

THE SOCIAL PROTECTION SYSTEM IN POST-SOVIET ARMENIA: MAIN ISSUES AND POSSIBLE SOLUTIONS

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Abstract

The article presents the main problems impeding the formation of effective functioning social protection system in RA. The possible solutions to those problems are suggested as well.

Keywords: *social protection, social protection system, social protection concept, social protection object, social protection subject, social reform.*

Introduction

A social protection system that ensures the safe existence of a population, preventing social risks and their consequences¹, is an essential link in the institutional social mechanism in most developed country in the world. An independent Armenia inherited from the Soviet Armenia only certain elements of the protectionist social system that is now extinct. This system was based on a social-democratic model that was financed by a residual principle. In the first decades of independence the new social protection system was built dynamically and spontaneously, responding to the needs of a sharply increased number of socially unprotected people. Aside from transitioning from the Soviet system of social care, independent Armenia was challenged by economic crisis, ecological disaster, and war.

The term “social protection” began to be applied in the Armenian context after the ratification of the European Social Charter (revised)², outlining a transition to a European model of social protection. In practice, this transition did not occur fast enough, primarily because Armenia was not in a hurry to ratify articles within the European Social Charter (revised) that could ensure the implementation of the European system of social protection.

1 Yemtsov R., Honorati M., Evans B., Sajaia Z., Lokshin M., *Measuring the Effectiveness of Social Protection Concepts and Applications*, International Bank for Reconstruction and Development / The World Bank, 2018.

2 This Charter was ratified by the Republic of Armenia in 2004. The procedure for ratification of the Charter provides the compulsory minimum number of Articles and the timetable for expansion of obligations. Overall, RA has ratified 13 Articles and 18 points of the Charter.

Overall, Armenia has ratified 13 Articles and 18 points of the Charter³. According to the Articles of the Revised European Social Charter, the obligations are:

- Article 1 – The right to work;
- Article 2 – The right to just conditions of work;
- Article 5 – The right to organize;
- Article 7 – The right of children and young persons to protection;
- Article 8 – The right of employed women to protection of maternity;
- Article 17 – The right of children and young persons to social, legal and economic protection;
- Article 18 – The right to engage in a gainful occupation in the territory of other Parties;
- Article 19 – The right of migrant workers and their families to protection and assistance;
- Article 20 – The right to equal opportunities and equal treatment in matters of employment and occupation without discrimination on the grounds of sex;
- Article 22 – The right to take part in the determination and improvement of the working conditions and working environment;
- Article 27 – The right of workers with family responsibilities to equal opportunities and treatment;
- Article 28 – the right of workers' representatives to protection in the undertaking and facilities to be accorded to them.

The titles of the mentioned articles indicate the social issues in which Armenia has international obligations. Apart from these Articles and the rights stipulated in them and mechanisms for their realization. It is important to mention that the country has ratified separate paragraphs of several articles. The ratification of the paragraphs means that Armenia cannot assume the full realization of the rights stipulated in those articles in this phase, but is taking steps towards partially ensuring those rights.

Thus, the ratification did not lead to a change in social protection in practice. Armenia continued to implement unsystematic social protection measures through separate social protection mechanisms, including social assistance and social insurance. At the same time, the growing social need for social protection and the urgency of pressing social problems stimulated the reform of the existing social protection mechanism. History of social reforms shows that it also did not take place systematically through models and principles that fertilize social actions aimed at social protection. In fact, non-systematic reformation in the sphere of social protection introduced principles and nodal schemes of the liberal model of social protection,

3 Acceptance of provisions of the Revised European Social Charter (1996) www.coe.int/t/dghl/monitoring/socialcharter/Presentation/ProvisionTableRevOct2011.pdf

based in the Armenian reality, leading to an eclectic model of social protection. The process of forming an effectively functioning social protection system is incomplete. One of the main reasons for its ineffectiveness is the uncertainty of the ideological basis of existing social protection system. In the current practice of social protection in Armenia different ideological concepts can be found, such as state paternalism, liberal, neoliberal, human-rights-based concepts.

The other reason for the ineffectiveness of current social protection system in Armenia is the fact that the state is the main subject of social protection until now. Social protection in Armenia is administered by the Ministry of Labor and Social Issues (MLSI) that is responsible for policy-making and implementation in all branches of the labor and social protection system except health care.

The functions of the state system of social protection are clearly defined, based on which, corresponding programs are provided for vulnerable population groups. These programs include: state social assistance programs, social security programs, social protection programs, state social insurance programs, employment programs, a system of allowances. In general, the social protection system in Armenia can be divided into social insurance and social assistance⁴.

The Family Benefit program is the most important social assistance program in terms of coverage, resources and poverty impact. The Family Benefit system is based on the vulnerability assessment of families registered in the system by applying the self-identification principle⁵. The eligibility of a family registered in the system to receive benefits is determined on the basis of the assessed vulnerability score for that family. The score is calculated according to a regulation accepted by the Government in December 2005. According to that regulation, a complex criteria (e.g., social status of each family member, number of members, inability to work, settlement and living conditions, and average monthly family income) is used to estimate the eligibility of families to receive the family benefit. Each criterion has its value, with the sum of those values comprising the score of family insecurity. The higher the score, the more insecure the family.

The system of Social insurance in Armenia covers several basic programs which are being financed from the state budget. According to the law, the following kinds of pensions and benefits are established: work pensions, military pensions, social

4 Armenia: social protection and social inclusion country report European commission directorate-general for employment, social affairs and inclusion, 2011, p. 7.

5 Publications 2009, 2010 and 2011; Social Situation of RA in 2008, 2009 and 2010 (in Armenian) Number of Beneficiaries and Average Sizes of Benefits; Publications 2010, Social Snapshot and Poverty in Armenia, 2010; Armenia: Non-income Dimensions of Poverty; Armenia: Global Economic Crisis and Poverty Profile; Labor Market Development in 2008-2009 6 Caucasus Research Resource Centers–Armenia Eurasia Partnership Found.

pensions, honor benefits to War Veterans and National Honor Title holders, financial benefits to military servants and Genocide survivors, temporary inability benefits such as pregnancy and other benefits, and funeral benefits⁶.

In fact, the main subjects of social protection of the population (the actors) are not legislatively separated, as well as the scope of responsibilities and powers of each subject.

Besides, the provision of forms of social protection of the population is not regulated by the legislation. There are not developed effective mechanisms of social protection. From the point of view of social protection forms / mechanisms, social assistance is the most important, and the principles and mechanisms of social insurance are not developed well enough.

According to the law the target groups of social protection are only those who are in difficult life situations⁷, which contradict the fundamental principles of the social state⁸.

It is important to mention that the number of institutions providing social protection services in Armenia is rising. However, these types of organizations do not provide new types of services. Rehabilitation and counseling services that are preventive are not well developed. Paid social services (their range), as well as specialized social services, are slowly developing.

The other reason for the ineffectiveness of current social protection system in Armenia is the low professionalism of specialists working in the social protection system, mainly conditioned by the existence of not well developed training system of specialists, low motivation for improving professional knowledge and skills, low work satisfaction, and other factors.

Non adequate financing of social protection system is the other reason for the ineffectiveness of current social protection system in Armenia. In this case, we mean the following: considerable funds from the state budget are provided to the stationary institutions which are providing social services to the certain groups of population, rather than non-stationary institutions that are less expensive and efficient.

The cooperation between the public and private sectors as well as non-governmental sector is quite weak, which contradicts the fundamental principle of the social state according to which NGOs and private sector, in particular, play an important role in the provision of social protection of the population.

6 <http://employment.am/en/5/free.html>

7 The RA law on social assistance, <http://parliament.am/legislation.php?sel=show&ID=5161&lang=arm>.

8 Vardush Gyoalyan, Social State: the Achievements and Challenges of RA, http://ysu.am/files/08V_Gyoalyan.pdf

The following steps are essential for the solution of the above mentioned issues:

- To clarify the ideological basis of social protection system, defining the main objective of the system as the protection of the population from various social risks,
- To develop a concept of social protection of the population of the Republic of Armenia,
- To adopt the law „On Social Protection of Population in RA”,
- To promote the establishment of constructive relations between public and NGO sectors, highlighting the idea of social order formation,
- To expand the range of social services, especially highlighting the development of rehabilitation, counseling and social work services,
- To review the principles of financing of the existing social protection system of population, highlighting the financing of non-statutory institutions,
- To raise the professionalism of specialists working in the current system of social protection, focusing particularly on improving of the training and retraining systems of specialists.

Currently, comprehensive reforms are being implemented in the area of social protection, including child protection in Armenia that is essential in terms of having effective functioning social protection system in the Republic of Armenia. Introduction of the Integrated Social Services (ISS) is the main pillar of these reforms emphasizing a “one window” model for provision of cash and non-cash benefits, co-location of different service providers (responsible for pensions, social assistance, employment and disability certification), introduction of the institute of case management and project management through local social planning efforts.

Another social reform that is currently being implemented in the country is the reorganizations of childcare institutions. According to the history of Armenia during different periods of time the problem of child protection was under control not only the church which was the main actor in protection of vulnerable groups but also the government. The analysis of the history shows that some of the services as residential care services Armenia have inherited from Soviet system. During that period of time the social policy was on “hiding” the “problematic” children mainly in institutions which were located in suburbs of the large cities. By this way the government tried to hide the children and their problems. After the independence, Armenia faced many challenges. The difficulties of the transition period had a negative impact on the capacities of families to take care of their children. And as a result many children have appeared in residential care institutions: orphanages, special schools, boarding schools, temporary shelters and so on.

Thus, a high number of children still spend their childhood in residential care institutions, away from their families and communities. The large majority of these

children, whose numbers do not seem to decrease over the years are those with disabilities. According to official statistics the number of children in residential care institutions is 3000⁹. And it is important to mention that the majority of those children are social orphans which mean that they have at least one parent.

Reorganizations of childcare institutions will provide an opportunity to develop adoption and foster care services in Armenia. It is important to mention that those services Armenia has inherited from ancient times. During that period in Armenian villages the head of a village made a special ritual for those families who wanted to adopt a child: during that ritual a mother of a family wore a long skirt and a child entered under the skirt in a church and it was like a mother of a family “gave a birth” to that child in a presence of the village. During that period (till 1900) there were no institutions for children, the village took care of the children who were left without parental care and foster care was again very typical type of service but without any financial support, the support was in another way: other families supported foster family giving them some food.

Armenia, like other European countries is facing demographic challenges, which is not only aging population, but also emigration of economically active population because of several reasons. The previous pension system was PAYG (pay-as-you-go) system based on the principle of solidarity of generations. It considered that the income and social taxes paid by employees, employers and individual entrepreneurs was a direct tax paid to the State budget of Republic of Armenia, of which the pension payments were made. It is important to mention that the total number of contributors to the pension system is less than the number of pensioners. Because of this and some other reasons this system did not work effectively. So the government of the Republic of Armenia decided to undertake some steps for improving the system. And as result of those steps the new pension system was introduced in 2014. This new pension system is a multi-pillar system and includes four types of pensions¹⁰:

The pillar “0” or the social pension - for those people who have not been employed during their life or have been employed less than 10 years or have been employed but in non-formal economy;

The pillar “1” or the labor pension - for employees above 40 years old upon their retirement;

The pillar “2” or the mandatory funded pension - for young people up to 40 years old (40 inclusive) upon their retirement. The funding source of the funded pension is the individual income (the salary), of which 5% will be transferred on the personal

9 <https://www.unicef.org/armenia/en/what-we-do/child-protection>

10 Multi-pillar pension system: implementation challenges and the international practice, 2012, USAID, p. 5.

pension account, and, meantime, the state will double that amount (will top up another 5%) by making an appropriate transfer from the state budget.

The pillar “3” or the voluntary funded pension - for all those who want to receive supplementary pensions by participating in various funded pension schemes offered by private financial institutions (insurance companies, pension funds, etc.)

Thus, the above mentioned social reforms will provide an opportunity to have an effective functioning social protection system in Armenia.

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