TITLE: WINNERS AND LOSERS IN THE POST-COMMUNIST TRANSITION: NEW EVIDENCE FROM ESTONIA

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EXECUTIVE SUMMARY

I. Overview

New evidence from Estonia indicates clear winners and losers in the post-communist transition now occurring throughout Eastern Europe. Early indications are that women, rural residents, and Russian-speakers have lost ground during the process of marketization. In contrast, native Estonians, residents of Tallinn, a new managerial elite, and an emerging middle class are benefitting in the transitional society. This report discusses the new data from Estonia and examines the early winners and losers as indicated by income differentiation, occupational differentiation, and political attitudes.

Data

This research is part of a larger longitudinal study, "Paths of a Generation" (PG) begun in 1982. PG encompasses nine areas of the former Soviet Union and three previous waves of interviews. Findings reported here are from PG: Wave 4 in Estonia conducted in February-July 1997 involving face-to-face interviews with 1,774 people, 1,412 Estonians and 362 Russian-speakers. This cohort is now in their early 30s and should be most able to benefit from the fast-developing new economy in Estonia. These same individuals were last interviewed in 1992, so we can compare their economic status in 1992 and 1997.

Why Estonia?

At the vanguard of post-communist transition among the former Soviet republics, Estonia has had a peaceful transition to democracy, achieved positive GDP growth (since 1995), has modest inflation, and is currently a candidate for membership in the European Union.

II. Principal Findings

A. Income Differentiation

Has Marketization Continued to Increase Income Inequality in Estonia?

- A substantial part of the cohort has experienced improved material circumstances.
- The mean annual income has risen from ca. $800 in 1992 to $3,391 in 1997 – a substantial increase even after adjustment for inflation.
- The income distribution within the cohort is markedly less concentrated now than in 1992.
- While the economic situation has improved for most, the cohort’s bottom 25% is actually worse off than in 1992 since inflation has exceeded the average income growth for this group.

What Factors Are Linked to Income Inequality in 1997?

- Rural vs. urban: the benefits of marketization are concentrated in cities, notably in the capital. Farmers have been hurt by the land restitution policy and are unhappy with marketization.
- Gender: women’s mean income is 56% of men’s in 1997, but was 65% of men’s in 1992.
• **Nationality**: marketization has disadvantaged Russian-speakers relative to native Estonians.

• **Occupation**: there is strong evidence of income differentiation on the basis of occupation; but the differentiation appears to be correlated with education and job skills, except for evidence that women and Russian-speakers may be experiencing discrimination in the labor market.

**B. Occupational Differentiation**

_How High is Labor Mobility and is the Previous Elite Still Dominant?_

• Labor mobility and turnover is very high.
  ► In the last 5 years, more than half of the cohort changed their occupational group and a much larger percentage changed their jobs.
  ► Greatest upward mobility since 1992 is observed among unskilled workers, factory workers, and clerks.
  ► Greatest downward mobility since 1992 is observed among managers and among semiprofessionals in industry.

• The development of Estonia's private labor market is contributing to economic differentiation on the basis of occupation.

• Broken Links to the Past: Less than 25% of managers and business people from 1992 survived to 1997 in this role.
  ► Most managers came to their current roles in the last 5 years.
  ► A substantial proportion of new managers and entrepreneurs do not have a university education. The diverse background of this new managerial group breaks the link between Soviet-period education and economic advantage.

• Despite the emergence of a predominantly non-university educated managerial group, there is preliminary evidence of economic returns to education for university-educated managers; and the new managers make substantially higher incomes than average.

**C. Political Attitudes**

_How Does Economic Winning and Losing Affect Support for Political Institutions and for Marketization?_

• Overall the cohort has moderate to high confidence in state institutions, but confidence varies by type of institution. The court system, president, and policy receive high marks; legislative bodies and government, lower marks.
  ► This evaluation does not differ by sex, occupational level, or income.
  ► The evaluation of state institutions does not vary by whether the person was upwardly or downwardly mobile between 1992 and 1997.

• **Nationality** is the only obvious factor that affects the confidence in the state: Estonians were substantially more positive toward Estonia's state institutions than Russian-speakers, regardless
of economic status. Overall, 48% of Estonians as opposed to 28% of Russian-speakers expressed confidence in Estonia’s state institutions.

- Half of the Russian-speakers were Estonian citizens, 25% were permanent residents, and 20% have applied for permanent residency.
  - Russian-speakers who were citizens were no more supportive of Estonia’s state institutions than the non-citizen Russian-speakers. However, almost half of the citizens claim to be able to speak in Estonian or to be fluent in it.
  - Many Russian-speakers have resolved their juridical status in Estonia but not yet committed themselves psychologically to supporting Estonian institutions.

**Does Economic Success Make a Difference in the Evaluation of the State?**

- There is no relation between economic status (or mobility) and support for state institutions.

- However, several factors affect support for the “regime” of marketization.
  - Those who were upwardly mobile between 1992 and 1997 were more supportive of marketization; those who were downwardly mobile were less supportive of marketization.
  - Women were substantially less supportive of marketization than men.
  - Farmers were much less supportive of marketization.

- Preliminary evidence of a segmented labor market which favors Estonians over Russian-speakers is of concern because isolation of Russian-speakers may affect the long-term development of Estonia’s ethnic relations and whether Russian-speakers assimilate or become an isolated self-standing society within Estonia.

**III. Implications**

- Estonia as a model of relative economic and political success in the transition from communism also illustrates the consequences for income and occupational mobility and differentiation.
  - The majority of the cohort is benefitting from the economic transition and is now able to support themselves; income is less concentrated now than 5 years ago.
  - Entrepreneurs, who have come from a broad spectrum of social and educational backgrounds, are clear winners.
  - In Estonia’s case, some groups have experienced clear downward mobility, especially women, Russian-speakers, the rural population, and professionals who formerly were supported by a large state bureaucracy.
  - Some special features of Estonia might make its experience unusual, such as the restitution of property to former owners.

- There is evidence of a merit-based system for labor mobility and an American-type stratification system based on occupational groups rather than class.

- Whether Estonia is a model for other transition countries may depend on some specific features in Estonia. Further comparative analyses are needed.
WINNERS AND LOSERS IN THE POST-COMMUNIST TRANSITION: NEW EVIDENCE FROM ESTONIA

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1. Background

The transition from communism to a society based on markets and democracy comes about through people's actions, especially their economic and political activities, and not only through the acts of political leaders and governments. For the transition to be successful, the ways people think, as well as act, must change to ones that support the new economic and political institutions. This report describes results of analyses of a 1997 survey of a 31–35 year-old cohort in Estonia. The survey is part of the larger “Paths of a Generation” (PG) project begun by Titma in 1982, which encompasses many regions of the former Soviet Union, covering all or part of nine of the Soviet successor states. The new survey in Estonia is the first of the PG:Wave 4 surveys; others will be mounted in other PG sites starting in fall of 1997. We use these new data to examine the impacts of the post-communist transition in Estonia on the economic and political activities and beliefs of members of this cohort. This report is necessarily selective, highlighting characteristics of the winners and losers of this transition. Our findings should be considered preliminary because some data are still being entered and the existing data have not been thoroughly cleaned, let alone thoroughly analyzed. Still, we have already found important differences between men and women, Estonian- and Russian-speakers, urban and rural residents, and people in various occupations.

Because Estonia has been in the vanguard of the post-communist transition among former Soviet republics, it was a logical place to conduct the first of the PG:Wave 4 surveys. A country of only 1.5 million people, Estonia was the front-runner of perestroika, with the Popular Front and the Citizens’ Movement offering alternative paths to regaining independence. With the demise of the Soviet Union shortly after August 1991, Estonia began a peaceful process of democratization. It has held two presidential elections and three parliamentary elections; seven governments have formed; and a multi-party system has developed. Moreover, following an initial economic decline after

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independence, Estonia's economy began to turn around toward positive growth in GDP in 1995 – the first of the former Soviet republics to achieve this. The Estonian Bank reports that GDP per capita was about $3,000 in 1996. Although nominal wages remain low, they are growing. Both inflation and unemployment are modest by the standards of this part of the world. Market institutions are working. In 1996, only 16% of property was held by state and local governments, based on net turnover. The share of property in private hands was 64%, with the remaining 20% held by foreign investors. Estonia is the only country of the former Soviet republics that conducts a majority of its trade with countries not formerly in the Soviet Union or communist Eastern Europe. As a result of these many positive signs, Estonia has been invited to talks about membership in the European Union.

While Estonia’s transition from communism has been highly successful, its governments have not yet settled one remaining thorny issue: the citizenship status of its roughly 450,000 “Russian-speakers” (almost a third of the population), who are poorly integrated into Estonian society. Of these, Russia claims more than 100,000 as her own citizens. The current status and views of this substantial minority are topics of special interest in the findings reported below.

2. The Survey

Extensive information about the sample, questionnaire, and field procedures for Wave 4 of “Paths of a Generation” (PG) is provided in a separate report (Titma and Tuma 1997). Still, highlights of this information are helpful for understanding the findings presented below.

The sample is representative of the cohort that was enrolled in their last year of secondary school in Estonia in 1982-1983, when they were first interviewed in PG:Wave 1. This cohort obtained their education under the Soviet system, had their first work and political experiences during perestroika and Estonia’s “Singing Revolution,” and, being in the prime of adulthood, were well-positioned to build a market-based democratic society when Estonia regained its independence. A picture of Estonia’s entire population would be more diverse and probably less optimistic than one based on our survey: Both younger and much older cohorts are likely to have fewer opportunities in Estonia’s emerging market economy.

Follow-up interviews of the respondents to PG:Wave 1 were conducted in Estonia in 1987-1988 (PG:Wave 2), 1992-1993 (PG:Wave 3), and February-July of 1997 (PG:Wave 4). For roughly 80% of the respondents, PG:Wave 4 was the fourth occasion on which they had been interviewed, with the rest having been interviewed at least once before. Thus, one major advantage of the PG data base is that we can examine respondents' behavior at (and between) ages 18, 23, 28, and 33. Moreover, the former and new PG surveys in other regions of the former Soviet Union permit us to compare the Estonian cohort with their peers in eight other Soviet successor states where PG has been conducted. Such comparative studies will enable us to better understand people in societies taking different paths from the communist system.
PG:Wave 4 involved face-to-face interviews with 1,774 persons, of whom 1,412 were Estonians and 362 were Russian-speakers.\(^3\) The survey covered both factual items about people's lives (e.g., their education, work history, family history, political participation) and their opinions about education, work, life values, and political issues. The PG:Wave 4 survey had nearly 900 items; altogether the four PG surveys have measured about 3,000 items.

### 3. Income Differentiation

Income differentiation is invariably an important issue in post-communist societies because marketization tends to increase material differentiation within populations accustomed to being relatively equal (though poor) under the former communist system. In the past, the largest social differences were created by structural inequalities between regions, types of locality, and branches of the economy. Our earlier results from PG:Wave 3 in 1992-1993 found the beginning of a sharp differentiation in people's incomes as the command economy collapsed and a market economy began to emerge (Titma 1997). When we compared income differentiation in Estonia to that in other post-Soviet states, we observed less income differentiation in Estonia than in the other countries we studied, except Belarus. In 1992, half of the combined income of all respondents was earned by the top 10% of income-earners in Estonia, but by the top 5% in Latvia and Lithuania. These figures suggest a rather high degree of income inequality in 1992.

The first question to be asked of the new 1997 data from Estonia is whether marketization has continued to increase income inequality. Table 1 (page 17) shows that the answer to this question is negative. After the misery of the first years of independence, a substantial proportion of the population is starting to experience improvement in their personal material situation. The mean annual income for our cohort (which was likely to be better off than most other age groups, as we already mentioned) was $3,391 in 1997, whereas it was $800 in 1992 (Titma 1997). Although consumer prices rose by a factor 2.8 from January 1993 to January 1997 according to the Estonian Bank, the mean real income of our cohort has clearly risen since 1992.

Moreover, income differences have begun to narrow. In 1997, the top 20% of the cohort earned half of the income of the entire cohort, indicating a markedly less concentrated income distribution than in 1992, when the top 10% earned half the income.

Both the increases in real income and the narrowing of income differences are important for social policy and for the stabilization of democracy. There is also a perception of economic improvement. When asked how their financial situation had changed compared to a year ago, 38% of our respondents reported that it had improved, 40% that it was about the same, and 21% that it worsened.

But even in this well-positioned cohort, the mean annual income of the bottom 25% was only $703 in 1997 (Table 1), which leaves people worse off than in 1992 because consumer prices have

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3 For purposes of this report, we use the language of the interview to define Russian-speakers. This definition also corresponds to the language of the respondent's secondary school.
risen more than this group's mean income. This means that many people in the prime of their working life do not have normal earnings. They are a potential base for political discontent and opposition to current state policies.

The mean annual income of the middle 50% of our cohort was $2,541 in 1997. For them, life is still hard but not as miserable as in 1992. This trend toward a better life can be expected to make these people less mobilized politically, relative to their level of mobilization in the first years of the transition. Instead, they are likely to become more pragmatic supporters of a market economy. This is a noteworthy change that has considerable significance for the political support for a market-based society in Estonia.

Our survey found that the mean annual income of the top 25% of the cohort was $7,649 in 1997. Not too surprisingly, our survey also found that these better-off individuals are the strongest advocates of marketization. The portion of the cohort able to support itself by its own income has increased substantially in the last five years. Moreover, it is no longer true, as it was five years ago, that only a tiny group has profited from privatization. Still, it is noteworthy that the top 10% of persons on the income scale (whose annual income averaged $11,932 in 1997) are substantially better off than the top 25% as a whole.

Further research already underway will examine the relationship between income differentials and personal qualifications, especially as exhibited by educational background, prior work experience, and other abilities, such as command of languages. This further study is important in order to understand whether the existing income differentials reflect the operation of a merit-based market for skills.

Urban-rural differences in income have been a major basis for polarization of many post-communist societies. Members of the cohort living in the Estonian countryside had a mean annual income of only $2,632 in 1997. This low level, as compared to the overall mean, is the result of a structural difference. Small townships and villages lost much of the agricultural production that was the basis of their relative prosperity in Soviet times. Decollectivization should have improved productivity; however, agriculture in Estonia was shaken by land reforms that returned farms to their pre-World War II owners. Fewer than 10% of these previous owners now farm this arable land. Many farmers who were actually working the land in 1991 have been left landless and miserable by Estonia’s land reforms.

Poor and displaced farmers are one of the strongest constituencies opposing marketization and form the core of a rural-based political party. Marketization is concentrated in the capital city and the few other large- to medium-sized cities, and few in the economically displaced rural population have been able to find jobs in Estonia’s cities. The sharpest income differentials are found between the top income earners in Tallinn (Estonia’s capital city) and persons living in the countryside. The top 10% of persons on the income scale in Tallinn earn almost twice as much as the top 10% of persons living in the countryside and twenty times as much as the poorest 25% living in either Tallinn or the countryside. Even the most successful people living in the countryside may be on the
opposite side of a social and political cleavage between the capital and the countryside. Since the vast bulk of the rural population is Estonian, and since (as we shall show below) the Russian population, which is mainly urban, has lower incomes than the Estonian population as a whole, the income differentials between rural and urban Estonians are even larger than suggested by the figures in Table 1.

Gender differentials in income have been noticeably increased by the market transition. Our earlier study (Titma 1997) found that women's mean income was only 65% of men's in 1992. But women's mean income is only 56% of men's in 1997. Among the poorer members of the cohort, gender differences in income are even larger. The gender differentials present a puzzle because women tend to be more educated than men in Estonia. Gender differentials contribute to inequality within families, since women provide smaller shares of the family budget, even when their work qualifications equal those of their husbands. Since historically women had a strong say in Estonian families and gender inequality was small, the consequences of the economic transition for women could become a public and political issue in the future. Gender differences in voting patterns and in concerns about social policy and the role of the state are one likely result. Our survey finds, for example, that more women than men say that the government should guarantee jobs to everyone and that many fewer women than men support market reforms.

Nationality was not the basis for any noteworthy differences in income in our 1992–1993 survey, but it forms the basis of a major cleavage in 1997 incomes. Even though the differences in the mean annual incomes of Estonians and Russian-speakers are not very large (roughly 10% higher for Estonians), it is quite important politically that Russian-speakers are more economically deprived. Moreover, in more complex models of income (which we have only begun to explore), the predictive power of nationality is almost as great as that of gender. And, in contrast to gender, the impact of nationality on incomes cannot readily be explained by other, situational factors, such as type of work and location. That is, the marketizing Estonian economy has operated to disadvantage Russian-speakers per se, as compared to native Estonians. If the income differential associated with nationality persists, it may reinforce the already strong nationality-based differences in perceptions of the state's fairness and views about civil and citizenship rights.

Income is also related to a person's position in the work force, in particular, to a person's occupation, economic sector (state vs. private), and economic branch (industry). We have sought to untangle the effects of such different factors through regression analyses.

These analyses indicate that one noteworthy predictor of income is economic branch (industry). It was a major factor producing inequality in Soviet times (Titma and Tuma 1993) and still plays a substantial role in the emerging market economy. Four branches of the economy are important predictors of income, ceteris paribus. Those working in agriculture and the so-called "non-productive" sectors of the economy (education, medicine, etc.) have strikingly lower incomes than would otherwise be predicted. Contrarily, those working in public defense and state security, and to
a lesser extent, in the construction industry, have substantially higher incomes than would otherwise be expected. These patterns need to be understood in light of differentials in relative economic well-being associated with economic branch in Soviet times, which were quite different. Shifts in the degree of relative deprivation (or relative advantage) may lead to political discontent and political realignments.

Another politically sensitive situation exists with the incomes of higher-level white collar workers. The pattern in Estonia resembles that in China (Zhou, Tuma, and Moen 1997) and other marketizing socialist countries. Professionals in the economic branches financed by the state budget (e.g. in education, science, medicine, and cultural organizations) are paid less well than those in the private sector, ceteris paribus. The state's difficulty in collecting taxes and Estonia's fledgling market economy limit the available funds that the state can use to pay professionals in the state sector. Consequently, professionals (many of whom are in the sector financed by the state budget) tend to be somewhat disillusioned with marketization.

A further important difference from Soviet times is that years of formal education strongly predicts income, as researchers invariably find in all successful western market societies. However, we found that while a university or college education gives greater access to jobs in the professions, which tend to pay relatively well, it does not otherwise boost personal income. Our study of the income pay-off from education is only preliminary; we cannot yet detail the social processes by which it occurs.

One clear indication that a market economy is starting to function normally is the increasing extent of income differentiation on the basis of occupation (Table 2, discussed further in the next section). The market is rewarding most highly those who are running it: managers and small managers. Professionals and semiprofessionals also have relatively high salaries, except that, as noted above, those in the state-financed sector are less well-off than otherwise comparable professionals in the private sector. But the income of professionals and semiprofessionals is not especially high when their higher educational levels are taken into account. In contrast, craftsmen, clerks, and workers in farming and food processing are paid comparatively poorly, and their educational levels are also fairly low.

4. Occupational Differentiation

People in industrialized societies are differentiated by their positions in the economy, not only by their current income and wealth. Although one can usefully categorize economic position in various ways (e.g., economically active or not; working or not), we focus on occupation (including "none reported" for completeness). Occupations serve as a major pathway to monetary gain and also provide varying levels of social respect. They define arenas in which people can be creative, have a sense of accomplishment, and regard their life as meaningful. Such qualities can be important factors shaping people's political views and behavior.
The transition from a command to market economy leads almost inevitably to changes in people’s economic positions in general and their occupations more specifically. The distribution of occupations under the command economy was determined by allocative processes rather than by market forces. The introduction of a market alters the demand for different goods and services, and thereby restructures the economic division of labor. Economic branches (industries) variously expand and contract; some occupations grow, and others shrink.

Most analysts of former socialist countries distinguish sectors based on the market economy from sectors involving state-owned factories and public institutions. Estonia is largely past this stage of its transition, however. Since very few state-owned factories remain, relatively few people are working in them (or sinking with them). There is still a sizable fraction working in the state bureaucracy or in public institutions (e.g., in education, medicine, publicly-financed cultural organizations). But Estonia’s private labor market is well developed. Consequently, the degree of occupational mobility between 1992 and 1997 is unusually large, even for our cohort in its early 30s. Half of our cohort is in a different occupational group in 1997 than in 1992. Since people often change jobs without changing their occupation, the percentage who have changed jobs between 1992 and 1997 (which we have not yet analyzed) is surely huge.

Table 2 summarizes key information about occupations in 1997 and about changes since 1992. The occupations are listed in rank order, from top to bottom, except that the last group (“none reported”) should be regarded as unranked because of its diverse composition and residual character. The table gives the number and percentage of our cohort in each occupational group in 1997 and the change in its size since 1992 (in percentage points). It also gives each occupational group’s mean monthly income in 1997 and the percentage change in mean monthly income since 1992, adjusted by the change in consumer prices (according to the Estonian Bank). Finally, it tells the educational composition of each group.

At the top (based on income) are managers, and just below them small managers — mainly heads of small businesses. Both groups include owners and proprietors, as well as managers working for others. Both groups of managers have expanded in size since 1992 and are comprised of many newcomers, most of whom have experienced upward mobility since 1992. Fewer than a third of the 1997 managers were also managers in 1992. (In contrast, findings of analyses not detailed here indicate that about half of the 1992 managers experienced downward mobility by 1997.) Of the small managers, roughly a third were managers in 1992, but almost two-thirds were in lower-ranked occupations at that time. The upwardly mobile managers and small managers come from the ranks of professionals, semiprofessionals, and clerks, as well as other groups. The substantial proportions of managers and small managers without a university education (typically required for professionals) points to the existence of many routes into these high-income groups. It also suggests that Soviet education did not prepare any group particularly well for entrepreneurial
and managerial success. In future analyses it will be important to determine managers’ “qualifications” in terms of education, social background, job experience, and other factors.

Turning to next to nonbusiness professionals (i.e., professionals in technical fields, medicine, and cultural organizations) we note first that comparatively speaking, they are not especially well off materially, despite the high percentage with a university education. Their income is similar to that of construction and factory workers. This may be because the market economy does not need as many professionals as the old command economy produced and employed. Among our respondents, the percentage of engineers and physicians – two fields in which the former socialist system produced many qualified persons – shrunk by a third, and the percentage of teachers and workers in creative arts fell by a quarter. Note that the percentage of our cohort in these professional occupations has fallen from 17% in 1992 to 14% in 1997, a decline of three percentage points.

Not surprisingly, the percentage of business professionals and semiprofessionals has grown substantially, from 4% to 7% of our cohort, a rise of three percentage points. Moreover, this group is highly rewarded, with a mean monthly income in 1997 that is not much below that of small managers. Yet, despite the expansion of this group, in other analyses we found that only 20% of those in business-related professions in 1992 have survived the first five years of marketization. Hence, the 1997 group is mainly comprised of newcomers. Other analyses not presented here revealed that recruitment was largest from clerks, managers, semiprofessionals in industry, and engineers.

Government workers, who in our cohort are dominated by those in law enforcement, also grew. Their mean monthly income in 1997 is surprisingly high, especially when one considers the comparatively modest educational levels of this group. Still, only a third of those employed in this category in 1992 remain in the same occupation in 1997, according to other results not shown here. The broad base of recruitment into this occupation underscores the fact that past social ties have been broken and that the newly-added personnel are socially diverse.

The employment of semiprofessionals in industry, education, and medicine has been more stably employed, with almost three-fifths with the same occupation in 1997 as in 1992. Newcomers to this group are somewhat more likely to have been upwardly than downwardly mobile. Their income is close to that of factory workers, despite the fact that a much higher percentage of semiprofessionals have had the advantage of a specialized secondary education.

Among the lower white collar workers in our cohort in 1997 (i.e., clerks; sales and service workers), about half held the same occupations in 1992. More newcomers to these occupations have been downwardly than upwardly mobile (roughly 30% vs. 25%). Their income is comparatively low on average, even though more than half of those in these groups have had a specialized secondary or university education. Further analyses are needed to understand the reasons for their low pay; it may be because these occupations are highly feminized and that women are paid less than men, as we mentioned previously.
Drivers are one of the most stable occupations; 70% had the same occupation in 1997 as in 1992. Even though drivers are not very well educated (almost three-fifths had only a vocational education), their income is surprisingly high – almost as high as that of professionals. Newcomers to this occupation have been upwardly mobile more often than not. This fact is indicative of the attractiveness of this occupation to those lower in the occupational hierarchy.

Construction and factory workers in our cohort have rather similar incomes in 1997, a marked change from 1992 when construction workers were much better off materially. The decline of real income of construction workers since 1992 may indicate a tapering off of the high rates of new construction and remodeling in the immediate post-communist period. Factory workers have been occupationally more stable than construction workers. It is noteworthy that a substantial percentage of the 1997 construction workers have been upwardly mobile, whereas a notable percentage of factory workers have been downwardly mobile. It is possible, however, that these figures simply indicate frequent interchanges between these two occupational groups; further analyses are needed to determine more exactly the 1992 occupations of those in these two groups in 1997.

Other occupational groups faring poorly in 1997 are craft workers, workers in farming or in enterprises related to agriculture, and unskilled workers. All three groups are similar in their low levels of income ($175 to $200 per month) and education (about a third have only a vocational education, and most of the rest have some form of specialized secondary education). Indeed, the 1997 mean income for these three occupational groups are very similar to the mean income of those who did not report an occupation in 1997. Most of respondents who did not report an occupation in 1997 were unemployed at the time of our interview, or in a few cases, were ill or disabled. Half or more of those in the first two groups held the same occupations in 1992, and most others in them have experienced downward mobility. Over two-thirds of the unskilled workers in 1997 have been downwardly mobile. It would not be too surprising if these groups of workers were relatively discontented with marketization, in view of their relatively poor material position as compared to others. Their relative deprivation can be politically important, even if they are better off in absolute terms than in Soviet times.

The high degree of occupational mobility in the first five years of marketization in Estonia is clear evidence that the market is re-evaluating people's skills and abilities. Moreover, the loss of previous elite positions by people in their early thirties, especially in the case of managers, and the formation of a new elite broadly based on education and former occupations indicate that the old social networks no longer work effectively.

A second conclusion from our analysis of occupational groups is even more important. We do not find any evidence of polarization of Estonian society along class lines. For instance, although economically workers are not faring as well as some other occupational groups (in particular, managers, small managers, and business professionals), their material situation is not drastically different from that of other groups. Moreover, there is substantial evidence of extensive mobility,
with few of the standard barriers based on education or the white/blue collar divide. In many ways, the picture of occupational differentiation emerging in Estonia resembles the American one. Rather than having class-based cleavages, interests based on occupational groups foreshadow the development of a pluralistic system.

5. Impacts of Winning and Losing on Regime Support

We have shown certain clear winners and losers in the transition in Estonia. Now we investigate some of the broader implications of such differentials for political orientations. Our analysis focuses on a particular question: Are losers or winners more likely to be supportive of the political institutions and the policies of the government?

Potential Sources of Support for the State. Legitimacy – the capacity of a state to govern without force (Jackman 1993) – can come from three main sources. The first is authenticity, when state institutions are rooted in the traditions and culture of the country, often involving claims by the state to promote the historic national (i.e., ethnic) aspirations of the population. Soviet institutions were never authentic in Estonia; they were viewed by almost all Estonians as alien. The second source of legitimacy is the procedure used to select and replace leaders and public officials. Governments or leaders are legitimate if they are chosen in accordance with certain traditions or rules. In the democratic era, popular sovereignty and the right of every person to choose at least some leaders are important criteria for legitimating political leaders.

A third source of legitimacy is the performance of the state. Effective governments, especially those that maintain order and increase the population’s material welfare, can earn popular support. Even the Soviet government won considerable support from the people from its provision of cradle-to-grave social services (Silver 1987). A vital question to address now is whether economic gains (and losses) in the transition translate into greater (and lesser) support for the state.

Confidence in State Institutions. First we examined how our cohort as a whole evaluated the state. When asked how much confidence they had in leaders and representatives of political institutions in Estonia, our cohort had moderately positive evaluations on the whole (Figure 1, page 19). Sixty-three percent expressed “some” or a “great deal” of confidence in the Court system, 60% in the President, and 50% in the police; but only 43% expressed confidence in Local Governmental Authorities, 34% in the Government (i.e., prime minister and cabinet), and 31% in the Parliament. In some respects this pattern resembles that in America, where the President often receives a much higher approval rating than the Congress, and local government gets higher marks than the national government. Furthermore, our cohort’s confidence in the court system and the police is promising for the successful development of a system of rule of law.

However, the overall confidence in Estonia’s state institutions depends on who is doing the evaluation. Although different institutions have varying levels of public confidence, we can calculate
an overall score as the *average* percentage of people expressing support for political institutions. Overall, 44% of our cohort expresses some or a great deal of confidence in Estonia’s institutions (Figure 2). This evaluation does not differ by gender: 44% of both men and women express confidence in Estonia’s political institutions.

Differences by size of place are noticeable, but this pattern probably reflects the ethnic composition of the different locations. For example, slightly more than half of Tallinn’s population is Estonian and almost half are Russian-speakers. However, it is notable that people in the villages (nearly all ethnic Estonians) give the Estonian state the largest vote of confidence.

Although there is variation by occupational group, we find no obvious relationship with level in the occupational hierarchy. The percentages range from a low of 37% among construction workers to a high of 52% among small managers. Nor do we find any effects of status mobility: persons who were upwardly mobile in occupation between 1992 and 1997 do not differ at all in confidence in state institutions from those who were downwardly mobile.

Instead, nationality, more than any other single factor that we have examined, differentiates attitudes towards state institutions in Estonia. Overall, 48% of the Estonians expressed confidence in Estonia’s state institutions, compared to 28% of the Russian-speakers. We explored this further by returning to a breakdown of the evaluations by type of institution (Figure 3).

A majority of ethnic Estonians expressed confidence in the President (70%), the Courts (68%), and the Police (54%), but less than a majority had confidence in the Army (48%) and Local Governmental Authorities (46%), and only a third had confidence in the Government (37%) and the Parliament (35%). That the President is directly elected may be an important stabilizing force in terms of the psychological attachment of Estonians to their governing institutions. The high confidence in the legal system and police also suggests basic trust in the system of rule in Estonia (at least among Estonians). But faith in representative institutions on the whole is low, even among Estonians.

The Russian-speakers are a different story from the Estonians. None of Estonia’s political institutions mustered a vote of confidence from a majority of the Russian-speakers. The President had the confidence of just 29% of the Russian-speakers in our cohort. The national parliament was held in lowest esteem (as it is for the Estonians), with just 18% of the Russian-speakers expressing confidence in it.

The World Values Survey (WVS) (Inglehart 1997) conducted by Titma in Estonia in June and July of 1990 – during the euphoric period after Estonia had elected a new Supreme Soviet in an open competitive election – found that 86% of Estonians had confidence in the parliament. a stark contrast to the 35% in our cohort in 1997. Yet even in 1990, only 38% of the Russians in the WVS in Estonia had confidence in the parliament.

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4 For this purpose we combined the indicators shown in Figure 1, except the Presidency, which was inadvertently excluded from about 200 of the Estonian-language questionnaires.
Perhaps surprisingly, the attitudes of the two major ethnic groups toward the forces of law and order in our 1997 data were reversed from what the WVS found in 1990. Recall that in 1990, Estonia was still in the Soviet Union, and the army and court system were still Soviet. In the 1990 WVS, 49% of the Russians had confidence in the armed forces, compared to just 6% of the Estonians; and 35% of the Russians had confidence in the legal system, compared to 31% of the Estonians.

Increasingly, the ethnic differences in perceptions in Estonia cannot be explained by the fact that the nationalities have a different civil status. Among the Russian-speakers in our cohort, 51% have Estonian citizenship, 25% are permanent residents, 20% have applied for permanent residency, and 4% have not applied. Over time, some will probably move from permanent residency status to citizenship. However, in 1997, when we asked a basic question, “How much respect for individual human rights is there nowadays in Estonia,” we found a large division of opinion: 81% of the Estonians said that there is some or full consideration of human rights, compared to only 40% of the Russian-speakers. Even among those Russian-speakers who are now citizens of Estonia, only 41% held such an opinion; while among those who have permanent residency status, 32% held this opinion; and among those who have applied for but not yet received permanent residency status, 48% held this view.

When we tested whether those Russian-speakers who are citizens were more supportive of state institutions than those who are not citizens, we found a very weak relationship: of those who are citizens of Estonia, 30% expressed confidence in Estonia’s state institutions; of permanent residents, 24% expressed such confidence; and of those who have applied for permanent residence, 27% expressed confidence.

Does Economic Success Affect Evaluations of the State? Despite Estonia’s vanguard role in the post-communist transition among the former Soviet republics, many people have suffered greatly during this process, and some have experienced clear downward mobility and loss of relative material well-being (Section 3). Yet we found no relationship between confidence in political institutions and whether the individual was upwardly or downwardly mobile between 1992 and 1997. This is also true when we take ethnic group into account.

However, one should not conclude that material status has no bearing on how individuals view economic policy. Indeed, as shown in Figure 4, support for the “regime” of marketization was not only somewhat higher among Russians than among Estonians, but within each of these ethnic groups, those who were upwardly mobile were more likely to say that a “market economy is right for our country’s future.”

Further analysis showed other bases of differentiation in levels of support for the regime, including gender (women were much less supportive of marketization than men, both among Estonians and Russians) and urban-rural residence (rural Estonians were much less supportive of marketization than urban Estonians). The higher apparent level of support for marketization among

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Russian-speakers must be moderated by the evidence that Russian-speakers were much more likely to say that the Estonian government should guarantee a job to all who can work, while the Estonians were more likely to see this as the responsibility of the private economy and of individuals.

The Strength of Ethnic Differences. Despite Estonia's success in democratic and economic development, the status of the Russian-speaking minority remains a large question. Russians originally came to the present territory of Estonia mainly as migrants. Although they live in all parts of Estonia, including very substantial numbers in and around Tallinn, in Northeastern Estonia, they live in almost entirely Russian settings. Estonia's independence radically reshapes the potential future paths for the Russian-speakers. Although some have emigrated, most have stayed in Estonia and sought citizenship or at least permanent residence.

But whether the Russian-speakers become broadly integrated into Estonian society or remain largely a Russian enclave, perhaps becoming virtually a separate society within Estonia, depends not only on their own wishes but on the policies of the Estonian government and the attitudes and actions of Estonians generally. At the moment, the Russian-speakers in our cohort appear to be reserving their judgment and commitment to the Estonian state, even if they have made the pragmatic decision to stay in Estonia and establish a juridical right to do so.

Three-fourths of the Russian-speakers in our cohort were born in Estonia. Eighty-five percent of the Russian-speakers in our cohort who are now Estonian citizens were born in Estonia (compared to only 60% of those who are permanent residents). It is possible that the ability of increasing numbers of Russian-speakers to participate fully in the process of leadership selection, including electing members of the parliament who could become a significant bloc that is able to bargain in a multi-party system, will gradually incorporate many Russian-speakers not only legally but also psychologically into the Estonian system.

However, another factor is working against the full integration of Russian-speakers into Estonian society. Our findings on income (Table 1 and regression results not shown) suggest that Russian-speakers are disadvantaged in the labor market relative to Estonians who are otherwise similar. This income difference can partly be attributed to differences based on economic branch and region, because the newly-independent Estonian government deliberately wrecked the former all-union enterprises where the bulk of Russian-speakers worked. However, within regions, such as Tallinn, that are ethnically mixed and economically diverse, we still find substantial differences in the current economic situation of Estonians and Russians, net of other factors.

In the short run, Russians are disadvantaged in the labor market partly due to language. Many new jobs are open only to those who are fluent in Estonian. But we see indirect traces of something more disturbing. The whole market may be structured and segregated by language. Of course, such structuring and segregation is not new for Estonia. In Soviet times, work units were often organized this way, and it helped Estonians to avoid Russification. But for a small country, linguistic segregation in a market economy could have many negative consequences for social and political integration, quite aside from market inefficiencies that it may induce.
Thus, it is very important to monitor developments in the labor market. The same is true, of course, of patterns of integration or segregation in society at large. The most critical question is whether Estonia will develop as two societies within one state, or as one society. It is possible to imagine a democracy in which a significant minority lives largely autonomously from the majority. But such a situation would remain fraught for continued conflict with Russia. It would also test the ability of Estonia’s political leaders to deal with a substantial bloc of voters who, though Estonian citizens, think of themselves as Russians who are citizens of Estonia, work primarily with other Russians in a market that is segmented by nationality and by region, and who vote for Russian candidates and political parties.

To reiterate, this is not the only scenario that could develop in Estonia. Many Russian-speakers in Estonia may become Estonians, not just in their civil status, but in psychological attachments and identities. In fact, many of the Russian-speakers in our cohort who have become citizens either can already speak Estonian (42% of the Russian-speakers who are citizens claim to have speaking ability or fluency in Estonian) or are continuing through formal or informal processes to improve their knowledge of Estonian. However, our data reveal a sharp division of opinion between Estonians and Russian-speakers on whether even learning Estonian ought to be universally required (Figure 5). More than 80% of the Estonians in our cohort assert that both citizens and permanent residents should be required to command Estonian language well, whereas only 20% of the Russian-speakers share this view. Half of the Russian-speakers say that there should be no language requirement. Almost half (46%) of those Russian-speakers who are now Estonian citizens hold the same view; these civic Estonians thus appear to be not yet committed to the idea of being cultural Estonians or Estonians by self-definition.

Furthermore, virtually without exception, the Russians who claim knowledge of Estonian language claim Russian as their mother tongue and as a language in which they are fluent. Thus, Russian-speakers may be bilingual but they are mainly monocultural. As was the case of many non-Russians who became bilingual in Russian during Soviet times, learning a second language may be mostly a pragmatic decision, not one that reflects a change in fundamental ethnic identity (Silver 1978). Of course, the next generation – the children of these Russian-speaking but civic Estonians – may be more likely to acculturate as Estonians. If so, it would reverse a trend that we found in a previous survey in Estonia in 1991 (Titma, Silver, and Anderson 1996). There we found that the younger generation of Russians, age 16–24, were less likely to speak Estonian than their own parents; concomitantly, the younger generation of Estonians were less likely to speak Russian than their parents. Now, however, the rules and the geopolitical situation have changed, and the growing ethnic differentiation in Estonia that appeared to be occurring during the 1980s might be reversed through a combination of changing state policies and a different calculus on the part of Russians about their future ethnic affiliations. However, our evidence suggests that this calculus is not simply an economic one, in which support for the system is based only on the material costs and benefits.
6. Conclusions

The picture of Estonia's development that we have found is optimistic from the perspective of democratic development. Its elections and changes in government have occurred peacefully, and it is increasingly aligned with the Scandinavian countries. Its trajectory of economic growth is upward. Our survey has found that Estonian society has spawned an indigenous entrepreneurship without reinforcing the rather rigid streaming of people from particular educational paths to particular occupations that was typical of Soviet times (Titma 1989, 1997; Titma, Silver, Anderson 1996). Although incomes are much more differentiated than in the Soviet era, in our cohort they are less differentiated in 1997 than in 1992.

At the same time, tremendous dislocations have occurred, and some categories of the population seem to have been especially hard hit: the rural population, women, and Russian-speakers. It is unclear as yet whether these dislocations result from deliberate state policy or mistakes in policy (such as the restitution of land to previous owners), or from the workings of a free market that does little to regulate employer preferences and biases.

Further, we find among the Estonian population rather normal-looking levels of political interest, attachment to political leaders, and skepticism about the performance of certain political institutions. Estonia is a multi-ethnic society, however, and the situation of the Russian-speakers is perhaps the most critical single issue facing the Estonian government. Although a majority of Russian-speakers are becoming citizens of Estonia, our evidence suggests that this change in civil status has not yet been accompanied by a change in mentality—a change in self-identity to being Estonian. As the labor market develops and social relations evolve in Estonia, we need to study whether the Russian-speaking population is becoming more fully integrated into Estonian society and accepts more fully the legitimacy of Estonia's leading political institutions, or instead whether this subpopulation becomes an isolated and separate society within Estonia.

The tendency to judge political institutions through an ethnic lens is very common in multi-ethnic countries, including not just Estonia and the other Baltic states, but also the U.S., Canada, Belgium, Spain, Bulgaria, South Africa, Nigeria, Mexico, and elsewhere (Silver and Dowley 1997). But, unlike many former communist states, such as Yugoslavia, Georgia, Russia, Azerbaijan, and Tajikistan, the Baltic states have experienced almost no interethnic violence.

The nature of the transition from communism in Estonia is uncommon; the transformation is also far from completed. Furthermore, before we can reach conclusions about what factors are more critical to successful transitions from communism, we need to conduct studies elsewhere that will put experiences in Estonia into a comparative context.

The “Paths of a Generation” project is a multi-country and multi-wave study. Estonia is just the first of several countries where we hope to conduct the Wave 4 survey in the next year or so. The National Council for Soviet and East European Research provided essential support for the success of PG:Wave 4 in Estonia and has promised further funds to assist with a parallel survey in Latvia. Our goal, however, is to encompass a much wider range of post-communist experiences,
including some countries where the economic transition has scarcely begun or where ethnic cleavages are far sharper than in Estonia. Earlier waves of PG were conducted in Belarus, Tajikistan, Karaganda, Daghestan, Ukraine, Moldova, Lithuania, and several parts of Russia.

The long-term goal of PG has been to study change in people's everyday lives from their own perspective, while attending to the institutional and cultural contexts within which they make choices about education, work, family life, and political life. This report is only an example of what can be learned; it has not fully exploited the longitudinal character of the data. PG has followed the same people for 15 years, through one of the most dramatic political transformations of the 20th century. Now we wish to study how the life chances and choices of individuals changed not only in Estonia, but also in very different societal, cultural, and institutional settings.

Bibliography


Table 1. 1996 Mean Income in U.S. Dollars for Different Groups of Respondents

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<thead>
<tr>
<th>Income Group</th>
<th>Nationality</th>
<th>Gender</th>
<th>Settlement Type</th>
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<tr>
<td></td>
<td>All</td>
<td>Estonian Speakers</td>
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</tr>
<tr>
<td>Bottom 25%</td>
<td>703</td>
<td>747</td>
<td>555</td>
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<tr>
<td>Middle 50%</td>
<td>2,541</td>
<td>2,653</td>
<td>2,373</td>
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<tr>
<td>Top 25%</td>
<td>7,649</td>
<td>8,184</td>
<td>6,750</td>
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<tr>
<td>Top 10%</td>
<td>11,932</td>
<td>11,981</td>
<td>10,275</td>
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<tr>
<td>All</td>
<td>3,391</td>
<td>3,491</td>
<td>3,007</td>
</tr>
<tr>
<td>Median for All</td>
<td>2,493</td>
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<td>2,327</td>
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</table>

% of respondents having half of total income

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Estonian Speakers</th>
<th>Male</th>
<th>Female</th>
<th>Tallinn</th>
<th>Village</th>
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<tbody>
<tr>
<td>19.6</td>
<td>19.5</td>
<td>14.6</td>
<td>20.8</td>
<td>11.6</td>
<td>20.2</td>
<td>11.8</td>
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Number in Group

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<th>Female</th>
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<th>Village</th>
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<td>1,426</td>
<td>1,131</td>
<td>295</td>
<td>571</td>
<td>855</td>
<td>386</td>
<td>431</td>
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Note: 348 of the 1,774 respondents did not answer the question on their income. The percentage of nonrespondents to this item does not vary appreciably with nationality, gender, or place of residence.
Table 2. Characteristics of Occupational Groups in 1997

<table>
<thead>
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<tr>
<td>Managers</td>
<td>162</td>
<td>9</td>
<td>2</td>
<td>75</td>
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<tr>
<td>Small managers</td>
<td>71</td>
<td>4</td>
<td>4</td>
<td>71</td>
<td>2</td>
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<tr>
<td>Professionals in medicine, cultural, tech. areas</td>
<td>246</td>
<td>14</td>
<td>-3</td>
<td>16</td>
<td>80</td>
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<td>Business professionals and semiprofessionals</td>
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<td>7</td>
<td>3</td>
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<td>Government workers</td>
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<tr>
<td>Semiprofessionals in industry, education and medicine</td>
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<td>12</td>
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<td>Clerks</td>
<td>120</td>
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<td>-1</td>
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<td>9</td>
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<td>24</td>
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<td>Drivers</td>
<td>125</td>
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<td>-2</td>
<td>23</td>
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<tr>
<td>Construction workers</td>
<td>51</td>
<td>3</td>
<td>0</td>
<td>48</td>
<td>31</td>
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<tr>
<td>Factory workers</td>
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<td>7</td>
<td>-1</td>
<td>14</td>
<td>48</td>
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<tr>
<td>Craft workers</td>
<td>79</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>59</td>
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<tr>
<td>Workers related to agriculture</td>
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<td>-2</td>
<td>6</td>
<td>46</td>
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<tr>
<td>Unskilled workers</td>
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<td>6</td>
<td>0</td>
<td>29</td>
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<tr>
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<td>54</td>
<td>3</td>
<td>-1</td>
<td>(13)</td>
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<td>All groups</td>
<td>1,774</td>
<td>100</td>
<td>466</td>
<td>716</td>
<td>344</td>
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*Percentage change in mean monthly income since 1992 is omitted for small entrepreneurs because of the very few people in this occupation in 1992, which causes this particular percentage change to be unreliable.*

*b Sample size in 1992.*

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Figure 1. Pct. of Cohort Confident in Various State Institutions in Estonia

Pct. Confident in . . .

- Courts: 63%
- President: 60%
- Police: 50%
- Army: 43%
- Local Authorities: 43%
- The Government (national): 34%
- Parliament: 31%
Figure 2. Pct. Confident in State Institutions Overall, by Type of Respondent

Overall Pct. Confident in Institutions
Figure 3. Pct. of Estonians and Russian Speakers Who Are Confident in Various State Institutions in Estonia

Pct. Confident in...

- President: 70%
- Courts: 68%
- Police: 54%
- Army: 48%
- Local Authorities: 46%
- The Government (national): 37%
- Parliament: 35%

Estonians
Russian speakers
Figure 4. Occupational Mobility between 1992 and 1997 and Belief that "A Market Economy is Right for Our Country's Future"
Figure 5. Who Should Be Required to Command Estonian Language Well, by Nationality of Respondent

<table>
<thead>
<tr>
<th>Category</th>
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<td>No Language Requirement</td>
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<td>Require Citizens, NOT Aliens</td>
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<td>30.9</td>
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