

AM PARTNERS CONSULTING COMPANY
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BASELINE SURVEY FOR DEVELOPING M&E INDICATORS FOR MEASURING PROGRESS OF PRIP INTERVENTION



US Agency for International
Development



Pension Reform Implementation
Program



AM Partners
Consulting Company

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List of Abbreviations

USAID	US Agency for International Development
NSS	National Statistical Service of RA
PRIP	Pension Reform Implementation Program
RA	Republic of Armenia
ISS Center	Integrated social service center
HH	Household

List of Explanations

Consultant	AM Partners Consulting Company
Survey	Baseline Survey for developing Monitoring and Evaluation indicators for measuring progress of Pension Reform Implementation Program intervention
Client Organization	Chemonics International

EXECUTIVE SUMMARY

1. **The Baseline Survey for Developing M&E Indicators for Measuring Progress of PRIP Intervention** was commissioned by the **Chemonics International Inc.** responsible for the **USAID-funded Pension Reform Implementation Program (PRIP)** and conducted by the **AM Partners Consulting Company LLC** during the period **December 2013 - February 2014**.

This survey aims to reveal the **public awareness level and attitude to pension reforms, particularly to the funded pension system, as well as awareness and expectations about the social services system reforms at the initial stage of PRIP implementation.**

The baseline survey targets, *inter alia*, the awareness and perception level of pension reforms **among women**. To this end, the survey statistical data also specifically highlights the answers of female respondents.

The baseline survey was carried out through **household** interviews. The Client Organization specified the sample size covering **1,200 households** and the survey areas, namely **Yerevan community, Ararat and Kotayk marzes (regions)**. **400 interviews** were held in each survey area. In each marz, both urban and rural population took part in the survey through proportionate sampling. As a result, **731 urban respondents** and **469 rural respondents** were interviewed.

12 interviewers conducted **face-to-face** interviews through a standardized **questionnaire**. The **primary sample criterion** for household respondents was their **age**. Thus, upon request of the Client Organization, **persons aged 18-62** as of the date of the survey were interviewed. The other sample tool was the **last-birthday selection method** ensuring representative and random sampling. Thus, in each sampled household, a respondent aged 18-62 **with the most recent birthday to the interview date** was selected. To conduct 1,200 effective interviews, **the Consultant contacted 3,308 households**. The **overall refusal ratio constituted 21%**, with the highest rate (29%) detected in Yerevan.

The survey results showed the following gender distribution of respondents: 37% of male respondents vs. 63% of female respondents. The age composition of respondents almost reflects age indicators of the Armenian population at large. The survey results are also presented for the age groups below: 18-24, 25-40 and 41-62. The respondents' education level indicators also appeared very similar to those of the Armenian population at large. The share of respondents employed as of the survey date made 46%, including registered employees - 29%. Other large groups by employment status comprised jobseekers/unemployed (15%) and housewives/housemen (28%).

As of the survey date, the rate of mandatory funded pension (FP) system participants constituted 15% of survey respondents. Their answers in the capacity of FP system direct beneficiaries received a special consideration while analyzing public awareness of mandatory FP system.

2. **The FP system incorporates numerous features; each feature is considered separately in respect of public awareness and attitude.** The survey results suggest that only a few people are fully aware of the FP system. Respondents showed relatively increased awareness of some features, e.g. system start date, participants and funded contribution rates, as compared with other features, e.g. individual pension accounts, pension funds and fund managers. Therefore, we can state that the **respondents lack full awareness of the issue.**

Before presenting significant results of the survey, it should be stated that **respondents' awareness and attitudes to pension reforms do not differ significantly based on their gender. Men and women display almost the same or very similar awareness levels.** Yet, some attitudes by men can be considered as exceptions since they express more radical discontent and critical opinions. In this respect, **the indicators of awareness and attitudes to pension reforms considerably differ based on respondents' age, marzes (regions) and residence area (urban, rural).**

86% of respondents are aware that pension reforms are under way in Armenia. As compared with the percentage rate (36%) in a similar survey of 2010, we can easily trace an increased awareness level. However, the study of persons unaware of the pension reforms resulted in some disturbing findings. Actually, even some respondents (10%) among participants of the mandatory pension system have heard nothing about the mandatory FP system.

In fact, young people are less aware of the pension reforms than older generations. This suggests that the pension issue becomes more urgent with age. **Young people share a position that they will face the direct implications of pension reforms only dozens of years later and thus take a relatively little interest in this issue.**

26% of respondents have no idea (are uncertain) about the objectives of the pension reforms. The other respondents have different perception of such objectives. Hence, 21% of respondents mentioned "positive" objectives, i.e. the reforms aim to ensure their secured old-age, interdependence of pensions and salaries, or merely positive expectations. Meanwhile, 39% of respondents mentioned "negative" objectives (e.g. extortion and embezzlement of savings from the grassroots, negative expectations and distrust of the authorities, useless and absurd reforms) or that pension reforms serves not their interests, but rather those of others (some people raise funds for the state or make a business of it).

Only 10% of respondents are aware that the FP system includes both mandatory and voluntary components. The public awareness level of this issue has remained unchanged since 2010 which appears quite disturbing. While most respondents (48%) believe that the FP system entails only mandatory participation, another large group (22%) is simply unaware of the FP system implementation principles. This principle counts among the features that often give rise to misunderstandings. Only 8% of the respondents are fully aware of target participants of the mandatory FP system. The other respondents make up the core group discontented with such reforms. Their discontent rests on the misleading opinion below: ***If a person has neither job nor a source of income, why and how should he/she pay contributions?*** The discontent with the FP system mandatory component and pension reforms in general can be reduced if respondents clearly understand that mandatory contributions are payable only by employees and persons with steady income.

3. **44% of respondents know the start date of mandatory FP system.** At first glance, this may seem a good indicator considering that the participants of the mandatory FP system make only 15% of the survey respondents. However, separate consideration of this group reveals that only 60% of respondents know the exact start date of mandatory FP system. This is a poor indicator, since it implies that the rest 40% of the mandatory FP system participants are unaware of their involvement in a new pension scheme even at the time of its implementation.

Only 16% of respondents are aware that the state will also pay contributions along with the mandatory FP system participants. While this rate has grown 4 times since 2010 (4% as of 2010), it is not enough for objective evaluation of the state responsibility and involvement in pension reforms. In fact, this rate among mandatory FP system participants also reveals a disturbing picture. Their awareness rate constitutes 24%, while 43% believe that their future funded pensions are to be accrued exclusively through their own contributions. Such profound ignorance comes to beat one of the major trump cards of the state in the pension reforms.

Data on the **mandatory funded contribution rates** counts among the most complicated features of the FP system. Even persons aware of contributions by both FP system participants and the state find this feature highly complicated. Such difficulty lies in the **basic income threshold of 500,000 AMD that sets different formulas to estimate the funded contribution rates for higher and lower incomes.** Only 4% of all survey respondents and 9% of mandatory FP system participants are aware of such calculation method. The phrase 'basic income' sounds quite unfamiliar to them; instead, they use the word 'salary' to mean the amount (net, with income taxes deducted) they actually receive every month. Such identification (identical perception) of 'basic income' and 'net salary' among respondents has resulted in a wide-spread counterargument against the pension reforms. Such counterargument rests on

the phrase "5% of the salary". **The overwhelming majority of respondents perceive the word 'salary' as the actual net amount payable to them after tax deduction.** However, **the 5% in question will be deducted from the so-called basic income which also includes the income tax.** Thus, **the funded contribution fee exceeds the 5% of the mandatory system participant's net salary.** The reform opponents interpret this difference as follows: *while the mandatory funded contribution rate actually exceeds the 5%, the authorities make misleading statements on funded contribution rate of 5%.*

The respondents showed no greater awareness of the other mandatory FP system features. Thus, only 5% of respondents are aware of individual pension accounts, 2% - of the role of the Central Depository, 8% - of the function of the pension fund to manage individual pension savings and 1.4% - of procedures for opening a pension account and selecting a fund and a fund manager. Generally, **questions on individual pension accounts, pension funds and fund managers caused some confusion among the respondents** as they could not clearly see the differences of these concepts.

4. The voluntary FP system was launched in Armenia on January 1, 2011. However, respondents' answers **suggest that public awareness on the voluntary FP system decreases rather than increases in the course of time.** Only 16% of the survey respondents are aware of the voluntary FP System while the same indicator for 2010 equaled 24%.

Only 3% of the respondents are aware of the voluntary FP system start date. This appears a significant indicator to prove that **the voluntary FP system has not found any beneficiaries in Armenia so far.**

5. Interviewers asked all respondents questions about their **attitudes** towards the FP system, irrespective of their awareness level on pension reforms. A significant portion of respondents are totally unaware of some features of such reforms. Keeping this in mind, the Consultant took the 3 steps below to reveal their attitudes: 1) first, provided the respondent with relevant information on the pension reforms and a particular feature of the FP system, 2) sought the respondent's feedback on the new information about the system, 3) in case of any **negative** attitude, the Consultant asked the respondent to explain his/her position. In case of positive or neutral attitudes (e.g. "I do not care" or "I have no idea/Uncertain about the answer"), the respondent did not have to give any explanations. Thus, during the survey, the Consultant mostly focused on public discontent with pension reforms. The features of such reforms and FP system below provoked the most increased discontent.

63% of respondents consider the pension reforms unjustified. Such position mostly rests on the distrust of the state and authorities. The second counterargument suggests that such FP system reforms cannot prove feasible under current unemployment rates and low salaries. Amounts accrued from low wages will be insufficient to provide decent pensions and secured old-age.

54% of respondents consider the mandatory + voluntary approach to the FP system introduction unreasonable. Most persons discontented with the reforms (69%) find that the FP system must be based on **exclusively voluntary** participation. Such respondents present the argument below: if the FP system really proves a good one and has sufficient evidence thereof, people must be entitled to join it voluntarily. The mandatory participation principle causes negative reaction and fosters the existing public distrust of the authorities.

In this context, **67% of respondents oppose the mandatory component.** Most of them believe that everybody shall have the right to free choice. Compelling persons by the force of law to do something against their own will deprives them from their independent decision-making opportunities. And nobody can tolerate such deprivation.

47% of respondents felt negative about the age component of the mandatory FP system. Regardless of their attitudes (positive or negative) to the FP system, such respondents believe that **the law must not discriminate on the grounds of age**, and if the FP system nevertheless includes the mandatory component, it should extend to everybody.

32% of respondents felt negative about the fact that both individuals and the state must pay mandatory FP system contributions. Thus, 21% of respondents believe that **only the state** must pay such contributions. It is widely held that employees already make their social security payments through their income tax (24.4%) deducted from their salaries, and no other sums should be deducted. Another 21% do not believe that the state will ever make any contributions to the accounts of the FP system participants. While such thinking is certainly unfounded, it rests on complete public distrust of the authorities.

40% of respondents deem the mandatory funded contribution rates unreasonable. Thus, most of discontented respondents believe that **state contributions should equal those of the mandatory FP system participants, regardless of their wage rates.** The use of different state contribution schemes based on participants' wage rates comprise another **discriminatory treatment** to persons with monthly income above 500,000 AMD.

Despite their contributions to the pension fund, **45% of respondents cannot perceive themselves as pension account shareholders.** Thus, 21% of them think that if a person is unable either to control or to manage his/her own 'shares', how can he/she perceive himself/herself as a shareholder? To do so, one should own his/her property and not hand it to a fund manager.

54% of respondents distrust the pension fund managers, since they do not know them and have no experience working with them. 40% of such respondents trust nobody at all, neither the authorities and pension fund managers, nor banks, not even their friends and relatives. Besides, most respondents still remember their parents' or their own deposits and savings lost after the collapse of the USSR and therefore, strongly oppose trusting their savings to any person or entity.

6. It is quite difficult to assess the respondents' awareness level of **social services reforms** by baseline survey findings. Only **20% of respondents heard of the social services system reforms under way in Armenia.** Estimating the awareness rate proves quite difficult, since 1) many people have never had any encounters with the social service system; 2) people do not communicate with social service personnel every day; 3) many households (families) do not contact social service personnel even once a year due to no such need.

At the same time, **a relatively high awareness level (35%)** was detected in Ararat marz where the pilot phase of integrated social services system was launched. Also, the Integrated Social Service (hereinafter referred to as ISS) centers were first opened in Ararat marz and only 1-1.5 years later in Yerevan and Kotayk marz. Therefore, it is quite natural that respondents from Ararat marz are more aware of social services reforms.

Due to the limited number of respondents (46 respondents from among 1,200) reporting occasional contacts with the ISS centers and lack of sufficient information, their answers are of no statistical significance. Nevertheless, **the positive feedback prevailed** in some opinions on the ISS centers activities. Thus, respondents highlighted the improved service rate and quality as well as renovated and equipped service rooms.

1 INTRODUCTION

This document incorporates the report on the **Baseline Survey for Developing M&E Indicators for Measuring Progress of PRIP Intervention** (hereinafter referred to as Survey). The Survey was commissioned by the **Chemonics International Inc.** (hereinafter referred to as Client Organization) responsible for the **USAID-funded Pension Reform Implementation Program (PRIP)** and conducted by the **AM Partners Consulting Company LLC** (hereinafter referred to as Consultant) during the period **December 2013 - February 2014**.

1.1 SURVEY OBJECTIVE

By commissioning this survey, the Client Organization aims to reveal the **public awareness level and attitude to pension reforms, as well as awareness and expectations about the social services system reforms at the initial stage of PRIP implementation**. In particular, this survey provides baseline social and statistical data on the issues below:

- ▶ Public awareness of the mandatory funded pension system;
- ▶ Public awareness of the voluntary funded pension system;
- ▶ Public attitude to the funded pension system;
- ▶ Public awareness of the social services system reforms.

The survey targets, *inter alia*, the awareness and perception level of pension reforms **among women**. To this end, the survey statistical data also specifically highlights the answers of female respondents.

The social and statistical baseline data on the issues above will enable the PRIP to **provide more target information on pension reforms with the aim to raise awareness among women**.

1.2 SURVEY METHODOLOGY

The baseline survey was carried out through **household** interviews. The Client Organization specified the sample size covering **1,200 households** and the survey areas, namely **Yerevan community, Ararat and Kotayk marzes (regions)**. **400 interviews** were held in each survey area.

Selection of each survey area rests on certain reasons:

- a) Yerevan community is considered to be the largest economic, political and social center of Armenia, with the majority of mandatory funded pension system participants;
- b) Ararat marz was selected as the only area where the pilot integrated social service system was introduced. Ararat marz has predominantly rural population.
- c) Kotayk marz differs from Ararat marz by its recent introduction of the integrated social service system. In this respect, it is similar to other marzes of Armenia, except Ararat. Kotayk marz has predominantly urban population.

Such survey area composition may provide the general outline of Armenia as it considers the Yerevan/marzes(regions) and urban/rural ratios within the portion of the population. **Yet, to avoid misunderstandings, the Consultant presented all the data for each area both jointly and separately.**

For the survey purposes, the steps below were taken:

Step 1 ▶ Define the target of the Survey

The Survey targeted households (hereinafter referred to as *HH*). The Consultant identified the HH based on its definition used by the National Statistical Service of RA (hereinafter referred to as *NSS*). Accordingly, a **household shall comprise:**

Any housing unit or a person occupying a part of it, who meets all his/her basic needs and does not combine his/her resources with other residents to manage a common household.

Any housing unit or two and more persons sharing a part or some of its premises, who meet their basic needs by managing a common household and combining all or some of their resource. Such persons can be either relatives or spouses, or not relatives, or both relatives and spouses.

To avoid any misunderstanding, the Consultant adopted the approaches below for some forms of family composition:

- ▶ Persons perceived by respondents as their household members who, however, are temporarily (regardless of duration of their absence) away, namely (a) migrant workers regardless of duration of their absence and (b) students who live away from their family's place of residence during their studies, **are considered family members**;
- ▶ Persons perceived by respondents as their household members who, however, are temporarily (regardless of duration of their absence) away, namely (a) compulsory military service conscripts, (b) inmates and (c) persons in social welfare institutions (i.e. orphanages, nursing house) **are not considered family members**.

Step 2 ▶ Estimate the Confidence level of Survey data

400 household interviews in each survey area provided the Client Organization with highly reliable data in each of the areas. The table below shows the Confidence Level and possible Confidence Interval of data collected in each survey area.

Table 1 - Survey data Confidence Level indicators

Target areas	Number of households ⁽¹⁾	Confidence Level	Confidence Interval
Yerevan	≈ 283,000	95%	4.90%
Ararat	≈ 62,000	95%	4.88%
Kotayk	≈ 63,000	95%	4.88%

⁽¹⁾ - Based on the RA Census 2011 data on de jure population

Step 3 ▶ Sample distribution by urban and rural population

The sample size was divided in 2 parts to cover both **urban and rural population through proportionate sampling** in each target area.

Table 2 - Sample distribution by urban and rural population

Target areas	Sample size by target areas	Urban and rural population ratio ⁽¹⁾		Sample distribution by urban and rural population	
		Urban	Rural	Urban	Rural
Yerevan	400	100%	-	400	-
Ararat	400	28%	72%	114	286
Kotayk	400	54%	46%	217	183
Total	1,200	61%	39%	731	469

⁽¹⁾ - Source: "Number of De Jure Population of the Republic of Armenia as of October 1, 2013", NSS, 2013.

Step 4 ▶ Sample distribution by administrative districts of Yerevan

In the area of Yerevan, the sample was distributed among all the 12 administrative districts **through proportional sampling**.

Table 3 - Sample distribution by administrative districts of Yerevan

Administrative districts of Yerevan	Share of general population ⁽¹⁾	Sample distribution by administrative districts of Yerevan
Ajapnyak	10%	41
Avan	5%	20
Arabkir	11%	44
Davtashen	4%	16
Erebuni	12%	47
Kentron	12%	47
Malatia-Sebastia	13%	50
Nor Nork	12%	48
Nork-Marash	1%	4
Nubarashen	1%	4
Shengavit	13%	51
Kanaker-Zeytun	7%	28
Total	100%	400

⁽¹⁾ - Source: "Number of De Jure Population of the Republic of Armenia as of October 1, 2013", NSS, 2013.

Step 5 ▶ Select survey communities

For survey purposes, the Consultant selected communities in each survey marz and adopted various approaches to do so. No particular towns were sampled, but rather **all the towns in Ararat and Kotayk marzes were included in the survey** with equal sample distribution. As for villages, due to their large number, the Consultant took another approach, so that:

- a) Their number is limited enough to avoid technical difficulties during interviews;
- b) Their number is large enough to sample all the communities with problems common to the entire marz;
- c) Respondents from villages represent all the regions of the marz.

The Table below shows survey communities and sample distribution by such communities.

Table 4 - Sample distribution by marz communities

Marz (Region)	District	Community	Survey size			
			Urban areas	Rural areas	Total	
Ararat	Artashat	Artashat	29		29	
		Aygepat		29	29	
		Aygestan		29	29	
		Burastan		28	28	
	Ararat	Ararat	29		29	
		Vedi	28		28	
		Vosketap		29	29	
		Taperakan		29	29	
		Surenavan		28	28	
		Goravan		28	28	
		Masis	Masis	28		28
	Marmarashen			29	29	
	Dashtavan			29	29	
	Sayat Nova			28	28	
	Total			114	286	400
	Kotayk	Hrazdan	Hrazdan	37		37
Charentsavan			36		36	
Bjni				31	31	

Marz (Region)	District	Community	Survey size			
			Urban areas	Rural areas	Total	
	Kotayk	Solak		30	30	
		Abovyan	36		36	
		Byureghavan	36		36	
		Aramus		31	31	
	Nairi	Akunk		30	30	
		Yeghvard	36		36	
		Nor Hachn	36		36	
		Zovuni		31	31	
	Nor Geghi		30	30		
	Total			217	183	400
	Total			331	469	800

Step 6 ▶ Develop survey tool, i.e. questionnaire

The survey incorporated 1,200 **face-to-face interviews** through a relevant **questionnaire**. The Consultant developed, amended and updated the questionnaire based on recommendations of the USAID PRIP officials.

Step 7 ▶ Form a survey team

To perform the survey, the Consultant formed a team of 21 people, including:

- a) Survey coordinator and senior analyst /1/;
- b) Translator /1/;
- c) Electronic database specialist /1/;
- d) Interviewers /12/;
- e) Monitors /2/;
- f) Data entry specialist /2/;
- g) Drivers /2/.

The Survey coordinator and Electronic database specialist managed and monitored team activities. 3 groups of interviewers were formed to hold interviews. One of the groups worked in Yerevan, namely 1 interviewer per administrative district. The other 2 groups ('4 interviewers +1 driver') worked in the survey marzes.

Step 8 ▶ Hold trainings for interviewers

The interviewers were trained in two stages. The first stage provided them with methodological guidelines and instructions on 2 groups of essential issues, namely a) respondent sampling and questionnaire fill-out techniques and b) all the features and application procedures of the funded pension system. Also, such trainings focused on logical links and question order, as well as explanation of unfamiliar terms and concepts. The second stage of methodological techniques on respondent sampling and questionnaire fill-out followed the questionnaire-testing pilot interviews.

Step 9 ▶ Questionnaire testing: pilot interviews

The Consultant held pilot interviews mid-December, 2013. Each interviewer held 5 pilot interviews, with a total of 60 interviews. Such pilot interviews were conducted in Yerevan. Upon the pilot interviews, the questionnaire underwent both substantial and technical changes. As a result, the questionnaire was finalized and followed by the 2nd stage of trainings on methodological techniques for respondent sampling and questionnaire fill-out. At this stage, the interviewers learned about the changes in the questionnaire, as well as possible difficulties they could face during the interviews, ways to solve such difficulties and final guidelines.

Step 10 ▶ Field-work

In January, 2014, the Consultant undertook fieldwork to hold primary interviews. At the initial stage of interviews, the monitors attended a few interviews by various interviewers. The following days, they checked

the authenticity of the interview facts and data by on-site visits or calls. Thus, a total of 6.5% of the interviews were monitored.

In the course of their fieldwork, the interviewers visited households at 3,308 addresses. The table below shows the outcomes of their visits.

Table 5 - Outcomes of interviewers' visits

Target areas	Number of visited households and visit outcomes					Overall refusal ratio
	Total number of households visited, with →	Conducted interviews (filled-in questionnaires)	Refusals	Sampled respondent is unavailable	Front door is locked /no one is in	
Yerevan	1,416	400	415	67	534	29%
Ararat	910	400	168	84	258	18%
Kotayk	982	400	120	133	329	12%
Total	3,308	1,200	703	284	1,121	21%

The overall refusal ratio constituted 21%¹, with the highest rate (29%) detected in Yerevan. Such trend is observed during all social surveys.

Step 11 ▶ *Respondent sampling*

In order to hold HH interviews, the interviewers previously selected respondents from among sampled household members. The **primary sample criterion** was respondents' **age**. Thus, upon request of the Client Organization, **persons aged 18-62** as of the survey date were interviewed. The other sample tool was the **last-birthday selection method** ensuring representative and random sampling. Thus, in each household, a respondent aged 18-62 **with the most recent birthday to the interview date** was selected. This method slows down the course of interviews, particularly because the relevant respondents are out at the moment of interviewers' visit. This is a serious issue in urban communities, especially in Yerevan. To evade such difficulties, the Consultant applied the **method of 3 re-visits to each survey household**. If after 3 visits the interviewer was still unable to hold the interview, he/she replaced the household by another one.

Step 12 ▶ *Summarize survey findings*

The Consultant entered the questionnaire data collected during the interviews into a MS Excel **electronic database** (which was delivered as a separate product to the USAID PRIP). Prior to statistical analysis of the data, the Consultant encoded and grouped all the open-ended questions. To detect any possible gaps in questionnaire fill-out and data entry, the Consultant previously conducted a logical analysis of the electronic database (questionnaire data), traced all the logical contradictions and made necessary corrections. Thereafter, the Consultant performed a statistical analysis which laid basis for this analytical report.

Thus, the Baseline Survey for Developing M&E Indicators for Measuring Progress of PRIP Intervention within the USAID PRIP is based on **1,200 face-to-face household interviews in Yerevan community and 2 marzes of Armenia**. All the interviews were held in **January, 2014**. This analytical report was prepared in **February, 2014**.

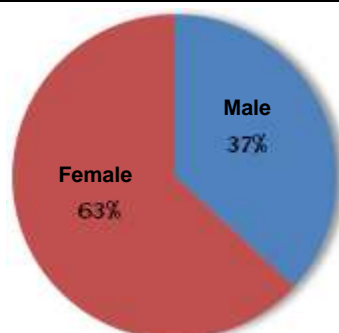
¹ The indicator is based on the ratio of refusals to the total number of visited households.

2 RESPONDENTS PROFILE

The Consultant built up respondents' profile based on the features below: **gender, age, education level** and **employment status**.

Distribution of respondents by gender is presented below.

Chart 1 - Distribution of respondents by gender

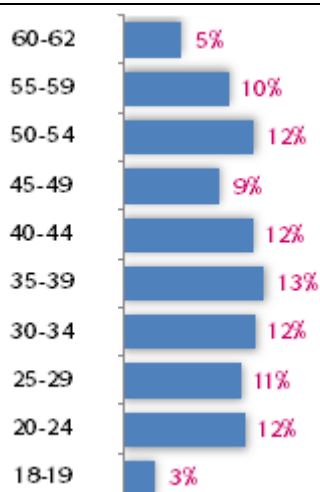


Distribution of respondents by gender, age, survey area and residence area

Gender	Survey areas			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Male	37%	41%	33%	36%	38%
Female	63%	59%	68%	64%	62%
Total	100%	100%	100%	100%	100%

The age composition of respondents shows that the survey covered representatives of all sub-groups of the age group 18-62. Respondents' age-range by 5 years shows almost equal representation of all the age sub-groups.

Chart 2 - Distribution of respondents by age



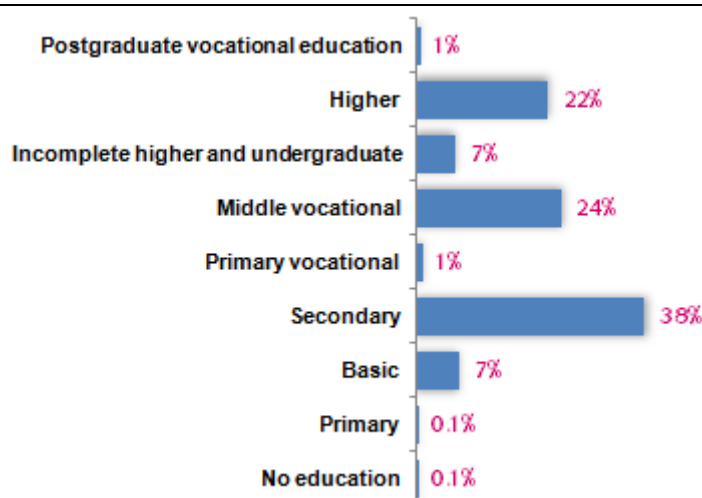
Distribution of respondents by gender, age, survey area and residence area

Age groups	Gender		Survey area			Residence area	
	Male	Female	Yerevan	Ararat	Kotayk	Urban	Rural
18-19	3%	3%	3%	3%	3%	3%	3%
20-24	16%	9%	12%	14%	9%	11%	12%
25-29	10%	11%	11%	10%	12%	10%	12%
30-34	11%	13%	11%	11%	15%	13%	12%

Age groups	Gender		Survey area			Residence area	
	Male	Female	Yerevan	Ararat	Kotayk	Urban	Rural
35-39	12%	14%	14%	13%	14%	14%	12%
40-44	12%	12%	11%	15%	11%	11%	15%
45-49	8%	10%	8%	11%	8%	7%	12%
50-54	13%	12%	13%	12%	12%	13%	12%
55-59	8%	11%	11%	8%	11%	11%	9%
60-62	6%	5%	8%	4%	5%	7%	3%
Total	100%	100%	100%	100%	100%	100%	100%

This report also shows survey results by age groups different from the age distribution above. **Upon request of the Client Organization, respondents were classified under the age groups below: (a) 18-24, (b) 25-40, and (c) 41-62. Hence, the survey results are presented for these age groups.**

Chart 3 - Distribution of respondents by their education level



Distribution of respondents by their education level, gender, age, survey area and residence area

Education level	Gender		Age		
	Male	Female	18-24	25-40	41-62
No education	0.2%	-	-	0.2%	-
Primary	-	0.1%	-	-	0.2%
Basic	9%	6%	9%	6%	8%
Secondary	40%	37%	38%	41%	36%
Primary vocational	1%	1%	2%	1%	1%
Middle vocational	19%	28%	10%	19%	33%
Incomplete higher and undergraduate	9%	5%	26%	5%	1%
Higher	22%	22%	15%	26%	21%
Postgraduate vocational education	1%	1%	1%	1%	0.4%
Total	100%	100%	100%	100%	100%

Education level	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
No education	-	0.3%	-	-	0.2%
Primary	-	0.3%	-	-	0.2%
Basic	2%	11%	9%	3%	13%
Secondary	24%	48%	43%	31%	50%
Primary vocational	1%	1%	1%	1%	1%
Middle vocational	23%	23%	28%	25%	23%
Incomplete higher and undergraduate	9%	3%	8%	8%	4%

Education level	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Higher	41%	13%	12%	31%	8%
Postgraduate vocational education	1%	1%	0%	1%	0.4%
Total	100%	100%	100%	100%	100%

The respondents' education level indicators appear similar to those of the Armenian population at large. While the statistical data at hand allows no comparisons with the same age groups², the key indicators suggest that the educational level of the survey participants is broadly representative of the general education level of the Armenian population at large.

Table 6 - Indicators of survey respondents' education level as compared to those of the Armenian population at large

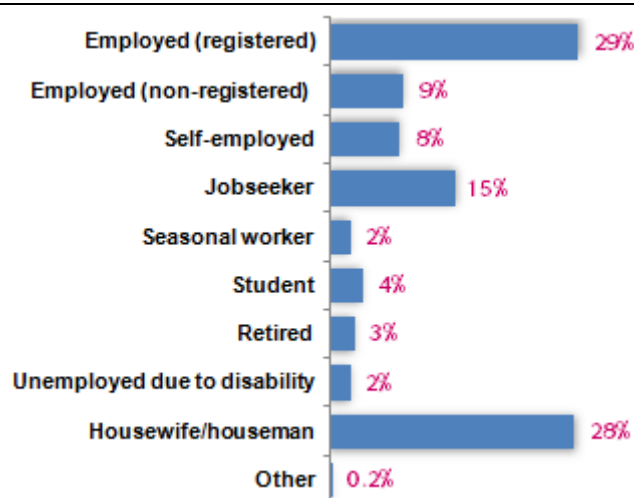
	Armenian population at large <i>Education level of de jure population (15+)</i> ⁽¹⁾	Survey respondents <i>Education level of respondents (age group 18-62)</i>
No education	1%	0.1%
Primary	3%	0.1%
Basic	9%	7%
Secondary	45%	44% ⁽²⁾
Primary vocational	3%	1%
Middle vocational	17%	24%
Higher vocational	22%	22%
Postgraduate vocational education	0.3%	1%
Total	100%	100%

⁽¹⁾ - Source: RA Census 2011

⁽²⁾ - Includes respondents with secondary, incomplete higher and undergraduate education.

Respondents' employment status indicators may prove highly accurate for the survey areas, namely Yerevan, Ararat and Kotayk marzes. However, such findings must not extend to the Armenian population at large since respondents' employment indicators in Yerevan and marzes showed significant differences most obvious in rates of registered employees in Yerevan and marzes.

Chart 4 - Distribution of respondents by their employment status



² The Survey involved respondents aged 18-62 only from Yerevan, and Ararat and Kotayk marzes, and the general education level indicators compared are those of the Armenian population aged above 15.

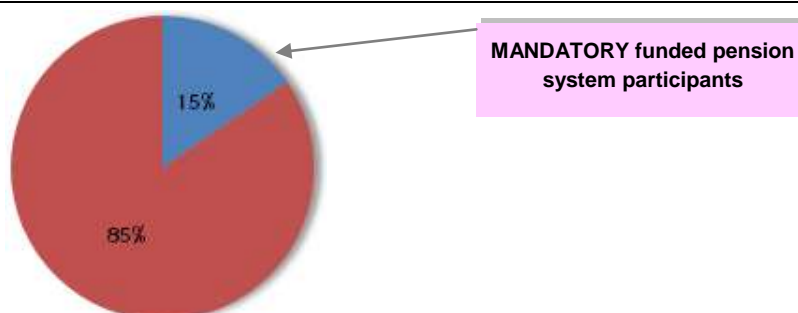
Distribution of respondents by their employment status, gender, age, survey area and residence area

Employment status	Gender		Age		
	Male	Female	18-24	25-40	41-62
Employed (registered)	34%	26%	17%	35%	28%
Employed (non-registered)	14%	5%	8%	8%	9%
Self-employed	13%	5%	3%	6%	11%
Jobseeker	19%	12%	25%	16%	11%
Seasonal worker	5%	1%	1%	2%	3%
Student	4%	3%	25%	0.2%	-
Retired	4%	2%	5%	0.4%	4%
Unemployed due to disability	3%	2%	-	1%	5%
Housewife/houseman	2%	44%	15%	33%	29%
Other	0.5%	-	1%	0.2%	-
Total	100%	100%	100%	100%	100%

Employment status	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Employed (registered)	41%	25%	22%	37%	17%
Employed (non-registered)	9%	11%	6%	8%	10%
Self-employed	4%	10%	11%	4%	14%
Jobseeker	13%	18%	13%	15%	14%
Seasonal worker	-	4%	3%	1%	4%
Student	5%	2%	4%	4%	3%
Retired	5%	1%	3%	4%	1%
Unemployed due to disability	2%	4%	2%	2%	3%
Housewife/houseman	23%	25%	37%	25%	34%
Other	0.3%	0.3%	-	0.1%	0.2%
Total	100%	100%	100%	100%	100%

Survey results showed that **185 or 15% out of the 1,200 interviewed respondents were mandatory funded pension system participants**, i.e. persons born on or after January 1, 1974 and employed as of the survey date.

Chart 5 - Share of mandatory funded pension system participants among other respondents



Distribution of the mandatory funded pension system participants (among respondents) by gender, survey area and residence area

Mandatory funded pension system participants	Gender		Age		
	Male	Female	18-24	25-40	41-62
	46%	54%	16%	84%	-
Mandatory funded pension system participants	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
	42%	31%	28%	76%	24%

The number of mandatory funded pension system participants **is higher in Yerevan** where the rate of registered employers exceeds that of marzes. Likewise, mandatory funded pension system participants mostly make **a higher number in urban areas** (more than 3 times higher as compared with rural areas). The matter is that people engaged in agriculture are either self-employed or non-registered employees and are not involved in the mandatory funded pension system.

3 FUNDED PENSION SYSTEM: AWARENESS AND ATTITUDES

The funded pension system (hereinafter referred to as **FP system**) underway in Armenia as a part of pension reforms incorporates numerous different features, particularly, principles of participation in the FP system (mandatory and voluntary), beneficiary eligibility criteria by age, employment status, employment type (employee, private entrepreneur, notary public) etc. All these peculiarities suggest that **the FP system incorporates numerous features; each feature is considered separately in respect of public awareness and attitude.**

Respondents' answers were impacted by some factors, namely **the survey period coincided with a big wave of public protests against the pension reforms.** Such protest actions and their media coverage triggered large flows of information about the FP system. Regardless of how professionally such information was presented, the public discussions and protest actions had some impact on public awareness and attitudes. For instance, respondents from Yerevan (center of most protest actions against pension reforms) are more informed and adopt relatively stronger positions (either positive or negative) as compared to respondents from marzes.

The Consultant **compared some of the survey data** with data from another survey, namely the *Baseline Survey on Public Awareness of Pension Reforms, 2010*³ conducted by the Consultant under the USAID Pension and Labor Market Reform Project⁴. Such data comparison obviously shows trends of changes in public awareness level and attitudes to pension reforms in Armenia as of the period 2010-2013.

All the answers about respondents' awareness and attitude to the FP system are provided by characteristics below:

Statistics of all respondents' answers	▶ 100% = 1,200 respondents
All respondents' answers broken down by gender	▶ Male 100% = 442 respondents ▶ Female 100% = 758 respondents
All respondents' answers broken down by age	▶ 18-24 age group 100% = 173 respondents ▶ 25-40 age group 100% = 470 respondents ▶ 41-62 age group 100% = 557 respondents
All respondents' answers broken down by survey area	▶ Yerevan 100% = 400 respondents ▶ Ararat marz 100% = 400 respondents ▶ Kotayk marz 100% = 400 respondents
All respondents' answers broken down by residence area	▶ Urban area 100% = 731 respondents ▶ Rural area 100% = 469 respondents

Besides, **when analyzing awareness of the mandatory FP system, the Consultant separately considered answers of mandatory FP system participants.**

3.1 AWARENESS OF FUNDED PENSION SYSTEM

In the surveyed areas (Yerevan, marzes of Ararat and Kotayk), respondents are aware of some FP system features while unaware of some others. They are more aware of FP features subject to broad discussions and wide media coverage. Such features may include the principle of mandatory and voluntary participation and the FP system start date. Instead, people have little information on funded contribution rates, entities responsible for running such contributions or pension fund selection procedures.

3.1.1 Awareness of Pension Reforms

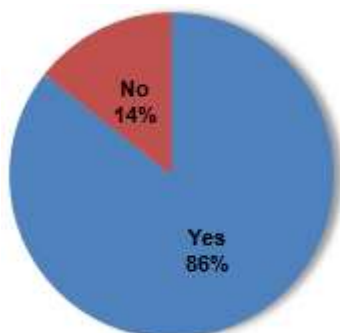
³ See *Baseline Survey on Public Awareness of Pension Reforms, 2010*, USAID PALM / AM Partners

⁴ USAID PALM Project

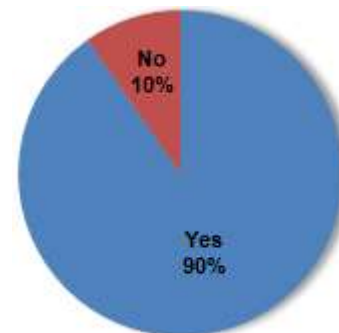
Chart 6 - Awareness of pension reforms

QUESTION 1	→	Have you heard about the pension reforms in progress and the launch of a new funded pension system in Armenia?
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Answers of all respondents



Answers of mandatory FP system participants



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	85%	86%	78%	83%	90%
No	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	92%	84%	81%	89%	80%
No	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ 86% of respondents have heard about the pension reforms under way in Armenia. **In 2010**, this indicator equaled 36%. Obviously, we can trace some progress taking into account that the mandatory component of pension reforms does not extend to a considerable segment of the society, namely private individuals and farmers engaged in agriculture.
- ▶ **Answers to this question showed no difference in awareness levels among men and women.**
- ▶ In fact, young people are less aware of the pension reforms than older generations. This suggests that the pension issue becomes more urgent with age. In particular, the rate of respondents aware of the pension reforms reached 78% in the age group of 18-24, and 90% - in age group of 41-62. **Young people seem to share a position that they will face the direct implications of pension reforms only dozens of years later and thus take a relatively little interest in this issue.**
- ▶ Nevertheless, the most aware respondent group of the pension reforms does not comprise elderly respondents, but rather respondents involved in the mandatory FP system starting from January 1, 2014 (a ratio of 90% to general rate of 86%).
- ▶ As compared to marzes, respondents from Yerevan are more aware of the pension reforms (92%). This is somehow conditioned by public protests against the pension reforms, extended public discussions and wide coverage.
- ▶ Urban population is more aware of pension reforms (89%), as compared with rural population (80%):

3.1.2 Sources of information on pension reforms

The main source of information on pension reforms is the mass media with the widest audience coverage. No doubt, the most influential mass media is television (79%). Television assumed its leading role by broadcasting the pension reform campaign by the Central Bank of Armenia throughout the year of 2013.

Survey results show **inverse correlation between respondents' employment status and television as an information source**. Thus, the more economically active the person is (e.g. registered employment), the less significant he/she considers television as an information source.

Table 7 - Correlation between respondents' employment status and significance of television as an information source

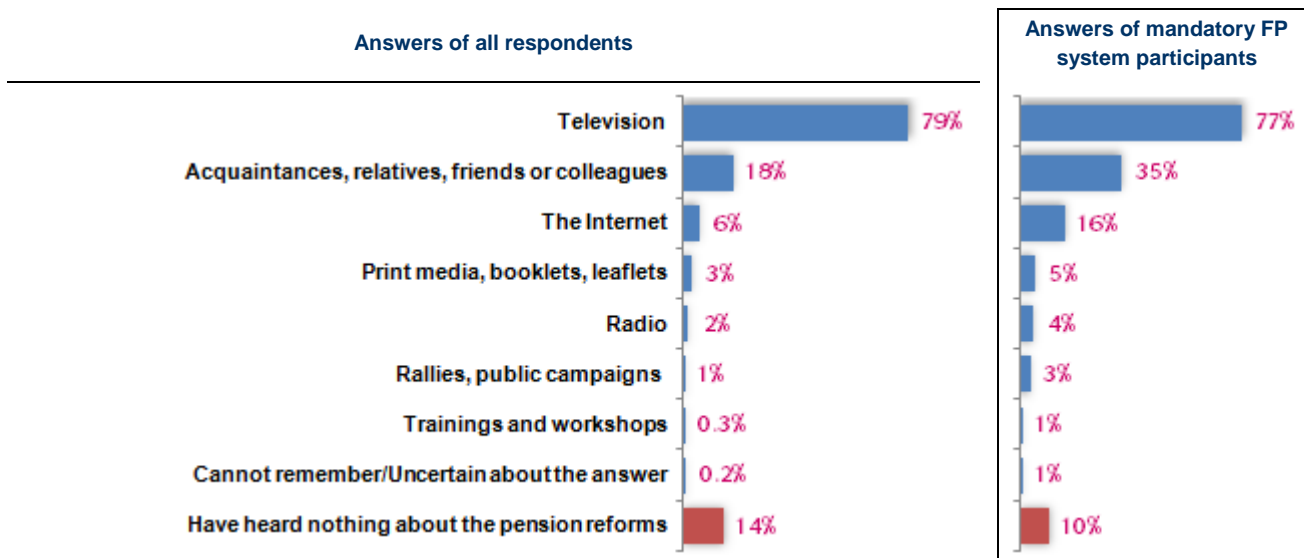
Respondents' characteristics		Yerevan	Ararat	Kotayk
Employment status	→ Employed (registered)	41%	25%	22%
Information source	→ Television	69%	76%	85%

The Internet is another source of information. The more economically active the person is (e.g. registered employment), the more significant he/she considers the Internet as a source of information on pension reforms.

Chart 7 - Sources of information on pension reforms

QUESTION 2	→	How did you learn about the pension reforms and the funded pension system under way in Armenia?
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! Respondents gave more than 1 answer to this question.



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Television	79%	79%	69%	76%	85%
Acquaintances, relatives, friends or colleagues	17%	18%	24%	18%	15%
The Internet	9%	4%	13%	6%	3%
Print media, booklets, leaflets	3%	3%	2%	2%	4%
Radio	1%	2%	4%	1%	1%
Rallies, public campaigns	1%	0.4%	2%	1%	-
Trainings and workshops	0.2%	0.3%	1%	0.4%	-
Cannot remember/Uncertain about the answer	0.5%		1%	0.2%	-
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Television	83%	79%	76%	82%	75%
Acquaintances, relatives, friends or colleagues	17%	27%	9%	17%	18%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
The Internet	5%	7%	6%	6%	4%
Print media, booklets, leaflets	4%	5%	2%	4%	3%
Radio	1%	3%	1%	2%	1%
Rallies, public campaigns	1%	2%	-	1%	1%
Trainings and workshops	1%	-	-	0.4%	-
Cannot remember/Uncertain about the answer	1%	-	-%	0.3%	-
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%

Men and women use almost the same sources of information on pension reforms, without any significant differences.

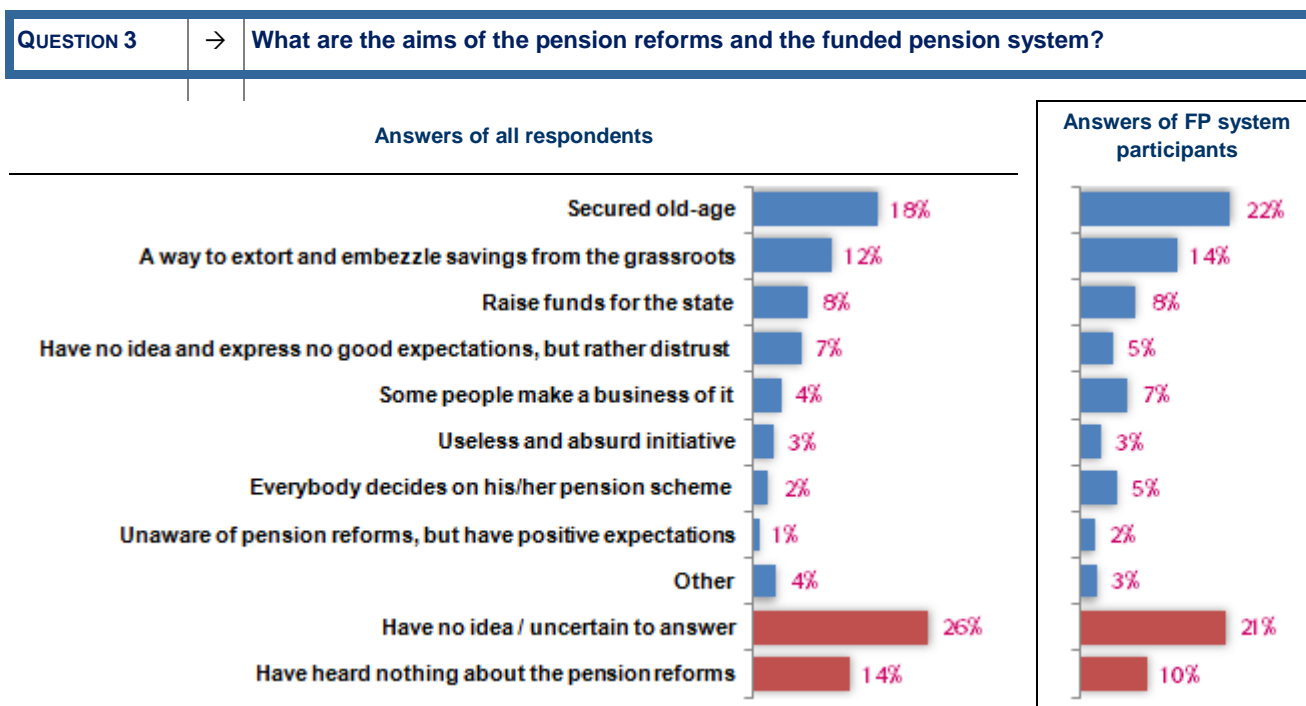
Another common way to exchange information on pension reforms is communication (**acquaintances, relatives, friends and colleagues**) (18%). This rate is much higher (35%) among the respondents involved in the mandatory FP system. Obviously, in their capacity of direct beneficiaries of the pension reforms, they discuss this topic more often.

As a tool to disseminate information, **the Internet** has shown a sustainable growth through online media and social networks. 3 years ago (in 2010), the rate of persons who learnt about the pension reforms from the Internet constituted only 1%. However, it is noteworthy that **men use the Internet to seek information on pension reforms twice more (9%) than women (4%).**

3.1.3 Awareness of funded pension system aims

The aims of the pension reforms are quite unclear to some respondents. Along with 14% of the respondents who have heard nothing about the pension reforms (see the previous question), **26% of respondents cannot define the aims of such reforms.** Other respondents (60%) mentioned aims that best reflect current public attitudes toward the reforms.

Chart 8 - Awareness of FP system aims



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Secured old-age	19%	18%	25%	17%	18%
A way to extort and embezzle savings from the grassroots	15%	10%	6%	11%	14%
Raise funds for the state	8%	8%	8%	8%	8%
Have no idea and express no good expectations, but rather distrust	7%	8%	5%	7%	8%
Some people make a business of it	5%	4%	2%	4%	5%
Useless and absurd initiative	3%	3%	2%	3%	4%
Everybody decides on his/her pension scheme	3%	2%	3%	2%	3%
Unaware of pension reforms, but have positive expectations	1%	1%	-	1%	1%
Other	5%	3%	2%	3%	5%
Have no idea / uncertain to answer	20%	28%	25%	28%	23%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Secured old-age	16%	21%	18%	18%	19%
A way to extort and embezzle savings from the grassroots	22%	7%	7%	15%	6%
Raise funds for the state	15%	5%	5%	11%	4%
Have no idea and express no good expectations, but rather distrust	9%	7%	6%	8%	6%
Some people make a business of it	6%	4%	3%	5%	4%
Useless and absurd initiative	4%	3%	3%	4%	3%
Everybody decides on his/her pension	1%	5%	2%	2%	4%
Unaware of pension reforms but have positive expectations	1%	3%	-	1%	1%
Other	4%	4%	4%	4%	3%
Have no idea / uncertain to answer	16%	28%	34%	22%	32%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

Most respondents (**18%**) believe that **the pension reforms aim to ensure secured old-age**. Another **2%** of respondents consider that the new system enables **everybody to decide on his/her pension**. While **1%** of respondents are unaware of the pension reforms, they still have **positive expectations**.

39% of respondents do not consider the pension reforms to pursue worthy aims or at least be in favor of the people. The answers of such respondents show their **distrust of the authorities**. **12%** of respondents believe that the authorities introduced the FP system as a new way **to extort and embezzle savings from the grassroots**, **7%** have no clear idea of such aims and **have negative expectations**. Such respondents **have no positive expectations and projections**; this undermines the expediency of long-term savings.

- ▶ **Men and women give almost identical answers to questions concerning the aims of pension reforms.**
- ▶ Respondents' answers significantly differ by survey areas. Particularly, there are more respondents with negative and radical attitudes in Yerevan. Obviously, this survey area has more respondents believing that the authorities introduced the FP system to **extort and embezzle savings from the grassroots (22%)** and such reforms **aim to raise funds for the state (15%)**.

3.1.4 Awareness of funded pension system principles

When asking this question, the Consultant **read out the options below** and asked the respondent to choose the right answer:

- Exclusively mandatory participation;
- Exclusively voluntary participation;
- Both mandatory and voluntary participation;
- I have no idea / I am uncertain about the answer.

Chart 9 - Awareness of FP system principles

QUESTION 4 → What are the implementation principles underlying the funded pension system?

! The interviewers read out the options for the respondents.

! The right answer is: Both mandatory and voluntary participation



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Exclusively mandatory	52%	45%	48%	44%	50%
Exclusively voluntary	5%	7%	4%	7%	6%
Both mandatory and voluntary	10%	10%	12%	11%	8%
Have no idea / uncertain to answer	19%	24%	14%	21%	25%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Exclusively mandatory	70%	34%	39%	57%	33%
Exclusively voluntary	5%	6%	8%	6%	7%
Both mandatory and voluntary	7%	19%	4%	9%	11%
Have no idea / uncertain to answer	10%	25%	31%	17%	29%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ Only 10% of respondents have a clear idea about the FP system principles (both mandatory and voluntary participation). **As compared with** survey data of 2010, this rate also equaled 10%. Therefore, no progress can be tracked here.
- ▶ Men and women displayed the same awareness (10%) of the FP system principle (i.e. both mandatory and voluntary participation).
- ▶ The highest awareness rate (19%) was recorded in Ararat marz, and the lowest awareness rate (4%) - in Kotayk marz. In Yerevan, respondents unaware of the FP system principles made a small number (10% out of the average rate of 22%). However, the so-called *aware respondents* constitute the group of people believing that the FP system rests on exclusively mandatory principle.

The very fact that almost half of respondents (48%) consider the FP system **exclusively mandatory** with no alternatives catalyzes negative (critical) reactions. Therefore, more efforts are needed to raise public awareness of the FP system principles.

Respondents involved in the mandatory FP system are more aware of the FP principles as compared to other respondents. However, this awareness index of 19% must be considered as a low rate since these respondents are direct beneficiaries of the pension reforms.

3.1.5 Awareness of mandatory funded pension system

3.1.5.1 Awareness of mandatory funded pension system start date

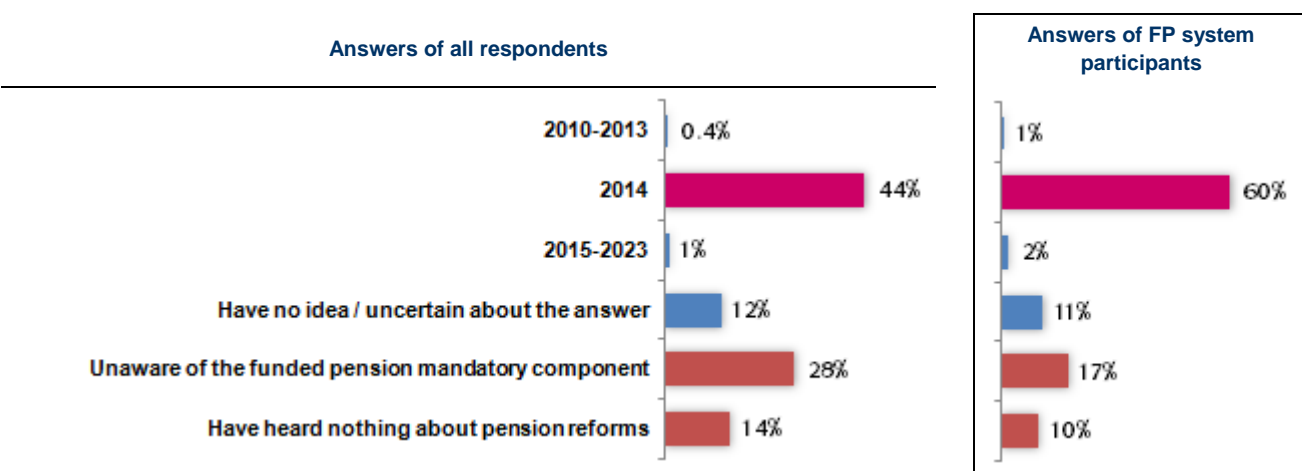
This survey coincided with the start date of the mandatory FP system. The questions and answers below best reveal the public awareness at the pension system shift stage.

44% of respondents know the start date of the mandatory FP system. At first glance, this may seem a good indicator considering that participants of the mandatory FP system make only 15% of all survey respondents. However, separate consideration of this group reveals that only 60% of them know the exact start date of the mandatory FP system. This is a poor indicator, since it implies that the rest 40% of the mandatory FP system participants are unaware of their involvement in a new pension scheme even at the time of its introduction.

Chart 10 - Awareness of mandatory FP system start date

QUESTION 5	→	When was the mandatory funded pension system launched?
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*! No options were read out for the respondents.
! The right answer is: 2014 (or more specifically January 1, 2014).*



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
2010-2013	0.5%	0.4%	1%	0.2%	0.4%
2014	49%	40%	44%	42%	45%
2015-2023	1%	1%	1%	1%	1%
Have no idea / uncertain about the answer	12%	13%	14%	11%	13%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
2010-2013	1%	1%	-	0.3%	1%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
2014	59%	43%	30%	50%	34%
2015-2023	1%	1%	1%	1%	0.2%
Have no idea / uncertain about the answer	17%	8%	12%	15%	9%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ 35% of respondents are aware of the exact start date (January 1, 2014) of the mandatory FP system. Answers of another 9% of respondents featuring only the year of 2014 as the start date can also be considered right with some reservations. **As compared with** the survey data of 2010, the public awareness of the mandatory FP system start date has obviously increased; in 2010 this rate constituted only 4%.
- ▶ Men displayed higher awareness level (49%) of the mandatory FP system start date, as compared to women (40%).
- ▶ Respondents from Yerevan displayed higher awareness level (59%) of the mandatory FP system start date, and respondents from Kotayk marz displayed the lowest level (30%).
- ▶ Urban respondents are more aware (50%) of the mandatory FP system start date as compared to rural respondents (34%).

3.1.5.2 Awareness of mandatory funded pension system target participants

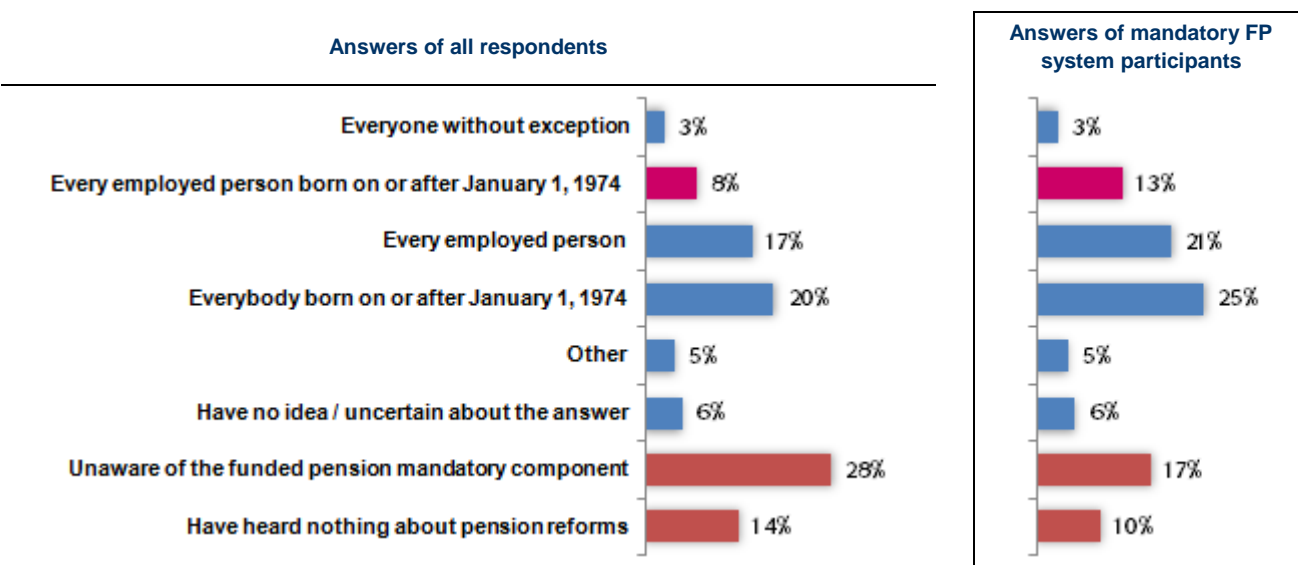
Mandatory FP system participants must meet 2 requirements, namely must be (a) employed (notary public or private entrepreneur), and (b) born on or after January 1, 1974. The survey results suggest that respondents have partial awareness of this issue. Some of them are aware only of the employment requirement (17%), and others - only on age limit (20%). **y 8% of respondents are fully aware of this issue.**

Chart 11 - Awareness of mandatory FP system target participants

QUESTION 6	→	Who are the target participants of the mandatory funded pension system?
------------	---	---

! No options were read out for the respondents.

! The right answer is: all employed persons born on or after January 1, 1974



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Everyone without exception	3%	3%	3%	3%	3%
Every employed person born on or after January 1, 1974	8%	8%	7%	8%	8%
Every employed person	17%	16%	20%	18%	14%
Everybody born on or after January 1, 1974	21%	19%	15%	16%	24%
Other	5%	4%	8%	4%	4%
Have no idea / uncertain about the answer	7%	5%	7%	6%	5%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Everyone without exception	6%	2%	2%	4%	1%
Every employed person born on or after January 1, 1974	16%	6%	2%	11%	3%
Every employed person	12%	26%	11%	15%	20%
Everybody born on or after January 1, 1974	32%	11%	16%	25%	11%
Other	6%	3%	6%	5%	4%
Have no idea / uncertain about the answer	6%	6%	6%	6%	5%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

The 8% rate of awareness of mandatory FP system target participants is too low as compared to that of 2010 (6%). The survey findings suggest that this awareness rate increased insignificantly in the 3 years.

The level of awareness among the mandatory FP system participants is low, too. Thus, only 13% of such respondents know who exactly make the target group of the mandatory FP system. In fact, this rate is the underlying cause of the considerable discontent over the FP system. **Many survey respondents complained of the reforms and opposed them. Their discontent rested on the following argument: if a person is unemployed and has no income, why and how should he/she pay funded contributions?**

- ▶ Men and women showed same awareness level (8%) of the mandatory FP system target participants.
- ▶ Yet, survey area breakdown showed that respondents from Yerevan are more aware of the mandatory FP system target participants (16%), as compared with respondents from marzes (with the highest rate (6%) recorded in Ararat marz).
- ▶ Urban respondents are more aware (11%) of the mandatory FP system target participants as compared with rural respondents (3%).

3.1.5.3 Awareness of contribution-payer scheme under mandatory funded pension system

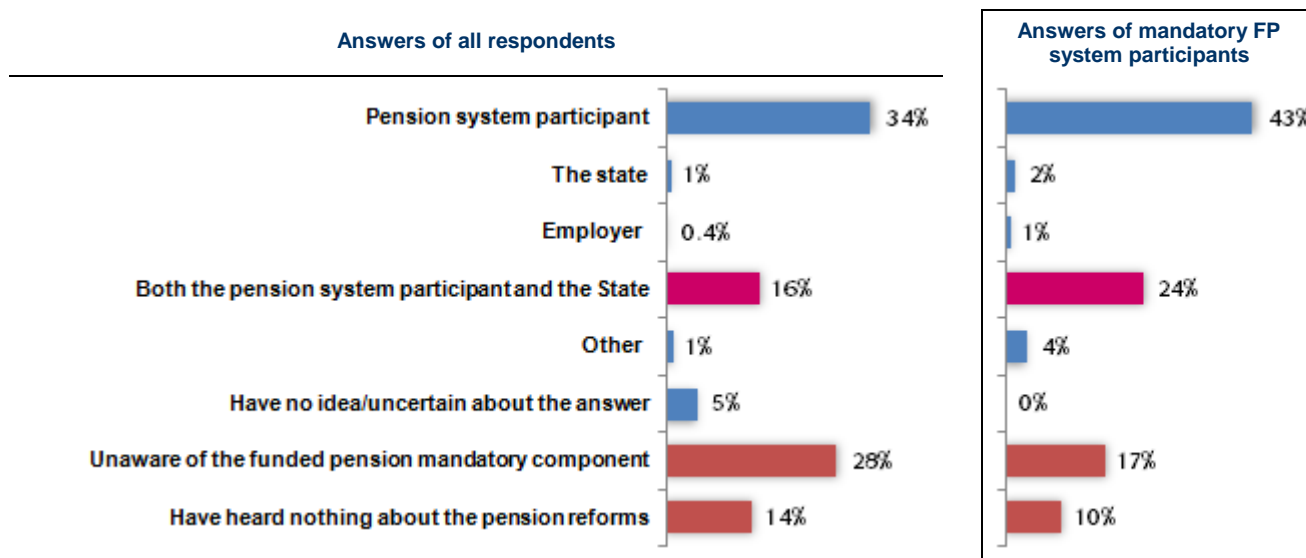
The data on the contribution-payer scheme under the mandatory funded pension system also has 2 features; both the beneficiary and the state will pay funded contributions. Furthermore, the state's contributions constitute a key factor significantly reducing the public discontent (for details see data on public attitudes below). Regrettably, **every third respondent (34%) believes that only system participants are to pay funded contributions** and is unaware of the state's involvement. Only 16% of respondents gave right answers. **As compared with** the data of 2010 (4%), this rate has increased 4 times. However, such progress is too insignificant to provide objective evaluation of the state responsibility and involvement in pension reforms. In fact, this awareness rate among mandatory FP system participants also reveals a disturbing picture. This rate reaches 24%, while 43% of these respondents believe that their future funded pensions are to be accrued exclusively through their own contributions. Such profound ignorance comes to beat one of the major trump cards of the state in the pension reforms. At the same time, the next sections (attitude issues) make it quite obvious that 61% of respondents prioritize and feel positive about the state contributions.

Chart 12 - Awareness of contribution-payer scheme under the mandatory FP system

QUESTION 7 → **Who is to pay the mandatory funded pension contributions?**

! No options were read out for the respondents.

! The right answer is: both the pension system participant and the state



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Pension system participant	37%	32%	37%	30%	36%
The state	1%	1%		2%	1%
Employer	0.2%	1%		1%	0%
Both the pension system participant and the State	17%	15%	13%	16%	16%
Other	2%	1%	2%	1%	1%
Have no idea / uncertain about the answer	6%	5%	7%	5%	5%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Pension system participant	52%	22%	28%	42%	21%
The state	1%	1%	1%	1%	1%
Employer	1%	0.3%	0.3%	1%	0.2%
Both the pension system participant and the State	18%	23%	6%	17%	14%
Other	2%	1%	1%	1%	1%
Have no idea / uncertain about the answer	4%	6%	6%	5%	6%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ The awareness of the contribution-payer scheme under the FP system varied slightly among men and women (17% and 15%, respectively).
- ▶ The survey area findings showed remarkable statistics. Thus, respondents from Ararat marz appeared to be more aware of the contribution-payer scheme under the mandatory FP system (23%), as compared to respondents from Yerevan (18%).

- ▶ Generally, urban respondents are more aware of the contribution-payer scheme under the FP system (17%), as compared with rural respondents (14%).

3.1.5.4 Awareness on mandatory funded contribution rates

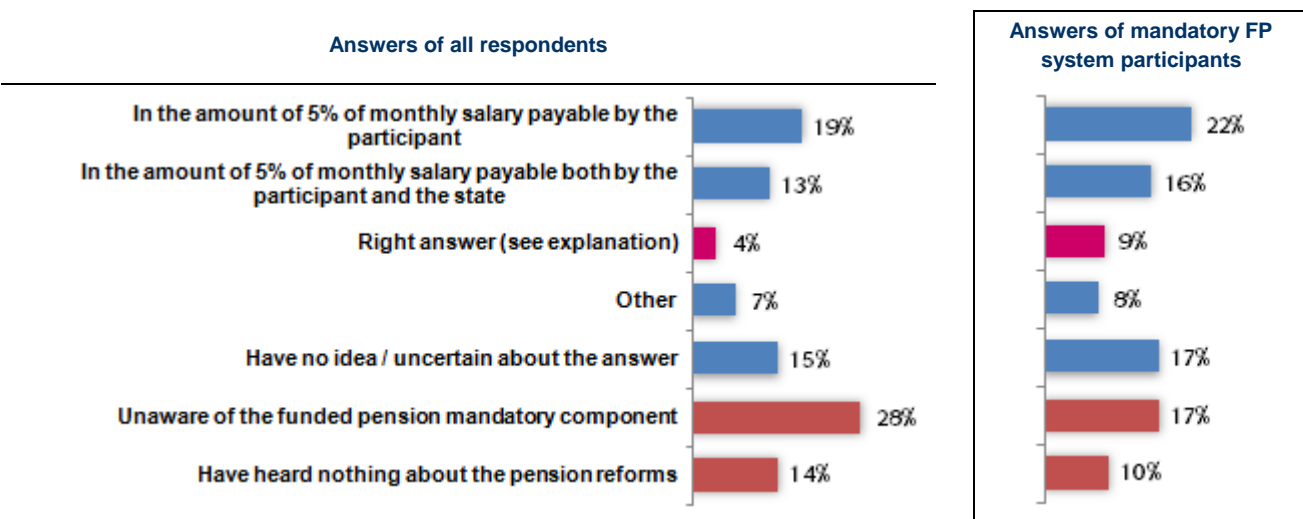
Data on the mandatory funded contribution rates counts among the most complicated features of the FP system. Even persons aware both of the contributions by FP system participants and the state find this feature highly complicated.

Chart 13 - Awareness on mandatory funded contribution rates

QUESTION 8	→	What is the rate of mandatory funded contributions?
-------------------	---	--

! No options were read out for the respondents.

! The right answer is: in the amount of 10% of mandatory system participant's basic income; if such basic income is below 500,000 AMD, the person in question shall make a funded contribution in the amount of 5%, while the remaining 5% shall be paid by the state. If the basic income exceeds 500,000 AMD, the state shall pay 25,000 AMD, and the person shall pay the remaining contributions to secure the 10% of his/her monthly basic income.



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
In the amount of 5% of monthly salary payable by the participant	20%	18%	21%	15%	21%
In the amount of 5% of monthly salary payable both by the participant and the state	14%	13%	12%	11%	15%
Right answer (see explanation)	5%	3%	2%	5%	4%
Other	8%	7%	11%	7%	6%
Have no idea / uncertain about the answer	15%	14%	13%	16%	13%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
In the amount of 5% of monthly salary payable by the participant	29%	11%	16%	23%	12%
In the amount of 5% of monthly salary payable both by the participant and the state	12%	24%	4%	13%	14%
Right answer (see explanation)	9%	3%	1%	6%	1%
Other	12%	4%	7%	10%	4%
Have no idea / uncertain about the answer	16%	11%	17%	15%	13%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

The estimation of mandatory funded contribution rates is complicated by the **basic income threshold of 500,000 AMD that sets different formulas to estimate the funded contribution rates for higher and lower incomes.** The phrase 'basic income' sounds quite unfamiliar to respondents. Instead, they use the word 'salary' to mean the amount (net, with income taxes deducted) they actually receive every month. **If we ignore the difference between 'basic income' and 'net salary'** only 4% of respondents are aware of the mandatory funded contribution rate.

- ▶ The awareness of the mandatory funded contribution rates varied slightly among men and women (5% and 3%, respectively).
- ▶ Respondents from Yerevan are more aware (9%) of the mandatory funded contribution rates. Unlike the survey area of Yerevan, not a single respondent in Kotayk marz was aware of the mandatory funded contribution rates.
- ▶ Generally, urban respondents are more aware of the mandatory funded contribution rates (5%), as compared with rural respondents (1%).

The identification (identical perception) of 'basic income' and 'net salary' among respondents has resulted in a widespread counterargument against the pension reforms. This counterargument rests on the phrase "5% of the salary". **The overwhelming majority of the respondents perceive the word 'salary' as the actual net amount payable to them after tax deduction.** However, **the 5% in question will be deducted from the so-called basic income which also includes the income tax.** Thus, **the funded contribution fee exceeds the 5% of the mandatory system participant's net salary.** The reform opponents interpret this difference as follows: *while the mandatory funded contribution rate actually exceeds the 5%, the authorities make misleading statements on funded contribution rate of 5%.* This position of reform opponents can be deemed quite reasonable since information campaigns throughout the year of the 2013 failed to specify the salary type (basic or net) subject to the deduction of 5% contributions.

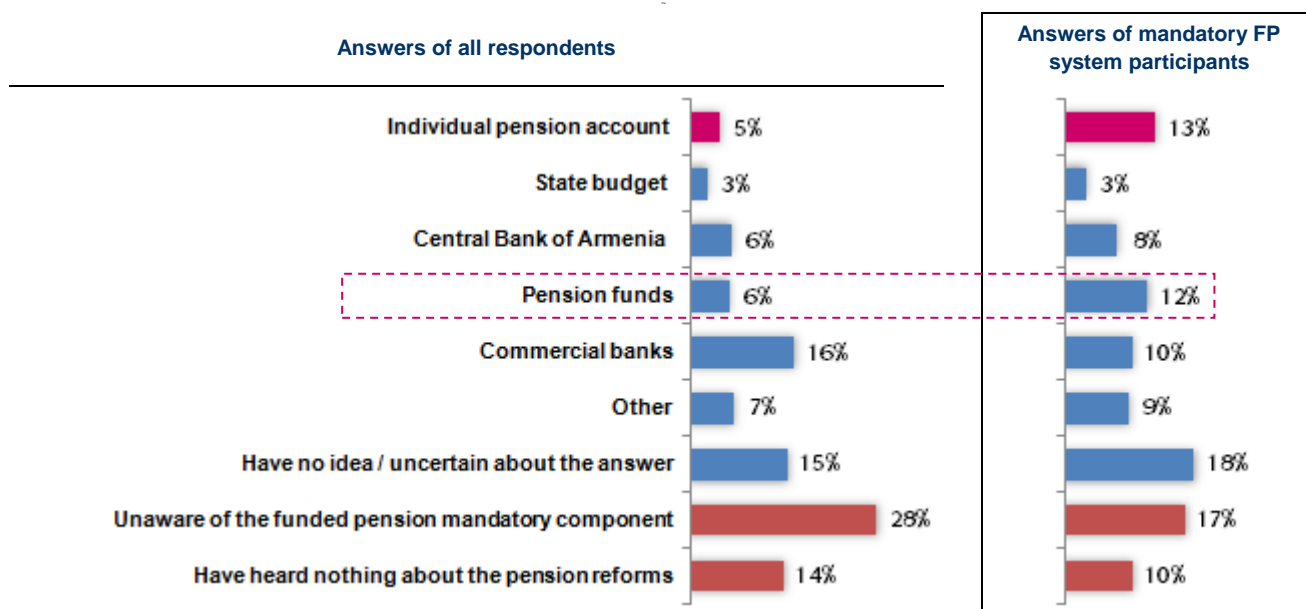
3.1.5.5 Awareness of individual pension accounts

Chart 14 - Awareness of individual pension accounts

QUESTION 9	→	Where will the individual mandatory funded contributions accrue?
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! No options were read out for the respondents.

! The right answer is: individual pension account



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Individual pension account	5%	5%	5%	6%	4%
State budget	4%	2%	3%	1%	4%
Central Bank of Armenia	7%	6%	7%	6%	6%
Pension funds	7%	6%	8%	7%	5%
Commercial banks	14%	17%	17%	13%	18%
Other	10%	5%	3%	6%	9%
Have no idea / uncertain about the answer	16%	14%	16%	16%	14%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Individual pension account	5%	8%	1%	5%	4%
State budget	5%	2%	2%	3%	2%
Central Bank of Armenia	5%	13%	1%	5%	8%
Pension funds	12%	3%	4%	9%	2%
Commercial banks	19%	14%	15%	17%	14%
Other	9%	4%	7%	8%	4%
Have no idea / uncertain about the answer	23%	10%	12%	18%	10%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ Only 5% of respondents are aware that their pension contributions will accrue on their individual pension accounts. Most respondents are unaware of such individual pension accounts and applied logics resulting in wrong answers.
- ▶ Men and women display the same awareness (5%) of individual pension accounts.
- ▶ Answers to this question proved quite exceptional as respondents from marzes (particularly Ararat marz (8%)) appeared to be more aware of the issue as compared to respondents from Yerevan (5%).
- ▶ Urban and rural respondents displayed almost same awareness level of 5% and 4%, respectively.

When asking respondents this question and the two next questions, the Consultant observed the following picture. **Questions on individual pension accounts, pension funds and fund managers caused some confusion among the respondents** as they could not clearly see the differences of these concepts. Therefore, when asked *where their mandatory funded contributions will accrue*, most respondents answered 'pension funds' considering such funds as a 'refuge' for their contributions. In this respect, the answer 'pension funds' in [Chart 14](#) must also be considered right answer with some reservations.

Mandatory FP system participants did not display increased awareness (13%) on individual pension accounts, either. As they do not comprehend the nature of individual pension accounts, they are unable to perceive that they can at any time track the size, changes and mobility of their savings. Most respondents consider their future pension savings **absolutely out of their sight and control** and rather think that their savings will appear in a general fund that will make it difficult or even impossible to estimate the size of their own savings.

3.1.5.6 Awareness of the role of Central Depository

Respondents aware of the individual pension accounts have very limited information (5%) on their managers and location. Only 2% of respondents mentioned the Central Depository as the entity in charge of such

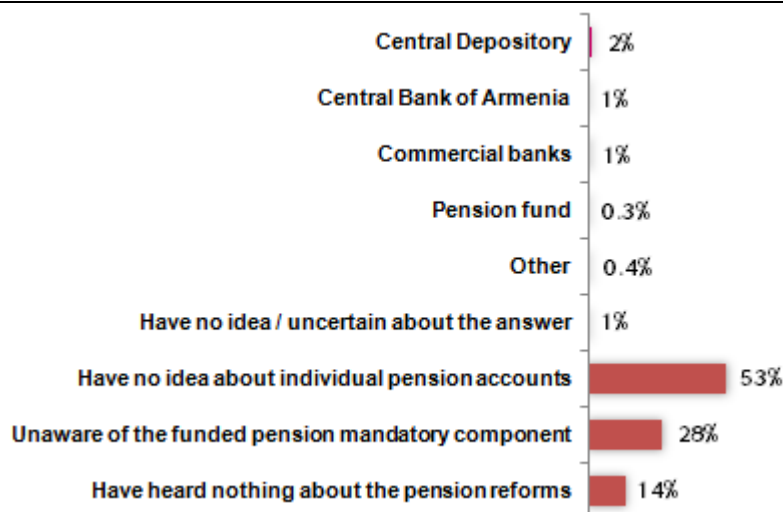
accounts. At the same time, the Consultant does not exclude the possibility that the respondents did not fully grasp the question.

Chart 15 - Awareness of the Central Depository as an entity in charge of individual pension accounts

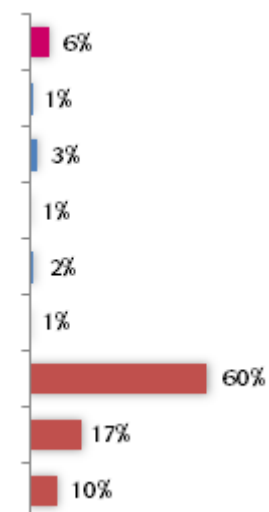
QUESTION 10 → **Where will the individual pension accounts be opened?**

*! No options were read out for the respondents.
! The right answer is: the Central Depository.*

Answers of all respondents



Answers of mandatory FP system participants



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Central Depository	2%	1.2%	4%	1%	1%
Central Bank of Armenia	0.2%	0.7%	-	1%	1%
Commercial banks	1%	1%	-	1%	1%
Pension fund	0.2%	0.3%	-	0.4%	0.2%
Other	1%	0.3%	-	0.4%	0.4%
Have no idea / uncertain about the answer	-	1%	1%	1%	1%
Have no idea about individual pension accounts	57%	50%	55%	49%	55%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Central Depository	0.3%	5%	-	2%	2%
Central Bank of Armenia	-	1%	1%	1%	0.4%
Commercial banks	2%	2%	-	1%	1%
Pension fund	1%	0.3%	-	0.3%	0.2%
Other	1%	0.3%	0.3%	1%	0.2%
Have no idea / uncertain about the answer	2%	1%	0.3%	1%	0.4%
Have no idea about individual pension accounts	72%	45%	41%	61%	40%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

3.1.5.7 Awareness of pension savings managers

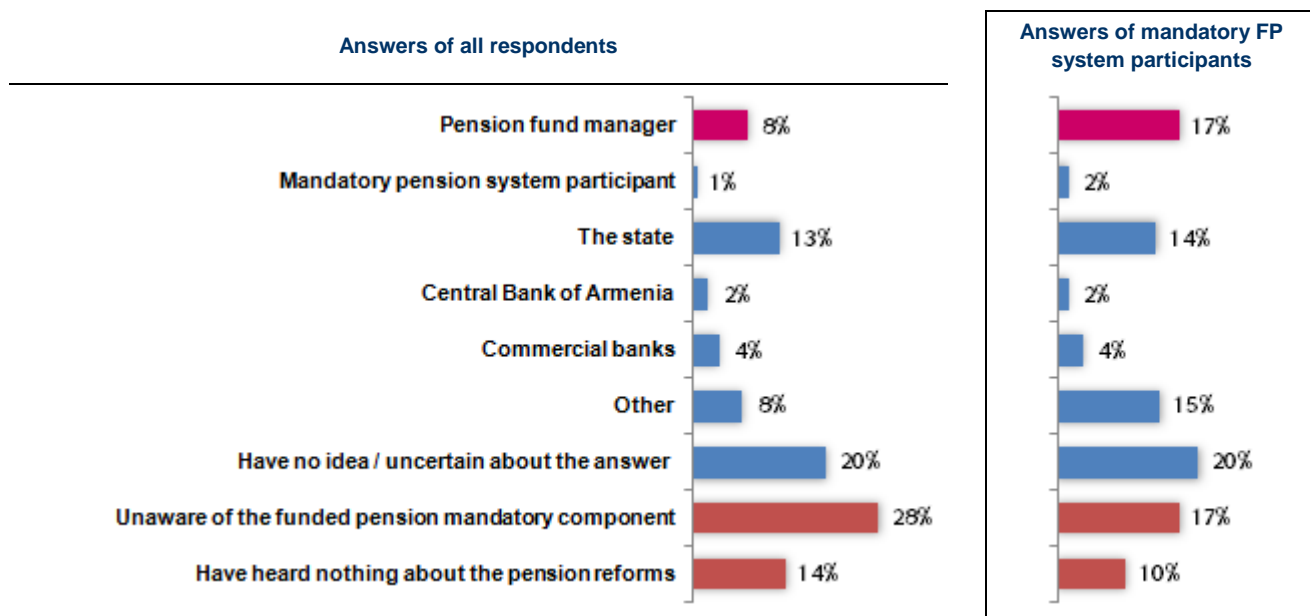
Respondents' awareness level of pension fund managers is low. Only 8% of respondents are aware that pension fund managers will be in charge of pension savings.

Chart 16 - Awareness of pension savings managers

QUESTION 11	→	Who will manage pension savings?
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! No options were read out for the respondents.

! The right answer is: Pension fund manager



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Pension fund manager	10%	7%	13%	9%	6%
Mandatory pension system participant	0.2%	1%	1%	1%	1%
The state	15%	13%	14%	11%	15%
Central Bank of Armenia	2%	3%	2%	2%	3%
Commercial banks	3%	5%	3%	3%	5%
Other	10%	7%	6%	7%	9%
Have no idea / uncertain about the answer	21%	20%	20%	21%	20%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Pension fund manager	13%	9%	4%	11%	5%
Mandatory pension system participant	2%	0.3%	1%	1%	0.2%
The state	14%	17%	9%	13%	13%
Central Bank of Armenia	4%	1%	2%	3%	2%
Commercial banks	6%	2%	4%	5%	3%
Other	12%	5%	6%	10%	4%
Have no idea / uncertain about the answer	26%	18%	18%	23%	17%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ Men are more aware (10%) of pension fund managers' responsibility for pension savings, as compared with women (7%).
- ▶ Respondents from Yerevan are more aware of the pension fund managers' function (13%), as compared with respondents from marzes.
- ▶ Urban respondents' awareness level (11%) of pension fund managers' function is more than twice higher that of rural respondents (5%).

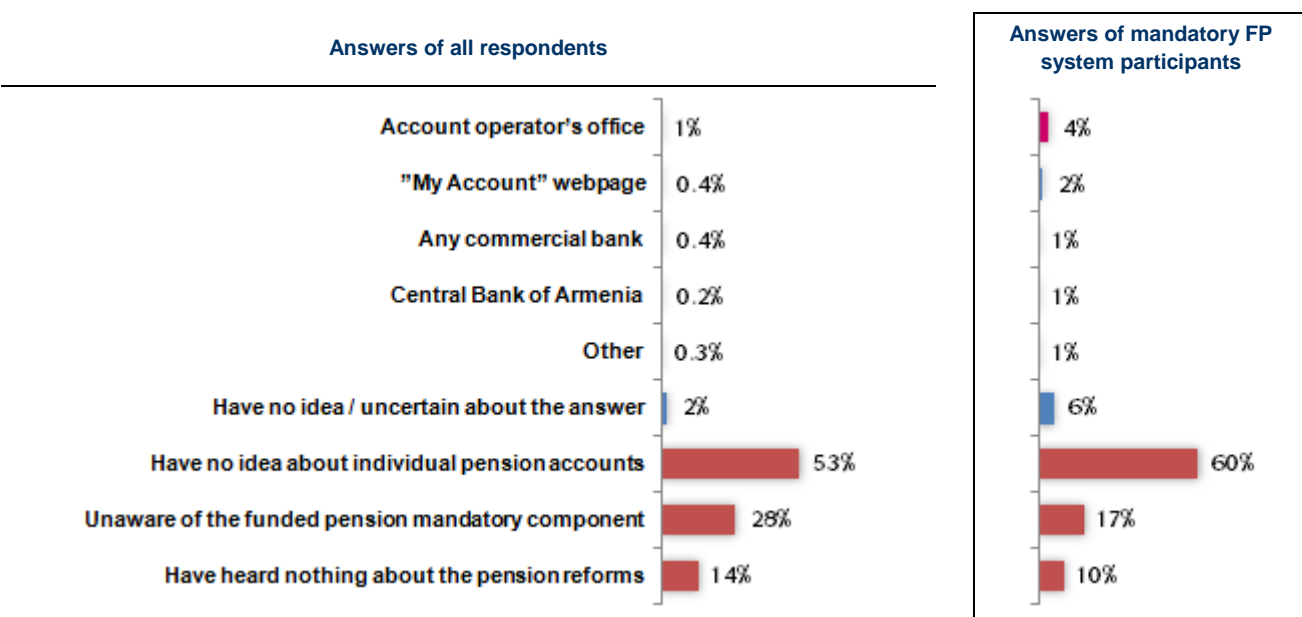
3.1.5.8 Awareness of pension account opening and selecting a pension fund and a pension fund manager

Chart 17 - Awareness of pension account opening and selecting a pension fund and a pension fund manager

QUESTION 12	→	Where can you open a pension account, select a pension fund and a pension fund manager?
--------------------	---	--

! No options were read out for the respondents.

! The right answer is: at Account operator's office and "My Account" webpage



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Account operator's office	2%	0.5%	2%	1%	0.4%
"My Account" webpage	0.5%	0.4%	1%	1%	0.2%
Any commercial bank	0.2%	1%	-	0.2%	1%
Central Bank of Armenia	-	0.3%	-	0.2%	0.2%
Other	0.2%	0.4%	-	1%	0.2%
Have no idea / uncertain about the answer	2%	3%	2%	3%	2%
Have no idea about individual pension accounts	57%	50%	55%	49%	55%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Account operator's office	-	3%	-	1%	1%
"My Account" webpage	0.3%	1%	-	0.4%	0.4%
Any commercial bank	1%	1%	0.3%	0.3%	1%
Central Bank of Armenia	0.3%	0.3%	-	0.3%	-

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Other	1%	0.3%	-	1%	-
Have no idea / uncertain about the answer	4%	3%	1%	3%	1%
Have no idea about individual pension accounts	72%	45%	41%	61%	40%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

3.1.5.9 Awareness of procedures applied if a mandatory FP system participant fails to select a pension fund and a pension fund manager

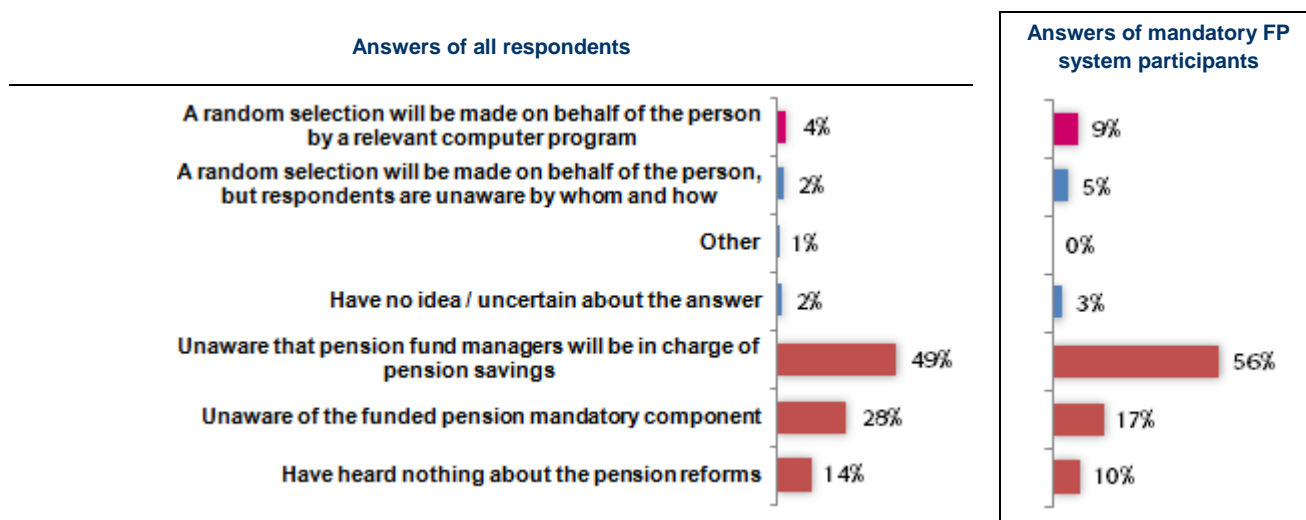
The previous question revealed that respondents were almost unaware of how to select a pension fund and a pension fund manager. Likewise, they had almost no idea of procedures applied if they failed to make their own choice in their capacity of mandatory FP system participants. Hence, only 4% of respondents know that in such cases, their pension fund and pension fund manager will be selected randomly by a relevant computer program.

Chart 18 - Awareness of procedures applied if a mandatory FP system participant fails to select a pension fund and a pension fund manager

QUESTION 13	→	What procedures will be applied if a mandatory FP system participant fails to select a pension fund and a pension fund manager?
-------------	---	---

! No options were read out for the respondents.

! The right answer is: a random selection will be made on behalf of the person by a relevant computer program.



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
A random selection will be made on behalf of the person by a relevant computer program	5%	3%	5%	6%	2%
A random selection will be made on behalf of the person, but respondents are unaware by whom and how	2%	3%	4%	3%	2%
Other	0.5%	1%	0%	1%	1%
Have no idea / uncertain about the answer	2%	1%	4%	1%	2%
Unaware that pension fund managers will be in charge of pension savings	52%	47%	47%	45%	53%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

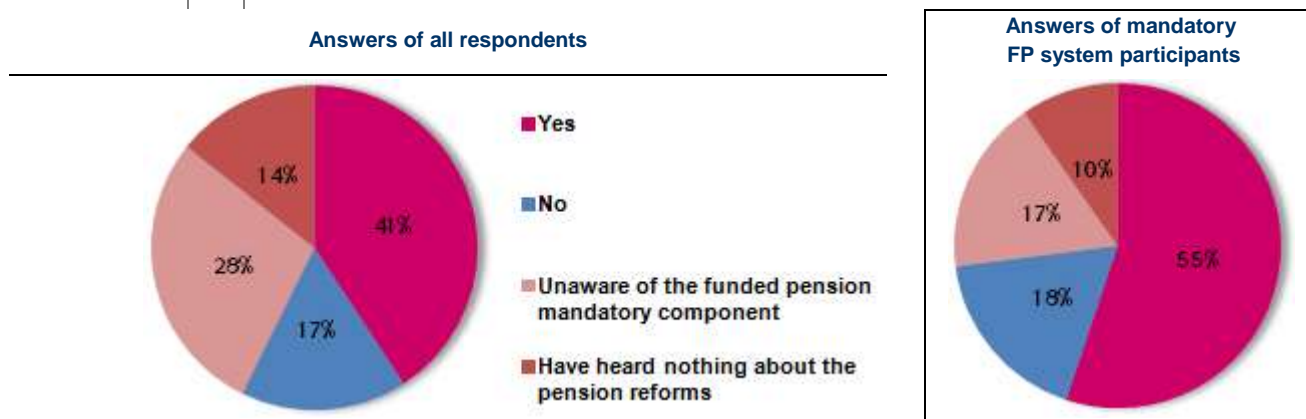
Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
A random selection will be made on behalf of the person by a relevant computer program	7%	2%	3%	5%	2%
A random selection will be made on behalf of the person, but respondents are unaware by whom and how	3%	4%	-	3%	2%
Other	1%	-	0%	1%	-
Have no idea / uncertain about the answer	2%	3%	1%	2%	1%
Unaware that pension fund managers will be in charge of pension savings	64%	44%	39%	55%	39%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

3.1.5.10 Awareness of succession of pension savings

Considering the long-term, i.e. decades-long perspective of pension contributions, the public highly prioritizes inheritance opportunities of their savings. This issue received considerable coverage during the information campaigns of 2013. Yet, only 41% of respondents are aware that if the mandatory FP system participant passes away under the pension age of 63, his/her pension savings will pass to his/her heirs.

Chart 19 - Awareness of succession of pension savings

QUESTION 14	→	Are you aware that if the mandatory FP system participant passes away under the pension age of 63, his/her pension savings will pass to his/her heirs?
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Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	43%	39%	39%	39%	43%
No	19%	15%	20%	16%	16%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

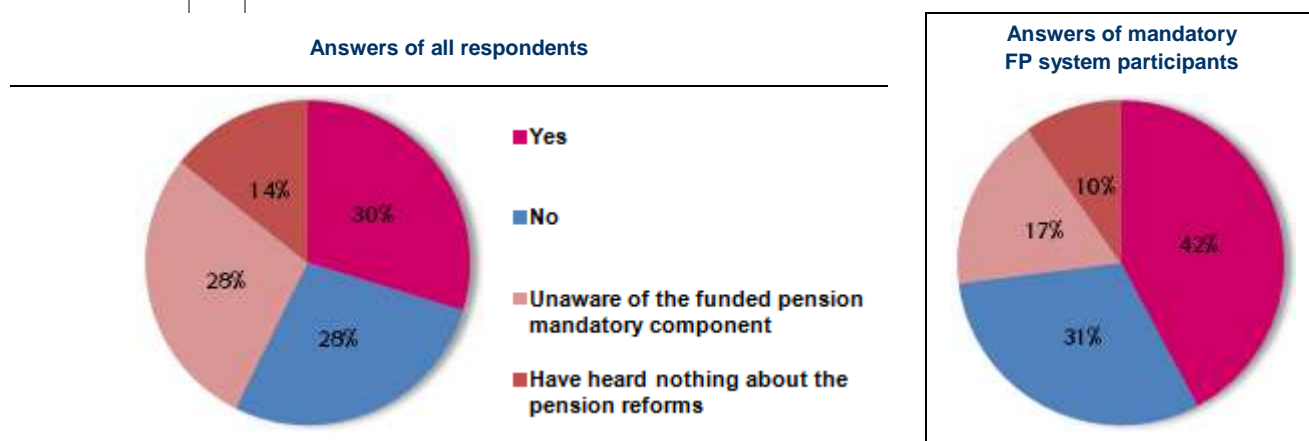
Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	58%	33%	32%	49%	28%
No	19%	20%	11%	17%	16%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ Men are more aware (43%) of pension savings inheritance opportunities, as compared with women (39%).
- ▶ Respondents from Yerevan displayed the highest awareness level (58%) of pension savings inheritance opportunities, while this rate among respondents from marzes reached only 32-33%.
- ▶ In fact, the higher awareness among Yerevan respondents provides the prevailing awareness rate of urban respondents (49%) over rural ones (28%).

3.1.5.11 Awareness of the right to change one's mandatory pension fund/fund manager

Chart 20 - Awareness of the right to change one's mandatory pension fund/fund manager

QUESTION 15	→	Are you aware that you can, at your discretion, change your mandatory pension/fund manager?
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Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	33%	28%	34%	29%	29%
No	28%	27%	25%	25%	30%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Survey area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	45%	23%	22%	37%	18%
No	32%	30%	21%	29%	26%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

- ▶ Men are more aware (33%) of their right to change their pension fund or pension fund manager, as compared with women (28%).
- ▶ Respondents from Yerevan are almost twice more aware (45%) of their right to change their pension fund or pension fund manager, as compared with respondents from the survey marzes (22-23%).
- ▶ Likewise, urban respondents are twice more aware (37%) of their right to change their pension fund or pension fund manager, as compared with rural respondents.

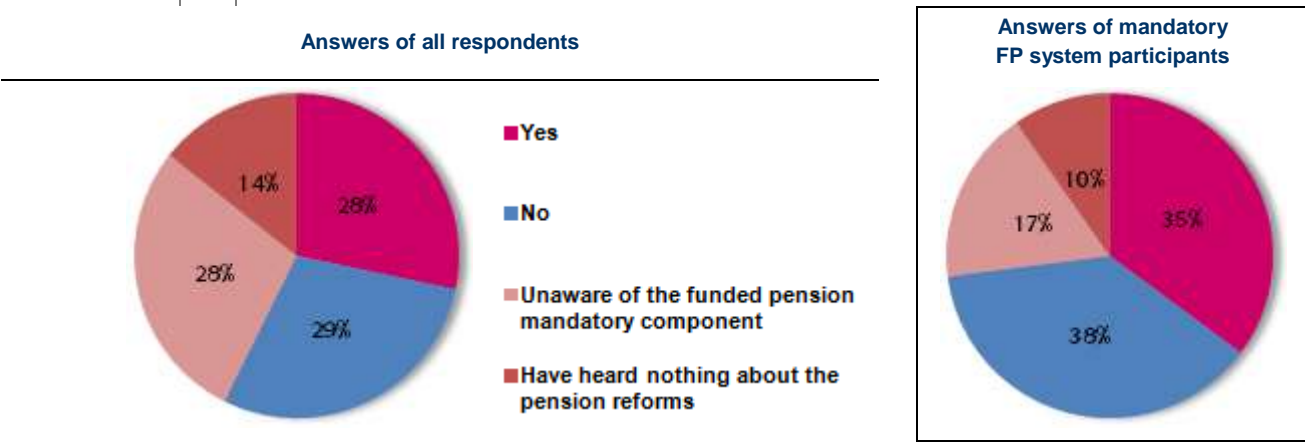
3.1.5.12 Awareness of participants' savings security in case of bankruptcy of their pension fund manager

When asked about the pension reform objectives, a significant portion of respondents (39%) showed their distrust of the authorities. Such respondents are concerned about losing their savings and do not see the

state as the guarantor of their savings security. Such attitudes greatly depend on the public awareness level of the provision that the bankruptcy of their pension fund manager will not entail loss of their funds.

Chart 21 - Awareness of participants' savings security in case of bankruptcy of their pension manager

QUESTION 16 → **Are you aware that even if the pension fund manager goes bankrupt, pension system participants' savings will remain secure and pass under control of another fund manager?**



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	30%	27%	31%	26%	30%
No	31%	28%	28%	29%	29%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

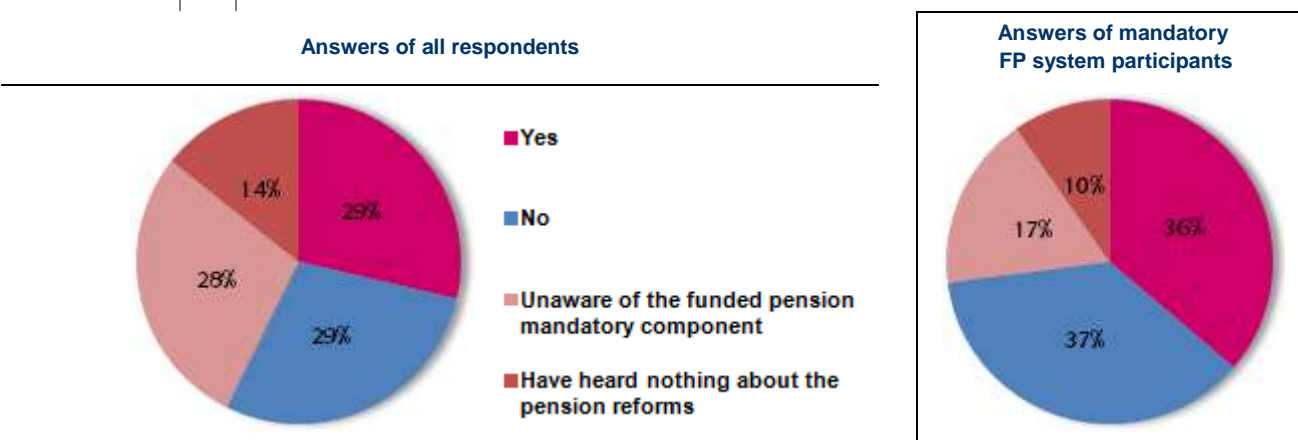
Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	44%	22%	19%	36%	17%
No	34%	30%	23%	30%	27%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

The awareness rates among man and women varied slightly (30% and 27%, respectively). As for breakdown by residence area, the awareness of respondents from Yerevan and other urban areas is more than twice higher as compared with that of rural area respondents.

3.1.5.13 Awareness of participants' extra income opportunities from investments of their savings

Chart 22 - Awareness of participants' extra income opportunities from investments of their savings

QUESTION 17 → Are you aware that the pension fund manager will use participants' savings for investment purposes to provide them with extra income?



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	33%	26%	29%	27%	29%
No	29%	29%	30%	27%	29%
Unaware of the funded pension mandatory component	24%	31%	18%	29%	31%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	41%	23%	22%	34%	20%
No	36%	30%	20%	32%	24%
Unaware of the funded pension mandatory component	15%	32%	39%	23%	37%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

3.1.6 Awareness of voluntary funded pension system

The voluntary FP system was launched in Armenia back on January 1, 2011. However, respondents' answers suggest that the public awareness of the voluntary FP system drops rather than goes up in the course of time. Only 16% of survey respondents are aware of the voluntary FP System while this rate equaled 24% as of its start date in 2010.

3.1.6.1 Awareness of voluntary funded pension system start date

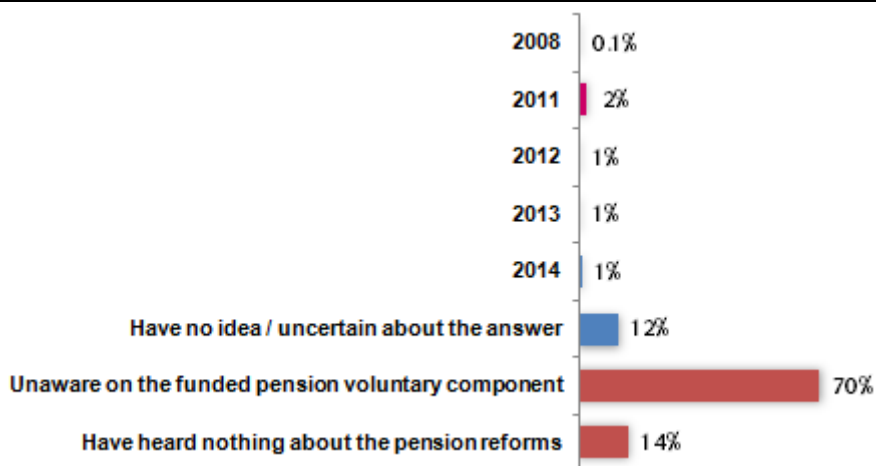
If we consider answers to this question featuring the year of 2011 (without the exact date) as right answers, it appears that only 3% of respondents are aware of the voluntary FP system start date. This is a significant indicator to prove that the voluntary FP system has not found any beneficiaries in Armenia so far. As compared with the late 2010, 12% of respondents were aware of the start date of the voluntary component.

Chart 23 - Awareness of voluntary FP system start date

QUESTION 18 → When was the voluntary funded pension system launched?

! No options were read out for the respondents.
! The right answer is: 2011 (or more specifically January 1, 2011)

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
2008	0.2%	-		0.2%	
2011	4%	1%	3%	2%	2%
2012	0.2%	1%	1%	1%	1%
2013	0.5%	1%	1%	0%	1%
2014	1%	1%	0%	1%	1%
Have no idea / uncertain about the answer	10%	13%	10%	14%	10%
Unaware on the funded pension voluntary component	71%	69%	62%	65%	76%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
2008	0.3%	-	-	0.1%	-
2011	1%	5%	1%	2%	3%
2012	1%	1%	0.3%	1%	0.4%
2013	1%	1%	1%	1%	0.4%
2014	1%	-	2%	1%	0.4%
Have no idea / uncertain about the answer	9%	19%	8%	10%	14%
Unaware on the funded pension voluntary component	80%	59%	70%	74%	62%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

The level of respondents' awareness of other features of the voluntary FP system is so low that the Consultant provides the collected statistics without any comments.

3.1.6.2 Awareness of the voluntary funded pension system participants

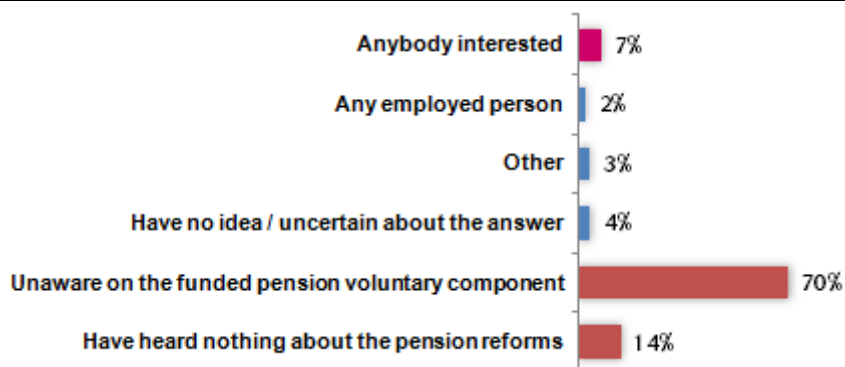
Chart 24 - Awareness of the voluntary FP system participants

QUESTION 19 → **Who is eligible to join the voluntary funded pension system?**

! No options were read out for the respondents.

! The right answer is: anybody interested.

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Anybody interested	8%	7%	9%	8%	6%
Any employed person	1%	2%	1%	2%	2%
Other	2%	4%	2%	4%	3%
Have no idea / uncertain about the answer	3%	4%	3%	4%	3%
Unaware on the funded pension voluntary component	71%	69%	62%	65%	76%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Anybody interested	0.3%	-	-	0.1%	-
Any employed person	6%	14%	2%	7%	8%
Other	2%	2%	2%	2%	2%
Have no idea / uncertain about the answer	2%	3%	5%	4%	3%
Unaware on the funded pension voluntary component	2%	7%	2%	2%	6%
Have heard nothing about the pension reforms	80%	59%	70%	74%	62%
Total	100%	100%	100%	100%	100%

3.1.6.3 Awareness of contribution-payer scheme under the voluntary funded pension system

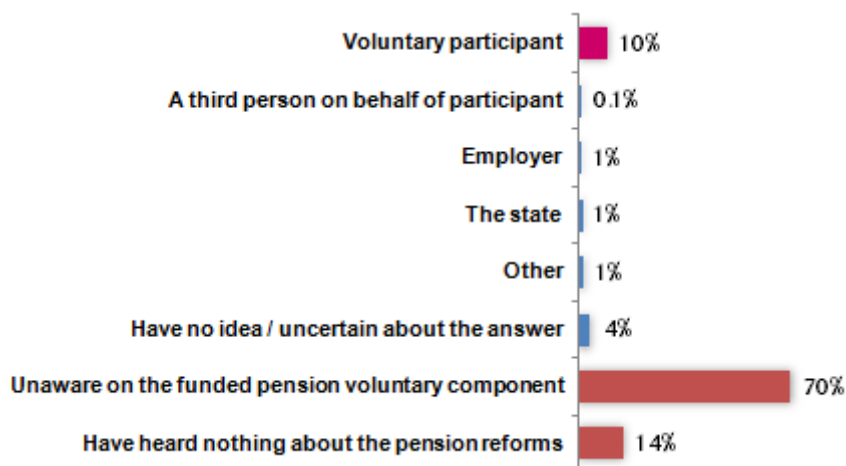
Chart 25 - Awareness of contribution-payer scheme under the voluntary FP system

QUESTION 20	→	Who pays voluntary funded pension contributions?
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! No options were read out for the respondents.

! The right answer is: voluntary participant or a third person on his/her behalf

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Voluntary participant	10%	9%	10%	11%	8%
A third person on behalf of participant	-	0.1%	-	-	0.2%
Employer	1%	1%	1%	0%	1%
The state	1%	1%	1%	1%	1%
Other	1%	1%	1%	1%	2%
Have no idea / uncertain about the answer	2%	4%	2%	4%	3%
Unaware on the funded pension voluntary component	71%	69%	62%	65%	76%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Voluntary participant	0.3%	-	-	0.1%	-
A third person on behalf of participant	7%	16%	6%	10%	9%
Employer	0.3%	-	-	0.1%	-
The state	1%	1%	0.3%	1%	0.4%
Other	1%	1%	1%	1%	1%
Have no idea / uncertain about the answer	1%	2%	2%	1%	2%
Unaware on the funded pension voluntary component	2%	6%	2%	2%	5%
Have heard nothing about the pension reforms	80%	59%	70%	74%	62%
Total	100%	100%	100%	100%	100%

3.1.6.4 Awareness of voluntary funded contribution rates

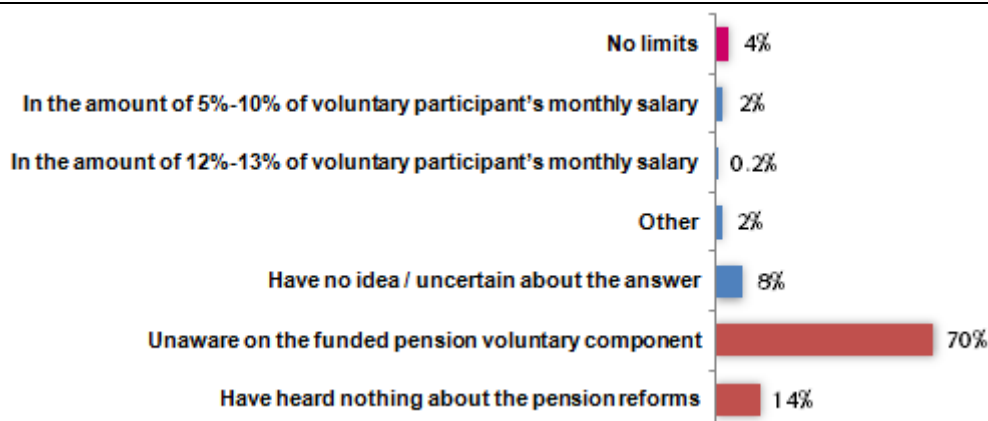
Chart 26 - Awareness of voluntary funded contribution rates

QUESTION 21 → What is the rate of voluntary funded contributions?

! No options were read out for the respondents.

! The right answer is: There are no limits; the rate is set by mutual consent of the voluntary participant and the financial organization in charge of the voluntary funded pension scheme.

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
No limits	5%	3%	6%	4%	3%
In the amount of 5%-10% of voluntary participant's monthly salary	2%	2%	1%	3%	2%
In the amount of 12%-13% of voluntary participant's monthly salary		0.3%		0.2%	0.4%
Other	2%	2%	3%	1%	1%
Have no idea / uncertain about the answer	6%	9%	5%	9%	8%
Unaware on the funded pension voluntary component	71%	69%	62%	65%	76%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
No limits	1%	10%	1%	3%	5%
In the amount of 5%-10% of voluntary participant's monthly salary	2%	2%	3%	2%	3%
In the amount of 12%-13% of voluntary participant's monthly salary	-	-	1%	0.3%	-
Other	2%	2%	1%	1%	2%
Have no idea / uncertain about the answer	7%	11%	7%	8%	8%
Unaware on the funded pension voluntary component	80%	59%	70%	74%	62%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

3.1.6.5 Awareness of entities providing voluntary funded pension services

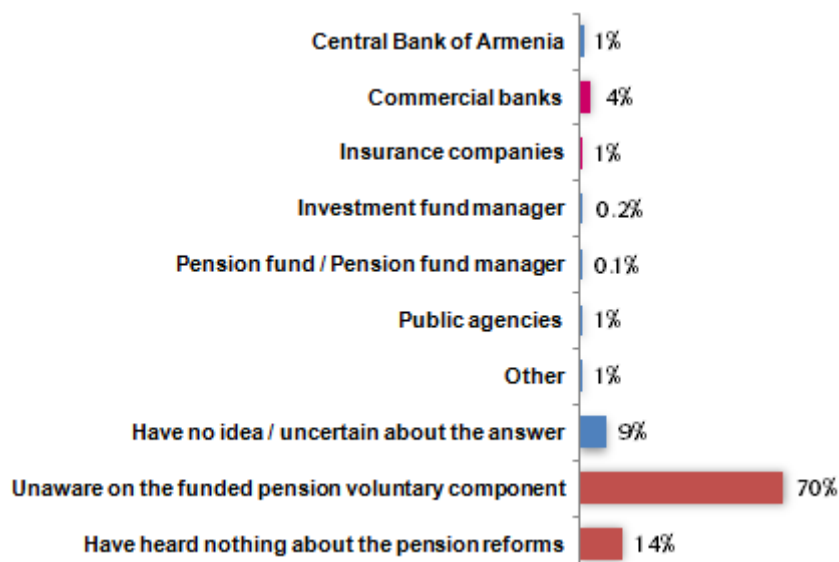
Chart 27 - Awareness of entities providing voluntary funded pension services

QUESTION 22 → What entities can provide voluntary funded pension services?

! No options were read out for the respondents.

! The right answer is: commercial banks, insurance companies, investment fund managers

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Central Bank of Armenia	1%	1.3%	1%	1%	2%
Commercial banks	5%	3%	6%	4%	3%
Insurance companies	1%	1%	1%	0.4%	1%
Investment fund manager	0.2%	-	1%	-	0.2%
Pension fund / Pension fund manager	-	0.1%	-	-	0.2%
Public agencies	0.5%	1%	-	1%	1%
Other	1%	0.8%	-	0.4%	1%
Have no idea / uncertain about the answer	7%	9%	6%	12%	7%
Unaware on the funded pension voluntary component	71%	69%	62%	65%	76%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Central Bank of Armenia	-	3%	0%	1%	2%
Commercial banks	3%	6%	3%	4%	4%
Insurance companies	1%	1%	0%	1%	0.4%
Investment fund manager	1%	-	-	0.3%	-
Pension fund / Pension fund manager	0.3%	-	-	0.1%	-
Public agencies	2%	1%	1%	1%	1%
Other	1%	1%	1%	1%	1%
Have no idea / uncertain about the answer	6%	14%	6%	7%	11%
Unaware on the funded pension voluntary component	80%	59%	70%	74%	62%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

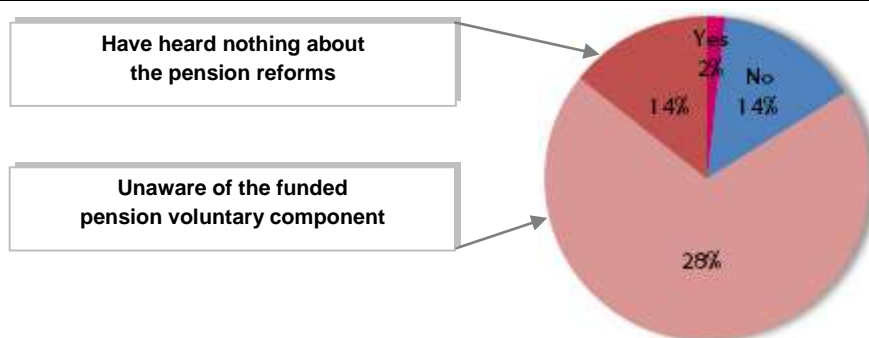
Voluntary funded pension services are offered by 3 entities, namely: commercial banks, insurance companies and investment fund managers. Hence, this question has 3 right answers. Only 1 respondent mentioned all the 3 entities above, and 3 respondents mentioned 2 of the entities. Other respondents (4%) mentioned only commercial banks. It is our subjective opinion that **some respondents gave the right answer by chance** due to their tendencies to relate any financial services to commercial banks.

3.1.6.6 Awareness of tax privileges for voluntary funded pension system participants

Chart 28 - Awareness of tax privileges for voluntary FP system participants

QUESTION 23	→	Participants of the voluntary FP system enjoy tax privileges. In particular, the income tax is reduced in the amount of the voluntary funded contribution, but no more than 5 % of participant's gross income. Participants pay such tax from their pensions in the amount of 10% instead of 24.4%. Are you aware of this privilege?
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Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	1%	2%	1%	2%	2%
No	14%	15%	15%	16%	13%
Unaware on the funded pension voluntary component	71%	69%	62%	65%	76%
Have heard nothing about the pension reforms	15%	14%	22%	17%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence are	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	1%	2%	3%	2%	2%
No	11%	23%	8%	13%	16%
Unaware on the funded pension voluntary component	80%	59%	70%	74%	62%
Have heard nothing about the pension reforms	8%	16%	19%	11%	20%
Total	100%	100%	100%	100%	100%

3.2 RESPONDENTS' ATTITUDE TO FUNDED PENSION SYSTEM

Interviewers asked all respondents about their attitudes to the FP system, irrespective of their awareness level on pension reforms. A significant portion of respondents are totally unaware of some features of the pension reforms. Keeping this in mind, the Consultant took the 3 steps below to reveal their attitudes:

Step 1. First, the Consultant provided the respondent with relevant information on the pension reforms and a particular feature of the FP system;

Step 2. The Consultant sought the respondent's feedback on the new information about the FP system;

Step 3. In case of any **negative** attitude, the Consultant asked the respondent to explain his/her position. In case of positive or neutral attitudes (e.g. "I do not care" or "I have no idea/Uncertain about the answer"), respondent did not have to give any explanations.

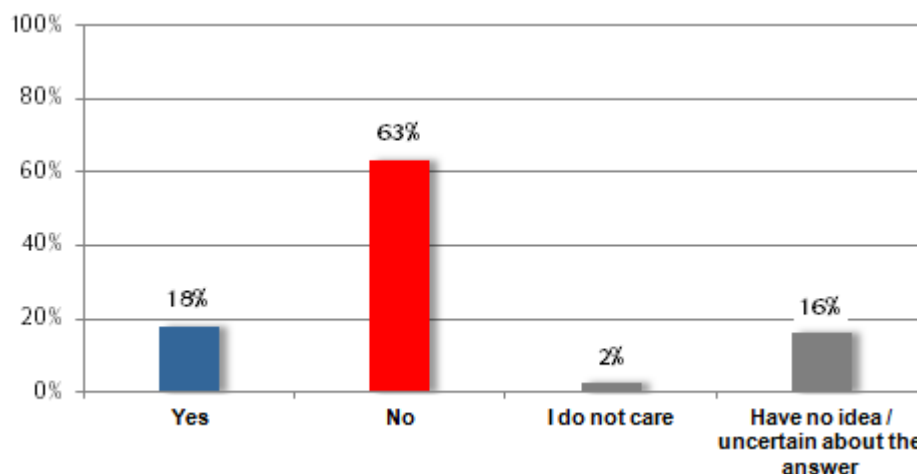
Thus, the Consultant managed to reveal the attitudes of all the 1,200 survey respondents towards the FP system.

3.2.1 Attitude to pension reforms

Chart 29 - Attitude to pension reforms

QUESTION 24 → **Starting from January 1, 2014 Armenia will shift from distributive pension system to funded pension system. Do you consider such reforms reasonable?**

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	19%	18%	32%	20%	13%
No	62%	64%	50%	63%	68%
I do not care	3%	2%	3%	2%	3%
Have no idea / uncertain about the answer	16%	16%	14%	15%	17%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	10%	24%	20%	14%	24%
No	80%	49%	62%	70%	53%
I do not care	4%	2%	1%	3%	1%
Have no idea / uncertain about the answer	6%	25%	17%	13%	22%
Total	100%	100%	100%	100%	100%

Respondents' negative attitudes to pension reforms may be attributable to the reasons below:

- ▶ **27% of all survey respondents** or **42% of respondents with negative attitudes** distrust the government and authorities. In their view, the initiatives of the present authorities fail, and another failure will again affect the grassroots who will lose their savings.
- ▶ **14% of all survey respondents** or **22% of respondents with negative attitudes** believe that the FP system cannot prove feasible under current unemployment rates and low salaries. Amounts accrued from low wages will be insufficient to provide decent pensions and secured old-age. That is to say, the FP system might prove beneficial to some other people rather than the pension system participants.
- ▶ **3% of all survey respondents** or **4% of respondents with negative attitudes** have no hope to live to their pension age and therefore find it useless to join the funded pension system.

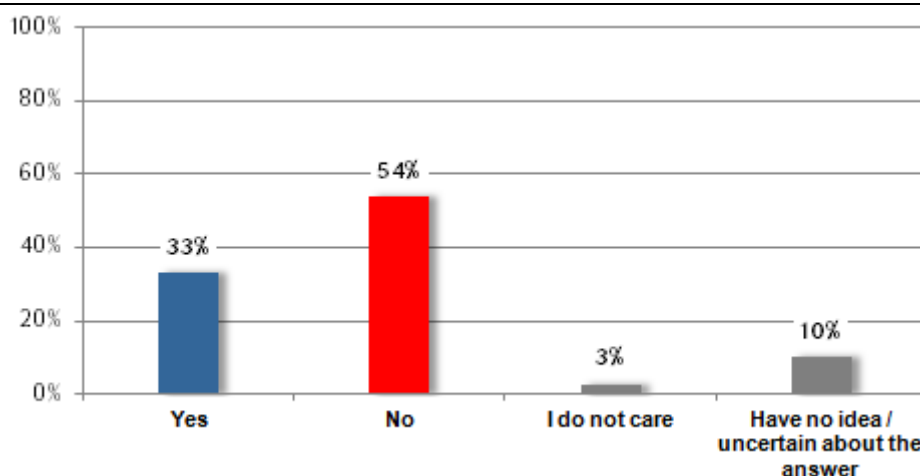
- ▶ **1% of all survey respondents** or **2% of respondents with negative attitudes** believe that the savings accrued today will lose their value in some years and therefore find it useless to join any long-term funded pension scheme.
- ▶ **4% of all survey respondents** or **7% of respondents with negative attitudes** were unable to provide clear reasons underlying their position.
- ▶ **15% of all survey respondents** or **23% of respondents with negative attitudes** supported their negative positions with various reasons, *inter alia* (a) opposing the mandatory introduction of the FP system, (b) considering introduction of the FP system as a new way to continue embezzling the savings of the grassroots, (c) considering the pension reforms untimely, (d) opposing the pension reforms without any particular reason.

3.2.2 Attitude to funded pension system principles

Chart 30 - Attitude to the FP system principles

QUESTION 25	→	The funded pension system will rest on both mandatory and voluntary principles of participation. Do you consider this approach reasonable?
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Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	31%	34%	49%	37%	24%
No	56%	53%	41%	50%	61%
I do not care	4%	2%	3%	1%	4%
Have no idea / uncertain about the answer	9%	11%	7%	11%	11%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	21%	36%	43%	31%	36%
No	74%	41%	47%	60%	44%
I do not care	3%	4%	2%	2%	4%
Have no idea / uncertain about the answer	3%	19%	9%	6%	16%
Total	100%	100%	100%	100%	100%

Respondents' negative attitudes to FP system principles may be attributable to the reasons below:

- ▶ According to **37% of all survey respondents** or **69% of respondents with negative attitudes**, the FP system should rest on the principle of **exclusively voluntary** participation. Such respondents present the argument below: if the FP system really proves a good one and has sufficient evidence thereof,

people must be entitled to join it voluntarily. The principle of mandatory participation causes negative reaction and fosters the existing public distrust of the authorities.

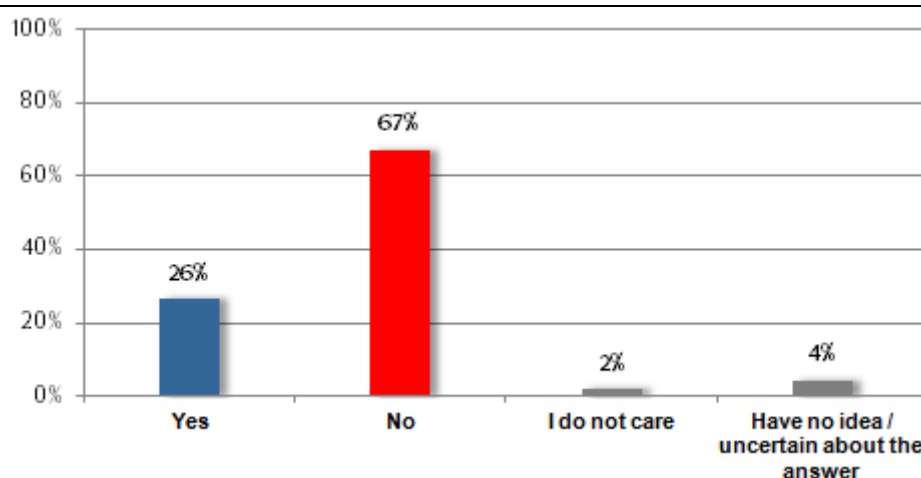
- ▶ **3% of all survey respondents** or **5% of respondents with negative attitudes** oppose the Armenian authorities responsible for the pension results rather than the FP system principles. People have no faith in positive outcome of any initiative by the authorities.
- ▶ **2% of all survey respondents** or **4% of respondents with negative attitudes** oppose introducing any component of the FP system.
- ▶ **3% of all survey respondents** or **6% of respondents with negative attitudes** were unable to provide clear reasons for their position.
- ▶ **9% of all survey respondents** or **16% of respondents with negative attitudes** supported their negative positions with various reasons, *inter alia*: (a) under the current unemployment rates and low salaries, the authorities must not force people into the mandatory funded pension contributions; if people were able to join the pension system, they would do so without any coercion on behalf of the state; (b) along with opposing the mandatory component, the respondents consider the voluntary component infeasible; (c) if the FP system nevertheless includes the mandatory component, it should extend to everybody without age discrimination.

3.2.3 Attitude to the mandatory component of the funded pension system

Chart 31 - Attitude to the mandatory component of FP system

QUESTION 26	→	Every employee, notary public and private entrepreneur born on or after January 1, 1974 must join the mandatory funded pension system. Do you approve of such "coercion"?
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Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	29%	25%	29%	27%	25%
No	65%	69%	65%	68%	67%
I do not care	2%	2%	1%	1%	3%
Have no idea / uncertain about the answer	5%	4%	4%	4%	5%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	23%	36%	20%	22%	33%
No	70%	58%	75%	71%	62%
I do not care	4%	1%	1%	3%	1%
Have no idea / uncertain about the answer	4%	5%	4%	4%	5%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Total	100%	100%	100%	100%	100%

Respondents' negative attitudes to the mandatory component of the FP system principles may be attributable to the reasons below:

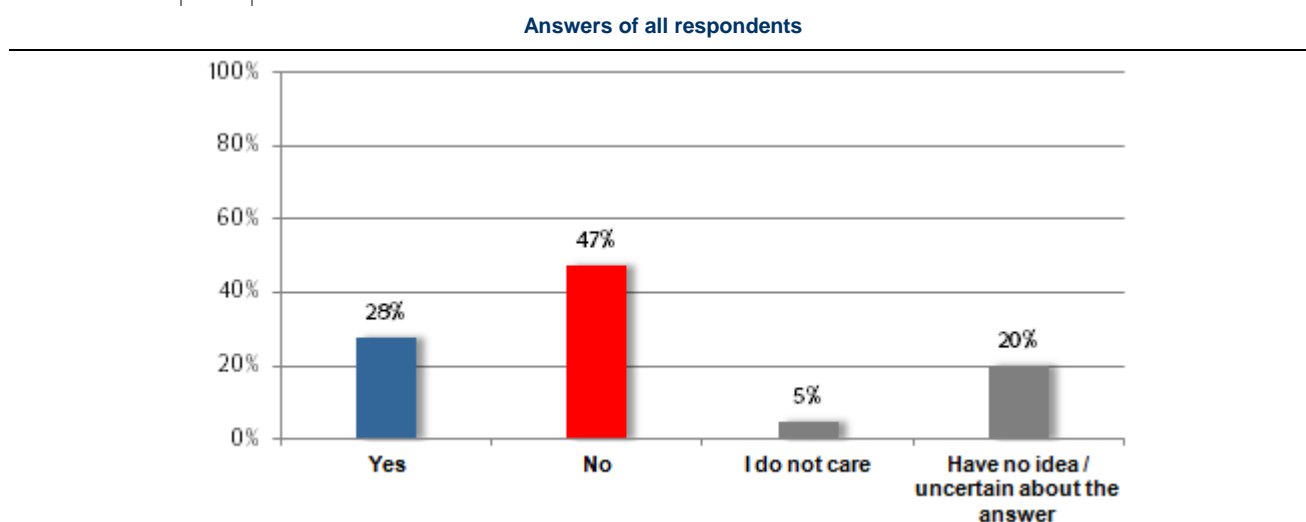
- ▶ **33% of all survey respondents** or **49% of respondents with negative attitudes** believe that everybody shall have the right to free choice. Compelling persons by the force of law to do something against their own will deprives them from their independent decision-making opportunities. And nobody can tolerate such deprivation.
- ▶ According to **9% of all survey respondents** or **14% of respondents with negative attitudes**, employees cannot make any savings because of their low wages. Forcing people into the pension savings will mean forcing them into worse living conditions.
- ▶ **5% of all survey respondents** or **7% of respondents with negative attitudes** consider the FP mandatory component as an infringement of their **human rights and freedoms**.
- ▶ **4% of all survey respondents** or **6% of respondents with negative attitudes** oppose the Armenian authorities responsible for the pension results rather than the reforms. The authorities lack the public trust resource.
- ▶ **4% of all survey respondents** or **6% of respondents with negative attitudes** were unable to provide clear reasons for their positions.
- ▶ **12% of all survey respondents** or **18% of respondents with negative attitudes** supported their negative positions with various reasons, *inter alia*: (a) currently, the FP system cannot prove feasible in Armenia; (b) respondents are unwilling to make savings; (c) opposing the funded pension system without any particular reason.

3.2.4 Attitude to the mandatory nature of the funded pension system only for a certain age group

Respondents' answers to the questions below sometimes proved irrelevant. Thus, when expressing their negatives attitudes towards the FP system features, respondents usually repeated themselves by mentioning their distrust of the authorities, disapproval of the FP system, lack of optimistic projections and expectations, etc. In fact, respondents displayed low awareness of the FP system terms and features and yet provided limited reasons for their negative attitudes. Hence, from here on the Consultant will consider only the most relevant answers.

Chart 32 - Attitude to the mandatory nature of the funded pension system only for a certain age group

QUESTION 27	→	The funded pension system will be mandatory only for a certain age group, namely all employees, notaries and private entrepreneurs born on or after January 1, 1974. Do you favor this approach?
-------------	---	--



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	28%	28%	36%	29%	24%
No	43%	49%	38%	47%	50%
I do not care	6%	4%	4%	4%	6%
Have no idea / uncertain about the answer	23%	19%	22%	20%	20%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	18%	40%	25%	24%	34%
No	57%	34%	51%	52%	40%
I do not care	6%	4%	5%	5%	4%
Have no idea / uncertain about the answer	20%	22%	19%	19%	22%
Total	100%	100%	100%	100%	100%

Respondents' negative attitudes to the mandatory nature of the FP system only for a certain age group may be attributable to the reasons below:

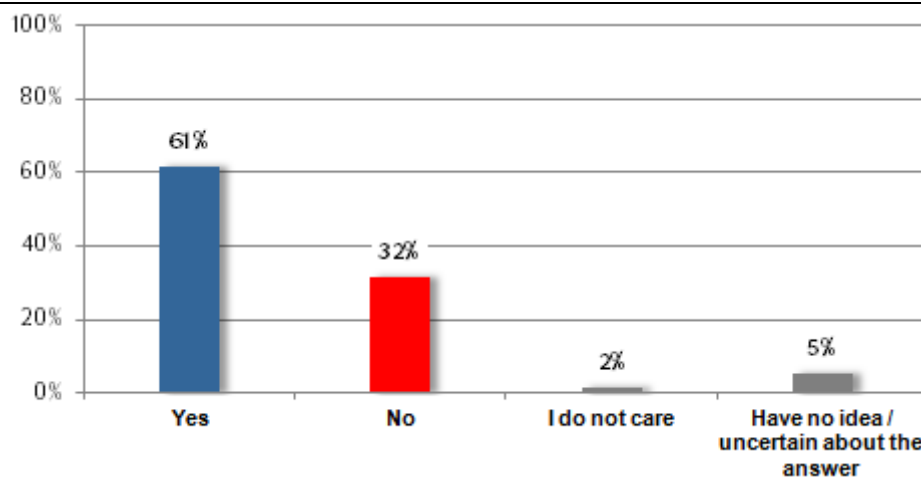
- ▶ **10% of all survey respondents** or **22% of respondents with negative attitudes** to this issue, regardless of their general attitude to the FP system (positive or negative), believe that **the law must not discriminate on the grounds of age**, and if the FP system nevertheless includes the mandatory component, it should extend to everybody.
- ▶ **7% of all the survey respondents** or **15% of respondents with negative attitudes** were unable to provide clear reasons for their positions.
- ▶ **30% of all the survey respondents** or **63% of respondents with negative attitudes** gave irrelevant answers to this question. The most common answers include the reasons below: (a) distrust of the authorities; (b) low wages; (c) uncertainty about the future and no optimistic expectations.

3.2.5 Attitude to contribution-payer scheme under the mandatory funded pension system

Chart 33 - Attitude to contribution-payer scheme under the mandatory FP system

QUESTION 28	→	The mandatory funded pension system will receive contributions from both system participants and the state. Do you favor this approach?
-------------	---	---

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	60%	62%	75%	65%	54%
No	33%	31%	21%	30%	36%
I do not care	2%	2%	1%	1%	3%
Have no idea / uncertain about the answer	6%	5%	3%	4%	7%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	44%	66%	75%	56%	70%
No	51%	26%	19%	38%	22%
I do not care	3%	1%	1%	2%	1%
Have no idea / uncertain about the answer	2%	8%	6%	4%	7%
Total	100%	100%	100%	100%	100%

Most respondents feel positive about the contribution-payer scheme under the mandatory FP system, particularly about the involvement of the state. Only 32% of respondents feel negative about the contribution scheme under the mandatory FP system. Such reaction may be attributable to the reasons below:

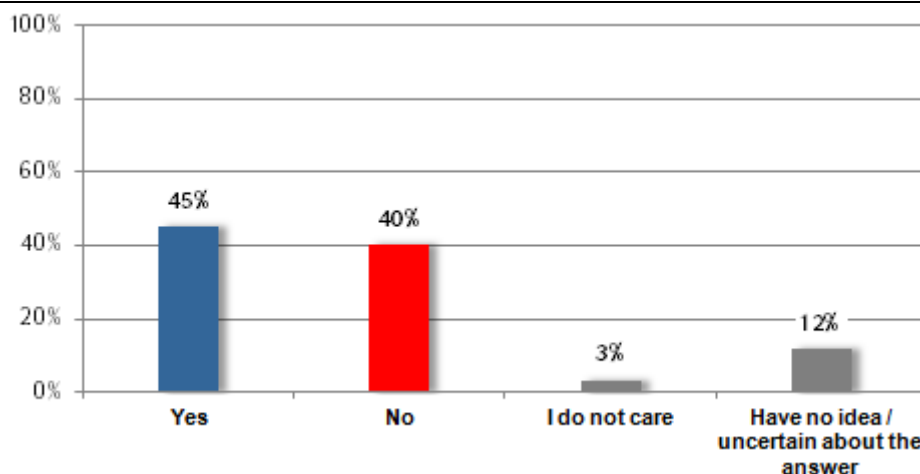
- ▶ According to **7% of all survey respondents** or **21% of respondents with negative attitudes**, only the **state** must pay the entire funded contribution. It is widely held that employees already make their social security payments through their income tax (24.4%) deducted from their salaries, and no other sums should be deducted.
- ▶ **7% of all survey respondents** or **21% of respondents with negative attitudes** do not believe that the state will ever make any payments to the accounts of the FP system participants. Such thinking is attributable to complete distrust of the authorities.
- ▶ According to **4% of all survey respondents** or **13% of respondents with negative attitudes**, the **state must pay more** than pension system participants.
- ▶ **2% of all survey respondents** or **6% of respondents with negative attitudes** were unable to provide clear reasons for their positions.
- ▶ **12% of all survey respondents** or **38% of respondents with negative attitudes** gave irrelevant answers mostly to express their discontent with the FP system. The most common answers include the reasons below: (a) distrust of the authorities; (b) the authorities had better give up the idea of collecting money from the people and taking up financial obligations; (c) distrust of the pension reforms.

3.2.6 Attitude to mandatory funded contribution rates

Chart 34 - Attitude to mandatory funded contribution rates

QUESTION 29	→	<p>The mandatory funded pension system sets different contribution limits. If the employee's monthly salary is below 500.000 AMD, he/she shall transfer to his/her pension account a funded contribution in the amount of 5% of his/her salary, while the remaining 5% shall be paid by the state. If the employee's monthly salary exceeds 500.000 AMD, the state shall pay only 25.000 AMD, while the employee shall pay the remaining contributions to secure the 10% of his/her monthly salary. Do you consider such contribution limits sensible?</p>
--------------------	---	--

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	47%	44%	53%	46%	41%
No	41%	40%	37%	40%	41%
I do not care	4%	3%	2%	2%	5%
Have no idea / uncertain about the answer	9%	13%	9%	12%	13%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	34%	49%	53%	39%	54%
No	57%	31%	32%	47%	30%
I do not care	4%	4%	2%	3%	4%
Have no idea / uncertain about the answer	6%	17%	13%	11%	13%
Total	100%	100%	100%	100%	100%

Respondents' negative attitudes to the mandatory funded contribution rates may be attributable to the reasons below:

- ▶ According to **12% of all survey respondents** or **30% of respondents with negative attitudes**, **payments by the state must equal the contributions of the mandatory FP system participants, regardless of their wage rates.** The use of different state payment schemes based on participants' wage rates comprises another **discriminatory treatment** to persons with monthly income above 500,000 AMD.
- ▶ **3% of all survey respondents** or **8% of respondents with negative attitudes** consider the funded contribution rate for the FP system participants too high; **such rate should be below 5%.**
- ▶ According to **2% of all survey respondents** or **4% of respondents with negative attitudes**, the funded contribution rate of the state should exceed that of system participants.
- ▶ **4% of all survey respondents** or **10% of respondents with negative attitudes** were unable to provide clear reasons for their positions.

- ▶ **19% of all survey respondents or 48% of respondents with negative attitudes** gave a number of answers to this question. The most common answers include the reasons below: (a) the funded contribution rates seem unfair (yet, no one said why and to what extent); (b) wages are so low that the 5% deduction will presently cause financial difficulties and fail to provide high pensions to secure old-age, (c) oppose the FP system with all its components.

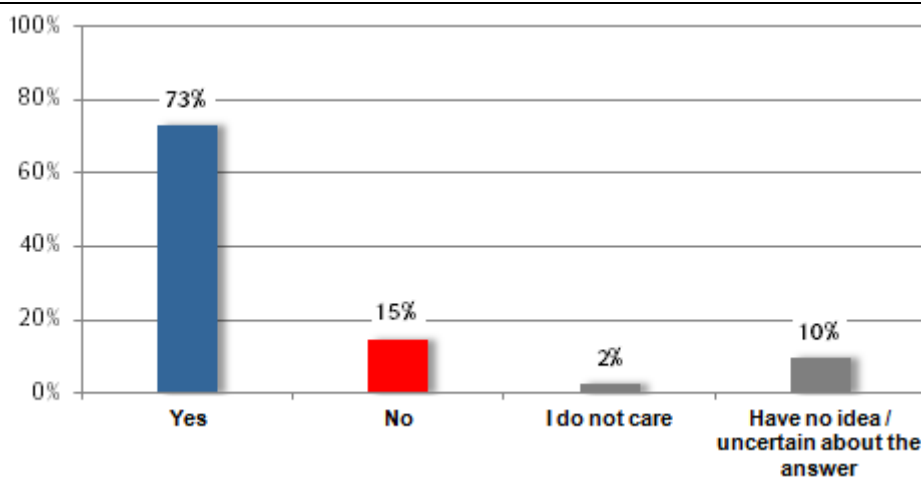
3.2.7 Attitude to procedures of opening an individual pension account, selecting a pension fund and a pension fund manager

The procedure below has the lowest rate of discontent as compared with other FP system features.

Chart 35 - Attitude to procedures of opening an individual pension account, selecting a pension fund and a pension fund manager

QUESTION 30	→	To accrue pension contributions, the FP participant must open an individual pension account, as well as select a pension fund and a pension fund manager. To this end, he/she can visit 'My Account' webpage, or Account Operator's Office, e.g. HayPost office. Do you consider such options most easy and convenient for people to open their individual pension accounts?
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Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	71%	74%	77%	78%	68%
No	16%	14%	14%	14%	15%
I do not care	3%	2%	2%	1%	4%
Have no idea / uncertain about the answer	10%	9%	7%	6%	13%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	66%	75%	78%	72%	75%
No	25%	10%	10%	18%	10%
I do not care	3%	3%	2%	3%	2%
Have no idea / uncertain about the answer	6%	12%	11%	8%	13%
Total	100%	100%	100%	100%	100%

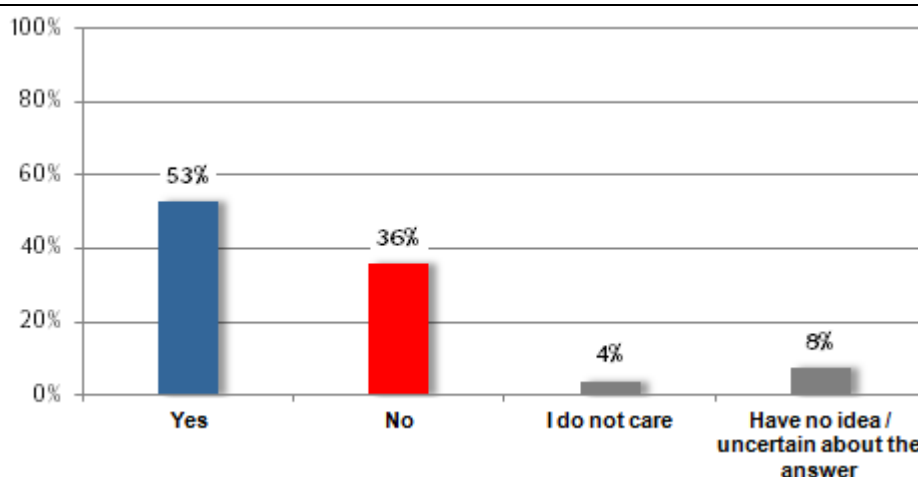
Most respondents with negative attitudes gave irrelevant answers. The survey data suggest that the respondents discontented with such procedures disapprove of the pension reforms in general.

- ▶ According to **2% of all survey respondents** or **11% of respondents with negative attitudes**, people do not have enough time to follow such procedures.
- ▶ According to **1% of all survey respondents** or **9% of respondents with negative attitudes**, people will inevitably face red tape and long queues.
- ▶ According to **1% of all survey respondents** or **9% of respondents with negative attitudes**, the Internet-based option for such procedures is not a good idea since many people have no computer skills and cannot use the Internet.
- ▶ **1% of all survey respondents** or **9% of respondents with negative attitudes** were unable to provide clear reasons for their positions.
- ▶ **9% of all survey respondents** or **62% of respondents with negative attitudes** gave various answers mostly irrelevant and expressing their general discontent with the pension reforms.

Chart 36 - Attitude to selection procedure of a pension fund and a fund manager through a relevant computer program

QUESTION 31	→	If a mandatory funded pension system participant has no idea how to select a pension fund or a fund manager, the new system will make this selection on his/her behalf through a relevant computer program. Do you consider this approach acceptable?
--------------------	---	--

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	54%	52%	59%	56%	48%
No	35%	36%	36%	35%	36%
I do not care	3%	4%	1%	3%	6%
Have no idea / uncertain about the answer	7%	8%	4%	6%	10%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	42%	58%	59%	49%	59%
No	51%	27%	30%	41%	28%
I do not care	3%	5%	4%	4%	3%
Have no idea / uncertain about the answer	4%	11%	7%	6%	10%
Total	100%	100%	100%	100%	100%

The survey respondents provided no reasons in support of their discontent over this issue.

- ▶ **4% of all survey respondents** or **10% of respondents discontented with this procedure** said that they would consider any random selection of a pension fund or fund manager through a computer program on their behalf as **an infringement of their rights**.

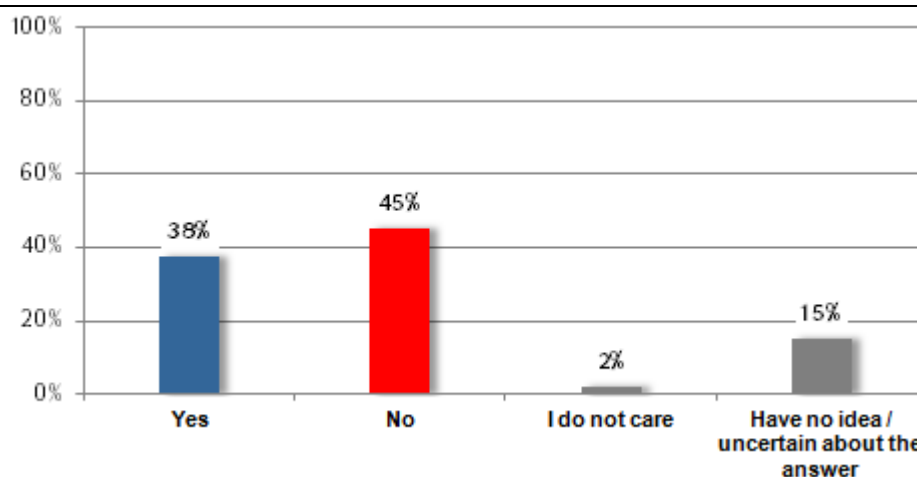
- ▶ **2% of all survey respondents** or **5% of respondents discontented with this procedure** mentioned that it was the government's obligation to provide people with all the necessary information, so that they could make their own free choice.
- ▶ **3% of all survey respondents** or **9% of respondents discontented with this procedure** were unable to mention the exact causes of their discontent.
- ▶ While **27% of all survey respondents** or **76% of respondents discontented with this procedure** argued that they would select their fund and fund manager themselves, they failed to specify what they would do if unable to make such selection.

3.2.8 Respondents' perception of funded pension participants' inclusion in the pension fund

Chart 37 - Respondents' perception of funded pension participants' inclusion in the pension fund

QUESTION 32	→	The pension savings of a mandatory pension system participant shall enter the pension fund and constitute his/her share in this fund. Can you perceive yourself as a pension account shareholder?
--------------------	---	--

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	33%	41%	50%	40%	31%
No	51%	42%	38%	44%	48%
I do not care	2%	2%	2%	1%	3%
Have no idea / uncertain about the answer	14%	16%	10%	14%	18%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	26%	36%	51%	34%	43%
No	60%	39%	37%	51%	37%
I do not care	2%	3%	1%	2%	3%
Have no idea / uncertain about the answer	12%	22%	12%	14%	18%
Total	100%	100%	100%	100%	100%

45% of respondents stated that they were unable to perceive themselves as shareholders for reasons below:

- ▶ According to **9% of all survey respondents** or **21% of respondents with negative attitudes**: 'if one is unable either to control or to manage his/her own 'shares', how can he/she perceive himself/herself as a shareholder?' To do so, one should own his/her property and not hand it to a fund manager. Otherwise, the word 'shareholder' is used improperly.

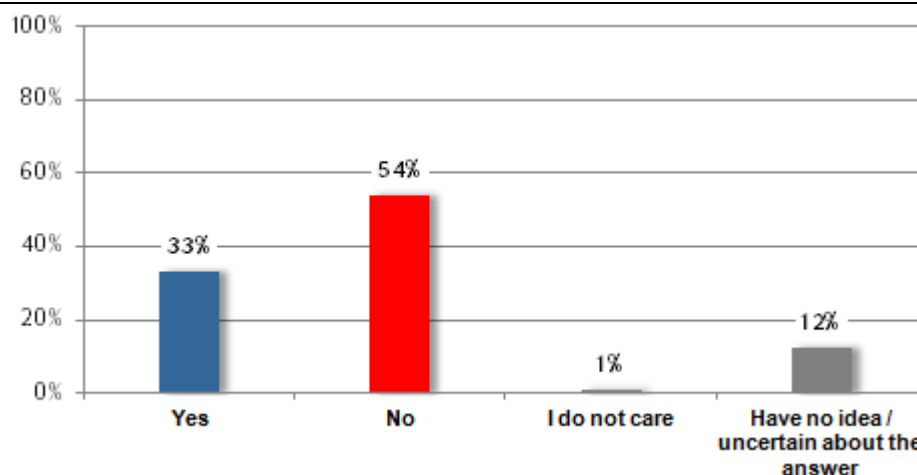
- ▶ **2% of all survey respondents** or **5% of respondents with negative attitudes** consider their contribution share in the pension fund so insignificant that they would hardly perceive themselves as shareholders.
- ▶ **6% of all survey respondents** or **12% of respondents with negative attitudes** were unable to provide clear reasons for their positions.
- ▶ **28% of all survey respondents** or **62% of respondents with negative attitudes** gave numerous answers, including the most common reasons below: (a) if they have suspicions over getting back their contributions, how can they perceive themselves as shareholders of non-existent funds?; (b) in Armenia, one cannot feel secure to make a deal with the state; (c) people cannot perceive themselves as shareholders of their own savings due to their distrust of the authorities.

3.2.9 Respondents' trust for the pension fund managers

Chart 38 - Respondents' trust for pension fund managers

QUESTION 33	→	The pension funds will be run by fund managers, well-known companies with vast experience in relevant field. Are you sure that individual pension savings will be in "safe hands"?
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Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	36%	32%	42%	35%	29%
No	55%	54%	47%	54%	56%
I do not care	1%	0.4%	1%	0.2%	1%
Have no idea / uncertain about the answer	9%	14%	9%	11%	14%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	26%	46%	28%	28%	41%
No	62%	46%	54%	58%	47%
I do not care	2%	1%	0%	1%	0.4%
Have no idea / uncertain about the answer	11%	8%	18%	13%	11%
Total	100%	100%	100%	100%	100%

54% of respondents do not trust the pension fund managers for the reasons below:

- ▶ **25% of all survey respondents** or **47% of respondents with negative attitudes** have absolutely no trust for pension funds as they are new to them.

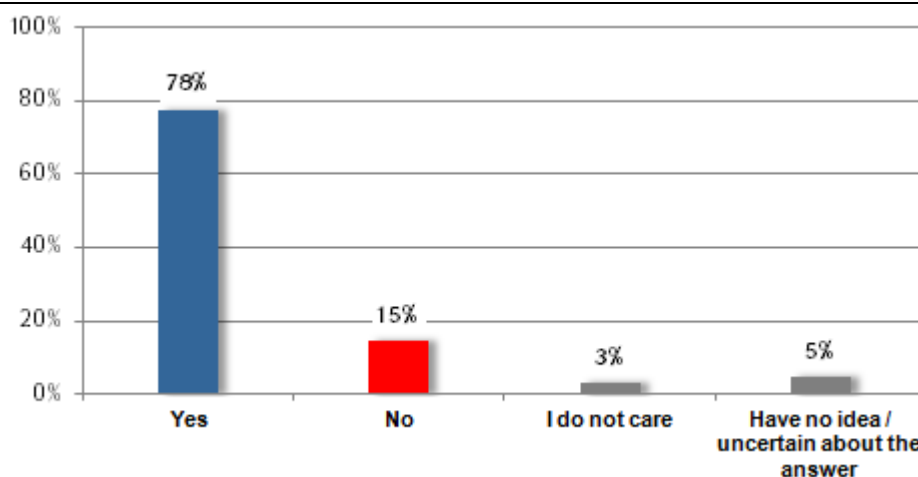
- ▶ **22% of all survey respondents** or **40% of respondents with negative attitudes** trust nobody at all, neither the authorities and the pension fund managers, not banks, and not even their friends and relatives. Most respondents still remember their parents' or their own deposits and savings lost after the collapse of the USSR and therefore, strongly oppose trusting their savings to any person or entity.
- ▶ **4% of all survey respondents** or **8% of respondents with negative attitudes** have no trust in the state authorities. Hence, they cannot trust the pension fund managers selected by the authorities.
- ▶ **3% of all survey respondents** or **5% of respondents with negative attitudes** were unable to provide clear reasons for their positions.

3.2.10 Attitude to the right to change one's pension fund/fund manager

Chart 39 - Attitude to the right to change one's pension fund/fund manager

QUESTION 34	→	Funded pension system participants may anytime change their funded pension fund/fund manager. Do you consider it a sensible solution?
--------------------	---	--

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	74%	80%	87%	82%	71%
No	16%	14%	9%	12%	18%
I do not care	5%	2%	3%	3%	4%
Have no idea / uncertain about the answer	5%	4%	1%	3%	7%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	71%	78%	84%	76%	80%
No	23%	12%	10%	17%	11%
I do not care	5%	3%	2%	4%	2%
Have no idea / uncertain about the answer	2%	7%	5%	3%	6%
Total	100%	100%	100%	100%	100%

Only 15% of respondents felt negative about their right to change their pension fund and/or fund manager. Their discontent may be attributed to the reasons below.

- ▶ **3% of all survey respondents** or **22% of respondents with negative attitudes** see absolutely no difference among pension fund managers. Changing their fund managers once or on a regular basis would not alleviate their concerns over their savings.

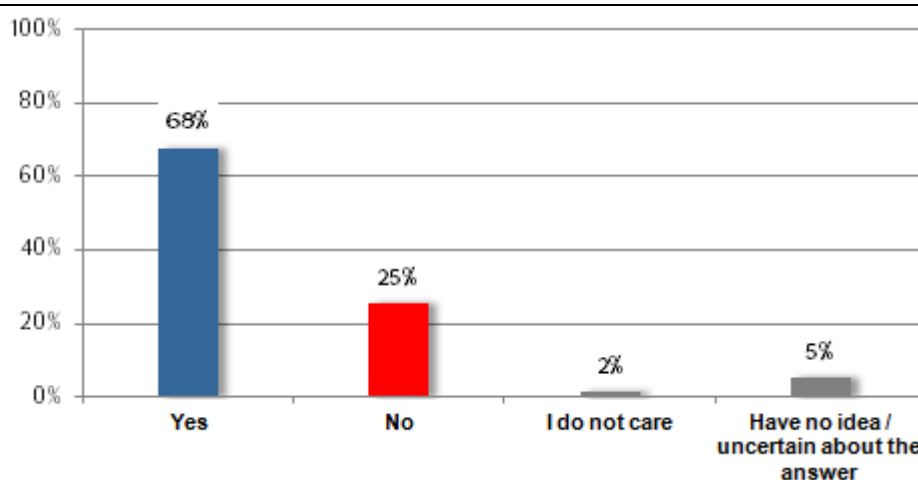
- ▶ **3% of all survey respondents** or **17% of respondents with negative attitudes** have not trust for any of the pension fund managers. That is to say, these respondents also see no difference among the managers and therefore do not consider this option as a tempting factor.
- ▶ **8% of all survey respondents** or **53% of respondents with negative attitudes** did not give relevant answers but rather expressed their overall concern with the FP system.
- ▶ **1% of all survey respondents** or **8% of respondents with negative attitudes** were unable to provide clear reasons for their positions.

3.2.11 Attitude to the security of funded pension participants' savings in case of bankruptcy of their pension fund manager

Chart 40 - Attitude to the security of funded pension participants' savings in case of bankruptcy of their pension fund manager

QUESTION 35 → **If the pension fund manager goes bankrupt, participants' savings will pass under control of another fund manager and remain secure. Do you consider this a tempting factor?**

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	65%	69%	82%	72%	60%
No	27%	24%	13%	23%	31%
I do not care	2%	1%	2%	1%	2%
Have no idea / uncertain about the answer	5%	5%	3%	5%	6%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	64%	67%	73%	67%	69%
No	31%	26%	19%	27%	23%
I do not care	3%	1%	1%	2%	1%
Have no idea / uncertain about the answer	2%	7%	7%	4%	7%
Total	100%	100%	100%	100%	100%

Respondents have no clear understanding of pension fund manager's bankruptcy. Thus, a significant portion of respondents associate such bankruptcy with the loss of their savings. 25% of respondents not considering this option as a tempting factor actually count among vigorous opponents of the FP system. They mostly support their position by their distrust in the savings transfer scheme. According to them, **if any pension**

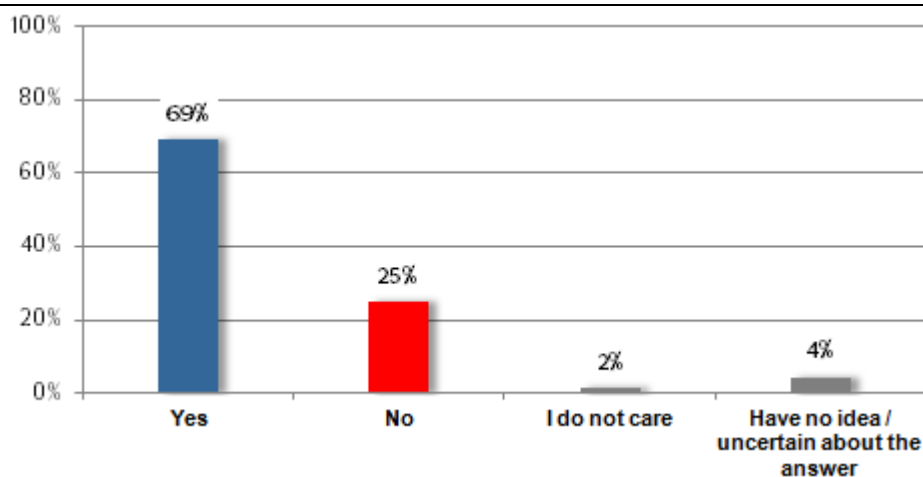
fund manager goes bankrupt, all their assets will decline. In other words, both such fund managers and their assets will disappear (entirely or partially).

3.2.12 Attitude to participants' extra income opportunities from investment of their savings

Chart 41 - Attitude to participants' extra income opportunities from investment of their savings

QUESTION 36	→	The pension fund manager shall use participants' contributions for investment purposes to provide them with extra income. Do you consider this a tempting factor?
--------------------	---	--

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	68%	70%	77%	72%	64%
No	26%	24%	17%	24%	28%
I do not care	2%	1%	2%	1%	2%
Have no idea / uncertain about the answer	4%	5%	3%	4%	5%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	67%	65%	76%	70%	67%
No	29%	27%	19%	25%	25%
I do not care	3%	1%	1%	2%	1%
Have no idea / uncertain about the answer	1%	8%	5%	2%	7%
Total	100%	100%	100%	100%	100%

25% of respondents feel negative about such extra income perspectives as they distrust this initiative.

4 SOCIAL SERVICES SYSTEM REFORMS: AWARENESS AND ATTITUDES

4.1 AWARENESS OF SOCIAL SERVICES SYSTEM REFORMS

4.1.1 Awareness level

It appeared very hard to assess the respondents' awareness level of social service reforms. Thus, the public awareness is affected by the objective factors below:

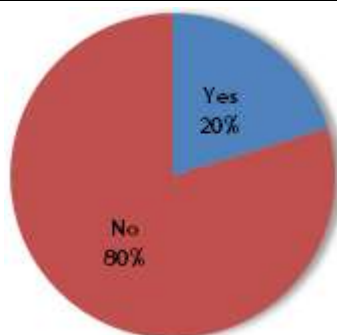
- Many people have never had any encounters with the social services system.** Many young or middle-aged persons might never need social services in their lives and thus have no encounters with this system.
- People do not communicate with the social service personnel every day.** Even beneficiaries of social services (e.g. members of vulnerable and benefit recipient families, disabled persons, pensioners) contact the personnel only from time to time, e.g. once a month or a year.
- Many households (families) do not contact social service personnel even once a year** due to no such need.

Limited, irregular or occasional contacts with the social system personnel may pose an obstacle for people in retaining information related to this system. Hence, the data presented below should be considered in the light of these factors.

Chart 42 - Awareness of social services system reforms

QUESTION 37	→	Currently, the State also reforms the social services. Consequently, state institutions providing social services (the “Pension Service”, Social Security Service, “PAROS”, “Employment Center”, “Medical and Social Expert Commission”) merge into a single structure called <u>Integrated Social Service Center</u>. Such centers will operate under the “Single Window” system. Have you heard anything about this?
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Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Yes	24%	18%	14%	20%	22%
No	76%	82%	86%	80%	78%
Total	100%	100%	100%	100%	100%

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Yes	12%	35%	14%	19%	23%
No	88%	66%	86%	81%	77%
Total	100%	100%	100%	100%	100%

The most significant data showed a relatively high level (35%) of awareness among respondents from Ararat marz where the pilot system of integrated social services was launched. Also, the Integrated Social

Service (hereinafter referred to as ISS) centers were first opened in Ararat marz, and only 1-1.5 years later in Yerevan and Kotayk marz. Therefore, it is quite natural that respondents from Ararat marz are more aware of social services reforms.

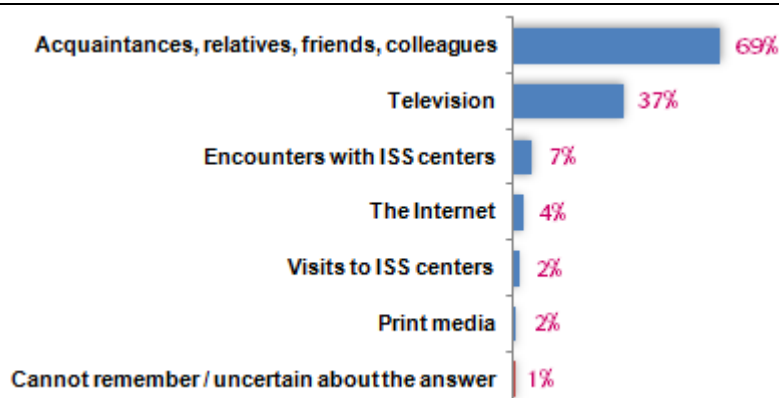
4.1.2 Sources of information on social service system reforms

Chart 43 - Sources of information on social service system reforms

QUESTION 38 → **How did you learn about the social service system reforms under way in Armenia?**

! Respondents gave more than one answers to this question.

Answers of all respondents



Breakdown of respondents' answers by gender, age, survey area and residence area

Answers	Gender		Age		
	Male	Female	18-24	25-40	41-62
Acquaintances, relatives, friends, colleagues	62%	56%	71%	62%	54%
Television	31%	42%	21%	35%	42%
Encounters with ISS centers	5%	9%	4%	7%	7%
The Internet	6%	2%	4%	2%	5%
Visits to ISS centers	2%	3%	4%	2%	2%
Print media	2%	1%	-	2%	2%
Cannot remember / uncertain about the answer	2%	1%	8%	1%	-

Answers	Survey area			Residence area	
	Yerevan	Ararat	Kotayk	Urban	Rural
Acquaintances, relatives, friends, colleagues	33%	82%	25%	51%	69%
Television	55%	21%	61%	44%	28%
Encounters with ISS centers	-	9%	9%	7%	7%
The Internet	8%	-	9%	7%	-
Visits to ISS centers	6%	1%	2%	3%	2%
Print media	4%	1%	2%	3%	-
Cannot remember / uncertain about the answer	2%	1%	-	1%	1%

Interviewers addressed this question to 20% or respondents aware of the social service system reforms under way in Armenia (See [Chart 42](#)). As for sources of information on the reforms, the most common answer (43%) featured “colleagues and workplace”. The breakdown of answers statistics by survey area and residence area revealed that the high occurrence rate of this answer was provided by rural respondents from **Ararat marz**. The lack of relevant information makes it difficult to identify reasons underlying such awareness level; yet, the fact remains that the integrated social services system triggered extensive discussions among rural population of Ararat marz.

4.2 RESPONDENTS' FIRST IMPRESSIONS ON ISS CENTERS

The respondents who personally encountered the ISS centers make a small number, namely 4% of the overall number of survey respondents. Besides, this rate was provided mostly by respondents from Ararat marz, with 9% of respondents having visited the ISS center at last once.

In absolute numbers, the rate of respondents having visited ISS centers amounted to 46, with

- ▶ 16 man and 30 women (breakdown by gender);
- ▶ 9 from Yerevan and 37 from Ararat marz (breakdown by survey area);
- ▶ 27 from urban areas and 19 from rural areas (breakdown by residence area).

Such limited data make it almost impossible to assess operation of the ISS centers. Hence, The Consultant will sum up only the first impressions of the respondents.

38 out of the 46 respondents having visited the ISS centers shared their first impressions and opinions. They gave both positive and negative feedback. These findings are summarized below.

37 respondents gave positive feedback, including:

- ▶ **13 respondents** highlighted the **improved service rate**;
- ▶ **10 respondents** highlighted the **renovated and well-equipped** offices of social service centers;
- ▶ **6 respondents** highlighted the **significantly improved quality services** with friendly personnel and reduced red tape;
- ▶ **3 respondents** highlighted **centralized services** with all issues addressed at one office; this saves customers' time and nerves;
- ▶ **8 respondents** gave **general positive answers** (e.g. "everything was fine") with no further details.

12 respondents gave negative feedback, including:

- ▶ **7 respondents** mentioned **low service quality** due to tardy or absent personnel, red tape and small service rooms;
- ▶ **4 respondents** mentioned **persistent corruption**.

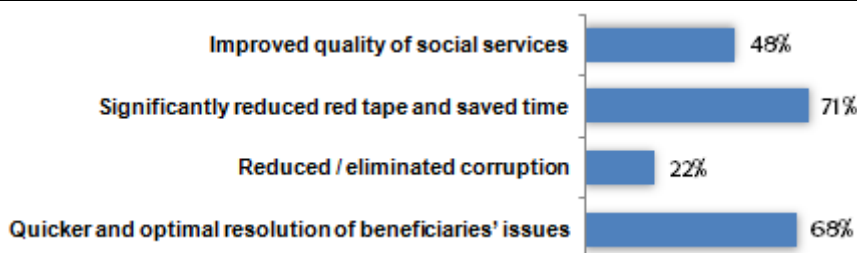
4.3 PROJECTIONS AND EXPECTATIONS ABOUT ISS CENTERS

This question was addressed only to respondents from Kotayk marz, since none of them had ever encountered the ISS centers.

Chart 44 - Kotayk marz respondents' projections and expectations about the ISS centers

QUESTION 39	→	<p>Do you think the ISS center activities can contribute to the outcomes below?</p> <ul style="list-style-type: none"> ▶ <i>Improved quality of social services;</i> ▶ <i>Significantly reduced red tape and saved time;</i> ▶ <i>Reduced / eliminated corruption;</i> ▶ <i>Quicker and optimal resolution of beneficiaries' issues.</i>
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Answers of respondents from Kotayk marz



Breakdown of Kotayk marz respondents' answers by gender and residence area

Answers	Gender		Age			Residence area	
	Male	Female	18-24	25-40	41-62	Urban	Rural
Improved quality of social services	54%	44%	57%	50%	43%	48%	47%
Significantly reduced red tape and saved time	68%	73%	78%	75%	66%	73%	69%
Reduced/eliminated corruption	25%	21%	24%	23%	21%	22%	22%
Quicker and optimal resolution of beneficiaries' issues	73%	65%	76%	70%	63%	70%	64%
Total	100%	100%	100%	100%	100%	100%	100%

Answers of respondents from Kotayk marz suggest that despite their lack of encounters with ISS centers, they mostly have optimistic projections and expectations about operation of such centers. **The only outcome most respondents consider infeasible is reduced or eliminated corruption.**

5 SUMMARIZED FINDINGS

Table 8 - Baseline indicators of awareness and attitude to pension and social services system reforms

I. PENSION REFORMS AND FUNDED PENSION SYSTEM	
AWARENESS	
1. Awareness of pension reforms	86%
2. Awareness of FP system principles	10%
Mandatory funded pension system	
3. Awareness of mandatory FP system start date	44%
4. Awareness of mandatory FP system participation	8%
5. Awareness of contribution-payer scheme under mandatory FP system	16%
6. Awareness of mandatory funded contribution rates	4%
7. Awareness of individual pension accounts	5%
8. Awareness of the role of the Central Depository	2%
9. Awareness of pension savings managers	8%
10. Awareness of procedures of opening an individual pension account and selecting a pension fund and a pension fund manager	1.4%
11. Awareness of procedures applied if a mandatory FP system participant fails to select a pension fund and a pension fund manager	4%
12. Awareness of succession of pension savings	41%
13. Awareness of the right to change one's mandatory pension fund/fund manager	30%
14. Awareness of participants' savings security in case of bankruptcy of their pension fund manager	28%
15. Awareness of participants' extra income opportunities from investments of their savings	29%
Voluntary funded pension system	
16. Awareness of voluntary FP system start date	3%
17. Awareness of voluntary FP system participation	7%
18. Awareness of contribution-payer scheme under voluntary FP system	10%
19. Awareness of voluntary funded contribution rates	4%
20. Awareness of entities providing voluntary funded pension services	6%
21. Awareness of tax privileges for voluntary funded pension system participants	2%
ATTITUDES (POSITIVE)	
22. Attitude to pension reforms	18%
23. Attitude to funded pension system principles	33%
24. Attitude to the mandatory component of the funded pension system	26%
25. Attitude to the mandatory nature of the funded pension system only for a certain age group	28%
26. Attitude to the contribution-payer scheme under the mandatory funded pension system	61%
27. Attitude to mandatory funded contribution rates	10%
28. Attitude to procedures of opening an individual pension account, selecting a pension fund and a pension fund manager	73%
29. Attitude to selection procedure of a pension fund and a fund manager through a relevant computer program	53%
30. Portion of mandatory FP system participants perceiving themselves as pension account shareholders	38%
31. Trust for pension fund managers	33%
32. Attitude to the right to change one's pension fund or fund manager	78%
33. Share of mandatory FP system participants believing that in case of bankruptcy of their pension fund manager, their savings will pass under control of another fund manager and remain secure	68%
34. Attitude to participants' extra income opportunities from investment of their savings	69%
II. SOCIAL SERVICES SYSTEM REFORMS	

35. Awareness of social services system reforms	20%
36. Share of respondents having visited ISS centers as of the survey date	4%
37. Share of respondents with positive impressions from visiting ISS centers	37/46
38. Share of respondents with negative impressions from visiting ISS centers	12/46
39. Share of respondents believing that ISS center activities will result in improved social services	48%
40. Share of respondents believing that ISS center activities will result in significantly reduced red tape and saved time	71%
41. Share of respondents believing that ISS center activities will result in reduced/eliminated corruption	22%
42. Share of respondents believing that ISS center activities will result in quicker and optimal resolution of beneficiaries' issues	68%