

# Universal Child Benefit Case Studies: The Experience of Armenia

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## Summary

An ageing population and low birth rates in Armenia have prompted policy initiatives to incentivise families to have (more) children. In addition to childbirth grants and maternity benefits, families receive childcare allowance in the form of cash assistance to care for children up to two years of age in the form of a categorical universal scheme intended for working individuals who take time off to care for children after birth. Additionally, a significant set of closely aligned family allowances and poverty-targeted policies are also available in the country. The share of the childcare allowance programme in total social protection spending has remained unchanged in recent years, but the number of beneficiaries has increased from about 4,500 in 2008 to about 11,317 in 2018. Although the childcare allowance undoubtedly offers some support to caregivers, it only reaches those who are in formal sector employment. Inclusion of the informal sector in the state benefit system is still a serious issue yet to be resolved. There are no impact evaluations available regarding the performance of these benefits, thus evidence-based policy-making is constrained. Moreover, poverty reduction objectives are not present in the overall design of the childcare allowance programme. Furthermore, fiscal constraints have tended to generate a focus on the need for efficiency gains, the costing and redesign of the programme with clear objectives, indicators and a monitoring system with visible linkages to support services for caregivers. However, programme-based budgeting reform creates an opportunity in this regard. Moreover, the Government has strongly prioritised issues of children in its 2019-2023 programme and has initiated an active discussion on the introduction of a full UCB for all children. Only through the provision of a package of cash and care services, can the government help achieve sustainable development outcomes for children.

## Background and Context

Armenia is a landlocked country with a population of 3 million and GDP per capita of \$3,872 in 2017. Children make up approximately 23% of Armenia's total population. During the last decade, Armenia's economy and society withstood two economic shocks, leading to a big contraction in GDP in 2009 of 14.1%. Inequality also increased: the Gini coefficient rose from 0.339 in 2008 to 0.359 in 2017 (based on national consumption expenditure). Poverty also remains a major challenge for Armenia, as 25.7% of the population lives under the national poverty line. A third of children in Armenia are currently living in poverty, and recent data from 2018, suggest the child poverty rate is 30.8%, with an extreme child-poverty rate of 2.1%. This data shows that there has been no substantive reduction in child poverty compared to the lowest level of poverty in 2008. Geographical disparities are high, with more than half of children (51.8%) in the Shirak region living in poverty.

The risk of being poor increases significantly for some groups of children depending on their household circumstances: 40.1% of children in families with 3 or more children are poor; 37% of children living in female-headed household are poor; and 33.5% of children in families where the youngest child is 5 years old or younger are exposed to a higher risk of poverty.

The employment status of the household head is another crucial predictor of child poverty: 36.8% of children whose household head is not working are poor, compared to 27.2% of children living with a working head of household. Thirty-seven per cent of Armenian children live in households where the household head is not working. The working status of adult household members has large repercussions for the poverty status of children. Thus, generating decent jobs is another challenge for Armenia, if the rights of children are to be fully realised.

Poverty is an underlying cause contributing to many challenges for child-rights realisation in Armenia. Benefits aimed at enhancing family living standards in poor and vulnerable households are the primary anti-poverty vehicle within Armenia's social assistance framework. The basis for state allowances in Armenia was established in Soviet times by the introduction of a law on "Allowances for Children from Less Secure Families". The system of allowances has undergone many modifications. In 1997, new procedures were established to provide monetary compensation to certain groups of the population defined by the legislation, rather than based on privileges. Consequently, in 1999 a decree was passed to replace child allowances and other categorical social benefits with a family benefit targeted to poor families. The family benefit scheme is the largest support programme to poor families (with and without children), covering some 12.7% of the population.

An ageing population and low birth rates have prompted pro-natalist policy initiatives to incentivise families to have (more) children. In 2005 (revised in 2013), the Law on State Benefits regulated for family benefits for various groups of the population, including for a range of benefits for children, such as childbirth grants and a childcare allowance for children up to two years of age for caregivers who stay home to care for their child. In 2014, the Law on Social Assistance further classified various types of social assistance and services.

In 2011 UNICEF collaborated with the IMF to perform a costing and elaboration of a universal child benefit (UCB). The model compared six different alternative schemes and simulations showed that the replacement of the child premium component of family benefits with a UCB payable for each child under 18 years old would reduce the numbers of children living in poverty. Extra payments for large families, children with disabilities, single adult families and very young children were also foreseen. However, the immediate application of the model seemed quite unrealistic considering budgetary constraints (the proposed model would cost an additional 1.69% of GDP) especially when coupled with lack of political backing for the proposal. Further consultations and discussions are required to promote the partial or gradual application of the UCB model, including more solid evidence that demonstrates the effectiveness of a UCB and its impact on achieving child outcomes, including reducing the impacts

of (multidimensional) poverty on children. Understanding the feasibility and affordability within existing budgetary constraints, as well as having the appropriate mix of cash and care services for children for a more holistic approach also needed to be better understood.

## Description of the child benefit system

### Key child benefits and related benefits

**Law(s):** 2013 (State Benefits) and 2014 (Law on Social Assistance).

**Type of programmes:** Universal (birth grant and childcare leave allowance for workers) and social assistance system (family allowance).<sup>1</sup>

**Coverage:** *Birth or adoption grant (universal) and childcare leave allowance (categorical universal for formal workers):* Citizens and residents of Armenia, including persons with refugee status who are in formal employment.

Approximately 11,000-13,000 children are covered annually by the *childcare leave allowance*.

*Social assistance family benefit:* Needy residents of Armenia enrolled in the vulnerability assessment system.

**Financing:** The birth or adoption grant, childcare leave allowance, and family benefit are all tax-financed.

**Cost in 2018:**

*Birth or adoption grant (universal):* 9,341,623,368 AMD (19.3 million USD)

*Childcare leave allowance (categorical universal for formal workers):* 2.4 billion AMD (5 million USD).

*Family benefit (social assistance, means tested):* 25,417,200,600 AMD (52.6 million USD)

**Qualifying Conditions**

*Birth or adoption grant (universal, not income-tested):* Lump sum paid for each live birth or adopted child regardless of family income.

1. Closely related to the family allowance system, Armenia also has a maternity social insurance and social assistance system.

## Impact evaluations of the system of child benefits

*Childcare leave allowance (categorical universal for formal workers):* Paid to parents who take time off work to care for a child younger than age 2. The beneficiary must be employed at the time of the child's birth. The duration varies in accordance with the leave period agreed with the employer but cannot exceed 24 months.

*Family benefit (social assistance, means-tested):* Paid to vulnerable families with one or more children younger than age 18, registered in the family benefit system and assigned a vulnerability score above the threshold.

**Benefit description:** *Birth or adoption grant (universal, not income-tested):* A lump sum of 50,000 drams is paid for the first child; 150,000 for the second child (as of October 1, 2018); 1,000,000 drams for the third and fourth child (500,000 AMD in cash and 500,000 in a special savings account); and 1,500,000 drams for each additional child (1,000,000 AMD in cash + 500,000 in a special savings account). The lump-sum is paid within the 12 months after childbirth or adoption.

*Childcare leave allowance (categorical universal for formal workers):* 18,000 drams a month is paid in cash or as a bank transfer for each eligible child.

*Family benefit (social assistance, means-tested):* The benefit consists of a basic benefit and a supplementary benefit. Basic benefit: 18,000 drams. Supplementary benefit: 5,500 drams to 8,000 drams a month is paid for each eligible child depending on geographical location (high mountainous, close-to-border communities), as well as the vulnerability score.

**Administrative Organisation:** [Ministry of Labor and Social Affairs](#).

**Sources:** Armenia UNICEF Country Office, SSA/ISSA. 2018. *Social Security Programs throughout the World: Armenia*.

Childbirth benefits, which are paid regardless of household income, were introduced to promote higher fertility rates and address the challenges posed by an ageing population. Similarly, the childcare allowance was designed to encourage families to have more children. However, neither the childbirth benefit nor the childcare allowance is pro-poor or make a significant contribution to poverty reduction (National Statistical Committee of Armenia, December 2017).

According to the 2017 Social Snapshot and Poverty Report, only 1.4% of all children live in households that receive childcare allowances. The income from the childcare allowance does not make any difference to the poverty status of children. Suffice to say, that the impact of the childcare allowance is modest to negligible: if a child lives in a family, which receives a child allowance and is not considered poor/extremely poor and such an allowance is taken away from family income, then the child would not become poor/extremely poor. Whether the family received an allowance or not, the childcare allowance does not make a difference in the poverty status.

Although the childcare allowance undoubtedly offers some support to caregivers, it only reaches those who are in formal sector employment. Inclusion of the informal sector in the state benefit system is still a serious challenge, not least as most of the rural women working as farmers in agriculture are not formally included in any of state social protection schemes. At the same time, the objective of the programme seems to be counter-intuitive, as families with more children tend to be poorer, thus would require more support, including financial and non-financial, to cater for their children and the additional demands they generate on household time and income.

There are many evaluations of the impact of the family benefit scheme on children and vulnerable households. The means-tested family benefit programme is one of the established programmes for poverty alleviation. While it does exhibit inclusion and exclusion errors, and its potential impact has been reduced due to underdeveloped related social services, the family benefit income does nevertheless make a significant difference to child poverty

rate, including extreme child poverty. If family benefits were deducted from the total household expenditure, the extreme child poverty rate would increase from 2.1% to 7.2%, whereas the total child poverty rate would go up by 4.4 percentage points, from 30.8% to 35.2%. This suggests that family benefit income is very important for extremely poor and poor households. The childcare allowance and other benefits, however, have not been studied in detail and no substantive impact evaluations are available, which also limits informed policy- and decision-making.

## Current Developments

Investing in children, girls and boys alike is key both for the Government of Armenia and UNICEF. Such investments are necessary not only for future generations but also for children that are living in poverty today. Investment in their families is equally important. The amount of money available in a household plays a crucial role in determining the opportunities a child may encounter in life, as well as child outcomes, particularly those relating to poverty levels in the country.

Focusing on the most vulnerable groups of the population and ensuring that they can enjoy equal opportunities to be fully integrated into society and develop their full potential, is not only related to the moral commitment of a country to provide care and protection to its young generation. It is also based on the need to have a long-term perspective, and prevent social problems (i.e. youth unemployment, skills deficits, chronic poverty) which will create additional costs to be paid by society in the future. While ensuring adequate provision of social protection for all children is a matter of political choice, there are also very real financial constraints faced by the government.

To embark on more robust social protection for all children in Armenia would require an increase in the allocation of recurrent expenditure to the social protection sector; a sector which is crucial for the social and economic development of the country. While, over the years, there have been attempts to increase the size of the child allowance, owing to inflationary pressures, the government has not advanced this provision, and the benefit

amounts amount have remained the same. Discussions have been largely focusing on boosting fertility by, for example, increasing the childbirth grant for the second child to 150,000 AMD (October 2018) or cutting maternity benefits for working mothers (e.g. 2016) or reviewing the cumbersome and complex family benefit schemes. A thorough analysis of the impact and overall policy for childcare for children under 2-3 has not been performed, neither has a solid review of the programme, its objectives, actions and costs. The current reform of programme-based budgeting in Armenia presents an opportunity to review the objectives and indicators of the child allowance and tie it to concrete development indicators.

The non-violent 'Velvet Revolution' in Armenia in May 2018 has created a unique momentum for potential UCB realisation, as children have now been prioritised by the Government in various reforms. For example, free health care is being extended to all children under 18 from the previous threshold of 7 years old. The reform of the family benefit system has triggered significant debates around the adequacy of support to vulnerable families with children. And the Prime Minister has publicly voiced on a number of occasions the need for UCB for all children under 18. Currently, an internal Government working group is revising the family benefit system, combining it with active labour market programmes and appropriate services and reducing the cash component. Simultaneously, evidence is being gathered on the feasibility of UCB and its design both with a view of the right of the child to an adequate standard of living and addressing the (multidimensional) poverty on children. UNICEF has contributed to the dialogue by sharing knowledge, best practices and supporting a more holistic review of the social protection system as a basis for the development of a comprehensive social protection strategy in the country. Only through the provision of a package of cash and care services, can the government help achieve sustainable development outcomes for children. A UCB is one possible tool, which has appeared on the horizon as a policy option that might help the government realise this goal.

## Sources

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This country profile was written by Armenuhi Hovakimyan of the UNICEF Armenia country office and Ian Orton of UNICEF's social protection team in New York. It builds on presentations and discussions at the International Conference on Universal Child Benefits in February 2019 hosted by UNICEF, ILO and ODI and is an output of a larger project on universal child benefits lead by UNICEF and ODI.

The full UNICEF-ODI Report on universal child benefits, this and other country profiles, conference materials and other links can be found on socialprotection.org at <https://www.unicef.org/social-policy/universal-child-benefits>.

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UNICEF  
3 United Nations Plaza  
New York, NY 10017

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