 Poverty, Social assistance and Social inclusion – developments in Estonia and Latvia

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Social Indicators between Research and Policy-making in Estonia:

Unemployment Insurance Scheme

Fafo

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Fafo's preface

This publication is one of a series of reports, working papers and student contributions from the project "Poverty, social assistance and social inclusion – developments in Estonia and Latvia".

The project is carried through in cooperation between Tartu University in Estonia, University of Latvia and Fafo in Norway. The Research Council of Norway has funded the project.

The cooperation between Fafo and Baltic research institutions dates back to the late 1980s and Tartu University has been a main partner since the early 1990s. The University of Latvia joined the cooperation in 2003. This cooperation has contained living conditions studies in 1994 and 1999 as well as studies of social policy developments. The current project started in 2003. Reports and papers from previous cooperation projects can be found on www.fafo.no.

The project contains 4 main issues:

- Poverty trends and structures of social exclusion
- Policy responses – understandings of poverty alleviation and social inclusion
- Social practice – the implementation and impact of policies
- Policy learning and possibilities for policy transfer

These four questions demand a multifaceted approach to methods and reporting, and are examined by a group of researchers in three countries. Consequently the reporting will be diverse and we try to let the reporting present the diversity of the project.

The project will be concluded in a seminar in Latvia in spring 2006. During the three years of research we have produced reports on poverty and social policy in Estonia and Latvia as well as comparative analyses containing also Norwegian perspectives. This paper is one of several contributions on the way.

I want to thank the whole team of researchers and student from the three countries that have been engaged in the work. The main contributors have been Dagmar Kutsar, Avo Trumm, Riina Kiik and Jüri Kõre from Estonia; Feliciana Rajevska, Linda Ziverte, Ilze Trapenciere and Zana Loza from Latvia; Tone Fløtten, Aadne Aasland and Liv Tørres from Norway.

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Arne Grønningsæter (project leader)

Introduction

Estonia and Latvia joined the European Union on the 1st of May 2004, during the fourth wave of enlargement of the EU. The current situation signals a new political era, but also changed priorities and identities internally in these countries. Surveys conducted by Fafo and local partners document that the transition from a post-socialist country towards the membership of the EU has been accompanied by substantial human costs in the form of unemployment, poverty and social exclusion.[1]

While EU membership will require an assimilation of social aims and following the principles of the European social model, the choice of tools and instruments will remain in national hands. European countries differ in the choice of public and social policies in terms of preventive and protective versus reactive and proactive measures; universalistic versus targeted benefits; emphasis on social assistance versus social insurance and services. Any law passed is an outcome of policy decision-making, at the same time it is the output to a policy cycle – from the definition of a problem to the evaluation of policy and the creation of new agendas for further policy designs. How is this cycle functioning in one of the countries of observation – Estonia? What policy actors are involved in this process, stage by stage? And what are the internal and external pressures impacting this process? Last but not least, the authors of the current article are interested in looking further at policy cycles from the comparative perspective where using harmonised social statistics and social indicators serve general bases for making international comparisons. Proceeding from this, we are interested in looking at social indicators – whether they are applied in a policy-making process, and if so, how.

In order to start a discussion about the role of social indicators in the policy-making process we referred to the case study. As the case study material, we have chosen the development of the unemployment insurance scheme in Estonia. *Riigikogu* (Parliament of the Republic of Estonia) approved the Unemployment Insurance Act (RT I 2001, 59, 259) in June 2001. Before that, there was no centralised state unemployment insurance system. The decision-making on the implementation of the unemployment insurance could be considered as an appropriate case for analysis. Different interest groups participated in the negotiations concerning the correspondent Act. The administration of the scheme is also a subject for negotiations and collective decisions between state, employees and employers. The analysis of the decision-making process follows the logics of the Policy Cycle. The use of different indicators is considered in the context of each policy-making stage, so that as a result it is possible to get a general picture of the role of social indicators, social statistics and other arguments in the decision-making. Of course, the decision-making in Estonia is influenced by different factors and peculiarities of our administrative and political systems. The most significant is the size of the country; Estonia is a “small state” with all the consequences deriving from this fact. The imaginary model presented in the present work is based on the theoretical literature which examines the situations in the larger democratic states (such as the USA, Germany, Sweden etc[2]). We suppose that decision-making in Estonia differs a lot from the decision-making processes in the above-named countries.

Proceeding from the aims framing the current article, the Unemployment Insurance Scheme was chosen as the case for the following additional reasons: (1) Estonian and Latvian public and social policy have been biased to the reactive and universalistic pole during the last decade and this particular scheme represents a different political approach; (2) unemployment is a problem in both of the project countries under observation; (3) exclusion from the labor market is the main single cause of living in poverty and as a rule, the launching event of being socially excluded; (4) the knowledge-based policy-making process is only now getting attention among the policy actors in these countries thus social indicators may receive unexpectedly low attention in the policy cycle.

The analysis is based on official documents (verbatim records of Parliament and its commissions; an explanatory letter attached to the law), semi-structured in-depth interviews with policy actors (seven respondents) and information gained from the most prominent daily newspapers *Postimees* and *Eesti Päevaleht* serving as the source for understanding the context of the policy decision-making process.

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[1] See: the Norbalt living conditions surveys, conducted in all the three Baltic States in 1994 and 1999 (http://www.fafo.no/norbalt/)

[2] Veenhoven (2001); Verwayen (1984); Atkinson., Cantillon, Marlier and Nolan (2002) ; Neufville (1975) and others.

Methodology of social indicators
Historical overview

In the governmental structures, when dealing with decision-making in the sphere of social policy it is difficult to find a structure without a social statistics department or division. Since the middle of the 19th century, almost all present-day democracies and all international organisations have collected social statistics (Cobb and Rixford, 1998). Social statistics are prepared by politicians and researchers, as well as by practitioners of different occupational spheres. The collection, interpretation and publishing of the reports are resource-demanding activities for almost all countries in the world and some of the international organisations (UN, OECD, World Bank, EU). There are plenty of books and social statistics reports issued every year in Estonia. Complicated and ramified structures have been created in order to collect and interpret data (e.g. EUROSTAT). The development and research of social indicators is one of the most important components in the business of social statistics.

In 1984 Henri Verwayen tried in his article to find an answer to the question whether the consumption of all resources applied in the development of system of social indicators is justified or whether it is just a "well-established business, nationally and internationally, publicly and privately" (Verwayen 1984:2). The question stated by Verwayen 20 years ago is also significant nowadays. The answer to the challenging question of Verwayen requires a clear understanding of the nature of social indicators, aims, objectives and mechanisms of their "actual and potential" use by different target groups. Generally, it is believed that social indicators are intended to reflect the social developments and to achieve "better focusing and enlightening public discussion and governmental decision-making" (Verwayen 1984:2). Similar aims are stated in the forewords of the books issued by well-known organisations that deal with social statistics (Statistical Yearbook 1999 by UNESCO; Social Trends 1998 by the Statistical Office of Estonia; Cooperative Enterprise in the Health and Social Care Sectors: a Global Survey and Reports on the World Social Situation 2001 by the United Nations etc). This is also the main reason for the creation of the common European system of social indicators.

Since 1993[3], for more than ten years the Estonian Ministry of Social Affairs and other governmental and municipal organisations have been dealing with the reformation of the system of social policy to integrate and adjust to the joint European social, economic and political area. Reforms have affected almost all spheres of social life, starting from medical care, labor market policies and social security schemes. In the political discussions, different arguments have been used, including those based on social statistics and indicators. What is the actual role of social indicators in the policy-making process during the stages of preparation, assessment and implementation of political decisions? On what stages of policy-making process could indicators successfully intervene? Has the implementation of social indicators been optimal, "whether the governmental actions are effective in altering social outcomes" (Society at a Glance: OECD Social Indicators 2001:9)? If not, what could be done in order to integrate social indicators more into the process of decision-making on the level of governmental structures? The answers to these questions could have a positive impact on the process of joining the harmonised European system of social indicators, which is one of the vital issues in the EUROSTAT and the social policy agenda of the EU.

Elaboration of social indicators in the 19th - beginning of the 20th century

The first social indicators were elaborated in Belgium, France, United States and England at the beginning of the 19th century. The first known case of indicators´ use was fixed in Philadelphia (USA) during the prison reform, when the reformers illustrated their proposals by statistical tables (Cohen, 1982:170, cited in Cobb and Rixford, 1998:5). The role of the indicators was to show the need for reform of the system of prisons. "Labour statistics were among the first social statistics gathered on an official basis". The interest in labour statistics was associated with economic development. During this period it

[3] The year when the Ministry of Social Affairs was established in Estonia, as a result of the merger of three different Ministries responsible for labor, health, and social welfare.

was possible to distinguish two approaches to the collection of labour statistics: "partisan approach", which makes it possible to improve the working conditions by using statistics for demonstration of working and living conditions, and "impartial and objective approach", which avoided theorising (it could be called "statistics for statistics") (Cobb and Rixford, 1998:6). Cobb and Rixford distinguish two more periods in the development of social indicators before World War II: "an early community indicators movement" from the beginning of the 20th century until 1920s and a period before World War II (1920s – 1930s). During the period of early community indicators, movement collection of statistical data started to be institutionalised and associated with some existing organisation (e.g. Russell Sage Foundation in the USA). The next period was characterised by an interest in economic indicators sought as systems to predict economic downturns. At that time, the most famous indicator GDP was invented and put to use. (op. cit.)

Social indicators after the World War II

Active development and scientific research of social statistics and indicators started after World War II, when almost all world governments had taken active role in societal matters. "The successful GDP concept demanded a social counterpart to monitor the social consequences of modernisation and economic change" (Vogel, 2001:4). Economic indicators served as a model for social indicators. The problem lies in the fact that social theory was not as developed as economic theory and that there were no institutions dealing with social analysis, planning and control (Neufville, 1975).

Extensive literature on social indicators was published during the 1960s, which is known as a "starting period of the modern social indicators´ movement" (in 1966 Bauer´s "Social Indicators" was published). A number of regular reports, magazines (e.g. "Social Indicators Newsletter", "Social Indicators Research") have been published since this period. Several articles and books appeared in various countries of the world (Verwayen, 1984). As a result of such attention towards measuring the processes taking place in social reality three main directions had developed: *a system of social indicators, general social surveys* (data collection systems), and *routine social reporting* (Vogel, 2001:4). General social surveys were used as "early warning systems" in order to make policy-makers aware of emerging problematic situations (Vogel, 1994). All these approaches have been successfully employed until the present. During that period "the first general household surveys or welfare surveys, were carried out in the United States and in Sweden" (Level-of-Living-Study of 1998 in Sweden and Quality of American Life of 1971 in the USA) (Zapf, 2002:5). According to Zapf, already in the early 1970s, there were two quite ambitious goals set for social indicators: firstly, setting of societal goals and priorities, and secondly, evaluation of social policy programs. These goals were advocated by the direction of social policy, which was guided by a widespread concept of "intervention of a state in bringing about changes into society" (Fassmann, 1995:84). Social indicators have been used mainly for the analysis of social performance, quality of life, social changes, levels of living, and general welfare (Taylor, 1980).

Recent developments and influence of European integration on the social indicators' approach

European unification added a new aim to those declared during the previous period, and caused a new rise in social indicators research in Europe, caused by "efforts to monitor and systematically describe and analyse the current state of and changes in living conditions and the quality of life" (Berger-Schmitt and Noll, 2000:6) in different countries of the European Union.

At the end of 1990s and the beginning of the XXI century, the process of European integration stimulated the development of national systems of social indicators (not only in the old EU member states but also in the new ones, as well as in the current applicant countries). Reports and analysis presented by the new states were also based on social indicators and social statistics. New impetus to the development has been given by the Maastricht Treaty (signed in 1997), which states the improvement of living conditions and the quality of life as a new priority for the EU. Social reporting (European System of Social Indicators) started to be a part of the general European project called EU Reporting. At the present stage the development of a conceptual framework and selection of measurement dimensions and indicators are taking place. Because of theoretical and empirical research carried out in this sphere, the goal dimensions of the welfare development in Europe are being identified (Berger-Schmitt and Noll, 2000). The starting point of the time series for the European System of Social Indicators is planned to be the beginning of the 1980s. Before this period, there were not enough serviceable figures to cover all the countries of the EU and the topics vital for today (op. cit.). Since the 1990s, social indicators served as a basis for comparison, contributing to the evaluation of the "quality of life" in a particular country in respect to the other EU states (Vogel, 1994; Kutsar, 2000).

Definitions, roles and functions of social indicators

An indicator, in general, refers to a set of statistics that can serve as a proxy or metaphor for phenomena that are not directly measurable. The term "social indicator" is often used less precisely to mean any data pertaining to social conditions (Cobb and Rixford, 1998). "Indicators are telltales; they tell us something about underlying conditions or processes and about their changes" (Taylor, 1980:11).

In order to understand the possible use of social indicators, we should keep in mind that almost all measurements (especially subjective, qualitative indicators) are "proxies – indirect measures of true conditions we would like to judge" (Cobb, 2000: 5). Cobb compares social indicators, which aim to measure the quality of life or welfare, with Plato's cave metaphor, when a person can see only the shadows on the back of the cave, and never can get direct access to the truth.

Referring to Karl W. Deutsch, cited by Taylor (1980:11), no single indicator could be trusted. "Indicators derive most of their meaning from the indicators system within which they are used" (Taylor, 1980:11). Social indicators are part of social statistics, "which, however, differ from normal statistics by several characteristics: they should refer to individual welfare and not to bureaucratic activities; they should inform about change, i.e., they should be presented as time series; they should be formulated within a theoretical context" (Zapf, 2002:6). Very often statistical units of social indicators by Vogel (1994) are "individuals and households, aggregated into groups".

Social indicators are usually aggregated into social reports. OECD was of the first international organisations to create its system of social reporting (in 1974) and started to issue reviews and reports on social situations in the OECD countries. OECD has also contributed to the grouping of social indicators according to more specific concerns: personal health and safety; personal development and intellectual and cultural enrichment through learning; occupational development and satisfaction; time and leisure; command over goods and services; the physical environment; the social environment; the political environment (Zapf, 2002:6).

It is possible to distinguish different target groups – "consumers" of the social indicators. Almost all international and local organisations dealing with the collection, interpretation and dissemination of social statistics, name the researchers and policy makers as the main target groups for statistical publications (UNESCO, OECD, Statistical Office of Estonia etc). A broader spectre of statistics consumers includes statisticians, governments, international organisations, researchers, enterprises, employers and investors.

Obviously each target group has its own aims in the use of social statistics, which in its turn determines the functions of social indicators. Jürgen Friedrichs (1995:75) distinguishes three main functions of a social indicator:

- methodological (a social indicator links theories to empirical research);
- practical (a social indicator measures the extent of concrete social process or condition in a given spatial unit, and reflects various dimensions of social life);
- political (a social indicator responds to the demand of social policy, which requires a unified system of concepts and indicators, so that a consensus among the policy-makers can be achieved).

The reasons for collecting data in the political sphere are to create a basis for decision-making, to try to evaluate the success of the past policies and to help formulate policy and to make projections into the future under alternative assumptions (Taylor, 1980).

Some of the international organisations dealing with the collection of social statistics, are quite ambitious about the roles and functions of the material they propose to their readers. For the purpose of the present paper, we have chosen a theoretical model presented by OECD. Society at a Glance: OECD Social Indicators 2001 (OECD, 2001:9) proclaims that there are two possible tasks of the social statistics: firstly, it can serve as a reflection of various dimensions of social life; secondly, a social indicator is a tool for comparison of "the changes in social outcomes within the extent of social policies". Social indicators can be used to assess "how the broad thrust of policy addresses important social issues". The indicators can serve as an impact, as incitement for inclusion of certain problematic questions into the political agenda.

Qualitative and Quantitative approaches to social indicators

A qualitative approach to social indicators research presumes the interpretative worldview (Daymon and Holloway, 2002). Typically, qualitative research uses purposeful sampling and semi-structured or interactive interviews. Data collected with the help of qualitative methods are mainly relating to people's judgements, attitudes, preferences and perceptions and answers to the question "why?" (Carvalho and White, 1997:1) The classical qualitative interview deals with four major blocks of information: background, behaviour/experience, knowledge and opinion/value (Patton, 1990). For instance, an interview can concentrate on each respondent's sphere of interests and understanding of the problem, it is not standardised and it is used mostly during the process of formulation of hypothesis or in pilot research works (Daymon and Holloway, 2002).

A quantitative approach in contrast uses random sampling and structured interviews. Data collected by means of quantitative research methods is mainly quantifiable, for its analysis statistical techniques are used (Carvalho and White, 1997). Most of the social statistics data presented in the volumes of reports found on the bookshelves is of quantitative nature (poverty rates, GDP, literacy rates, access to basic social services, incomes, consumption etc). Quantitative surveys are of regional or national coverage, usually long-term and expensive.

Generally, the quantitative approach is used in policy formulation, as one which allows simulation of the effects of different policy options on target population. At the same time the quantitative approach can lead to missing what is not easily quantifiable (tendencies, opinions, experiences etc). Qualitative approach could be also used for policy formulation as an approach that allows explaining causal processes between variables and providing flexibility in research of new issues (op.cit.).

It is also possible to apply integrated methodologies, mixing them on different stages of decision-making. "Policy recommendations based on both quantitative and qualitative information as opposed to those based on only one of these two types of information will have obviously merit" (Carvalho and White, 1997:23).

Objective and subjective approaches to social indicators

There is a long-standing controversy in social indicators research between the 'objective' and the 'subjective' approaches. In the objective approach, the focus is on measuring 'hard' facts (often similar to the data measured by quantitative instruments). Objective research is performed by an external observer, using explicit criteria. A subjective approach is used to deal with "soft" matters, commonly analysed by means of qualitative tools (satisfaction, opinions, attitudes, values etc). Subjective research is carried out by an internal observer. The most famous and widespread subjective research is conducted in the sphere of subjective poverty research, quality of life research and happiness research. The subjective method uses implicit criteria and is highly value-laden.

"Defenders of the objective approach hold that social indicators serve to guide social policy and that social policy makers need information about (1) the actual state of social problems, and (2) the effects of attempts to solve these problems. This information should be of an indisputable nature, in other words 'objectively true', and this scientific truth should enable rational social engineering (economic analysis, demographical events – births, marriages, deaths, etc, objective indicators in welfare research). In this view, subjective indicators will distort the technocratic policy process and will give a voice to the irrationalities that have always hampered scientific management" (Veenhoven, 2001:3).

As in the case of qualitative and quantitative information, subjective and objective approaches could be combined in the policy formulation process in order to give a more precise picture. For micro-scale decision-making (for individual cases or procedural decisions) more subjective information may be used (decisions are taken on the basis of the experience and opinion of individual experts or as a result of interviews with representatives of the interest groups).

Typology of social indicators

Atkinson, Cantillon, Marlier and Nolan (2002:19-37) in their report mention different types of classifications of social indicators: individual vs household, static vs dynamic, stock and flow indicators, distinction between levels and changes indicators, multi-dimensional indicators, subjective and objective indicators, and territorial indicators. In addition to this classification, indicators could be distinguished, according to the way of collection and presentation of information, as qualitative and quantitative indicators, and as subjective and objective.

For the development of social indicators OECD (Society at a Glance: OECD Social Indicators 2001:10) we have borrowed the idea of using a "Pressure-State-Response" model, which could be useful for an understanding of the role and the kind of social indicators used in political decision-making.

The "pressure" type of indicators show certain negative societal changes or results of social events that can lead to some changes in the society. For example because of a social catastrophe in the neighbouring state, the number of asylum seekers may increase. In that case, the number of asylum seekers is considered as "pressure" type of indicators, which can play the role of impetus or signal for policy-makers.

"Social state" indicators show concrete changes that took place in the society because of the emergence of "pressure" type indicators. For example, large numbers of migrants could provoke poverty or unemployment. The role of the indicators could be defined as one that shows the consequences of interaction between the "pressure" type of indicators and political measures taken to overcome a difficult situation (societal/political response type of indicators).

"Societal/ political response" indicators measure the level of intervention in unfavourable situations or actions of the government (e.g. level of unemployment benefits, number of hospital beds etc).

This scheme shows that social indicators are of crucial importance for policy-making, policy assessment and evaluation. In addition to domestic policy-making social indicators could serve as tools for a comparison of the results of social policy between different countries. They can show, the effectiveness of the "response" measures and societal resources directed to cope with the "pressures".

The main objective for the development of the European System of Social Indicators is to provide a framework within which Member States can develop their social and labour policy and embody "the EU idea of social cohesion" (Atkinson et al., 2002). Social indicators are seen to be a "key instrument for defining and monitoring policies" involving not only national governments but also local and regional communities, social partners, NGOs, and individual citizens along with representatives of the socially excluded groups (op.cit.).

Uses of social indicators in the policy-making process

The users of social indicators

The field of public policy is a highly complicated and weakly defined issue in political and public administration sciences. There are lots of researchers who have tried to define public policy-making, segmenting it into stages, describing the participants in the public decision-making process, or the motives of policy-making (Wright and Nemec, 2003).

As a working concept for the present paper we choose the definition and classical theory developed by Anderson (1994), according to which public policy-making is a complex process of political decision-making, resulting in the formulation of the state legislation or state action plan for the regulation of a concrete sphere of public policy or for dealing with a public problem.[4] The relevant issue to the selection

[4] For more definitions see: Wright and Nemec (eds) (2003), Peters (1986).

of the subject of an analysis is that “public policy is action implemented by the government body which has the legislative, political and financial authority to do so” (Young and Quinn, 2002:5). The decision of the government body to do nothing is also considered to be a public policy decision (Heidenheimer, Heclo and Adams, 1995). Public policy actors are diverse and could include different interest groups (non-governmental and community groups), stakeholders, governmental agencies, policy advisers and think tanks (Young and Quinn, 2002). Each of these groups has its own relation to the government body, responsible for taking a decision in a specific area.

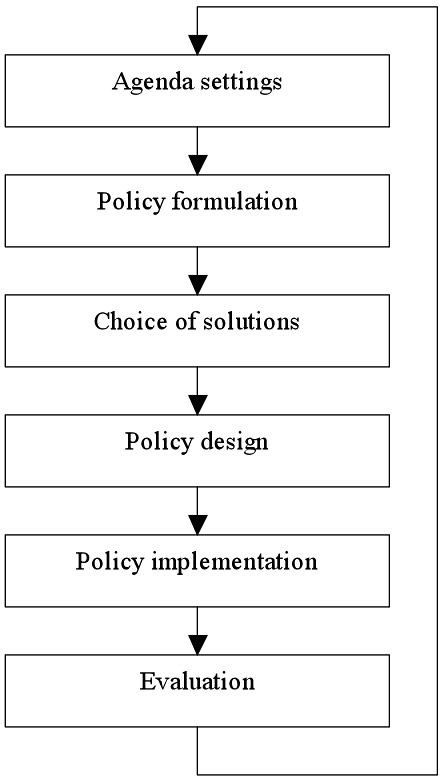

Figure 1. Stages of policy cycle (Anderson, 1994; Dye, 1978; Young & Quinn, 2002 and others).

The issue of social indicators in the policy-making process could be as complicated as policy-making itself. It could be assumed that different kinds of social indicators (objective, subjective, qualitative and quantitative) could be implemented by different public policy actors. Non-governmental organisations or community groups could tend to use more subjective and qualitative data as arguments for their positions. Large think tanks and policy analysts could probably refer to social statistics, quantitative and objective methods of analysis that depict general trends. International organisations and global agencies (such as UN, the World Bank and OECD) have their own aims in the policy-making process, which take the shape of reports, policy prescriptions and reviews (Simpura, 1995). Social indicators are possibly used as argumentats for policy prescriptions.

In order to summarise and streamline the analysis of the possible role of social indicators in the decision-making process, we refer to the classical representation of policy-making process as six different stages organised into a cycle or spiral – policy cycle[5] (figure 1).

[5] The policy cycle model is described by Anderson (1994), Wright and Nemec (eds) (2003), Dye (1978), Young and Quinn (2002) and others.

Role of social indicators at different stages of the policy cycle

Stage 1: Problem definition/Agenda setting. At the first stage in the policy cycle – the problem of definition/agenda setting – the problem is usually being identified by a particular group in society (Young and Quinn, 2002). It is the focal point for starting the political discussion. It could be assumed that the role of social indicators at a stage of problem definition and agenda setting is significant. Usually in order to convince the government body that the problematic issue or tendency exists, it is important to present "persuasive and comprehensive arguments, which details the causes, effects and extent of the problem on a wide variety of sources". The emphasis at this stage is made on "identification of social concern" on making impact, or incitement on the policy-making process (Verwayen, 1984:7). The social indicators in use are of "pressure" or "state" nature. Verwayen assumes that the decision-making may be triggered by a "specific piece of hard information".

Stage 2: Constructing the policy alternatives/Policy formulation. The second stage is constructing the policy alternatives/policy formulation. The result of the second stage is formulation of policy options (Young and Quinn, 2002). At this stage the use of indicators could be important for the evaluation of the existing measures by means of a combination between "state" and "response" types of indicators. Indicators could be of different nature (both subjective and objective), depending on the public policy actor lobbying one or another solution.

Stage 3: Selection of preferred policy options. This is the choice of solutions/selection of the preferred policy option. All the policy options are evaluated on the basis of a set of criteria, which allows choosing the suitable alternative. It is recommended by the theoreticians of Public Administration and Public Policy to attempt to justify one policy choice as superior to others using economics or rational choice theories, which are useful for assessing the risks of certain outcomes and predicting likely social costs and benefits of various alternatives (Peters, 1986). At this stage, the government body responsible for decision-making should carefully examine the definition of one or another indicator used in the alternative proposals.

Stage 4: Policy design. On the fourth level – policy design the decision on the most effective implementation of public policy is made. In order to implement the policy a policy instrument mix and a delivery organisation mix are chosen.

Stage 5: Policy implementation and monitoring. The next level is policy implementation according to the policy design and monitoring. The policy implementation and the monitoring stage require specific social indicators for taking correct micro-level decisions in the framework of a general political aim (Verwayen, 1984). One of the examples of such decisions is differentiated allocation of resources between schools/ social welfare organisations or clients, when decision about the amount of resources is taken annually based on recent social statistics (e.g. number of pupils or persons in need). Generally, in order to make the decision as justifiable as possible, objective and quantitative "state" or "pressure" type indicators could possibly be applied (Ross, 1983).

Stage 6: Policy evaluation. On the last stage of the policy cycle – evaluation – the government body decides upon the effectiveness of public policy and prepares the basis for future decision-making. The process of evaluation consists in examining the public policy in practice and an analysis of the outcomes (how they fit with objectives) (Young and Quinn, 2002). The situation before policy implementation should be compared with the results of the political decision. Specific (but fulfilling all three OECD roles: "pressure – state – response") social indicators are important for evaluation and monitoring of concrete outcomes planned.

The study

Introduction to the case

Summarising different theoretical approaches – policy cycle model (figure 1), classification of indicators as subjective, objective, qualitative and quantitative (Atkinsons et al, 2002), OECD model (Society at a

Glance: OECD Social Indicators, 2001) and theses introduced in this paper, we constructed a scheme, an imaginary model of uses of social indicators in policy cycle, which could serve as a framework for the following study.

Table 1. Imaginary model of uses of social indicators in policy cycle

Stages of policy cycle	Types of indicators	Users of indicators	Roles of indicators
Problem definition	Both subjective and objective	NGOs, interest groups, public sector organisations etc.	Indicative, illustrative, attract attention of the public, enlightening function, "state" type indicators
Policy formulation	Mainly objective, qualitative and quantitative	Public sector organizations, social partners involved in the process of decision-making	Analysing, assessing, concentrating on forecast of policy outcomes, allocation of resources; all types of roles
Choice of a solution	Mainly objective, quantitative (in "small societies": qualitative, subjective, based on personal experience)	Public sector organisations	The role of an indicator is to calculate possible costs of every solution ("response") and balance it with "pressure" and "state" indicators in order to get the most functional solution
Policy design		Public sector organisations: inter-organisational decision-making	Influence of a particular piece of information is difficult to trace
Implementation and monitoring	Objective, quantitative, specific (in "small societies": subjective, qualitative, based on personal experience)	Public sector organisations and organisations involved in the process of implementation	"Pressure" and "state" types of indicators, aimed to justify allocation of resources between policy subjects
Evaluation	Both subjective and objective, qualitative and quantitative	Public sector organisation, NGOs, interest groups etc.	Specific indicators intend to evaluate concrete decisions. All three kinds of indicators ("pressure", "state" and "response") are used by non-governmental policy actors for general evaluation and further policy planning

The current framework could be called an imaginary (or "ideal") model of uses of social indicators in the policy cycle. The roles and types of indicators could vary from case to case and depend on the structural and cultural peculiarities of the analysed organisation. "The use, non-use and misuse of what are thought to be relevant information is governed by a complex set of relations which renders a simple input-output proposition untenable" (Verwayen, 1984:20). Deflections from the "ideal" model are possible due to the eroded borders and interactivity of the stages of policy cycle and due to the peculiarities of the public policy decision-making models in use, e.g. demography, incrementalism, rational choice theory, collective choice theory etc. (Peters, 1986).

Very often the use of indicators at the stage of policy design in the policy cycle is difficult to trace because of an abundance of interrelations between both subjective or objective pieces of information, intercommunications between interest groups, and other factors. At the "macro-level" of decision-making (on important policy issues) "the final policy decision is likely to depend upon an appraisal of scientific (hard) and extra-scientific (soft) knowledge from a variety of sources" (Caplan, 1981:12-13, cited in Verwayen, 1984:20).

Judith Innes de Neufville (1975) summarises the main principle of the use of indicators in the decision-making process. In her opinion, social indicators are the most useful if they are chosen and designed deliberately and based on the best concepts and theories existing on the social processes under evaluation. The indicators should be designed and used in interaction with the interests and views of the participants in planning. The role of social scientists should also be significant in order to interpret the data according to the social theories. The implementation of the ideal situation described by Neufville and the application of the imaginary model presented above require the existence of concrete settings in the administrative and political system of the state.

The peculiarity of Estonian political system could lie in its "smallness". Estonia is considered as a "small state" or "small society", though our administrative system is rooted in and closely connected to the Western administrative practices. "Compared with the governments of larger nations, those of small states have to deal with qualitatively less heterogeneous societies" (Kersell, 1992: 290). In the political system, persons are more important, policy process is personalised. Both in political and administrative systems the development and decisions are often not related to social and economic planning (Kersell, 1992). Anonymity and impersonality are impossible (Benedict, 1966). The difference between theory and reality in decision-making is significant. In a small state, it is almost impossible to guarantee the "rationality" of the state and political decision-making. Social statistics and indicators are rational arguments. Their design and institutionalisation require not only human but also financial resources, which usually are insufficient in a small society. At the same time, there are a number of positive features, which also influence the decision-making. Both politicians and senior administrators have more direct contacts with the man in the street. Because of that, they are able to operate with qualitative data and the principal decisions taken are based on personal experience (Sutton, 1987). The features of a small state decision-making are relevant to the present analysis and should be taken into consideration during the evaluation of the results.

One of the aims of the present study is to investigate the use of social indicators in the social-political decision-making in Estonia, to check to which extent the imaginary model presented in table 1 works in the Estonian context of policy-making and to formulate the main peculiarities of the application of social indicators in the decision-making process. For that purpose it is important to observe what indicators are mostly used (from those listed in table 1), what forms the basis for decision-making, who are the main actors of the decision-making process and what are their main arguments in the negotiations on the social-political issue.

The study of the roles and types of social indicators applied during the process of political decision-making has a number of specific features, which determine the methodological approach to research. First, there is no reliable research data on the topic to start with (whether quantitative and qualitative by nature). In order to understand the details of the policy-making process it is essential not only to gather all possible descriptive information (what kind of indicators have been used, on what stages of policy-making cycle, what is the general nature of policy-making in Estonia), but also to find out the reasons for the decisions taken (how do decision-makers argue the choice of one or another indicator) and the nature of interconnections between the actors on different stages. Secondly, the topic is new (at least for Estonia) and there is a possibility that some interesting views may emerge during the research process. It is important to be flexible enough and explore the new circumstances. For the above-mentioned reasons, we used qualitative research approach and case study as a method of analysis, all in the framework of the following study (table 1).

We draw the case of a policy-cycle from the practice of the Ministry of Social Affairs. The elaboration and implementation of the Unemployment Insurance Scheme has been one of the largest policy-making projects in social policy during recent years in Estonia. The national parliament has approved the Unemployment Insurance Act in June 2002. The negotiations about the unemployment insurance started a few years before the formulation of the law. The basic principles of the unemployment insurance were formulated in April 2000[6].

Description of the unemployment insurance scheme in Estonia

[6] Conception on Unemployment Insurance [Töötuskindlustuse kontseptsioon], April 2000. Ministry of Social Affairs.

The unemployment insurance is one of the most important elements of social policy and labour market policy fighting against poverty and social exclusion. The insurance scheme in social policy in general presumes that individuals contribute to the system of social insurance according to their incomes with the understanding that they may some day need its assistance. The classical examples of the social insurance schemes are health insurance, pension insurance and accident insurance (Heidenheimer, Heclo and Adams, 1995:220). Social insurance schemes are ideologically built on the principle of solidarity, which has its roots in the German social security system along with the principle of subsidiarity (*Subsidarität*) (U.S. Library of Congress. Germany, 2004).

In Estonia, both health insurance and unemployment insurance schemes are implemented on the quasi-public, self-administered basis. The implementation bodies are public-private institutions (Eesti Töötukassa[7], 2004). Their juridical status is similar to the status of public-private higher education institutions. "The Estonian Unemployment Insurance Fund is an independent legal body governed by public law and its activities are based on Articles of Association enforced by a decree of the Government." (Eesti Töötukassa, 2004) The decision-making process within the responsibility of the Unemployment Insurance Fund is regulated by the Unemployment Insurance Act. According to this Act the supervisory board should consist of six persons, the government nominating two of them, four of them representing the interest groups (employees and employers). Such a situation points to the supervisory role of the government, which has shared control over the implementation of the unemployment insurance together with the interest groups.

Trilateral relations are displayed also in the design of the insurance scheme. Both employees and employers share the responsibility. Both sides pay the compulsory tax collected to cover the insurance costs. The employees´ contribution is 1% and the employers´ contribution 0.5% on payroll (from the 1st of January 2006, the respective contributions are reduced to 0.6% and 0.3% respectively).

Unemployment insurance covers all working persons earning wages, who pay unemployment insurance tax, and for whom the employer pays his part of the tax. There are special categories of people who are not eligible (the members of the Riigikogu, The President of the Republic, members of the government etc.). The unemployment insurance also excludes retired persons, who do not have a right to the status as unemployed, also members of the councils and governing bodies of the legal ??bodies (Act on Unemployment Insurance par. 3).

In order to be eligible for the unemployment insurance the minimum period of insurance is 12 months (during this period the employee and employer pay the unemployment tax). The unemployed should be registered in the local employment office and should actively look for a new job. The unemployed is not eligible for the benefit in case he had left the job on his own wish, based on mutual contract with the employer or because of a breach of duties, abuse of trust or inappropriate act (Act on Unemployment Insurance, par. 6).

Maximum duration of the benefit depends on the length of the insurance period, and could last up to 360 days. The calculation of the benefit rate is based on the monthly wage paid during the past 12th months (Act on Unemployment Insurance, par. 8 and 9).

Method

Data collection and sampling. The reasons for selecting the qualitative approach to the study (semi-structured interview method of data collection) is that it allows to follow an interview schedule, and at the same time, to react on the emerging issues during the interview (which corresponds to the peculiarities of the topic mentioned above). The research topic involved different spheres of political science, statistics and public administration. Semi-structured interview concentrates on each respondent's sphere of interests, understandings and views of the problem. The case studies in the sphere of public policy decision-making are always quite delicate and require the establishment of trustful relations between the interviewer and respondent. According to Daymon and Holloway (2002), in the semi-structured interview,

[7] In English: Estonian Unemployment Insurance Fund

the sequencing of questions is not the same for every respondent as it depends on the process of each interview. The interviews were carried out with seven representatives of policy actors in 2004.

During the semi-structured qualitative interviews, we followed the above-mentioned logic of the semi-structured interviews. Each interview was divided into four parts[8]:

- Introduction and general description of the case (legislation, statistics, brief history or the role of the respondent in the development of the scheme);
- Role of social indicators and statistics in the decision-making process: the time-scale of the different stages of the process, the participants and interest groups, their roles in the decision-making at each stage, the argumentation used by the participants, types and roles of social indicators and statistics;
- Role of social indicators and statistics in the decision-making process in Estonia in general, the problematic issues, perspectives for development, general comparison with other countries etc.;
- Conclusion and other questions.

The general accent during each interview has been on the personal experience of the respondents and their organisations. The respondents were able to recall better the issues connected to their organisation rather than the arguments and positions of the opponents. An additional picture of the decision-making process was gained from media analysis of the largest Estonian newspapers – *Postimees* and *Eesti Päevaleht* (period: 1995-2004) – which served as a tribune for almost all the participants of the decision-making process. The verbatim records of the parliament (*Riigikogu*) sessions also served as a source of argumentation referred to by different political parties (period: 1996-2002).

To guarantee the validity of the study the main criteria for sampling is the experience a respondent has regarding the research problem (Lindlof 1995:125). We tried to ensure that all possible policy cycle actors are present (interest groups, public officials from the Ministry of Social Affairs or other public sector organisations). An additional criterion for sampling is the presence of the respondents, which has fulfilled the following roles during the decision-making process:

- representation of different interest groups, active participation in the negotiation process and control over implementation (Confederation of Estonian Trade Unions - Respondent 1) and Estonian Employers´ Confederation - Respondent 2);
- implementation of the policy (Estonian Unemployment Insurance Fund – Respondents 4 and 5);
- policy design and preparation of the legislative act (Ministry of Social Affairs - Respondents 7 and 4, ex-Minister of Social Affairs - Respondent 3);
- decision-making on the political level (ex-Minister of Social Affairs);
- collection and analyses of statistical data, social indicators (Estonian Labour Market Board - Respondent 6), Estonian Unemployment Insurance Fund (on the implementation stage) and Ministry of Social Affairs);

The representatives of all six organisations were involved in the process of decision-making in one way or another[9]. Confederations of the trade unions and employers represented the interest groups actively involved in the policy-making. The ex-minister of social affairs was the founder of the unemployment scheme and the main political figure during the process of policy formulation. The rest of the organisations named in the list represented the public sector.

During the formulation of the sample and negotiations about the interviews, we mentioned the following peculiarities:

- the range of the involved persons is not broad – there is a general principle “everybody knows everybody”;
- the number of the organisations involved is also not broad. The negotiations are considered as trilateral. The spectrum of the interest groups consists of two organisations: confederations of trade unions and employers;
- most of the respondents have plural roles at different stages of policy formulation. For example, the Head of the Unemployment Insurance Fund has been a Member of Parliament in the time of the negotiations on the Law on Unemployment Insurance, and the Advisor of

[8] See the questionnaire in the Annex 2

[9] For a short description of the above organisations and their involvement in the process of decision-making, see Annex 1.

the Fund has been a public servant in the Ministry of Social Affairs, responsible for the development of the scheme.

Of course, not all the organisations of the public sector were present in the sampling – the Ministry of Finance, the State Chancellery, *Riigikogu* and different joint commissions played also an important role during the negotiation process, but were not included in the sample. Interestingly, except the Ministry of Finance, the same organisations and persons were present in the joint commissions and the commissions in the *Riigikogu* and the same persons publicly expressed their opinion on the topic of the unemployment insurance in mass media and during the sessions in the *Riigikogu*[10].

Doing the context analysis by using newspaper articles and verbatim records as the source material, we took into consideration the following aspects:

- the date of the article/record, which corresponds to the time scale of the decision-making stages;
- the arguments and points of view presented in the articles/ speech in the parliament in respect to the actor of the policy-making and to the time-scale;
- the statistics or social indicators used in the article/ record (types of statistics and context).

Data analysis. In the analysis of the received data, we made a difference between four categories of information: background/context, behaviour/experience, knowledge and opinion/value (Patton, 1990:291-293). Additionally we classified the information into six categories, which corresponded to the six stages of the policy cycle. For each stage we determined the time-period, the most important event or decision taken, the main actors involved, their positions in the negotiations and arguments they used, with special focus on statistical data and social indicators used in the process.

The results we compared with the imaginary model presented above. All the indicators mentioned by the respondents we classified according to the OECD (Society at a Glance: OECD Social Indicators, 2001) model into “pressure”, “state” or “response” types, using classifications presented by Atkinson et al. (2002). As an example of a “pressure” type information are mentioned data about employment activity of the population (e.g. changes in numbers of the working places); a “state” type indicator could be a level of unemployment in the region and a “response” type indicator, the amount of benefits paid during the certain period.

We concentrated mainly on different types of indicators, used by public officials and representatives of other policy actors on different stages of policy development, but at the same time we tried to follow the general context of the decision-making and to understand the events, taking into account the peculiarities of the decision-making in a small society.

Results

Policy-making cycle: time scale, participants and most-discussed topics

The participants´ ring has been stable since the beginning of the first stage of the policy-making. The main actors could be divided into employers´ organisations, employees’ representatives and the government (members of the *Riigikogu*, Ministry of Social Affairs and Ministry of Finance, commissions formed by the government in order to plan the general social insurance scheme in Estonia etc.). Until now, the trilateral cooperation is preserved in the Advisory Board of the Unemployment Insurance Fund.

The perception of the time scale in decision-making differs a lot from the stage of the problem definition. In the opinion of Respondent 3, the problem definition started in 1989. Respondent 5 is quite close to this opinion, naming 1991 or 1992 as a starting date. The rest presume that the problem definition started in 1996, 1997 or 1998. These dates coincide with the first publications in mass media about the unemployment insurance (Postimees, 1995-2004). The period of problem definition and agenda setting seems very long compared to the next steps. The policy formulations took place from 1998/1999 until 1999/2000 (the respondents’ perception of the concrete time scale differs).

[10] See articles in Postimees (www.postimees.ee) and Eesti Päevaleht (www.epl.ee)

The key issue during this period was the presentation of the Conception on Unemployment Insurance in the Government in December 1998, the presentation of the Act on Unemployment Insurance in the *Riigikogu* in Autumn 2000, the inclusion of the unemployment insurance into the coalition agreement in 1999.

The third stage – choice of the solution – took place in years 2000 and 2001, when the decision-making took place on the level of *Riigikogu*, and political debates were the most intense. The most important events were the conclusion of the Agreement between the Confederation of the Trade Unions and the Estonian Employers' Confederation. As a result, the compromise was found and the *Riigikogu* approved the Act in 2002.

The policy design stage also took place in years 2000 and 2001. Some of the respondents came to the conclusion that in this case, the third and fourth stages of policy cycle coincided (Respondents 1, 2, 4 and 6). All the most important questions were decided on the stage of policy design, which wais associated with the foundation of the Unemployment Insurance Fund, the administrative body, decisions about tax rate, details on the target group etc.

The dates of the beginning of implementation period are precise. All the respondents named the year 2002 as the starting point, when the Unemployment Insurance Fund started to collect the tax (during one year) and 2003, when it started to pay out first compensations. One of the most important decisions during the years 2002-2004 was the change of the Act on Unemployment Insurance. According to the changes made, the pensioners are not obliged to pay the tax. Secondly, persons who finished the contract under the mutual agreement with the employer lose?? the right of benefit. Additionally, each year the advisory board of the Unemployment Insurance Fund makes a proposal about the changes of the tax rate. This decision is considered important in the whole conception of the unemployment insurance administration (Respondent 5).

The perception of the time scale of the policy-making process was quite different. Nevertheless, all the respondents named the same key-points and most important decisions taken during the policy formulation. In general, the following features characterised the process of decision-making:

- lack of fierce and intense debates;
- lack of opposite positions on the issues under discussion;
- cooperation and aspiration for compromises between different participants in the decision-making (i.e. an agreement between the trade union and employers);
- similar rhetorical and content-based arguments;
- no alternative sources of social indicators or statistics (except for the trade union).

Use of different indicators by different actors

In general, different participants in the policy-elaboration process did not use different social indicators or arguments during the stages of negotiations. The main difference consisted in the availability of information and statistics. All the respondents confirmed that they used the official statistics prepared by the Estonian Labor Market Board of the Estonian Statistical Office. The Ministry of Social Affairs used data from the researches carried out by the Ministry itself (Respondent 4).

Some of the respondents used unofficial and qualitative data. For example, Respondent 3 said that in order to get at least approximate overview about the possible target group of the unemployment insurance (on the stage of policy formulation) he had asked the Estonian Labor Market Board to carry out a quick research among people who applied for assistance to the Public Employment Services.

The Confederation of Estonian Trade Unions used many illustrative qualitative facts during the negotiations. The Trade Union deals with the provision of the legal defense of its members in the court. The lawyers employed by the Confederation could draw concrete examples on the implementation of one or another legislative act or social political measure (Respondent 1).

Types of social indicators and statistics[11] *at different policy-making stages*

Taking into consideration the qualitative nature of the conducted research and peculiarities of the sampling (only seven interviews with the persons representing institutions, which participated in the process of decision-making), the respondents mentioned only those indicators and arguments, which in their opinion had been very important. Almost all the respondents concentrated on the content-based and rhetorical arguments. Nevertheless, the argumentation and use of the named statistical data and social indicators seemed to be logical and formed a good ground for the analysis of the decision-making process in general.

Problem definition/Agenda setting. Four respondents out of seven named the foreign actors as the main impact on problem definition and the appearance of the unemployment insurance in the political agenda. Three respondents quoted the European Social Charta and European Social Security Law Codex as main sources of problem definition in Estonia (Respondents 1, 2 and 4). Respondent 7 mentioned Russian financial crisis of 1998 as an antecedent for starting to think about unemployment insurance in order to increase the level of social security. The implementation of the unemployment insurance scheme was perceived as a necessary measure, prescribed by the supra-national organisations (Council of Europe, European Union, etc.).

Respondents 3 and 5 also named the in-state motives for implementation of the unemployment insurance: the development of social security system and the need to decrease the risks associated with unemployment. “The problem of unemployment was associated with the market economy. Till now not all politicians understand how serious risk it is”. (Respondent 3)

During the process of the problem definition, there were mostly content-based and rhetorical arguments in use. On the level of the Ministry of Social Affairs, the argumentation was based on the poverty analysis. Unemployment was considered as the main reason for poverty. During the period of problem definition (1997-2000 according to the perception of Respondent 4), there were a number of research projects conducted in the sphere of poverty analysis, i.e. by the UN, the Statistical Office of Estonia and the Ministry of Social Affairs (Kutsar and Trumm (eds), 1999). In the *Riigikogu* the unemployment insurance was mentioned in 1996, when the members of the *Riigikogu* discussed the social insurance schemes in Estonia. Social security and protection against different social risks were the main arguments for the implementation of unemployment insurance (Verbatim record of *Riigikogu* session, 23.10.1996).

The argumentation on the stage of the problem definition gives a ground to assume the important role of international organisations in the formulation of national political agenda. The international standards were also mentioned during the discussions in the *Riigikogu* as one argument for the increase of unemployment benefit and implementation of the insurance scheme (Verbatim record of *Riigikogu* session, 12.05.1997). The public administration institutions use both the international and domestic research and indicators to prepare for the future steps during the policy formulation. The indicators and arguments are of qualitative and subjective nature, rhetorical, attracting the attention of the public, and serve as political watchword. The indicators used by the Ministry of Social Affairs, and by the ex-minister of social affairs (in order to prove his position on the question) were mostly of “state type”. The imaginary model presented in table 1 corresponds to the picture that follows from the interviews.

The content analysis of the articles in *Eesti Päevaleht* and *Postimees* (from 1995 until 1998/1999) proves the tendency presented by the respondents. The arguments used in the article are of subjective, rhetorical nature, attracting the attention of the public and expressing the intentions of the policy-makers (Postimees, 5.06.97; 17.07.97; 05.08.98; 20.02.99; 4.03.99; Eesti Päevaleht, 30.09.96; 25.01.99). The representatives of the employees´ unions mostly expressed the need for unemployment insurance, one article was written by the Respondent 4, several articles by the representatives of the *Mõõdukad* party[12]. The employees´ organisations quoted to the international practice and used the quantitative “state” type indicators – number of unemployed and the amount of unemployment benefit.

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[11] The respondents used the concepts of “social indicators” and “social statistics” as synonyms. The concept of “social indicators” sounded as unfamiliar for the respondents. They preferred to refer to statistics when speaking about quantitative data and to arguments, when mentioning the qualitative or subjective data.

[12] For description of respondents and respondents´ organisations, see Annex 2.

Policy formulation and choice of solutions. On the stage of policy formulation there were not so many solutions proposed by the policy actors. The general discussions were about passive and active measures of labor policy (Respondent 2). The Estonian Employers´ Confederation supported the implementation of active labor market measures instead of passive. All the respondents concluded that the unemployment allowance scheme did not guarantee the required level of social security. There was almost no analysis of the previous measures implemented in this sphere. All the actors in trilateral negotiations accepted the idea of implementation of the unemployment insurance as a measure to increase the social security level of unemployed in Estonia. There was no alternative solution to propose in the field of active labor policy measures. There are still discussions about more active approach, which "would motivate people to come back to the labor market" (Respondent 2 and 4). The same conclusions could be made from the media analysis. The unemployment insurance was fixed in the coalition agreement in March 1999; in the articles about the agreement of the new government there was only a statement of intention, no analysis or arguments on the topic, or why it was important (Postimees, 17.03.99; Eesti Päevaleht, 18.03.99). A representative of the labor union described in her article in *Eesti Päevaleht* (15.03.99) the idea of the unemployment insurance and possible benefits that the unemployed could receive. On the 29th of April 1999, the representative of the employees issued a new article on the concept of unemployment insurance in *Postimees* criticizing the plan of the government.

In the agreement between the employers and employees concluded on the 28th of February 2001, the parties agreed on the principles and aims of the unemployment insurance (Agreement on Unemployment Insurance, 2001). The government accepted all the statements of the agreement on 80% (Respondent 1), or all points except for one (Respondent 3).

The arguments of the government in the implementation of the insurance scheme were partly financial and political (there were no opportunities to increase the unemployment allowance and to guarantee the social security by other measures). The other very important argument in the formulation and choice of the solution was the experience of other countries, where the analogous scheme has been implemented before. Among the countries examined by the actors were Sweden, Finland and Germany (Respondents 1, 2). Additional pressure in the choice among solutions was exerted by the international obligations, taken with the ratification of the European Social Charta and European Social Security Law Codex (Respondent 2 and 4).

The only choice that has been made during the negotiations was that of voluntary versus compulsory insurance. The employers proposed to implement the insurance on the voluntary basis by referring to the practice of Sweden. The employees managed to defend the conception of the insurance as obligatory for all by analysing the differences between Swedish and Estonian social security systems and traditions. (Respondent 1). The ex-Minister of Social Affairs relied on the "state" type indicator (number of workers who applied voluntarily for insurance from trade unions), when explaining the need for compulsory insurance to the *Riigikogu* in February 2001 (Verbatim record of *Riigikogu* session, 14.02.2001).

The general impression from all the interviews (based on the fact that the respondents could not name the alternative proposals made during the negotiations, except for Respondent 2) is that the solution has been accepted for granted on the side of the government. The same impression is given by the analysis of the explanatory letter (*Seletuskiri*) prepared for the discussions of the law proposal in the *Riigikogu*. In the chapter "The Aim of the Law and Comparative Analysis", an observer could find the description of the present system of social security for the unemployed. In the second part, the authors give an overview of the planned changes after the implementation of the unemployment insurance. There is no comparative analysis of different policy options that could be implemented instead of the insurance scheme or together with it. The aims of the unemployment insurance coincide with the main arguments used during the process of the problem definition: the European Social Charta, social security guarantee, and social protection in case of a job loss.

The decision to implement the insurance scheme was taken on the political level by the *Mõõdukad* political party and also served as a response to the obligations taken on the international level. Raivo Paavo in his article in *Postimee*s (10.04.99) relied mostly on the "European argument". The imaginary model, presented in the table 1 according to which the role of indicators is quite considerable in the calculations of possible costs of every solution and in order to achieve the optimal balance between the costs and outcomes, does not work in the case of the unemployment insurance scheme. The hypothetical assumption about the role of personal experience and lack of expertise in "small societies" was proved.

*Policy design***.** The social indicators and statistics were widely used on the level of policy design. During that period the negotiations about the details, the administrative body and the political instruments (tax rate, target group, periods of insurance) took place. The Ministry of Social Affairs in cooperation with the Labor Market Board and Ministry of Finance prepared the basic decisions in the field of policy design (Explanatory letter, 2000). In the same year the Minister of Social Affairs explained to the wider public the need for unemployment insurance, using mainly rhetorical arguments and forecasts on the economic situation in Estonia (Eesti Päevaleht, 11.01.2001; Postimees, 15.01.2001). The following indicators have been used in the questions under discussion.

a) *The qualification period, the target group, the payment period, the payment percentage in respect to the received salary/ the payment rate.*

The decisions in the above-mentioned fields were taken under the influence of and in accordance with the standards fixed in the European Social Charta (Respondent 4, Explanatory letter, 2000). Additionally the Labor Market Board provided the statistics on how long it takes to find a job (43% of unemployed find a job during the first half a year) (Explanatory letter, 2000).

Other indicators cited in the explanatory letter are the number of unemployed, the proportion of unemployed registered in the Labor Market Board after the graduation from ordinary or vocational school, the number of persons who received the unemployment allowance, the number of unemployed who finished the job contract by their own wish. All these indicators were used to forecast the tax rate and calculate the approximate number of benefit receivers. The qualification period, the payment period and the payment rate were taken for granted based on the European Social Charta. All these indicators were of “state” and “response” types. Among the “response” type indicator is for example the increase of the social insurances part in the GDP (ex-Minister of Social Affairs forecasted the increase of 0.5% of GDP) (Verbatim record of the *Riigikogu* session, 26.09.2001). The “pressure” type indicators were not used. All the indicators were of quantitative and objective nature. All of them only described the situation without giving an answer to the question “why”. In media, the employees presented their opinion, in which they agreed in general with the increase of the tax rate or introduction of an additional tax (Postimees, 12.11.99). The employers disagreed with the proposed rates presenting their own calculation on the amount of financial resources required for the first year. The proposed tax rate was 0.3% instead of 0.5% (Postimees, 31.05.2001).

b) *The number of the benefit receivers in relation to the number of registered unemployed and data on bankruptcy in Estonia.*

The qualitative argument has been used in order to explain the correlation between the number of the registered unemployed and the number of those who are eligible. The authors of the Act proposal proceed from the supposition that not all people will be eligible to the benefit because of the length of their previous contract (which should be 12 months as a minimum). There are no concrete numbers of the benefit receivers (Explanatory letter, 2000).

The approximate number of bankruptcy cases was well known from the experience of the special fund, founded in the Ministry of Finances. The main activity of the fund was to finance the compensations to the workers who lost their jobs because of bankruptcy of the enterprises. The Fund existed since 1997/98 and provided all the necessary data for the creation of a new system of unemployment insurance. (Respondent 2; Agreement on the Foundation of the Bankruptcy Reserve Fund, 1997).

c) *The ways of financing – defined-benefit type of social security measure, reserve.*

The arguments are also of a qualitative nature, which explains the mechanisms of the defined-benefit systems and the advantages of the insurance system in general. The reserve should consist of finances sufficient to cover the payments of the benefits during one year. This number is not explained or proven by quantitative data or calculations. The basic argument refers to the cycles in economy (the periods of increase and decrease).

d) *The models of administration – public-private legal person (Estonian unemployment Insurance Fund).*

This question has been decided on the political level. All the participants in the negotiations agreed with the proposal of the Minister of Social Affairs about the establishment of the public-private organisation, which would administer the insurance scheme (by means of a supervisory board or collegium's decision). The Reformatory Party rejected this solution and tried to implement the unemployment insurance with the help of state-established, managed and financed body (for example, as one of the tasks of the Estonian Labor Market Board) (Respondent 5). The arguments used during the discussions were mainly rhetorical and based on political ideology and experience of other countries (i.e. social-democratic ideology in case of the ex-Minister of social affairs and the *Mõõdukad* Party and liberal state-centered positions in case of the reformists) (Respondent 3). Only one of the respondents mentioned the third opportunity, to administer the system with the help of the trade unions. He did not understand why there had been no lobby from the side of the trade unions (Respondent 2). There was one more way of administration – by the private sector. This vision was presented in the *Riigikogu* session in June 2001. The argumentation for the private way of administration was analogous with the approach towards the administration of compulsory traffic insurance (Verbatim record of the *Riigikogu* session, 4.06.2001).

Policy implementation. The role of social indicators and statistics is quite significant in the process of decision-making during the implementation. The advisory board of the Unemployment Insurance Fund has to make a proposal to the Government of the Republic concerning the tax rate for the next year. The tax rate is flexible and there is an opportunity to change it. For the decision, the Unemployment Insurance Fund has to prepare the statistical overview, which consists of the following parts:

- number of applicants and benefit receivers;
- financial indicators (investments, reserve etc);
- data on the amount of benefits paid last year etc. (Respondent 5).

The special role in the collection and interpretation of the statistics belong to the Labor Market Board.

Additionally, the advisory board takes into consideration the general economic report prepared by the Ministry of Finance (Respondent 5). The main statistics used are the average salary and the average payment made in the previous year. The actors in the negotiation process also use different kinds of statistical overviews and prognoses of the economic situation in Estonia. The Unemployment Insurance Fund also uses the services of the labor market experts from the universities in order to check the hypothesis and make more precise prognoses for the future years (Respondent 4 and 5). The indicators used are of the "pressure" and "state" type. The qualitative arguments used in the field of economic prognosis are based on subjective perceptions of the economic tendencies in Estonia (Respondents 1 and 2). Interest groups (employees and employers) use the subjective arguments of qualitative nature in defense of their positions on the questions of tax rates.

During the process of implementation, the Parliament made changes to the Act on Unemployment Insurance. The persons who finished their contracts by mutual agreement with the employer lost the right to receive the benefit. All three parties disagreed with this decision. The decision was political and "did not reflect the real tendencies in the society, for what there were also no adequate social indicators" (Respondent 3). In order to defend the position against the changes in the *Riigikogu* the ex-minister of Social Affairs used mainly qualitative, descriptive arguments (about present legislative regulations, possible future scenario etc), and a "state" type indicator (the number of unemployed who finish their contract from the side of the employee – 10-15 per cent of all the unemployed, who address the Labor Market Board) (Verbatim record of *Riigikogu* session, 18.12.2002). The Social Commission of the *Riigikogu* also used a "state" type indicator to disagree with the proposed changes (the number of discharged persons in the years 1997, 1999, 2000, 2001 and 2002 – approximately 10 per cent of all the registered unemployed). The members of the commission made a comparison and traced the general tendency towards a decrease of the percentage of discharged persons among the unemployed (Protocol of the Social Commission session, 5.12.2002).

In media, the Unemployment Insurance Fund presented its investment plans and proposals about the tax rate for the next period (Postimees, 5.11.2002, 4.09.2003, Eesti Päevaleht, 5.11.2002, 8.10.2003).

Evaluation of the policy. Almost all the respondents concluded that it was too early to make assessments. At the same time, the representative of the Unemployment Insurance Fund (Respondent 4) pointed out the impossibility to assess the influence on the "pressure" type processes, and to give the qualitative assessment of how the insurance scheme impacts the labor market. The problem is associated with the fact that the Fund deals only with the payments of the benefits, it does not implement active labor market measures; it does not cooperate with the Labor Market Board on this level (Respondent 4 and 6).

Summing up the tendency of the use of indicators at the stage of policy design, the main indicators used were of “state” and “response” types. The principal, complex issues, i.e. the status of the administrative body or the principles of the tax collection were agreed on the political level, and based on rhetorical arguments. On the other side, the decisions on the technical questions (the approximate budget of the unemployment insurance, the calculation of the benefit receivers etc.) were made using social indicators and social statistics.

Respondents´ visions of the role of social indicators in decision-making

One of the general questions asked was about the respondents´ vision of the role and future perspective of social indicators in social policy decision-making. The answers indicated that the system of social indicators is far from perfect in Estonia and very often does not correspond to the demands of policy-makers. Respondents 1 and 5 mentioned the lack of monitoring system in the social sphere. The statistical data are collected in the framework of the ILO research (Labour Force Study), but the data have not been sufficiently analysed. Such an approach does not allow tracing the changes in the analyses of the “pressure” type tendencies and the influence of the concrete policies. The information collected by the Estonian authorities does not correspond to the needs of the decision-makers, or sometimes the policy actors do not need such data (Respondent 5).

Respondent 7 mentioned the lack of experience in working with indicators and statistics. In case the indicator is used, the interpretation of the meaning of the indicator is not clear. There are difficulties reading the tendencies and comparisons with other countries (Respondent 7). The same tendency is traced also in the explanatory letter for the Act on Unemployment Insurance.

Benchmarking and international comparisons are not possible, because of a lack of common indicators system for the EU. “There is no basis for international benchmarking and comparisons” (Respondent 2). There is a need of interdisciplinary indicators, which allow tracing the impact and effect of different measures simultaneously in different spheres of life and policy (Respondent 4).

There are no think tanks that could prepare and argue different ways of problem solutions, using also social indicators or collecting alternative statistics or qualitative data. The political parties in Estonia have trouble defending their ideological platforms and their political initiatives because of lack of arguments. In the policy-making process in almost all spheres of social policy the influence of internal actors is important (Respondent 6). Unfortunately, the internal actors could make their judgments based on the social indicators developed by Estonian authorities. There is no reason to assume that they receive a complex and adequate overview of the problem. Often the research ordered or conducted by international organisations serves as a source of information for Estonian policy-making (i.e. poverty assessment during the unemployment insurance negotiations).

Currently the Ministry of Social Affairs pays more attention to the development of the system of social indicators. This process is associated also with the participation of Estonia in the development of the European indicators´ system (Respondent 7). The indicators used now by the public sector institution are mostly of quantitative and objective nature, but there is a tendency towards the use of qualitative and subjective data obtained through academic research (Respondent 6).

Discussion

The aim of the present section is to give the opportunity to present the results of the discussion and personal considerations on the issue of the use of social indicators in Estonia. The ideas presented might seem speculative and subjective. Nevertheless, they could serve as a basis or hypothesis for further research of the problem. Structurally we divided the section into several topics depicting the most vital aspects of the use of social indicators in policy-making and the theoretical background presented in the paper.

Role of social indicators in policy-making

The role of social indicators in the policy-making process could be described as a scheme, where policy actors are seen as users or consumers of social statistics (including social indicators); international agencies (like ILO, EU etc) as "outside (beyond the state) players", which also collect and consume national statistics and influence the decision-making process by setting their priorities and issuing guidelines for development (often included in state action plan or national priorities) (figure 2).

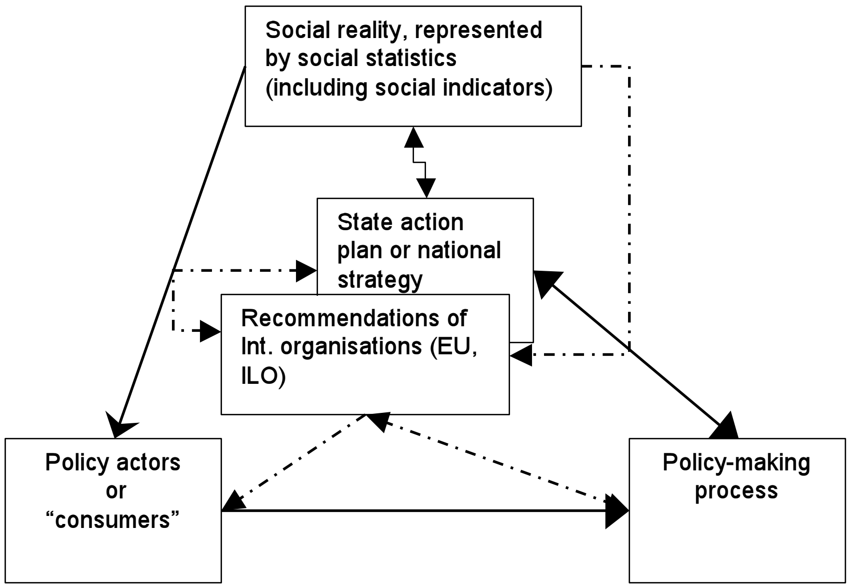

Figure 2. Social statistics (social indicators) between policy actors.

In the case of the unemployment insurance scheme the role of international organisations seems to be quite significant, especially at the stages of policy design and policy formulation.

"Good decision-making is informed decision-making… "

Notwithstanding the assumption that "good decision-making is informed decision-making, where all those who have a potentially useful perspective on the problem or a necessary role in the decision can participate with accurate, commonly understood information relevant to their concern" (Neufville, 1975:57), in practice, very often the linkage between indicator and action/ political decision is tenuous (Cobb and Rixford, 1998:23). The case of unemployment insurance scheme implementation in Estonia also proved the Cobb and Rixford assumption. The social indicators have never had the central place in the policy-making process. At the same time, the decision-making was not "informed" enough. "Problems existed without statistics" – is an argument presented by the ex-minister of social affairs for implementing unemployment insurance. We had an impression that there were no time and resources for careful and systematic research of the problematic issue.

One of the reasons for the tendency could be the "smallness" of Estonia. The decisions are taken intuitively, without careful analysis. At the same time, the negotiations on the question of unemployment insurance were not so bureaucratic, formal and standardised as they might have been in a "larger" Western democratic state with the elements of neo-corporatism. The policy-making process in the sphere of social policy seems to be a complex and extremely complicated issue, which requires in "idea" case (table 1) the analysis of different models, different possible choices and mostly financially adequate ways of solution.

In the case study analysed in the present paper, the decision-making process took place on a slightly different basis. It is possible to distinguish two types of decisions made: technical decisions associated with the implementation process and policy design and so called "political decisions" (choice of solutions and formulation of the policy). There is a difference in the arguments of these two types of decisions. In the first case, the decision-makers or their advisors mostly used the "state" type quantitative and objective indicators. The role of the indicator was to justify the decision taken and to serve as an illustration of the problem or issue under discussion. The qualitative, subjective data were used during the decision-making on more general and complex issues. The research and assessment were carried out after the Act on Unemployment Insurance had been adopted (Respondent 1). It might be intriguing to find the reasons for the deviation from the imaginary ("ideal") model, to answer the question, why the decision-making in Estonia on the level of "political decisions" in social policy is not as "informed" as it could potentially be.

Complexity of policy-making process and possible role of social indicators

Hypothetically, the role of social indicators could increase with the rise of complexity and controversy of the policy-making process. In case of the unemployment insurance scheme, the policy actors managed to achieve the consensus relatively quickly. The more demanding and educated the people and the more complex the issue under consideration, the more important is the role of social indicators as objective arguments of one or another position. The use of social indicators and the types of the indicators used could depend on political culture and certain patterns of democratic development. In Estonia, the analytical potential of political parties and lobby groups is low (this was confirmed by respondents and could be traced from media analysis). The tendency could be explained by several factors: first, by lack of financial and human resources, second, by the homogeneity of the society and lack of intense political debates and discussions in the society. The consensus is easily achieved in Estonia due to the tendency "everybody knows everybody" in politics, entrepreneurship and science. There is no stimulus for development and use of indicators in order to acquire better positions in the political debates. This hypothetical assumption could be controlled by comparative analysis of several cases in social policy in Estonia and in other countries.

The other controversial question is connected to the European system of social indicators. What will change in the decision-making with the participation in the EU scheme?

The European system of social indicators – a new impetus for "informed decision-making" in Estonia?

The main goals of the European system of social indicators are to describe, monitor and analyse the recent trends in the quality of life and living conditions. Estonia as a new member of the European Union has a chance to become a part of the European systematic approach to the evaluation of social trends. This is not only a possible advantage for Estonian social policy-making but also a challenge for the public institutions to develop a working system of data collection, interpretation and dissemination of the results to the possible "consumers" and policy actors. The European system of social indicators offers ground for comparative analysis of one or another social policy measure and its implementation in the EU countries. For Estonia, as a small state with limited analytic and expertise potential, the data provided by the EU authorities could serve as ground for argumentation of the policy choices and for forecast of the policy outcomes.

Simultaneously with the rise of comparative analysis in the policy-making the length of the decision-making process on the stages of evaluation, policy formulation and choice of solutions could increase. We assume that the requirements of the EU towards the collected data should be quite high and demand serious approach on the part of the public institutions and implementing bodies of social policy. The EU system would affect the quality of policy evaluation analysis in a positive way. The EU system of social indicators could serve as a harmonising element in the levels of social security in all the European countries. The comparison of concrete indicators with the results of other states will attract the attention of the policy-makers and the public to the problematic areas of life and give an impetus for the start of the problem definition stage.

Another challenge to the policy-makers and researchers is to choose the "right" approach to the development of the Estonian system of social indicators within the framework of the European, which could serve the national interests and not only fulfill the formal requirements of the European institutions. The challenge is to trace the changes on both the "pressure", "state" and "response" levels, to give a basis for the integration of scientific "hard" knowledge and extra-scientific (soft) knowledge of policy-makers and interest groups. In other worlds, the optimisation of the resources is needed for more "informed" and well-prepared decision-making, accompanied by social-political analysis of both external and internal factors.

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Annex 1

Description of the respondents´ organisations

Respondent 1 – Representative of the Confederation of Estonian Trade Unions

The Confederation of Estonian Trade Unions is a non-profit umbrella organisation established in 1990 on the Trade Unions Congress. Since 1994 the Confederation is a member of the international organisation ICFTU, since 2002 – member of European Trade Unions´ Confederation. The Confederation of Estonian Trade Unions represents 18 trade unions and NGOs. Since 1991 the Confederation is a partner in the bilateral and trilateral negotiations between the government, employers and employees (see: www.eakl.ee).

Respondent 2 – Representative of the Estonian Employers´ Confederation

Estonian Employers' Confederation is a non-profit, independent umbrella organisation, which, based on voluntary membership, organises employers of the Republic of Estonia. Estonian Employers' Confederation represents 31 branch organisations, comprising more than 1500 companies and 25 single large enterprises which employ 35 per cent of private sector employees of Estonia. Estonian Employers' Confederation is a member of IOE (International Organisation of Employers) and an associated member of UNICE (Union of Industrial Employers' Confederations of Europe). Estonian Employers' Confederation is acknowledged by the Government of Estonia and by trade unions as a social partner and participates in tripartite and bilateral negotiations and commissions (see: http://www.ettk.ee).

Respondent 3 – the ex-Minister of Social Affairs, Social-Democratic party/Moderates (Mõõdukad)

The Moderates always hold the center in Estonian politics. The Moderates originated in 1992 as a coalition between two small parties, the Social Democrats and the Rural Center Party. The two parties formally merged in 1995. In 1999, the Moderates also absorbed a small, marginal party, the People's Party, which had gained prominence after the long-time émigré Estonian diplomat and later foreign minister, Toomas Hendrik Ilves. Since 1999 the Moderates formed the governing coalition and Eiki Nestor was the Minister of Social Affairs. In 2003, the Moderates changed the name of the party to the Social Democratic Party. (see: Pettai, V. and Toomla, R. (2002) Political Parties in Estonia. http://www.ut.ee/SOPL/cv/pettai/Partiesi.pdf)

Respondents 4 and 5 – Representatives of the Estonian Unemployment Insurance Fund

The aim of the Estonian Unemployment Insurance Fund is to pay unemployment insurance benefits, collective termination of employment contracts benefits and insolvency of employer benefits, as regulated by the Unemployment Insurance Act and other legislation. Estonian Unemployment Insurance Fund is a legal person governed by public law and its activities are based on Articles of Association enforced by a decree of the Government. The supervisory board with six members is the highest body of the Estonian Unemployment Insurance Fund. Based on the Unemployment Insurance Act, the Government of the Republic appoints two members to the supervisory board. The Confederation of Estonian Trade Unions and Estonian Employees' Unions' Confederation appoint one member of the supervisory board each and Estonian Employers' Confederation appoints two members to the supervisory board. (see: www.tootukassa.ee).

Respondents 4 and 7 – Representative of the Ministry of Social Affairs

The Ministry of Social Affairs (further referred as the Ministry) is a government agency that in its area of government fulfils duties that arise from the law or are issued by the Government of the Republic as provided by law. The area of government of the Ministry includes the drafting and implementation of plans to resolve state social issues, the management of public health protection and medical care, employment, the labour market and working environment, social security, social insurance and social welfare, promotion of gender equality, and the preparation of corresponding draft legislation. (see: www.sm.ee)

Respondent 6 – Representative of the Estonian Labour Market Board

The aim of the Labor Market Board and employment offices is to reduce unemployment and provide assistance to those seeking work and to employers by means of an efficient labor market policy. The Labor Market Board:

- organises activities of the employment offices: social protection of the unemployed and provision of employment services, granting of consent to aliens applying for work permits, sales of employment record books at the employment offices;
- processes and analyses the database of job seekers and of the employment services supplied;
- fulfils the obligations arising from international agreements and international legislation;
- organises cooperation between state agencies, local governments, federations of employees and employers for the purpose of resolving employment problems and ensuring social protection of the unemployed (see: www.tta.ee).

Semi-structured interview guide (range of most often asked questions)

- What is your position and role in the implementation of the Estonian unemployment insurance scheme?
- What are the main legislative acts you are working with or you are executing?
- What are the main functions of the unemployment insurance in the context of general social policy in Estonia?
- What has been changed in the social insurance scheme in Estonia since the implementation of the unemployment insurance scheme?
- What are the mechanisms of the monitoring of the unemployment insurance's impact on societal development in general?

- Do you use social indicators in your work? When do you need them? For what purposes?

- Could you please describe the development of the unemployment insurance by policy cycle stages (milestones that make it possible to determine the beginning and end of each policy stage).
- What were the most important actors at each stage of policy cycle in case of unemployment insurance?
- What were the most important events/decisions taken on different stages of the policy cycle?
- Could you please describe the arguments you or your colleagues have relied upon during each event you have mentioned.
- What was the impact of the arguments you have presented on the outcome of the decision-making process?
- What was the role of social indicators (qualitative, quantitative, subjective, objective) on each stage of the policy-making?

- What is the role/impact of social indicators in the social political decision-making in Estonia/ in general, in your opinion?
- What should be done differently?

Annex 3

Summary of the conducted interviews[14]

Stage	Time	Participants	Decisions/activities	Arguments/indicators/statistics – key-words, quotations	Results/outcome
Problem definition	1996 – 1997 (R1) 1997 – 1999 (R2) 1989 – 2000 (R3) 1997 (R4) 1991/1992 – 1998 (R5) 1996 - 1998 (R6) 1998 – 1999 (R7)	Government, Ministry of Social Affairs, employees, employers (R1, R2, R3, R4). Social insurance reform commission: medical, pensions, unemployment insurances (R2) Mõõdukad (R3) Political parties, trade union (R5) Political parties, trade unions, Ministries of Social Affairs and Finance, employers (R6)	The concept on pension system, social security scheme (R1) The Agreement on the Bankruptcy Reserve Fund (6. June 1997) (R2) The promise of the Mõõdukad Party to implement the unemployment insurance in 1997? 6 (R3) The concept of pension system and social security scheme (the working group on the level of the government) (R4) The first volunteer unemployment insurance funds and economic situation. (R5)	European Union: worthy income, Social Charta of the EU and European Social Security Law Codex (R1, R2). Social security connected to the income –- the loss of illegal jobs. More secure position in the negotiations with the employers. Living standards. Example of other European countries <u>Indicators:</u> subsistence minimum and correlation between the SM and unemployment allowance. As a basis for comparison ILO Conventions (allowance=1/2 minimum wage); World Bank, allowance= poverty line (R1) No opportunities to negotiate on this question. Political decision. (R2) The argument: to increase the social security. The unemployment risks were high. **Indicators:** the number of unemployed; the ILO research in Estonia (concrete indicator, which allows comparisons with other countries) Both show the tendencies, the growth or decrease of the unemployment. The main arguments we used – rhetorical, content-based. The problem is associated with the market economy. Estonian political forces did not understand until now, that it is a problem, and there is a risk. (R3) Traditionally in Estonia, there was a liberal attitude in the field of labor policy. **Arguments:** The unemployment allowance does not give enough security. Unemployment is the main reason for poverty, the main reason to apply for social allowances. **Social political arguments: -** to achieve the level of social security, fixed in the European Social Security Law Codex. **Statistics and indicators**: The poverty researches, year statistics, UN, Ministry of Social Affairs analysed the receivers of the social aid. The Ministry started to follow the trends in poverty, prepared by the Statistical Office. (R4) The main argument – the problem should be solved, result – guarantee social security. (R5) The Russian economic crisis. (R7)	The Unemployment Insurance appeared in the agenda of the government. (R1, R2, R3, R4) The unemployment insurance is in the political agenda (R5, R6)

[14] The interviews were conducted in Estonian language and tape-recorded, transcribed and translated into English. The most important quotations and codes are present in the following table.

Policy formulation	1998 – 2000 (R1) 1999 – 2000 (R2) 2000 (R3) 1998 - 2000 (summer) (R4) 1998 (R5) 1999 (spring) (R6)	Employers, employees, government (R1,R2,R3, R4, R5) Eiki Nestor (R2, R3) government – Isamaaliit, Mõõdukad, Reformierakond (R6)	Conception of the Unemployment Insurance in the government in December 1998 (R1, R2, R3, R4) The topic was under discussion in the political rings (R5) Coalition agreement, political decision (R6)	The experience of the unemployment insurance in other countries (R1) Passive and active labor market measures. The labor market measures should be active, to motivate people to come back to the labor market. The argument of the employees: security for the workers. The argument of the government: international duties, EU, fulfill the promises (R2) There are no concrete statistics about qualification of the unemployed. At least 50 per cent of all people who address the LMB should have the right to receive the unemployment insurance. This was the logics, but we didn't have the statistics. LMB did not have statistics on the following topics: why a person left the previous working place, why he has been discharged. Of 100 persons who apply to the LMB 40 per cent persons on those who left the job on mutual agreement between the employee and employer, 15% persons – those who have been discharged or the deadline of the contract is finished, 20% - left the jobs on their own will. (R3) **Argument of the government:** The aim of the scheme is to increase and improve the level of social security. (R4) The negotiations continue; the arguments are rhetorical: social security. The unemployment allowance is too small. (R5)	The period of the payments, the general design of the insurance (R1, R2, R3) The aims, concept of the insurance are ready (R4) The idea has been fixed into the political agenda (R5)

Choice between policy options	2000 (autumn) – 2001 (R1) 2000 - 2001 (R2, R3, R6, R7) 2001 (June) (R4) 1999-2000 (R5)	Employers, employees, government + Ministry of Social Affairs (R1, R2, R3) Political parties (R3) Employees, employers, government (R4) Public officials, political parties, employees, employers. (R5, R6)	The final version of the conception is ready. In Riigikogu. The proposal doesn't correspond to the interests of the parties. (R1, R2, R6) Contract between the employees and employers. (R1, R2, R3) The status of the UIF (R3) The Riigikogu approved the Act (R4, R6) Coalition agreement (R5). The agreement between the trade unions and employers. (R5)	No negotiations on the model, only about details. The position of the employers – on volunteer basis, like in Sweden; Government – didn't accept Employees – explained the difference between the systems in Estonia and Sweden. The arguments of the EAKL – Sweden, Finland, Germany, well-prepared. (R1) Two models: state model and trade union based model. The decisions about who pays and how much was made in the last minute. 0.5% is too much for employers. We tried to persuade to make it smaller, but it was a political model. We had all the calculations; the reserve fund in the Ministry of Finance has been working for a year already. The amount of money paid in case of bankruptcy was clear. Additionally we calculated the approximate number of collective discharges. The trade unions – supported the insurance scheme, they were also against such high tax rates. (R2) The status of the UIF: Party of Reforms – to concentrate on the LMB, Mõõdukad – to give public-private status, Isamaaliit – the question was not principal. In the contract, Eiki Nestor agreed with 49 things, except for one thing – the tax rates. The position on the 0.5% and 1.0% was principal. The employees and employers did not have any arguments why the rate should be smaller, it was pure populism. The argument of the Nestor: "If you want insurance, you should pay". (R3) Under discussion: The qualification for the insurance, the tax rate, who will decide upon it; who would organize the implementation (TTA or other body); the conditions and terms of payments.The tax rate – all the parties asked for lower rate. The economic conditions were not as good as now, the prognosis showed that 1.5% was the minimum possible tax rate. Otherwise the scheme would not work. The **arguments** of the trade union and employers were mostly rhetorical. They expressed their positions. There was no experience or statistics. There was danger that the insurance scheme would motivate people to register as unemployed, and this would increase the number of insured people. The employers would discharge people easily. Decided to start moderately, just to make the system work. (R4) The rates of the insurances in other European countries, the minimum payment rates fixed in the European Social Security Codex. The economic prognosis after the crisis in Russia was quite skeptical. (R5) The employees and employers were weakly organized, but they took part in the negotiations as much as they could. (R6)	The government accepted 80% of the proposals from the contract (R1) In the tax rate question – the rate is flexible, could be changed by the government (R2) The status of UIF is public-private (R3) Decision to found the IUF (R4)

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