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Armenia's Social Policy Response to COVID-19: Mitigating Expectations, Financial Stress, and Anxiety

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Abstract

This paper examines the social policy response of the Government of Armenia to the COVID-19 crisis. Official data on the implemented programs suggest that since March 2020, around USD 55 million has been transferred to individuals and households as wage support, unemployment and family benefits, utility payment subsidies and tuition fee support. Survey data suggest that despite being early and extensive, government assistance has not been effective in relieving the financial stress and anxiety caused by the pandemic, while public expectations about the future remain pessimistic. As individuals most and least in need have equally benefited from the implemented programs, government assistance has also not been well-targeted.

COVID-19 in Armenia

The first case of infection with the novel coronavirus disease in Armenia was recorded on 1 March 2020 (National Center for Disease Prevention and Control of Armenia, 2020). The infected person returned to Armenia from neighboring Iran, where the disease had spread earlier, causing the borders between the two countries to be partially closed on 25 February (Armenpress, 2020; Radio Liberty Armenia, 2020a). Due to early detection and isolation measures taken by the Ministry of Health, the first case did not result in an outbreak in the country, but the numbers started to grow in mid-March after a woman returning from Italy participated in an engagement party in Ejmiatsin and an Italian manager came into contact with factory workers in Yerevan (Radio Liberty Armenia, 2020b, c).

To prevent the spread of the disease, as well as taking into consideration the fact that the World Health Organization declared COVID-19 a pandemic on 11 March, the Government of Armenia introduced a state of emergency on 16 March 2020 (Government of Armenia, 2020a). It would last for a month, until 14 April 2020 entailing, *inter alia,* bans on travel and public gatherings, closure of educational institutions and businesses in most ('non-essential') industries, and restrictions on media regarding spread of information that would create public anxiety about the epidemiological situation in the country (Ibid.).

Although initially the Government of Armenia was praised for exemplary control of the pandemic, the large influx of labour migrants (mostly from Russia) allowed the virus to spread out of control (Aslanyan and Mirzoyan, 2020). For a period during June–July 2020, Armenia was among the top ten countries in the world in terms of COVID-19 cases per capita, and as no downward trend could be noticed (see Figure 1 below), the state of emergency was prolonged five times (Government of Armenia, 2020a; World Health Organization, 2020). Due to gradual improvements, on 11 September 2020 the state of emergency was replaced with a state of quarantine, which will last until 11 January 2021 (Government of Armenia, 2020b). This regime is milder than the state of emergency but still entails restrictions on international travel, individual movement, and public gatherings.[1]

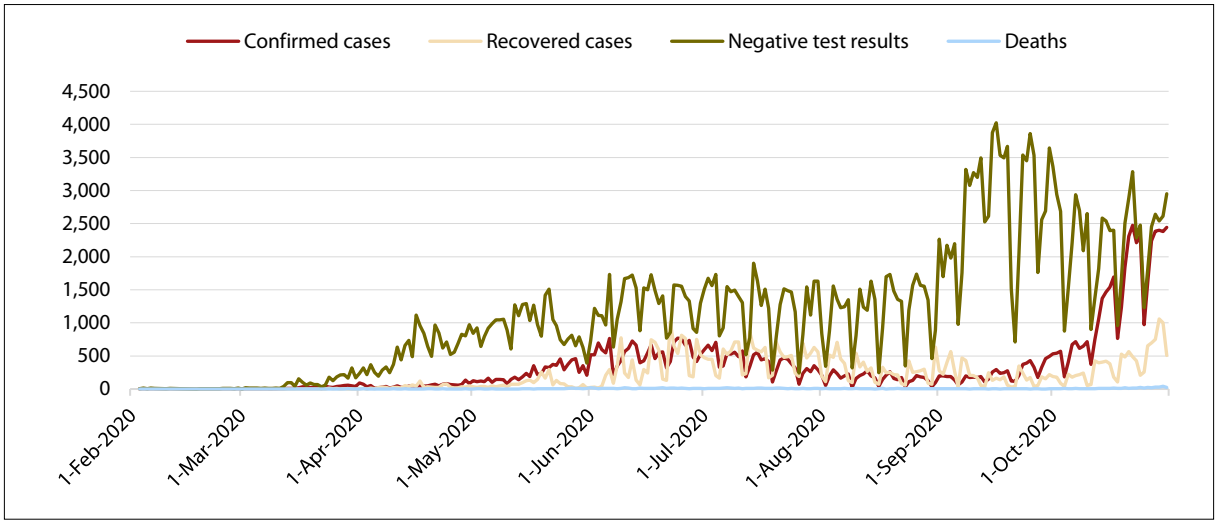
Before the declaration of martial law on 27 September 2020 due to resumption of the Nagorno-Karabakh War, businesses, educational institutions, and cultural institutions in Armenia were allowed to operate provided that containment measures, such as wearing masks and physical distancing, were appropriately implemented. Although educational institutions were closed on 15 October, other controls were once again relaxed, resulting in a new surge of cases by the end of October 2020 (National Center for Disease Prevention and Control of Armenia, 2020; World Health Organization, 2020).

Government Support Programs

Since the introduction of the state of emergency, the Government of Armenia has implemented twenty-four programs to address the social and economic impacts of the pandemic (Government of Armenia, 2020c). These have been adopted by government decrees, the earliest on 26 March and the latest on 13 August 2020. Of the twenty-four, thirteen are social

1 The restriction on travel pertains to all individuals who are not citizens of the Republic of Armenia. Exempted are: family members of the citizens of the Republic of Armenia; individuals having the right to legal residence in Armenia; diplomats, consuls, and representatives of international organizations, as well as their family members; close relatives (parent, spouse, child, sibling) of deceased citizens of Armenia; international truck and freight train drivers. All are required to present a valid certificate of a negative test result.

Figure 1: COVID-19 Cases in Armenia, February–October 2020



Source: National Center for Disease Prevention and Control of Armenia (2020)

assistance programs, providing family and unemployment benefits, utility bill subsidies, tuition fee support, and temporary employment (see Table 1 below for a summary). Labor market policies mostly target employees of affected industries, such as tourism, food, accommodation, and retail trade. Most policies have an equity component: laid-off employees whose pre-crisis monthly income exceeds a specific threshold (AMD 500 thousand or USD 994 in most cases) are not eligible.

According to official cost estimates, around AMD 26 billion (USD 55 million) has been allocated for the implementation of the thirteen social assistance programs.[2] Most spending has been on wage support to employees of the affected industries (USD 25 million), followed by family benefits (USD 15 million) and utility bill subsidies (USD 10 million). All benefits have been one-off, ranging from AMD 26,500 (USD 53) to AMD 136,000 (USD 270) per beneficiary.

Table 1: Social Programs Implemented by the Government of Armenia, March–September 2020

Program	Adoption Date	Implementing Agency	Form Of Assistance	Budget AMD (USD)
Program 1	26 March	Ministry of Labor and Social Affairs	Family benefits	211,400,000 (≈ 444,000)
Program 2	30 March	Ministry of Labor and Social Affairs	Unemployment benefits	551,616,000 (≈ 1.2 million)
Program 3	30 March	Ministry of Labor and Social Affairs	Family benefits	977,100,000 (≈ 2 million)
Program 4	30 March	Ministry of Labor and Social Affairs	Wage support*	9,079,323,800 (≈ 19 million)
Program 5	2 April	Ministry of Labor and Social Affairs	Family benefits	5,132,467,000 (≈ 11 million)
Program 6	13 April	Public Services Regulatory Commission	Utility bill subsidy	786,219,295 (≈ 1.7 million)
Program 7	14 April	Public Services Regulatory Commission	Utility bill subsidy	1,842,928,668 (≈ 3.9 million)
Program 8	16 April	Ministry of Labor and Social Affairs	Family benefits	1,221,308,000 (≈ 2.6 million)
Program 9	23 April	Ministry of Education, Science, Culture, and Sport	Tuition assistance	914,069,000 (≈ 1.9 million)
Program 10	30 April	Ministry of Environment	Temporary employment	200,000,000 (≈ 420,000)
Program 11	4 May	Public Services Regulatory Commission	Utility bill subsidy	2,145,656,433 (≈ 4.5 million)
Program 12	18 June	Ministry of Labor and Social Affairs	Wage support*	3,035,144,000 (≈ 6.4 million)
Program 13	25 June	Ministry of Labor and Social Affairs	Unemployment benefits	326,944,000 (≈ 690,000)

*Note: * Support provided to employees and sole proprietors of the affected industries, as defined and listed in government decrees.*

Source: Authors' compilation from official document review and formal communication with implementing agencies.

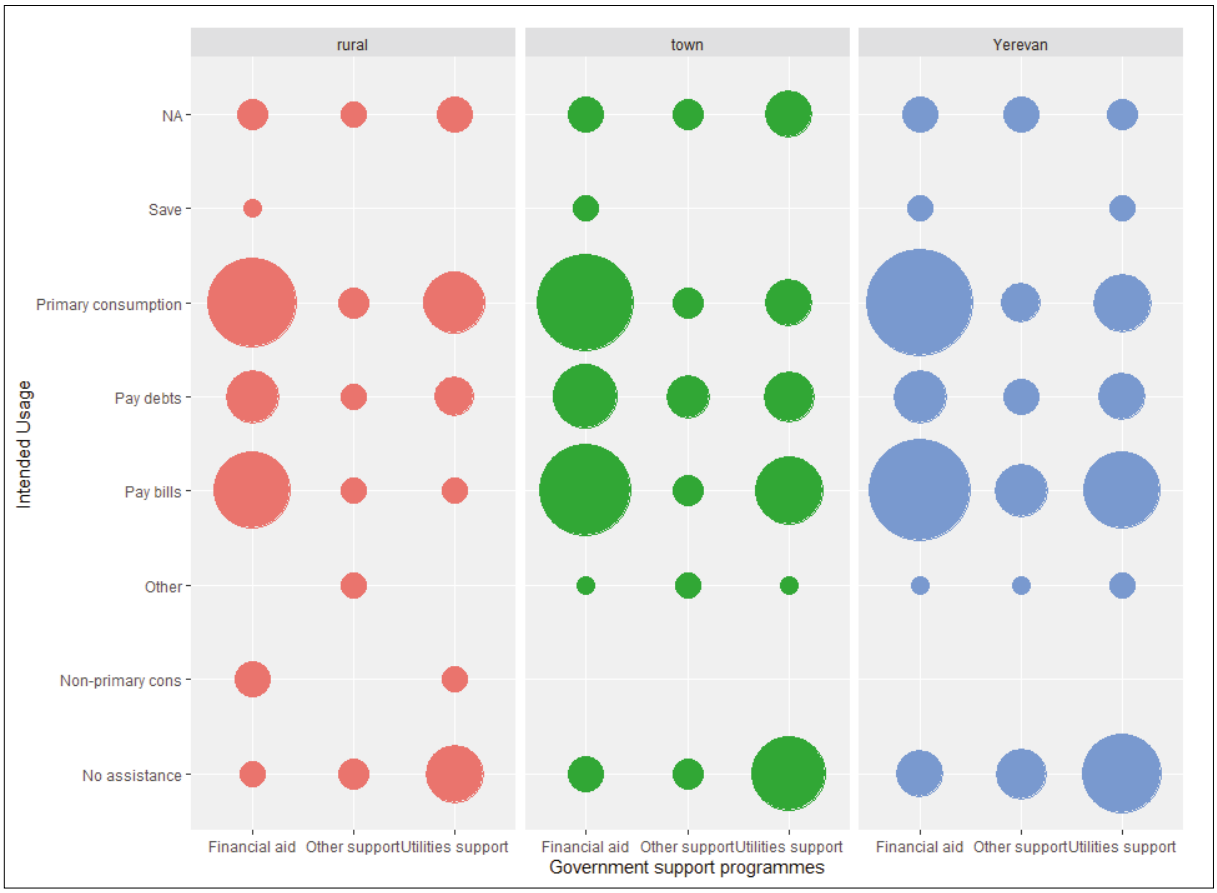
2 Data obtained by authors through formal communication with implementing agencies.

Efficacy of the Support Programs

To estimate the efficacy of implemented programs, we use survey data collected by the Avedisian Center for Business Research and Development at the American University of Armenia (CBRD, 2020). The survey was conducted in May 2020, and the sample includes around 1,300 working-age individuals who answered a set of questions on demographics, labor market conditions, status as beneficiary of government support programs, and expectations for the future. While there may be various dimensions to measure efficacy, two are examined in this paper: *supporting current consumption* and *supporting the future expectations of the population.*

It can be observed from Figure 2 that most assistance is directed towards consumption of primary goods and covering bills. Furthermore, it can be seen that in rural areas, as well as in the capital city Yerevan, social assistance programs covering utility bills substantially increased the consumption of primary products, an observation that may be attributed to the fungibility of money. Still, over 1.5% of the population claimed (at least as an intention) to save the funds. Meanwhile, a disproportionately high share of the announced usage of the funds is directed toward servicing debts, especially in urban areas outside Yerevan, where poverty levels are high.

Figure 2: Intended Usage of Government Benefits



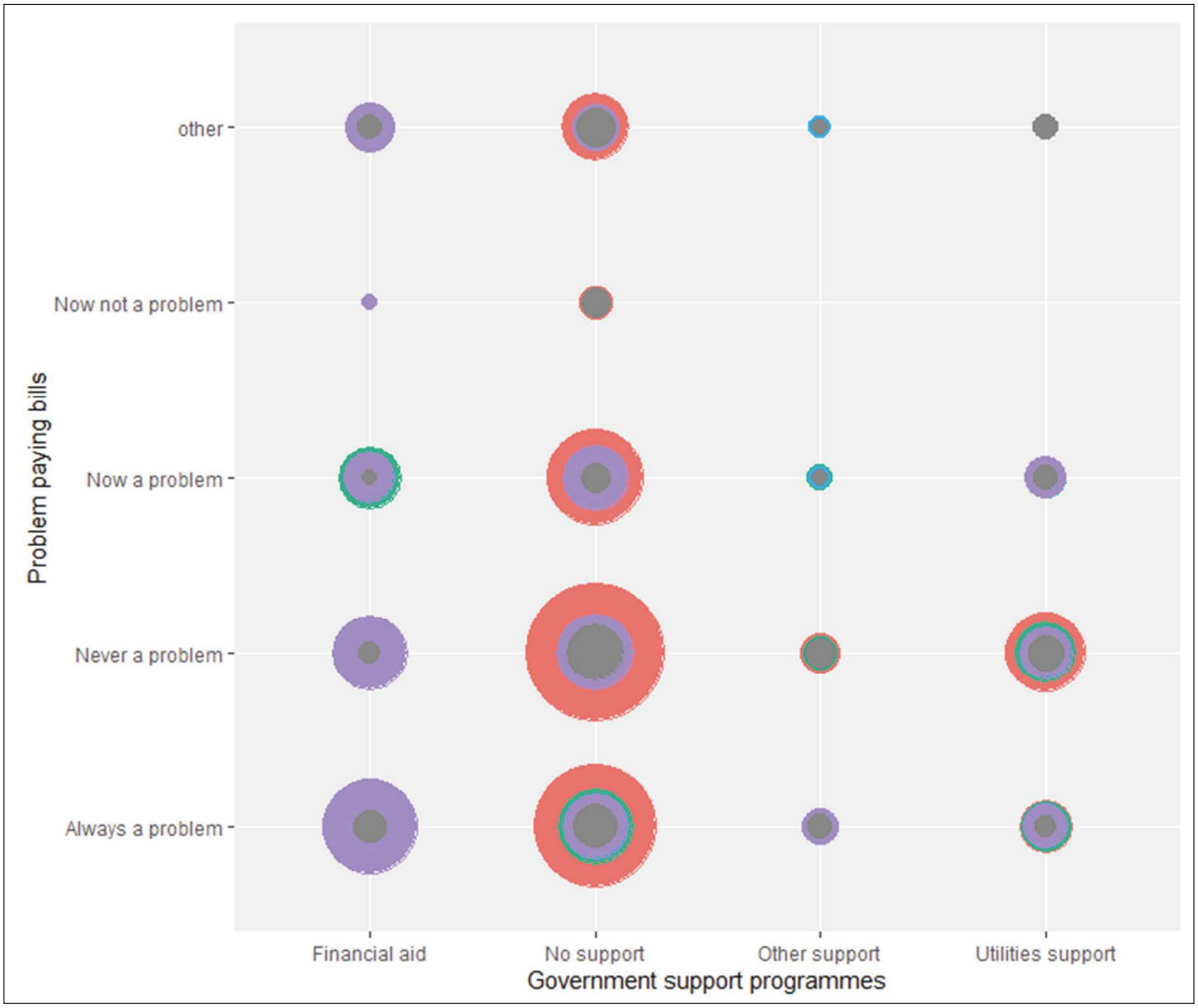
Note: It can be observed from the figure that the implemented programs support instantaneous aggregate consumption through primary consumption.

Source: Authors' analysis of CBRD (2020) survey data

Figure 3 presents the assistance programs vis-a-vis the perceived problem of covering the bills. The population is divided into four groups: those who were having difficulties with finances before and now ('always a problem'), those who did not have problems either before or now ('never a problem'), those who had everything under control but have difficulties now ('now a problem'), and finally, those who were worse off before but are better now ('now not a problem'). It can be observed that those who have improved their livelihoods during COVID constitute a very small group and mostly did not benefit from the programs. Those who never had and those who always had a problem with bills are very similar in their size, behavior (colored in Figure 3) and assistance received. Furthermore, respondents from both groups that did not benefit from any program equally expected not to be eligible. While most of the government assistance is (intended to be) spent on primary consumption, in small towns the respondents from

the 'now a problem' group that received a subsidy to cover the costs of communal utilities have spent some assistance to cover their debts.

Figure 3: Government Support Programs according to Ability to Finance Own Expenses and Type of Spending



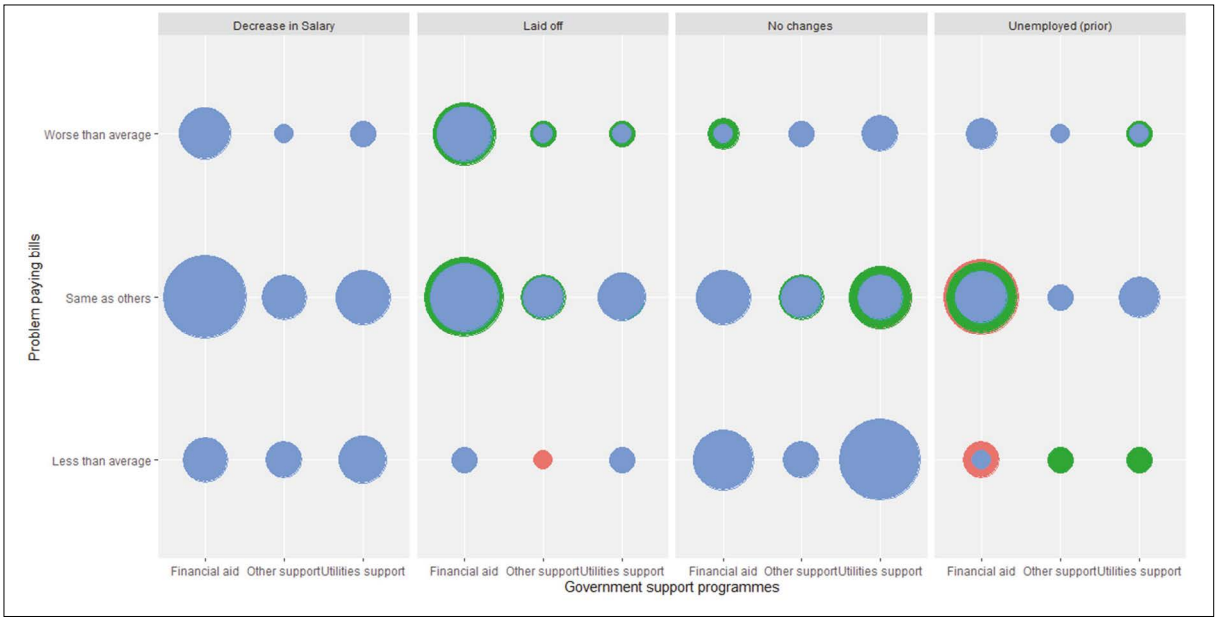
Note: It can be observed that while most of the respondents do not report their current or past ability to cover their daily expenses, the coverage of government support programs is similar in size for those who always had problems and those who never had a problem. This hints at the inefficiency of the implemented social assistance programs as a mitigating mechanism for subjective well-being or in terms of targeting those in need.

Source: Authors' analysis of CBRD (2020) survey data

Figure 4 shows cross-tabulation of beneficiary status (financial aid, utilities, other, and none) and financial strain (defined based on response to the question of whether the pandemic caused them more, less, or equal financial harm compared to the average), divided into four groups based on labor market experience (lost part of their salary, lost employment, employed with no changes, and still unemployed). The second column shows the level of financial strain for the portion of the population who have lost their employment during the pandemic. Interestingly, in this case the rural population (in red) feels less harm than the average person in the country, those from Yerevan (blue) mostly feel no extra harm, and those in small towns (in green) feel more harm compared to the average. This trend has two main explanations: comparison groups ("keeping up with the Joneses" (French and Vigne, 2019)) and dependence on salaried employment.

Table 2 summarizes the extent of financial strain by location (rural, urban, Yerevan) and participation in various programs. Those who have not benefited from any program are more likely (four times more in Yerevan and two times more in other places) to feel less stressed, due to the government's strict eligibility criteria. However, in small towns those who have received financial aid are three times more likely to feel more stressed. In general, on average in the small towns the subjective feeling of harm seems to be more prevalent compared to other locations (17%, as opposed to 12% or 13%).

Figure 4: Financial Strain and Government Programs



Source: Authors' analysis of CBRD (2020) survey data

Table 2: Financial Strain by Location and Government Support

	Extent of the Financial Strain			
	Less	**Same**	**More**	**Sum**
Rural				
Financial aid	4	12.5	3.1	19.6
Utilities subsidy	3.1	7.3	0.6	11
Other support	1.2	2.4	0.6	4.3
No support	15.9	40.1	8.9	64.8
Total	***24.2***	***62.4***	***13.1***	***100***
Towns				
Financial aid	1.4	12.5	4.9	18.8
Utilities subsidy	4.2	7.2	1.6	13
Other support	0.7	3.2	0.7	4.6
No support	18.8	33.6	9.5	61.9
Total	***25.1***	***56.6***	***16.7***	***100***
Yerevan				
Financial aid	3.7	9.6	3.9	17.2
Utilities subsidy	5.4	5	1.5	11.8
Other support	1.5	3.3	0.9	5.7
No support	22	35.3	5.9	63.2
Total	***32.5***	***53.2***	***12.2***	***100***

Furthermore, dividing the financial strain into objective (ability to cover expenses) and subjective (self-assessment) phenomena reveals some interesting patterns (thus, within the group that never had a problem with covering expenses, those who received government financial aid and those who did not experienced comparable levels of subjective strain). Meanwhile, for the group that always had a problem covering daily expenses, the subjective strain increased with being a beneficiary of one of the financial aid programs. However, the trend reverses for the subgroup who always had a budgeting problem but saved for 'rainy days': by not being a beneficiary of any program, this group of people self-

assess high levels of financial strain. In general, higher voluntary savings decrease the subjective assessment of financial strain (Aslanyan and Baghdasaryan, 2020).

Table 3: Logistic Regression Results (Anxiety and Subjective and Objective Financial Strain)

	Worried for				Financial Stress	Inability to cover expenses
	Inability to cover expenses	Unable to service debt	Possible salary reduction	No future job		
Intercept	-1.46 ***	-0.89 *	-0.43	-2.07 ***	-2.11 ***	-0.23
Financial aid	0.89 **	0.7	0.15	0.38	0.52	-0.12
Aid at large	-0.46 .	-0.3	-0.05	-0.02	-0.11	0.13
Decreased salary	0.88 ***	0.73 ***	1.27 ***	0.78 ***	0.28	0.56 *
Employment loss	0.55 *	0.52 *	0.45	0.97 ***	0.24	0.29
Job suspension	0	0.06	0.88 *	0.21	-0.37	0.27
Very low income	1.01 ***	0.87 ***	0.70 **	0.44 *	-0.43	-0.07
Low income	0.61 **	0.59 *	0.47 .	0.49 *	0.14	-0.11
Savings	-1.45 ***	-1.90 ***	-0.82 ***	-1.34 ***	-1.04 *	-1.17 **
Demographic and regional controls	yes	yes	yes	yes	yes	yes
Significance codes: 0 ' *** ' 0.001 ' ** ' 0.01 ' * ' 0.05 ' . ' 0.1 ' ' 1						

Table 3 presents the results of logistic regressions explaining the connection between a number of factors. First, a group of four variables to be explained was created based on answers of the respondents evaluating their worries about a number of issues based on a 5-point Likert scale. The highest two ('think about the issue daily' and 'think about the issue almost daily') have been used for the creation of the variables. The fifth and sixth columns of Table 3 present subjective and objective financial strain. Thus, 'financial stress' is constructed based on the respondent's perception of whether the pandemic has affected their finances more than others or not. The 'inability to cover expenses' is taken directly from their response.

Table 4: Robustness Check for Logistic Regression Results

	Worried for inability to cover expenses				
	Model 1	Model 2	Model 3	Model 4	Model 5
Intercept	-1.46 ***	-1.43 ***	-1.46 ***	-1.42 ***	-1.48 ***
8th p.me support		0.69 *	0.33	0.76 *	0.33
Financial aid	0.89 **				
Aid at large	-0.46 .		0.42 .		0.78 *
other controls	yes	yes	yes		yes
Significance codes: 0 ' *** ' 0.001 ' ** ' 0.01 ' * ' 0.05 ' . ' 0.1 ' ' 1					

A number of factors are used for explaining respondents' worries and strain (Friedline, Chen, and Morrow, 2020). The main factors of interest are government social programs that are summarized in two variables: *financial aid,* which shows whether the respondent (or their family) has benefited from any of the programs that involve direct financial assistance, and *aid at large,* which includes subsidized usage of utilities as well. Labor market experience is represented by three variables: salary reduction, employment loss, and job suspension (or lack thereof) during the pandemic.
The results indicate that government policies may have mitigating psychological effects, but the variable is statistically insignificant in all but one case (worries about inability to cover expenses), and even then only if a rather large error range is allowed. Moreover, in the case of direct financial assistance from the government, anxiety seems to grow, although again statistically significant only in the case of direct finance-related issues.

The positive relationship between financial aid and anxiety may have two sources:

(a) financial aid includes unobserved characteristics of the respondents, such as family size, number of children, or even pregnancy (as one of the programs was explicitly directed towards pregnant women). This would result if the financial aid variable is serving as an indicator of multi-dimensional poverty. Although we control for income groups, and its

effects are economically and statistically significant, some family unobservables may still be part of the problem. To eliminate this hypothesis, Table 4 specifically singles out Program 8, which was supporting workers of an (almost random) list of industries. The effects are still positive and no family heterogeneity can be observed. Furthermore, industry heterogeneity cannot be observed as industry type is also controlled for.

(b) direct financial support by the government increases financial anxiety by making the future without such support seem more uncertain. One piece of indirect support for this hypothesis could be the large negative effect of pre-existing savings that serve as a shield against uncertainty.

Conclusion

The Government of Armenia responded to the health, social, and economic challenges of the COVID-19 pandemic by introducing a restrictive state of emergency and implementing a wide range of support programs for individuals, households, and business enterprises. This study provided descriptive statistics on the implemented social programs and analyzed the efficacy of social policy responses using survey data. Official documents and cost estimates suggest that government support has been early and extensive: the first four social aid packages were adopted on 26–30 March, two weeks after the state of emergency was declared, and AMD 26 billion (USD 55 million, 0.5% of GDP) has been spent on thirteen social programs. Survey data analysis of around 1,300 working-age individuals suggest that government support has substantially increased primary consumption, but most people, especially in urban areas outside Yerevan, used or intended to use assistance funds for servicing current debts. Thus, aggregate consumption has been supported, but expectations of the population about the future have not improved. Secondly, government support has not been well-targeted, as individuals in the most and least need, as measured by ability/inability to cover current expenses, have equally benefited from social assistance programs. Pre-existing savings, rather than government support, appear to serve as a shield against uncertainty. Finally, the results indicate that, especially in towns and rural areas (as compared with capital Yerevan), increased levels of financial stress and anxiety are present among people who received direct financial support rather than in-kind benefits from the government.

About the Authors

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Azerbaijan's Social Policy Response to COVID-19

By Farid Guliyev

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Abstract

Azerbaijan's social assistance and income support schemes adopted during the COVID-19 pandemic need to be seen within the context of the existing social protection system and safety nets. While the existing system is operational and has the technical capacity to respond and deliver social policies, it has had two key shortcomings: 1) low benefit rates and 2) issues in coverage, notably the exclusion of informal employees and migrant workers. Left unaddressed *ex ante*, they caught the system off-guard *ex post* when the coronavirus pandemic broke out. As a result, although COVID-related social assistance measures (especially cash transfers) were implemented without delay and provided some immediate relief for vulnerable and affected social groups, they fell short of covering sizable sections of the population, namely informal workers and Azerbaijanis working in Russia. It is also doubtful that such assistance can improve future wellbeing of vulnerable groups, whose living standards are likely to worsen during and after the economic fallout from the pandemic.

Background

Following the first reported case of COVID-19 on February 29, 2020 and the subsequent surge in coronavirus cases, Azerbaijan imposed a series of lockdown measures to prevent the spread of the disease. In the beginning of March, with only a few cases confirmed, all schools, universities and kindergartens were closed, and on March 13 further restrictions on social gatherings were introduced (Bagirova 2020). A strict quarantine regime was enforced starting March 24. Lockdown measures were eased somewhat on April 27 but reintroduced again on June 18 after the number of infected citizens spiked (Bagirova & Antidze 2020a). It was eased again on August 5. As of September 30, 2020, the authorities reported 40,229 total confirmed cases, 37,954 recoveries and 591 coronavirus-related deaths (Ministry of Health 2020).