

Social Security in the Republic of Armenia
Armenia Social Protection Systems Strengthening Project
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Social Security in the Republic of Armenia

Social security is a government policy aimed to ensure the social and economic rights and guarantees of humans regardless of place of residence, nationality, religion, gender, age.

Social security encompasses all constitutional rights and freedoms of the individual - starting from property right and free choice of occupation up to immunity and environmental security.

In its narrower sense, social security is the respective policy implemented by the State in order to ensure improved livelihood, minimal means for living, labor and recreation, social security for old age, sickness, disability, survival, children's upbringing, health security, protection from unemployment, securing human rights and freedoms in the areas of education, housing, etc. The right to social security holds a special position in the system of main human rights.

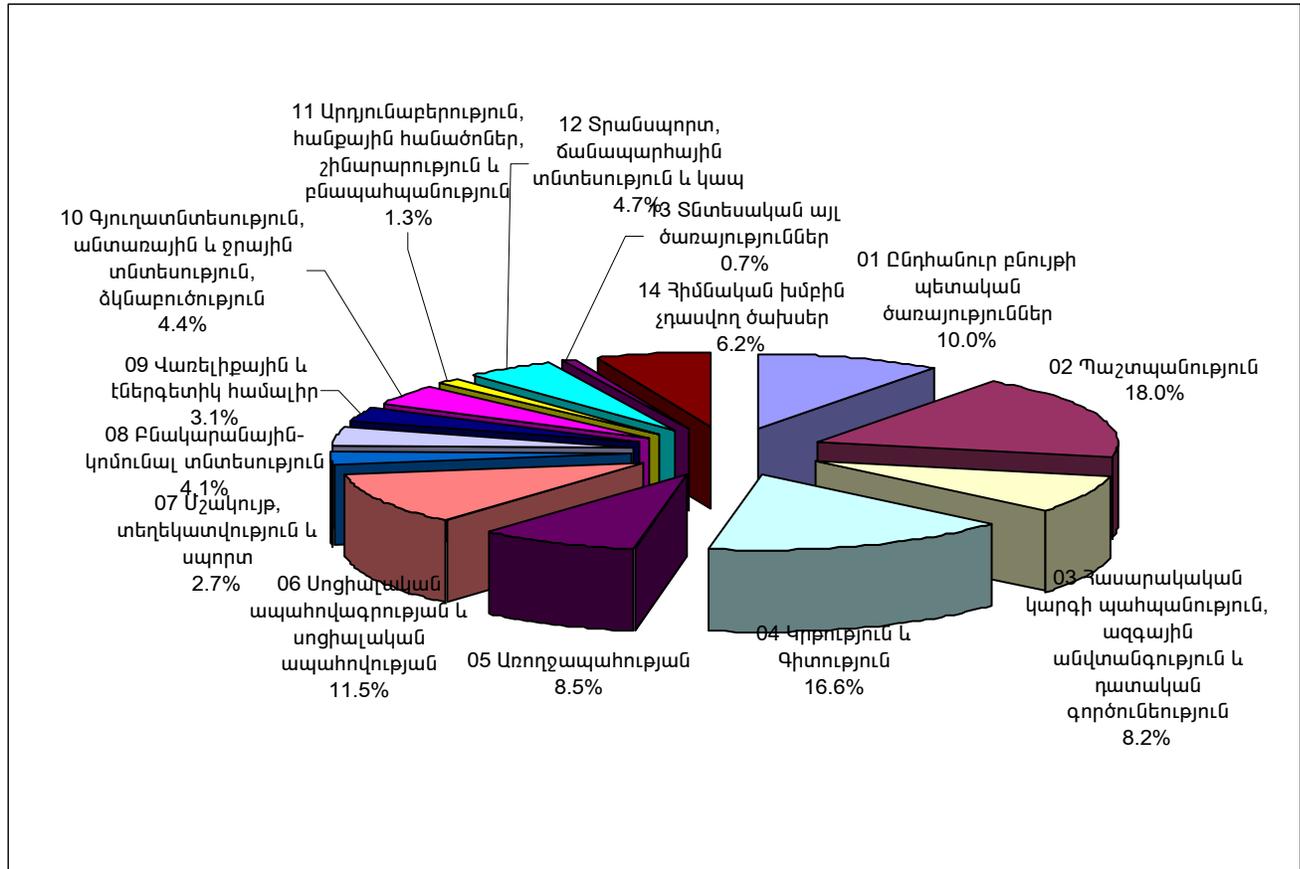
These rights are enshrined in Article 26 of the General Declaration on Human Rights (1948), Article 11 of the International Convention on Social, Economic and Cultural Rights (1966) and other international acts.

Article 37 of the existing Constitution of the Republic of Armenia states that "Each individual has the right to social security in case of old age, disability, survival, unemployment and other legally prescribed cases. The volume and forms of social security are established by law".

In 2001 the Republic of Armenia signed the European Social Charter which was subsequently ratified by the republic in 2002. Such a step assumes analysis of consistency between the Armenian legislation applicable in the social sector and norms of the Social Charter, improving the legal acts of the Republic of Armenia, and social security system in compliance with the requirements of the European standards.



Percentage of RA State budget spending by expenditure classifications (AMD thousand)



The Ministry of Labor and Social Affairs

The Ministry of Labor and Social Affairs of the Republic of Armenia is a central executive body which is responsible for designing and implementing the policy of the Government of the Republic of Armenia in the labor and social protection areas.

The objectives and tasks of the Ministry are:

- a) developing and implementing the key areas and priorities of the government policy in the social protection sphere;
- b) developing and implementing the policy on State regulation of labor;
- c) developing and implementing the employment policy;
- d) developing and implementing the policy on state mandatory social insurance;
- e) developing unified principles for social insurance based on the unique identification system (social cards) and organizing their application;
- f) developing and implementing the policy on state pension insurance, mandatory and voluntary pension insurance;
- g) developing and implementing the policy on social assistance;
- h) developing and implementing the policy on social protection of persons with disabilities



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- and old age individuals;
- i) developing and implementing the policy on social protection of families, females and children;
 - j) designing targeted government programmes in the area of social security and coordinating their delivery;
 - ja) cooperating with international organizations.

Current Status of the Pension Security System and Need for Reform

In the Armenian pension security system which is a pay-as-you-go system built on the principle of cohesion, the application of insurance principles is still significantly limited. This means that, in essence, it is not considered to be a fully insurance-based system. This is partially due to the burden of problems inherited from the old pension system which was oriented towards universal insurance coverage, and such a burden has become even heavier in the existing state of national economy.

In fact, even in an environment where the national economy is adapting to market relations, the pension system continues operating as it used to do previously because employees' personal contributions are not linked to their pensions, pensions paid under privileged conditions and long service pensions comprise a rather large portion in the overall pension benefits, and finally, the state holds the monopoly in pension security.

Origination of pension funds is significantly influenced by changes which take place in the structure of the population's incomes.

A situation has emerged where salaries and pensions are formed and indexed under different laws.

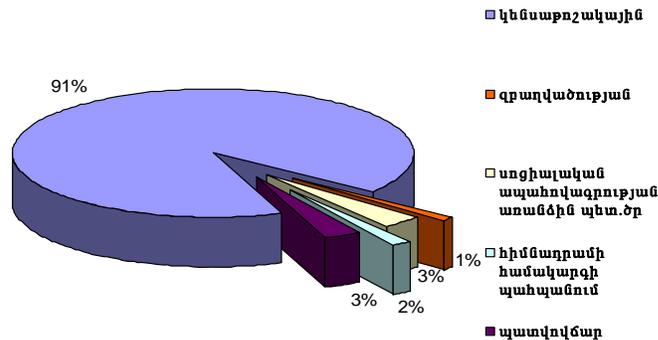
Apart from the problems related to under-financing of pension expenses, there are several other problems, including the change in the composition of age groups, namely, ageing of the populations which is evidenced by the increased number of people above the working age. According to the census data, their number has increased by around 13%.

Changing the pension system without fundamentally reforming all socio-economic aspects of the society would be impossible. In launching the reforms in this area, the first efforts should be focused on improving the existing system which, in turn, will require inclusion of such provisions and norms in the legislation which will improve the social effectiveness of resources contributed to the pension security by the public.

While over the last 4-5 years in Armenia the social spending has increased in nominal terms, in the GDP structure the share of financing to the social sector, in general, and social security, in particular, tends to decrease. For the above mentioned period the percentage of financing to the social security area ranges from 3.0% to 4.5% which is the lowest level as compared to the developed countries of the world.



Allocations of RA State Fund of Social Insurance by spheres, 2007



Key Pension-Related Questions

- How can the Republic of Armenia ensure adequate living for retired persons?
- How will the Republic of Armenia guarantee the constitutional right to social security for old age and disabled individuals?
- What kind of pension system will be able to preserve the rights of current participants of the pension system and meanwhile provide broader opportunities of choice for future generations?
- What steps should be taken in order to track individual accounts?
- How a sustainable and accessible pension system will be ensured in the Republic of Armenia which will respect the dignity of all pensioners?

Social Assistance Programmes

Directions of reforms, strengthening of social assistance programmes

Targeted programmes are put in place under the Government social policy which aim to satisfy the basic needs of more vulnerable groups of population, i.e., old age individuals and persons with disabilities, children, low-income families, unemployed persons. The RA Ministry of Labor and Social Affairs continuously improves the targeted delivery and content of the current social assistance programmes. The commitment to protect old age individuals, children, persons with disabilities and females assumed by the RA Government under international conventions and treaties is reflected in its respective strategies and action plans. The core directions of reforms in social assistance programmes are: migration from the existing approach of responding to emergency situations to management of predictable risks, broadening the programme coverage, coordinating the ongoing programmes, ensuring both the availability and accessibility of programmes, their



sustainability and continuity, cooperation with the civil society through social contracting and delegation of social services.

Old Age and Disability Programmes

- Policy targeted at social inclusion of persons with disabilities
- Strategy on Social Protection of Persons with Disabilities for 2006-2015 and its implementation
- Old age-related problems. Programmes on social services to elderly people
- Social partnership with NGOs involved in disability and old age-related issues, and in delivery of social services
- Social protection programmes targeted at other social groups.

Programmes focused on Women and Children

- Improving the services provided to parentless children accommodated in orphanages and care-taking families
- Improving the procedure for adopting children and monitoring
- Distinction in approaches to delivery of social services to children raised in special secondary educational institutions and those from vulnerable families
- Furthering the coverage of institute of social work, developing the status, rights and responsibilities of social workers.

Financial Assistance Programmes

- Improving the targeted operation of the existing family benefit system
- Improving the mechanisms of monitoring and overseeing the financial benefit programmes
- Revising the financial benefit programmes for children and employed women
- Coordinating the processes of granting and payment of state benefits to socially vulnerable families, as well as other individuals.

Main Issues Related to Social Assistance Area

- How can the Republic of Armenia protect the poorest and vulnerable groups of population from extreme poverty?
- How should the Government policy on old age individuals and persons with disability be harmonized with international standards thereby promoting their social and economic integration?



- What steps should be taken in order to improve the targeted provision of social benefits?
- What mechanisms should be introduced that will help the more vulnerable groups of the society to become competitive in the labor market and overcome poverty?

Labor, Security at Work, Directions of Reforms

Recently cooperation agreements were signed between the RA Ministry of Labor and Social Affairs and International Labor Organization (ILO), as well as the Ministry and USAID which identify the core directions of cooperation strategy between the Republic of Armenia and ILO for 2007-2011, and strengthening the Armenian social protection systems. These agreements also define the key areas of reforms in the social sector.

Approximation of labor legislation with norms of international law, and improvement of the labor security and health system:

- Designing conceptual approaches to improvement of labor legislation based on the analysis of ILO conventions and requirements of EU legislation
- Amending the labor legislation based on conceptual approaches
- Improving the regulatory framework on ensuring employees’ security during work, creation of healthy and secure working environment
- Delivery of training programmes aimed at building capacities among specialists of labor security and health at production sites
- Developing norms for healthy and secure labor conditions
- Assisting in implementation of health and security norms by organizations.

Improving management and efficiency of performance of the State Labor Inspectorate:

- Improving the methods of organizing works (based on international practices)
- Delivery of ‘Train-the-trainer’ programmes for labor inspectors
- Full establishment and functioning of the Information Center of the State Labor Inspectorate, providing broader accessibility of labor legislation and information materials for employers and greater access to information for trade unions.

Undertaking initiatives on eradication of worst demonstrations of children’s employment, along with focusing on their prevention:

- Revising the legislation regulating relations pertaining to labor and family issues and harmonizing it with the already ratified Conventions 138 and 182,
- Finalizing the legal acts regulating children’s labor; designing and implementing measures within the Social Dialogue.

Main Issues Related to Securing Adequate Work

- How to improve the institute of social contracting?
- How to secure honoring of commitments of the Republic of Armenia in consistency with international standards of legal labor relations?



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- How to align the norms of labor security and health to the internationally accepted level?
- Preparing and disseminating information on protection of employees' rights.

Employment Sphere

Under the SPSS project, the objectives of the “Employment” component are:

- Develop the concept of employment,
- Introduce new programmes with a view to implement active employment policy,
- Contribute to activities on professional orientation of young people
- Support the establishment of model employment centers.