Regulative Structure of Locally Distributed Benefit Schemes and Inter-municipal Inequality: The Case of Estonia

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Abstract

Studies of locally distributed social policy schemes, and their central-local regulations and outcomes have mostly focused on single benefit schemes. However, the landscape of local social policy and access to social rights is more complex. A variety of local social policy schemes with various regulative structures can exist side-by-side within a welfare state, and often both central and local governmental levels have regulative powers for these. We assume that this complex web of central-local regulations of local social policy and the changes thereto has consequences. In this study, we scrutinise the regulative structures and spending patterns of all locally distributed benefit schemes in a single country (Estonia) and analyse their impact on inter-municipal inequality. We find that the central steering of local schemes is not per se a guarantee for lower/stable inter-municipal inequality. The results also emphasise the complexity of central-local regulations within the country and point to unintended consequences of reforms. In the case of Estonia, we identify processes of silent centralisation in locally distributed benefit schemes.

Key words: locally distributed benefit schemes, access to social rights, inter-municipal inequality, regulative structure, silent (de)centralisation.

Introduction

The implications of the regulative structures of local social policy schemes have long been on the political and academic agenda (e.g. Bruch et al., 2018). Researchers from fields such as federalism, intergovernmental relations and public administration have drawn attention to the issue of spatial inequality, asking whether a decentralisation of benefits results in a geographically uneven distribution of resources or access to social policy schemes. Discussions also concern the debate over which governmental level is the most adequate for each specific task (Gainsborough, 2003; Pollitt, 2005; Meyers & Gornick, 2005; Kazepov, 2010; Minas et al., 2018; Bruch et al., 2018). However, most of the research has concentrated on single benefit schemes, their generosity and local variations within a country. The reality is, however, more complicated.

In contemporary welfare states, cash benefit schemes are an important part of social policy in mitigating poverty and providing financial support when certain social risks emerge. From an institutional perspective, these schemes can be roughly divided into nationally regulated and distributed benefit schemes with no political autonomy or discretion at the subnational level, and schemes that include at least some degree of political autonomy or discretion for subnational regulations, whether in financing, rulemaking and/or administration. Regarding the former, eligibility criteria, compensation level, administration and financing procedures are similar all over a country, irrespective of local conditions, and thus, the place of residence within the country is insignificant in receiving the benefit. In contrast, regulations governing locally distributed benefit schemes are determined in various ways by both central and local (regional and/or municipal) governments. Local authorities can thus take into account the conditions of a given territorial context, and as a consequence, the distribution of a benefit can vary within the country. For locally distributed schemes, residency can play an important role. Living in a certain municipality can

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considerably increase or reduce access to local social policy programmes (Martinelli, Anttonen, & Mätzke, 2017). Local autonomy and central steering are crucial elements in the empirical and theoretical debate over central-local regulations and the resulting implications for access to social policy schemes and social rights (Daly, 2002). As previous studies have shown, municipal spending patterns (for example in terms of generosity) and inter-municipal inequalities (e.g. Bruch, Meyers, & Gornick, 2018; Hölsch & Kraus, 2004) are indications of the variations in access to local social policy programmes.

In many countries, several locally distributed benefit schemes with different regulative structures, social policy goals and target groups exist side-by-side (Frazer & Marlier, 2016). Although all of these benefit schemes are a local responsibility, both central and subnational governments often have regulative powers regarding rulemaking, financing and/or administration, but in varying ways (Bruch et al., 2018). However, regardless of the regulative structure and the source of funding (state or local), these benefits are often distributed through local budgets. We assume that these regulative structures of local benefit schemes within a territory (here municipality) affect local spending – overall as well as within single schemes. For instance, altered benefit standards in one (centrally steered but locally distributed) benefit scheme might force municipalities to adapt local benefit levels and/or eligibility criteria in other scheme(s) in order to keep the local budget balanced. Yet, local authorities often have multiple choices in reacting to these changes. Depending on their power of autonomy in benefit schemes, they can use different ways to determine who gets how much support (e.g. choosing to provide services instead of benefits, etc.). Therefore, the spending pattern for one benefit scheme might be altered not only by changes in that specific scheme, but also by decisions made in other locally distributed benefit schemes.

The possible interdependence between locally provided schemes shows a limitation of studies concentrating on single schemes. This stresses the importance of including the overall regulative landscape of locally distributed benefit schemes and the outcome in terms of spending patterns and inter-municipal inequalities. The purpose of our study is thus to scrutinise the regulative structures and spending patterns of all locally distributed benefit schemes in a given country, and to analyse changes over time and their impact on inter-municipal inequality. Empirically, we direct attention to a package of locally distributed cash benefits and their interdependence regarding spending patterns and inter-municipal inequalities. This design is an extension of an approach used in previous local governance studies which have, however, concentrated on single schemes. We will go further by: a) categorising the regulative structures of all local cash benefit schemes according to a set of dimensions used in the literature on decentralisation; and b) defining spending patterns and estimating inter-municipal inequality by using the concepts of relevance and generosity. The Gini coefficients will be used as a measure of inequality in distribution in order to estimate inter-municipal inequality over time and to compare the single schemes and their interdependence. We analyse the locally distributed benefit schemes in Estonia. A single country study allows us to compare in-depth regulative structures and spending patterns of various local cash benefit schemes, which all function in the same welfare state and in the same general context. Since inter-municipal inequality may also be affected by changes in the number of subnational units, the study covers the period 2006–2016, when no major administrative-territorial reforms took place. The number of municipalities stayed relatively stable with only some voluntary mergers (reduction from 227 to 213).

There is also an ambition to improve the theoretical and empirical discussion of the importance of policy design in local social policy schemes. Theoretically, we attempt to advance the debate about local autonomy and central steering.

The article has three parts. The first part deals with theoretical and conceptual considerations about local autonomy and central steering. The second part gives an overview of the institutional design of the Estonian welfare state with emphasis on local cash benefits. The third part includes the empirical study of the regulative structures, spending patterns and inter-municipal inequalities. The paper ends with a discussion.

Local autonomy and central steering

The question of which governmental level should be responsible for which task has concerned researchers in public administration for a long time (e.g. Stoker, 1996). One strand of theory, namely intergovernmental relations (IGR), centres on the question of how much autonomy or discretion local governments have from their central government, and is concerned with processes and institutions through which governments within a political system interact (Agranoff, 2014; Goldsmith, 2002; Loughlin, 1996; Phillimore, 2013). In unitary systems, the 'vertical' IGR occurs in the relationship between the central (national) and local (subnational) governments (Phillimore, 2013). Processes of interaction in central-local regulations include intergovernmental reforms to transfer power 'downward' or 'upward' to political authorities at various governmental levels; in other words, (de)centralisation. Obviously, central-local regulations vary between countries but also within a country from one policy scheme to another, with a more or less sophisticated functional division of governmental activities between them. Local autonomy vis-a-vis the state is sometimes defined as the power of initiative and immunity, where the former refers to the power to regulate and legislate own interests, and the latter to immunity from state government, thus functioning free from the oversight of any higher government tier (Clark, 1984). Without legal, financial and other resources provided by the central government, local governments would be reduced to being pure extensions of central governments unable to use local autonomy (Elander, 1991). As Goldsmith (2002, p. 91) points out:

> *"central government control – by which is meant setting the rules of the intergovernmental game – is a crucial piece in the establishment of local government systems, in that the position of local government in state systems is decided by the nature of the constitution (written or unwritten) and by the interpretation of and formal changes to it through legislation and judicial decisions."*

Therefore, certain constitutional and legal provisions are normally necessary to formalise forms of local autonomy. Their structure depends inter alia on the institutional design of the welfare state (Goldsmith, 2002; Bantin & Costa-Font, 2010; Sellers & Lidström, 2007), and on the type of local functions (Page & Goldsmith, 1985). This formalisation also implies that the limitations of local power in terms of initiative and immunity are defined by the central steering (Clark, 1984).

However, the actual power balance in 'vertical' IGR in terms of outcomes (e.g. spending patterns) is not only defined by intergovernmental reforms. Institutional reforms may have unexpected consequences (Dubois & Fattore, 2009; Pierson, 2000), and even in cases where the formal intergovernmental regulative structure for decentralised functions is not changed, the actual power balance and spending patterns can be altered in practice. This can occur on the basis of changes outside the regulative power structure: for instance, by changing national/local policy priorities, redefining national/local eligibility criteria or introducing national/local austerity measures during an economic crisis (Greer, 2010; Pollitt, Bircall, & Putman, 1998). Dubois and Fattore (2009, p. 717) have called such indirect changes in the outcomes of intergovernmental regulations *silent (de)centralisation*.

During the last decades, a host of reforms has addressed the regulative structure of income protection and poverty alleviation schemes throughout Europe, and these processes often replaced centralised, hierarchical and rule-driven administration with decentralised management. As a result, subnational levels of government have acquired greater regulative responsibilities not only in the delivery of services (administration), but also in rulemaking and financing (Pollitt, 2005; van Berkel et al., 2011; Minas & Øverbye, 2010). There have also been reforms working in the opposite direction or showing de- and (re)centralising trends simultaneously (Minas et al., 2012; Minas et al., 2018). In some studies, based on European social assistance schemes, different classifications were developed which included the degree of centralisation and local autonomy as a dimension. Hölsch and Kraus (2004), for example, investigated the relationship between the degree of centralisation in European social assistance schemes and their success in mitigating poverty. They developed indicators such as funding liabilities, formal decision responsibilities and regional differences in benefit levels. A similar study by van Mechelen and de Maesschalck (2009) focused on the relationship between central steering and the adequacy of benefit levels in decentralised social assistance schemes. Both studies emphasise the importance of central steering and nationwide regulations in local policy schemes, and point out that the most ineffective or inadequate schemes in poverty alleviation are extremely decentralised schemes with minimal (or no) central steering. Eastern European countries, however, are still struggling to find an adequate balance between better targeting and central-local relations in poverty alleviation schemes (van Mechelen & de Maesschalck, 2009) in the context of high inequalities within the countries and insufficient protection against poverty (Nelson, 2010). Minas et al. (2018) studied the shifting responsibility between the national and local level of government in Scandinavian social assistance schemes concentrating on benefit level and caseloads. The results indicate that minor reforms implying a (de)centralisation of authority seem to have had little impact on benefit generosity and social assistance caseloads, especially when the reform did not apply to the power of the regulations for benefit levels or eligibility criteria (i.e. rulemaking). Meyers and Gornick (2005) and Bruch et al. (2016; 2018) have examined regulative structures and cross-state inequality in generosity and inclusion over time in eleven US social programmes. They used the dimensions of decentralised rulemaking, administration and financial authority. These three studies showed that inequality is particularly closely related to IGR in financing, administration and rulemaking. Over time, they observed increased cross-state inequality in the generosity of schemes with a high degree of local autonomy, whereas cross-state inequality in the other schemes is rather stable. Yet, they did not compare the generosity nor inter-municipal inequality of single schemes nor interdependence.

Estonia

First, some remarks about the choice of Estonia as a case study. In Estonia, as in transition countries in general, welfare reforms, including political (de)centralisation of existing social policy schemes and the introduction of completely new functions, are still ongoing processes. This allows us to follow closely the structural effects and outcomes of institutional changes in modes of governance. Furthermore, five locally distributed cash benefit schemes with varying regulative structures exist side-by-side and will be analysed jointly; this makes the case theoretically and empirically interesting. In addition, until 2017, Estonia was divided into more than 200 subnational units (municipalities). The population size in those units varied between less than 70 and more than 400,000 inhabitants (Statistics Estonia); that is, the difference in population size was more than 6 000 times with considerable variations in socio-demographic structure (Kriisk, 2019). Yet, Estonia has in recent years had one of lowest levels of social spending in the EU and very low emphasis on social services and social assistance (Kuitto, 2016).

The choice of Estonia as a case study for political (de)centralisation of locally distributed benefit schemes also has some limitations. As stated in the literature, local welfare systems in general (e.g. Ranci et al., 2014; Andreotti et al., 2012), as well as in single policy areas (e.g. Minas et al., 2012; Kazepov, 2010) are deeply rooted within welfare state and governance traditions (Sellers & Lidström, 2007) and follow a certain path dependency. In the case of Estonia, the transition to a contemporary welfare state has led to controversial expectations and outcomes in the regulative structure of (local) social policy (Aidukaite, 2011). High expectations regarding liberalism and/or individualism and high fragmentation, with in some cases extreme decentralisation, stand in conflict with expectations about universalism and solidarity in welfare policy (e.g. universal child benefits and universal access to education and health care) (Cerami & Vanhuysse, 2009). At the local level, this implies that extensive political and organisational autonomy (similar to Scandinavian countries) stands in conflict with very limited and centrally controlled fiscal autonomy (Swianiewicz, 2014). These circumstances have led to considerable territorial disparities, particularly in poverty rates. According to estimations of regional poverty mapping[1] in 2011, the poverty rates between municipalities differ almost seven times – from 6% up to 40% (Sõstra &

1 Model-estimated poverty rates and inequality in regions with small population size based on a combination of EU-SILC and Census micro-data (Sõstra & Aru, 2013). This methodology allows to estimate poverty levels in ca 25% of municipalities; other smaller municipalities were grouped into larger units to ensure the reliability of estimations.

Aru, 2013). According to Eurostat, income inequality (Gini index) in Estonia is above average and in 2014 one of the highest among EU countries. In contrast, the unemployment rate in Estonia is below the in EU countries, except during the economic crisis; however, territorial disparities can be quite high. For example, in 2015, the proxy unemployment rates[2] in municipalities differ more than five times, from 1.7 up to 9.3 (the proxy rate for Estonia was 3.4). Therefore, Estonia differs considerably from western European welfare states in terms of institutional design. Still, we are convinced that this study can add important knowledge and contribute to the theoretical discussion of the structure of central-local regulations and inter-municipal inequality.

Locally distributed cash benefit schemes in Estonia

Social cash benefit schemes in Estonia can be roughly divided into national and local (municipal) schemes. Our study focuses on cash benefit schemes distributed locally, which provide additional and/or targeted social protection to local inhabitants beyond national schemes. The general legal framework for those schemes is established through the Social Welfare Act. Five locally distributed schemes existed in 2016: needs-based family benefit, subsistence benefit, caregiver allowance for children, caregiver allowance for adults, and supplementary benefits. These benefit schemes are briefly described below.

Needs-based family benefit was introduced in 2013 in order to support families with children living in poverty. Until then, only universal nationwide family benefit schemes existed, such as flat-rate child benefits and a relatively generous parental leave allowance (Ainsaar & Kesselmann, 2016). The scheme has been centrally regulated in terms of rulemaking (including fixed benefit levels) and financing (from state budget with earmarked grants), but it has left some administrative discretion to the local level (in carrying out means-testing), with no political autonomy to local councils. The use of the benefit scheme in the first two years after its introduction was limited (Ainsaar & Kesselmann, 2016), mainly because of the extensive bureaucracy and low compensation levels.

Subsistence benefit was introduced in 1995 as a locally distributed benefit scheme. It is the primary component of the Estonian social assistance scheme often referred to in comparative social assistance studies (e.g. Nelson, 2010; Avram, 2013). The scheme, financed from the state budget with earmarked grants distributed through the local budget, is mainly centrally regulated (rulemaking) and administrated. However, municipalities are obliged to adapt the scheme to local circumstances (particularly housing costs), but the minimum levels are set by state regulations. Municipalities have some autonomy in the administration of the scheme (e.g. in combining the allocation of the benefit with social services or in deciding on allocation procedures). According to the Ministry of Social Affairs and the Ministry of Finance, municipalities spent around 15 million euros of earmarked grants on subsistence benefit in 2015 (27% of total local benefit spending).

There are two *caregiver allowances*, one for adults and another for children. Since they have many similarities, they are described in the same paragraph. In general, the provision of social care to the elderly and to persons with a disability (including children) is the obligation of families and municipalities (Och, 2015). Both schemes became a municipal responsibility after decentralisation in 2005 (adults) and 2009 (children). The declared aim of the decentralisation reforms was to provide economic support to non-professional caregivers or family members with a care obligation, taking into account local contexts and individual needs. Earlier on, both schemes were regulated and distributed by the state. After the decentralisation, the schemes are mainly locally regulated, including the autonomy to replace the allocation of allowances with alternative measures (e.g. social services or supplementary benefits). The regulative structure of the schemes includes, however, some central steering mechanisms of financing to promote their local implementation. (In)direct central co-funding exists in the equalisation fund calculation formula (adults), or as fixed lump sums added to the block grants for each caregiver allowance recipient (children). Central steering also includes a municipal obligation to pay social tax for some caregivers (non-working

2 The proxy unemployment rate is calculated as share of average number of unemployed persons in a year per working age population (15-64) in a municipality.

but of working age) in order to ensure pensions and health insurance rights. However, the monthly social tax can be up to three times higher than the actual benefit level.

Supplementary benefit scheme is an umbrella term and includes various benefits to various vulnerable and/or socio-demographic target groups (Ainsaar & Soo, 2012; Kriisk, 2012). In 2010, the municipalities allocated more than 13 different supplementary benefits on average (Kriisk, 2012). Nevertheless, all supplementary benefits have exactly the same regulative structure, namely full local regulations without any element of central steering. More than half of the total local benefit spending goes to these benefits. It was intended that the Estonian social assistance scheme should consist of both the subsistence benefit (described above) and the supplementary benefits. However, since the introduction of the two schemes in 1995, the link between them has been missing in the Social Welfare Act. Both schemes remain separated and co-exist only with minimal regulative linkage in municipal legislation.[3] Therefore, in reality, the aim of supplementary benefits is not exclusively to support the economic well-being of local inhabitants, but in some cases to attract new inhabitants and/or to inhibit outmigration with universal and generous supplementary benefits.

In summary, since the early 1990s until 2017, four intergovernmental social policy reforms have altered the regulative structure of locally distributed benefits, implying a transfer of responsibilities to the local level. These are the introduction of subsistence benefits and supplementary benefits in 1995, the decentralisation of caregiver allowances in 2005 and 2009, and the introduction of needs-based family benefit in 2013. It is also relevant to stress the role of the social services reform in 2016 that implied a national standardisation (defining of minimum standards) of local social service provision. Local social services have to be financed and administered by the municipalities, and therefore the aforementioned reform influences the distribution of limited financial resources within local welfare provision (including services and cash benefits).

Methodology and data

The first part of the analysis aims at categorising the five benefit schemes according to previously used regulative dimensions of local social policy measures: rulemaking, financing and administration (e.g. Minas & Øverbye, 2010; Bruch et al., 2016; 2018; van Mechelen & de Maesschalck, 2009), and is based on formal policy documents and legal acts. *Rulemaking* is defined as the local power to determine eligibility criteria and the content of the policy measure, as well as to decide over the scheme's implementation; *financing* means the local power over type and usage of financial resources; and *administration* is the local power over allocation procedures. Coding is done according to the following scale: no local autonomy, low, medium, high, and full local autonomy. With this design, we partly follow Bruch et al. (2016; 2018) but have adjusted the coding to the Estonian context by adding the categories none and full to the local autonomy coding.[4] The exact coding is described in Table 1.

3 Several supplementary benefits in municipalities are distributed to subsistence benefit recipients.

4 Bruch et al. (2018) have used low-medium-high local autonomy

Table 1. Coding of local autonomy for locally distributed social policy measures

Dimension	***Definition***	***Coding/Measurement***
Rulemaking	**Local power in** defining eligibility criteria, content of local social policy measures, scheme's implementation	*None* (entirely centrally regulated)
		Low (binding state regulations with some local discretion to adapt the scheme to local context; implementation obligatory)
		Medium (local regulations according to direct national guidelines, obligatory)
		High (local regulations, some national guidelines, and/or voluntary)
		Full (entirely local regulations)
Financing	**Local power** over type and usage of financial resources	*None* (entirely centrally financed)
		Low (mainly centrally regulated, local obligation to co-finance)
		Medium (local financing, binding state regulations, direct state co-funding)
		High (local financing, some binding state regulations)
		Full (entirely local financing)
Administration	**Local power in** deciding over allocation procedures of local social policy measure	*None* (entirely centrally defined)
		Low (centrally defined, minimal professional discretion, centrally monitored)
		Medium (centrally defined, locally larger autonomy, centrally monitored)
		High (locally defined and allocated, some central guidelines, centrally monitored)
		Full (entirely locally defined, no monitoring)

Source: based on Bruch et al. (2016, 2018), own elaborations of coding categories, and addition of detailed coding criteria and definitions

This categorisation will enable us to identify, generalise and compare regulative structures of locally distributed social policy measures, such as benefit schemes and services. These categories are then used in the second part of the analysis. Here the focus is on spending patterns and inter-municipal inequality over time and between single schemes in terms of relevance (interdependence) and generosity.

For the second part of the analysis, three databases have been used: Statistics Estonia (number of inhabitants), disaggregated financial data about local (cash benefit) spending collected by the Ministry of Finance, and detailed data about local social cash benefits and recipients (except in case of supplementary benefits) collected by the Ministry of Social Affairs. In order to analyse the (unintended) effects of regulative structures in more detail and to compensate for the lack of reliable administrative data in some schemes, we have used the estimation of vulnerable groups or disaggregated spending patterns within the scheme. For the supplementary benefits scheme, the annual number of recipients is unknown (no reliable data exists), and therefore the generosity of this scheme is calculated as spending per capita and as spending per estimated number of vulnerable inhabitants (the added number of subsistence benefit receivers, unemployed persons and persons with disability). For both caregiver allowances, the disaggregated generosity and relevance were calculated with and without social tax. The generosity of cash benefit schemes in 2010 is not included in the analysis because the methods of data collection were changed, and the number of recipients is not reliable for that year. However, this methodological change did not affect the data reliability of disaggregated expenditure, and therefore the relevance in year 2010 is included.

We use the Gini coefficient to estimate inter-municipal inequality; that is, inequality between the municipalities in relevance and generosity. The Gini coefficient in social sciences is mostly known as a way to estimate income inequality (Sen, 1973), but also the increase or decrease of inequality in education, including territorial inequalities (Halffman & Leydesdorff, 2010; Zitt et al., 1999). The Gini coefficients are based on the calculation of the area between the line of equality and Lorenz curve (Sen, 1973; Özdemir, 2016). In general, the Gini coefficient is a measure of mean inequality in the distribution and it does not depend on the actual values or their distribution. For this study, we included benefit schemes with various policy goals and target groups, and this entails different distributions of need/demand and an a *priori* dissimilar distribution of spending across the country in terms of relevance and generosity. Our goal was to compare changes in inequality over time and between the schemes. Therefore, the distribution-free (in)equality measurement (Gini coefficient) allows us to analyse how (un)equally the cash benefits in terms of relevance and generosity are spread across the country.

The regulative structure of local cash benefit schemes

When we applied the analytical framework presented earlier to the five locally distributed benefit schemes, a typology of regulative structures of local benefit schemes emerged showing three distinctive types of regulative structures (Table 2). We call these centrally framed, locally framed and fully locally framed schemes.[5] The first type consists of centrally regulated benefit schemes, including needs-based family benefit and subsistence benefit. There are, however, some differences within this type. Financing occurs entirely at state level in both schemes, as does the decision on benefit levels and eligibility criteria for the needs-based family benefit. In the case of subsistence benefit, however, there is some local autonomy with respect to defining benefit levels. The actual distribution of both benefits takes place at local level, giving the municipalities some discretion and/or autonomy in administration, more so in the case of subsistence benefit. Accordingly, this type of regulative structure is called a centrally framed scheme with minimal/some local autonomy. The second type of regulative structure is called a locally framed scheme with some central steering and includes both caregiver allowances. The main difference compared to the first type is that local power is coded high in most dimensions. A small difference exists in the financing dimension where central steering instruments limit local power in both caregiver allowance schemes, and somewhat more in the case of the allowance for children than for adults. The third type is a regulative structure implying complete local autonomy. That structure is only found in the case of supplementary benefits.

Table 2. Typology of regulative structures in Estonian locally distributed benefit schemes

	Needs-based family benefit	Subsistence benefit	Caregiver allowance for children	Caregiver allowance for adults	Supplementary benefits
			Degree of local autonomy and power		
Rule-making	None	Low	High	High	Full
Financing	None	None	Medium	High	Full
Administration	Low	Medium	High	High	Full
Regulative structure	**Centrally framed scheme** with minimal local autonomy	**Centrally framed scheme** with some local autonomy	**Locally framed scheme** with some central-steering	**Locally framed scheme** with minimal central-steering	**Fully locally framed scheme** without any central-steering
Introduction or decentralisation	July 2013 (intro)	1995 (intro)	April 2009 (decentr)	2005 (decentr)	1995 (intro)

Source: Social Welfare Act, other legal acts, categorisation based on coding matrix (Table 1)

5 The terms of this typology are borrowed from Kazepov (2010)

A preliminary analysis of the regulative structures of locally distributed benefit schemes in Estonia reveals a varied picture. It shows that a mixed landscape of regulative structures appears behind locally distributed benefit schemes, where local autonomy varies considerably. This raises the questions of whether the regulative structure of single benefit schemes affects spending patterns and inter-municipal inequalities over time and how. In relation to previous research, we now ask if the schemes with higher local autonomy are those with higher and/or growing inter-municipal inequality. Furthermore, is inter-municipal inequality stable in the centrally framed schemes? We also want to know if the regulative structure and changes to the benefit schemes affect each other's spending patterns (interdependence), and if yes, how. Therefore, in the following analyses we want to get closer to the connection between central-local regulations and access to social rights.

Spending patterns in locally distributed benefit schemes and inter-municipal inequalities

The second part of the analysis starts with the relevance of local cash benefits (share of spending on a benefit scheme in total local social benefit spending per municipality). Table 3 presents first the relevance of all social cash benefit schemes in the local budget, followed by general social spending (which also includes local social services) before moving on to single benefit schemes and inter-municipal inequalities. It should be emphasised that social spending does not necessarily include all spending on social cash benefits; some benefits under the umbrella term supplementary benefits may be defined by local authorities as spending on education, health care, etc.

Table 3. Relevance of locally distributed benefit schemes and local social spending, and inter-municipal inequalities (N number of municipalities)

	2006 (N=227)	2007 (N=227)	2008 (N=227)	2009 (N=227)	2010 (N=226)	2011 (N=226)	2012 (N=226)	2013 (N=226)	2014 (N=215)	2015 (N=213)	2016 (N=213)	Change 2006-2016
Average relevance (%) of all Estonian municipalities												
Social cash benefits in local budget	4.8	3.8	3.4	4.1	4.7	4.7	4.1	4.0	4.0	4.1	*4.2*	*-0.6*
Social spending in local budget	7.6	6.9	6.7	7.7	8.3	8.5	8.2	7.7	7.8	8.3	*8.5*	*0.9*
Centrally framed schemes												
Needs-based family benefit	Not allocated							0.9[1]	1.7	9.9	9.9	*8.2*[3]
Subsistence benefit	22.9	18.9	16.6	26.2	36.4	39.1	35.9	33.3	31.6	27.0	34.5	*11.6*
(Fully) Locally framed schemes												
Caregiver allowance for children	Not allocated			1.5[2]	1.8	2.0	2.4	2.7	3.2	3.1	2.8	*1.0*[3]
allowance without social tax				0.5[2]	0.6	0.9	1.1	1.5	1.8	1.8	1.7	*1.1*[3]
Caregiver allowance for adults	21.2	21.4	21.3	18.8	14.4	12.2	12.0	11.8	11.2	10.2	9.4	*-11.8*
allowance without social tax	14.4	15.6	15.1	12.4	10.0	8.7	8.4	8.1	7.6	6.9	6.5	-7.9
Supplementary benefits (fully)	55.9	59.7	62.1	53.5	47.5	46.7	49.8	51.3	52.3	49.8	43.4	*-12.5*
Inter-municipal inequalities (Gini coefficients)												
Social cash benefits in local budget	*0.25*	*0.25*	*0.25*	*0.26*	*0.24*	*0.26*	*0.26*	*0.27*	*0.26*	*0.26*	*0.27*	0.02
Social spending in local budget	*0.28*	*0.28*	*0.28*	*0.30*	*0.29*	*0.28*	*0.30*	*0.32*	*0.30*	*0.30*	*0.29*	0.01
Centrally framed schemes												
Needs-based family benefit	Not allocated							0.45	0.45	0.39	0.34	*-0.11*
Subsistence benefit	0.37	0.43	0.43	0.35	0.30	0.30	0.33	0.34	0.36	0.36	0.31	*-0.06*
(Fully) Locally framed schemes												
Caregiver allowance for children	Not allocated			0.61	0.58	0.64	0.65	0.66	0.67	0.69	0.69	*0.08*
allowance without social tax				0.61	0.61	0.71	0.73	0.75	0.79	0.80	0.79	0.18
Caregiver allowance for adults	0.33	0.32	0.34	0.37	0.42	0.45	0.45	0.46	0.46	0.48	0.48	*0.15*
allowance without social tax	0.33	0.33	0.35	0.38	0.43	0.47	0.47	0.48	0.51	0.52	0.54	*0.21*
Supplementary benefits (fully)	0.20	0.18	0.18	0.21	0.24	0.25	0.24	0.23	0.23	0.24	0.28	*0.08*

Notes:
[1] - The scheme was introduced in July
[2] - The scheme was decentralised in April
[3]- Full years: needs-based family benefit (2014-2016) and caregiver allowance for children (2010-2016)
Source: Ministry of Social Affairs, Ministry of Finances; own calculations

The general picture shows that over time, the relevance of total social spending in the municipalities has increased (from around 7 to 8.5%), but the relevance of local cash benefits has decreased (from 4.8 to around 4%). Both general spending patterns were affected by the economic crisis (2009–2011), having high peaks during the crisis and low points in pre- and post-crisis periods. In recent years, benefits spending has been rather stable, whereas social spending has increased. When distinguishing benefit schemes according to their regulative structure, we can observe considerable variations in trends and interdependence. While the ratio between spending in centrally and (fully) locally framed benefit schemes in 2006 was around 20:80, the same ratio in 2016 was 45:55. This has been the result of a constant increase in the relevance of centrally framed schemes, particularly of subsistence benefit (2009–2012), and of the needs-based family benefit (2015–2016). The steady decrease in relevance of the (fully) locally framed schemes is mostly a result of the decline in relevance of the caregiver allowance for adults, but also of supplementary benefits in recent years. The extent of changes is larger than expected, given the recent intergovernmental benefit reforms: the relevance of needs-based family benefit and of caregiver allowance for children is rather small. These trends and figures in spending patterns could lead to an assumption that regardless of nationwide priorities (the increase of relevance in centrally framed schemes), local authorities have shifted their priorities from cash benefit allocation to social service provision.

Although the overall inter-municipal inequality in the relevance of local social spending and of total benefit spending has been stable over the years, there are various trends in the inter-municipal inequality of the single benefit schemes. Inter-municipal inequality has for example decreased in centrally framed schemes (Gini coefficient has fallen from around 0.45 to around 0.3 in both schemes), increased in locally framed schemes, especially in the case of caregiver allowance for adults (from 0.33 to 0.48), and been relatively stable in fully locally framed schemes (supplementary benefits). Interestingly, the lowest inter-municipal inequality in relevance can be observed not in centrally framed schemes, but in fully locally framed schemes. Overall, there is a convergence between centrally and fully locally framed schemes in regard to inter-municipal inequality.

Table 4 turns our attention to generosity and inter-municipal inequalities therein both over time and between the schemes. Generosity of local benefit spending and of social spending (including social services) has increased over time – more so for local social spending than for benefits. Generosity of the former has increased during the period by around 66%, whereas in the case of total benefit spending the increase was around 33%. Mostly due to nationwide increases in benefit levels, the generosity of the centrally framed schemes has significantly increased over time. The same trend can be observed in locally framed schemes (both with and without social tax), but on a considerably lower level. In fully locally framed schemes (supplementary benefits), there has been almost no increase in generosity over the eleven-year period. Furthermore, the generosity per estimated vulnerable group has decreased slightly over the years.

Table 4. Generosity per year and inter-municipal inequality of benefit schemes and local social spending (N number of municipalities)

	2006 (N=227)	2007 (N=227)	2008 (N=227)	2009 (N=227)	2011 (N=226)	2012 (N=226)	2013 (N=226)	2014 (N=215)	2015 (N=213)	2016 (N=213)	Change 2006-2016 values	Change 2006-2016 %
Average generosity[1] per year in municipalities (€)												
Social cash benefits in local budget (capita)	*39.89*	*37.66*	*39.13*	*42.03*	*46.50*	*45.30*	*45.95*	*47.59*	*50.09*	*53.29*	*13.4*	*33.6*
Social spending in local budget (capita)	*74.96*	*82.11*	*90.85*	*99.03*	*103.68*	*109.27*	*118.93*	*113.12*	*120.96*	*124.76*	*49.8*	*66.4*
Centrally framed schemes												
Needs-based family benefit (recipient)	Not allocated						60.36[2]	107.98	544.57	597.65	*489.67[4]*	*453.5[4]*
Subsistence benefit (recipient)	213.43	245.05	269.03	258.91	428.57	409.71	410.31	459.25	454.65	601.96	*388.53*	*182.0*
(Fully) Locally framed schemes												
Caregiver allowance for children (recipient)	Not allocated			397.03[3]	483.61	491.18	520.14	577.36	636.00	627.22	*143.61[4]*	*29.7[4]*
allowance without social tax				116.41[3]	171.04	185.39	204.28	228.72	252.94	249.32	*78.28[4]*	*45.8[4]*
Caregiver allowance for adults (recipient)	276.35	277.04	296.94	320.01	300.01	311.80	328.49	354.36	371.68	410.53	*134.18*	*48.6*
allowance without social tax	184.93	197.60	206.02	204.85	198.49	203.53	212.62	220.49	227.47	242.60	*57.67*	*31.2*
Supplementary benefits (capita)	21.61	22.09	24.12	22.62	21.13	21.95	25.25	24.18	23.67	22.28	*0.67*	*3.1*
Supplementary benefits (vulnerable)	130.30	148.21	166.06	115.00	107.65	116.86	128.49	140.43	141.50	126.48	*-3.8*	*-2.9*
Inter-municipal inequalities (Gini coefficients)												
Social cash benefits in local budget (capita)	*0.25*	*0.26*	*0.25*	*0.25*	*0.25*	*0.27*	*0.27*	*0.27*	*0.26*	*0.27*	*0.02*	
Social spending in local budget (capita)	*0.28*	*0.30*	*0.30*	*0.34*	*0.32*	*0.33*	*0.36*	*0.31*	*0.31*	*0.29*	*0.01*	
Centrally framed schemes												
Needs-based family benefit (recipient)	Not allocated						0.19	0.21	0.17	0.17	*-0.02*	
Subsistence benefit (recipient)	0.22	0.23	0.27	0.23	0.18	0.20	0.20	0.21	0.21	0.20	*-0.02*	
(Fully) Locally framed schemes												
Caregiver allowance for children (recipient)	Not allocated			0.51	0.52	0.52	0.52	0.51	0.55	0.55	*0.04*	
allowance without social tax				0.42	0.49	0.52	0.52	0.55	0.55	0.54	*0.12*	
Caregiver allowance for adults (recipient)	0.13	0.15	0.17	0.21	0.27	0.27	0.27	0.30	0.32	0.36	*0.23*	
allowance without social tax	0.11	0.13	0.14	0.16	0.20	0.21	0.21	0.21	0.23	0.27	*0.16*	
Supplementary benefits (capita)	0.29	0.30	0.31	0.34	0.34	0.35	0.32	0.33	0.32	0.33	*0.04*	
Supplementary benefits (vulnerable)	0.40	0.43	0.45	0.45	0.45	0.46	0.47	0.47	0.46	0.45	*0.05*	

Notes:
[1] - capita refers to generosity per inhabitant in a municipality; generosity per recipient enables to take in account also the structural needs in a municipality
[2] - The scheme was introduced in July
[3] - The scheme was decentralised in April
[4] - Full years: needs-based family benefit (2014–2016) and caregiver allowance for children (2011–2016)
Source: Ministry of Social Affairs, Ministry of Finances; own calculations

Over time, inter-municipal inequality in generosity has been relatively stable in local social spending and benefit spending, as well as in most single benefit schemes (centrally and fully locally framed schemes). A slight reduction in inequality can be observed in the case of the needs-based family benefit scheme, and a slight increase in inequality in the case of supplementary benefits. One exception in this picture occurred in 2008, when the inter-municipal inequality in generosity of subsistence benefit was significantly higher than in other years. Interestingly, inter-municipal inequality in both locally framed schemes follows a different trend than in the other schemes. Here, inter-municipal inequality in generosity grows over the years of the study regardless of the social tax component, with a much greater growth in the caregiver allowance for adults than that for children. Comparing the schemes over a longer period, the inter-municipal inequality in 2006 was lowest in the case of a locally framed scheme (caregiver allowance for adults), followed by a centrally framed and fully locally framed scheme (supplementary benefits). Ten years later, the level of inter-municipal inequality was lowest in centrally framed schemes, followed by caregiver allowance for adults and fully locally framed schemes. Inter-municipal inequality was highest in the caregiver allowance for children. Furthermore, a central steering mechanism (social tax component) has an opposite effect on the inter-municipal inequality of caregiver allowance for adults compared to that for children.

Inter-municipal inequality of benefit schemes is also affected by local decisions to **not** allocate and/or implement a scheme. Table 5 gives an overview of non-allocation over time, where annual spending on a scheme in a municipality is 0 (zero) euros. The table depicts a large variation in non-allocation. The most interesting trend is that the number of municipalities not allocating caregiver allowance for adults has risen over the years from 1 to 17 (in 2009 it jumped from 3 to 16 within a year). The number of municipalities not paying social tax on caregiver allowance for adults has increased over the years from 2 to 56 (26% of all municipalities). Looking at these figures raises the question of whether municipalities have used their local autonomy in rulemaking and changed the eligibility criteria to avoid caregivers on whose allowance they have to pay social tax – meaning limited access to social rights.

Table 5. Number of municipalities which have not allocated single cash benefits in a given year and, in the case of caregiver allowances, also not allocated social tax

	2006 (N=227)	2007 (N=227)	2008 (N=227)	2009 (N=227)	2011 (N=226)	2012 (N=226)	2013 (N=226)	2014 (N=215)	2015 (N=213)	2016 (N=213)
Needs-based family benefit							19	13	6	3
Subsistence benefit	0	2	4	1	1	1	1	3	2	3
Caregiver allowance for children				63	65	62	70	65	64	69
No social tax				95	88	88	88	88	82	93
Caregiver allowance for adults	1	1	2	3	16	19	18	16	16	17
No social tax	2	7	14	22	39	48	49	51	48	56
Supplementary benefits	0	0	0	0	0	0	0	0	0	0

Source: Ministry of Social Affairs, Ministry of Finances; own calculations

Discussion and conclusion

The intention of this paper is to contribute to the widely debated issue of the central-local regulations of social policy and access to social rights at the subnational level. Existing research starts with the assumption that local autonomy in benefit distribution per se results in higher inter-municipal inequality and stresses the importance of central steering and monitoring in reducing regional and/or local inequalities. Empirically, this assumption has been tested mostly through analysing single benefit schemes and ignoring the possible interdependence of several benefit schemes and/or other local social policy measures. Bearing that in mind, we wanted to give a more nuanced picture of the regulative landscape of locally distributed benefit schemes in a given country over a longer period. We therefore studied all locally distributed benefit schemes in Estonia, and analysed trends in spending patterns and their inter-municipal inequality in terms of relevance and generosity. Estonia represents a country where municipalities have extensive political and administrative but limited financial autonomy. They play a significant role in social policy and in access to social rights by providing additional and/or targeted social protection throughout the local inhabitants' life cycle. This protection includes the distribution of cash benefits and the provision of social services. Locally distributed benefit schemes are, however, regulated in diverse ways. This makes the case empirically and theoretically interesting.

The main theoretical results of this study are: (i) local cash benefits are characterised by different central-local regulations ranging from centrally to fully locally framed schemes; (ii) trends in central-local powers (in spending patterns) are altered not only by reforming intergovernmental regulations; (iii) stronger central steering in a cash benefit scheme is not per se a guarantee for lower or stable inter-municipal inequality.

Discussion on local welfare systems is most often based on the regulative structure of a single social policy scheme seen to create variations in outcomes and in access to social rights. Our study, however, reveals that the picture is much more diverse. Comparing the distribution of local social services and cash benefits in Estonia during the period concerned, the former had exactly the same regulative structure (Kriisk, 2019). This structure has only been altered once (in 2016), when certain national minimum standards for ten social services were defined; otherwise the municipalities have/had full autonomy in rulemaking, financing and administration for local social service provision. In contrast, locally distributed benefit schemes are embedded in varying regulative structures, with or without various regulative limitations to represent local interests (power of initiative) with or without interference from the national level (power of immunity). This is important for our understanding of local autonomy and of strategies in reacting to changing circumstances (e.g. austerity measures, policy changes). While some benefits are regulated by the state with minimal local autonomy, municipalities can use the autonomy they have in other benefits in order to redirect resources and/or implement (alternative) local social policy measures/goals in their own unique socio-economic and political context. Therefore, the distribution of local benefits needs to be seen in the broader structural context and the possible interdependencies this context can provide for the outcomes of local social policy and access to social rights.

This implies that the outcomes of locally distributed benefit schemes (here spending patterns) can be influenced both by reforming the intergovernmental regulations, which define the division of regulative powers, and by implementing regulative powers and/or by changing (social policy) priorities. The latter includes both national and local decisions. In the studied period, the former refers to two reforms in Estonia: the introduction of a needs-based family benefit (centrally framed scheme) and the decentralisation of the caregiver allowance for children (locally framed scheme). Regarding the implementation of regulative powers and changes in social policy priorities, there are some indications of the following factors and their complex combinations:

(i) impact of and reaction to (nationwide) austerity measures;
(ii) priority changes in nationwide local social policy (standardisation of local social services in 2016);
(iii) local strategies to counteract central steering (e.g. increased benefit levels and wider eligibility criteria in centrally framed schemes) or to avoid nationwide regulative responsibilities (social tax component in caregiver allowances);
(iv) local priority changes in social policy (providing services instead of cash benefits even before the standardisation of local social services in 2016).

Our empirical study of all locally distributed benefit schemes revealed considerable changes in the actual central-local power structure. The increased relevance of centrally framed schemes cannot be explained exclusively by the reforms of intergovernmental regulations; changes in trends also include (hidden) priority changes beyond the reforms. Behind these reforms and despite the official narrative of increasing municipal autonomy (decentralisation of locally framed schemes), other processes (such as nationwide/local austerity measures, etc.) have indirectly altered local authorities' choices/priorities between the schemes, indicating eventually a silent centralisation (in spending patterns). It is important to note that without studying several local benefit schemes simultaneously, these processes would not be easy to discover and would remain hidden. This calls for more in-depth studies on the actual division of central-local powers and outcomes beyond regulations for local social policy schemes (e.g. Minas et al., 2018), including access to social rights, beyond single scheme comparisons.

The study also pointed out that stronger central steering does not *per se* lead to lower inter-municipal inequalities, which has often been the main narrative in cross-national social assistance comparisons (Hölsch & Krause, 2004; van Mechelen & de Maesschalck, 2009), or in benefit schemes in the US (Bruch et al., 2018). Still, we can state that centrally framed schemes are associated with stable or decreasing inter-municipal inequalities. The complex and somewhat contradictory relationship between central steering and inter-municipal inequalities is revealed in the comparison of the three (fully) locally framed schemes. Firstly, the lack of nationwide frames in defining social policy goals for fully locally framed schemes and monitoring has allowed local authorities to use their power of initiative and immunity only according to their own interests. This, however, has not resulted in (excessively) high inter-municipal inequalities; on the contrary, in some aspects of spending patterns the inequalities have been the lowest. Secondly, the central steering of locally framed schemes has not attained one of the main goals in IGR: the "more" equal and harmonised distribution across country (Goldsmith, 2002). Regardless of central steering in these schemes, inter-municipal inequalities are the highest and growing. This stresses the necessity of in-depth studies of the regulative structures, and it might be appropriate to include the socio-economic and political variations in local welfare systems.

Although all the main results of this study emphasise the importance of studying several (local) policy schemes and using disaggregated spending patterns to study regulative structures and the outcome of local welfare systems, the study has several limitations. As mentioned, it is necessary to better understand the changes in regulative structures in order to understand the causes for silent (de)centralisation and local reactions to central steering. Due to methodological considerations, we concentrated on average inequality in the distribution of spending patterns and ignored detailed socio-economic and political contexts. As the literature states (Andreotti et al., 2012), local welfare systems are complex and diverse systems with unique socio-economic contexts. Therefore, the motives, trends and considerations in local decision-making can be assumed to be embedded in the local context. We studied only one aspect of the outcomes –spending patterns. However, regarding the institutional design of social policy, the adequacy and efficiency of the schemes are also relevant, as the regulative structures have an impact on access to social rights. Regardless of the various regulative structures, and the content and target groups of benefit schemes, one overarching goal of all (local) cash benefits is poverty reduction or alleviation in diverse (local) contexts. Therefore, further research is required to estimate the (overall) adequacy and efficiency of (Estonian) locally distributed benefit schemes in poverty alleviation. This, however, requires the detailed operationalisation and calculation of estimated poverty rates and income inequalities in small municipalities over time.

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