hall, Tallinn Botanical Garden, Tallinn Zoo, etc.
3. **Health.**
 - maintaining drug stores, clinics, hospitals.
4. **Social work.**
 - maintaining senior citizen centres and convalescent homes for adults;
 - maintaining children orphanages;
 - maintaining safety and nursing centres;
 - maintaining centres for disabled people.
5. **Sport.**
 - conducting sport activities;
 - maintaining sport buildings.
6. **Housing.**
 - maintaining municipal housing stock;
 - repairing works;
 - abode subsidy for young people.
7. **Public works.**
 - maintaining roads and streets;
 - heating supply;
 - water and sewerage;
 - waste disposal;
 - maintaining parks and other open spaces;
 - maintaining cemeteries;
 - burial services.
8. **Public transport.**
 - maintaining tram, trolleybus and bus transport in Tallinn;
 - arranging traffic in the Old Town.
9. **Other.**
 - civil defence, civil defence fund;
 - research on processes in community;
 - archive services;
 - trading maintenance;
 - funds for City Districts development.

Demographic Characteristics

Population in Tallinn by density, sex and selected age groups 01.01.1995

1. Population 01.01.1995	434 763
Males	200 359
Females	234 404
2. Density (inhabitants per sq.km)	2 747.0
3. By selected age groups	
0-15	86 811
16-60, 55	258 671
61/56 and more	53617
4. Males	
0-15	44 462
16-60	131 054
61 and more*	24 843
5. Females	
0-15	42 349
16-55	127 617
56 and more*	64 438

- Age of retirement: males 61 years, females 56 years.

Educational Level of the City's Resident.

It is possible to present the educational level of the population only on the basis of the last Census in January 12, 1989. Yet changes in the field are slow.

Educational level	Number of residents	Share, %
People in the age of 15 and more	382 208	100,0
who have		
university qualification	68 953	18.0
unfinished university qualification	10 228	2.7
secondary-technical education	83 923	22.0
secondary education	112 342	29.4
compulsory (9 years) education	62 815	16.4
elementary education	38 377	10.0
data not available	5 570	1.5

Level of Employment by Sector.

By Estonians Enterprises Register, Nov. 22, 1995.

Sector by <i>ERTAK</i> (Classification of Activities of Estonian National Economy)	Number of enterprises	Number of employees	Share by the number of employees, %
Agriculture, hunting and forestry	69	1 102	0.47
Fishing	22	2 250	0.96
Mining	3	16	0.00
Manufacturing	1 653	51 292	21.09
Electricity, gas, steam and water supply	25	4 330	1.85
Construction	928	15 008	6.41
Wholesale and retail trade	6 121	40 809	17.43
Hotels and restaurants	394	6 291	2.68
Transport, storage and communications	643	26 937	11.50
Financial intermediation	144	5 038	2.15
Real estate, renting and business activities	2 044	20 624	8.80
Public administration and defence, Compulsory social security	154	28 175	12.03
Education	210	8 334	3.56
Health and social care	181	12 482	5.33
Other community, social and personal service activities	728	11 436	4.88
Extra territorial organisations and bodies	2	3	0.00
TOTAL	13,321	234,127	100.00

Infrastructure

1. Tallinn's housing stock.

Dwelling stock in Tallinn, Jan 01 (square metres)

	1994	1995
I. Total dwelling stock		
useful floor space	9 091 950	9 056 493
living floor space	6 102 743	6 078 943
of which:		
1. State property		
useful floor space	1 387 347	1 292 015
living floor space	878 602	825 971
2. Municipal property		
useful floor space	5 277 679	4 900 131
living floor space	3 647 602	3 492 568

3. Private property*		
useful floor space	962 259	2 864 347
living floor space	655 298	1 760 404
II. Dwelling stock per person		
useful floor space	20	20

*Data about private property is estimated.

Structure of dwelling stock, January 1, 1995:

state property	14%
municipal property	54%
private property	32%

Structure of living rooms in dwellings and non-dwelling houses, January 1, 1995 (private dwelling stock excluded)

	Number of apartments	Useful floor space, m ²	Number of residents	Share by number of apartments
TOTAL	129,926	6,192,146	311,437	100
of which				
1 room and kitchen	34 563	991 734	45 010	26.6
2 rooms and kitchen	53 891	2 412 206	124 288	41.5
3 rooms and kitchen	34 436	2 177 644	114 014	26.5
4 rooms and kitchen	5 776	479 078	22 766	4.4
5 and more rooms and kitchen	1 260	131 484	5 359	1.0
Number of communal flats	3 855	156 595	10 326	3.0

Dwellings by type of convenience (private dwelling stock excluded), January 1, 1995

Type of convenience	Share, %
Useful floor space	100
of which dwellings with:	
piped water	99
sewerage	97
water toilet	97
central heating	84
bath or shower	80
gas	47
hot water supply	71
electric range	41

The majority of today's dwelling stock dates back to the Soviet time (1960-1990) being mainly five to sixteen storey blocks of flats in the suburban areas (Mustamäe, Õismäe, Lasnamäe).

During the last five years the number of houses built has seen decline, making app. 750 flats a year. The change has been brought about by the demographic situation on the one hand (in-migration has yielded to out-migration) and the stratification of inhabitants (poorer and middle class people can not afford building a new flat or house) on the second hand. The less important factors for the decline are: suburbanisation, complicity of Land Reform and its slow progression.

One of the main tasks of the Property Reform is to sell the flats (houses) to the inhabitants or to return the property to its previous owners. Though it is a slow going process, the achievements of the City of Tallinn in the field are considerable.

According to Tallinn Municipal Property Board 74 342 flats previously belonged to the state and municipality had been privatised by 1 November 1995.

The Territory of Tallinn and the Use of Land

The total area of Tallinn is 15 824,3 ha.

From Oct. 1 1993 Tallinn is re-divided into 8 townquarters. Their territory is (by the opinion of specialists of Tallinn City Planning Board):

Haabersti	1 860 ha	(11,8%)
Kesklinn	2 800 ha	(17,7%)
Kristiine	940 ha	(5,9%)
Lasnamäe	3 000 ha	(19,0%)
Mustamäe	800 ha	(5,1%)
Nõmme	2 800 ha	(17,7%)
Pirita	1 870 ha	(11,8%)
Põhja-Tallinn	1 730 ha	(10,9%)

The island of Aegna (290 ha) and two lakes, Harku (160 ha) and Ülemiste (960 ha) also belong to the town limits of Tallinn.

The land use situation in Tallinn is presented in the following table and map.

The use of land in Tallinn (hectares)

Category	Hectares
Built up territories	5.147
Industrial territories	1.580
Total areas of streets and other transport systems	608
Public use territories (stadiums sports fields, cultural facilities, etc.)	320
Forests, parks and other green areas	4.586
Reserved and unused territories	3.583
All territories in the city limits	15.824

6. Institutions of social infrastructure in Tallinn
(at the end of 1994)

	Total	of which run by the City of Tallinn
1. Pre-school institutions (01.10.1995)	134	134
number of children	17 336	17 336
2. Schools (01.10.1995)	103	38
number of pupils		60 030
3. Higher educational institutions	13	
number of students	14 178	
3. Vocational education institutions	26	
number of students	11 638	
4. Health institutions	119	23
hospitals	20	12
clinics		7
other	99	3
5. Homes for adults	3	2
6. Centres for senior people	4	4
7. Safety and nursing centres	2	2
8. Centres for disabled people	2	2
9. Children orphanages	5	5
10. Hobby schools for youth	9	5
11. Sport schools	18	8
12. Music and art schools	3	3

... data is not available

- magnitude nil

The City of Tallinn also runs cultural centres important for the republic:

- Tallinn Botanical Garden
- Tallinn City Concert Hall
- Tallinn Zoo
- Song Festival Ground, etc.

Indicators Of Economic Activity

Indices of construction spending.

Investments in fixed assets and cost of completed buildings, repair cost
excluded

(contract prices, million kroons)

		Total	of which buildings	%	Cost of completed buildings
1993	Tallinn	1 717.2	550.8	32.1	
	Estonia	3 432.7	1 406.6	41.0	
1994	Tallinn	2 415.3	1 037.7	43.0	
	Estonia	5 552.8	2 533.2	45.6	

Construction by own forces of construction enterprises
(contract prices, million kroons)

	1992	%	1993	%	1994	%	1995 9 months	%
Tallinn	395.0	35.6	792.9	41.6	1436.0	46.4
Estonia	1109.0	100.0	1906.4	100.0	3097.5	100.0	2801.1	100.0



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