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The main goal is to enhance the quality and quantity of intellectual exchange among researchers, educators, scholars and practitioners dealing with major issues of public administration and public policy in the Central and East European regions.

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# Polish Labor Market Regulation and Economic Policy

**Stanisława Borkowska \***

The growing speed and depth of changes associated with development in high technology and growing global competitiveness that take place in the economic environment of an organization involves the necessity of companies to have a flexible response to market signals. Such flexible responses are usually facilitated by a relatively low level of regulation in the case of capital, labor and the products and services markets.

Proponents of deregulation regard comprehensive regulation as a factor limiting flexible adjustment of employment to employers' changing requirements and, consequently, involving further structural unemployment growth followed by long-term unemployment. Rigid regulations hinder both economic growth and the restructuring of the economy which is a necessity given information and telecommunication technology (ICT) growth, globalization as well as dynamic changes in company environments. Deregulation, on the other hand, is an essential factor of market flexibility growth which, in turn, contributes to mitigated unemployment; the scope of benefits resulting from this depends solely on applied strategy. (Wiśniewski 2001, p. 503)

The impact of labor market regulation/deregulation on GDP growth, on competitive advantage and on a higher capability to create jobs still remains the subject of theoretical dispute. Nevertheless, a flexible market response imperative and die-hard competition have encouraged even countries traditionally showing a high level of labor market regulation to gradually loosen such control or at least change its character. The result is the growing freedom of employers to shape labor relations on their own. In consideration of the above, however, labor market deregulation possesses rather a complementary character being **yet another form of market deregulation and structural transformation**. It is by no means

a leading or an independent form of deregulation capable of substituting any other.

Labor market deregulation encompasses several key issues determining labor cost reduction and facilitating labor demand adjustment to changing market conditions. These are:

- employment protection legislation (EPL);
- establishing of wage minimum;
- reduction of obligatory tax burden on labor, the so-called "tax wedge"; and
- labor relations (bargaining level, coverage and validity of collective agreements, trade unions power).

This is also associated with labor market policy, particularly with active counter unemployment programs and social security.

## **1. Deregulation scope determinants**

Although a dynamic economic environment automatically involves, to some extent, deregulation, its scope in developed countries varies greatly. This difference depends on several factors which are listed below:

- the national and organizational culture;
- the employment structure;
- the socio-economic situation of a country; and
- the diversification level of the economy as well as a company's specific sphere of activity and its sensitivity to market signals.

The factors mentioned above have shaped three human resource management (HRM) models in economically developed countries with regard to different socio-economic systems, i. e., the American model (Anglo-Saxon model), the participatory/paternalistic Japanese model and the Western European model based on solidarity (Borkowska, 2001). The American model is based on a social culture characterized by a deeply embedded sense of equality, a low sense of value being placed on hierarchy (Table 1), a competitive mood,

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\* University of Lodz, Lodz, Poland

success orientation, a tolerance for high risk and uncertainty, and individual responsibility for one's own living and personal development. Such a value system is in accordance with a liberal economy based on minimization of state control in the economy. This model involves a relatively limited income distribution and a highly flexible labor market, decentralized labor relations, low unionization and coverage of collective agreements, as well as highly developed financial participation promoting integration of employees with company objectives and joint responsibility of management and employees for company survival and development. This kind of value system justifies approval for high social stratification as well as income inequalities.

Unlike in the USA, hierarchy in the Western European model is more important than equality, risk and uncertainty. Among the highest qualities is income security (assurance of decent living conditions for all citizens). This kind of value system is well adjusted to systems based on balanced socio-economic growth<sup>1</sup>, and shows a high income distribution and a high tax burden on labor.

Labor relations in the Western European model are centralized; they are tripartite and based on employee participation. In Mediterranean countries, relations between social partners are rather based on conflict whereas in the northern part of Europe they are based on cooperation. No matter what the level of unionization is, the power of trade unions,

**Table 1**  
**Value indicators in selected countries**

Value/ country	Hierarchy	Equality	Individualism	Collectivism	High uncertainty tolerance	Low uncertainty tolerance
<b>Russia</b>						
Total	61%	58%	50%	56%	44%	58%
Difference	+14	+5	+8	-3	-6	+4
<b>Ukraine</b>						
Total	49%	51%	44%	59%	51%	55%
Difference	+2	-2	+2	0	+1	+1
<b>Germany</b>						
Total	50%	43%	58%	60%	61%	56%
Difference	+3	-10	+16	+1	+11	+2
<b>USA</b>						
Total	37%	58%	57%	45%	64%	42%
Difference	-20	+5	+15	-14	+14	-12
<b>Poland</b>						
Total	38%	53%	33%	63%	57%	48%
Difference	-9	0	-9	+4	+7	-6
<b>Average</b>	<b>47%</b>	<b>53%</b>	<b>42%</b>	<b>59%</b>	<b>50%</b>	<b>54%</b>

Source: Adapted from L.Sutkowski (2002), "Do organizational cultures tend to converge?", "Human Resources Management" no 3-4.

Based on research covering 1310 employees from Russia, Ukraine, USA, Germany and Poland in the period from January 2000 until May 2001

The total value of the indicator signifies the percentage of summated responses for a certain quality.

The difference, on the other hand, signifies a variation from the average. *Loquet del exerosto consectet ut essim*

<sup>1</sup> Nevertheless, the cultures of the different EU member states are diverse. Comparisons of value ratios in Germany and the USA show significant differences in hierarchy. In Germany - unlike in the USA - equality ranks lowest. The research covered 1310 employees from numerous countries in the period from January 2000 until May 2001.

measured by the coverage of collective agreements, is relatively high.

The cultural environment coupled with the character of labor relations explains the high market regulation by the state and collective agreements. The relatively small incomes, social diversification and a longtime non-employment economic growth are developments which by no means facilitate labor market deregulation.

On the other hand, the value system prevailing in Japan is opposed to the American model. The prime qualities here are collectivism, group identification, low risk tolerance, a high level of social security connected with the lifelong employment principle<sup>2</sup>, and relatively low flexibility.

Labor relations in Japan constitute a transitional form between the American and Western European models. Although state control is higher here than in the USA, they are significantly different from those in the EU in that, in the case of European labor relations, the model welfare state function prevails while in Japan the state tends to promote company development. Hence the existence of the paternalistic function here and this function is carried out by large institutions or conglomerates guaranteeing lifelong employment and compensation growth based on seniority to their employees. It gives them a much higher sense of self-assurance, yet leads to higher rigidity of employment and compensation at the same time. On the company level, direct participation, mostly in a form of quality circles, etc., is gaining recognition. Decentralized job bargaining at the company level is undergoing what is called "soft" coordination based on formal or informal negotiations.

With regard to Poland, individualism and hierarchy rank lowest as compared to average ratios describing value systems in the countries surveyed.

The fact that hierarchy is valued low along with high uncertainty tolerance shows a similarity in value systems in the case of Polish and American employees, although the latter quality is less noticeable in Poland than in the USA. On the other hand, individualism ranks

very low in Poland and in this respect, our country distinctly differs from the USA and Germany. Collectivism is valued in Poland higher than average and significantly higher than in the USA. What is extremely interesting is the fact that this kind of value system is common not only among elders but is also common in people aged 18 – 30 (Sułkowski, 2002, p. 17). This justifies the poor acceptance of deep social diversification and the strong sense of solidarity which is probably associated with poor living standards for a major part of Polish society<sup>3</sup> and with expectations regarding state guarantees concerning the necessary level of social security. At any rate, this creates a barrier against further decreases in pay, particularly with regards to the relationship between the minimum and average wage indices.

On the other hand, the existence of mass unemployment, as is shown in the case of Poland and some other Central and Eastern European countries, is becoming the reason why employees tend to accept partially or even totally deferred payments or decreased pay level at the price of keeping a job, for the sake of company survival or in the hope of a future change for the better. The same reasons justify undertaking flexible forms of employment, mostly in companies where there are no trade unions or where they are relatively weak and there are no collective agreements at the sector or national level.

The impact of labor relations on market regulation in Poland is complex. Though the Labor Code in Poland guarantees relatively good employment protection, there exists a widespread sphere of private companies not covered by collective agreements where labor legislation is violated. On the other hand, particularly in declining or/and inefficient industries, strong trade unions persist and collective agreements signed at the sector and national levels are obligatory, thus ensuring better employment protection for employees than that offered by the Labor Code. Politically oriented trade union leaders face compara-

<sup>2</sup> This one's a different kind of security than that in the EU (participatory and paternalistic management system in organizations)

<sup>3</sup> More than 3 million people (8.1%) live below the minimum level of subsistence, and around 5 million (13.6%) below the statutory poverty line entitlement to social benefits. RCSS, 2002, *Sfera społeczna w okresie transformacji. Zjawiska i tendencje*. Warszawa, maszynopis. (Social aspects in the period of transformation. developments and trends)

tively weak employer associations which, on top of that, mostly compete with one another. Overall, the impact of labor relations on labor market regulation is a joint result of different factors mentioned above.

Aside from a detailed analysis of all factors determining scope of deregulation of the labor market, at least one is still well worth mentioning here, namely: the structure of the economy.

Economic growth acceleration in Poland, particularly as regards the development of knowledge – based economy, implies the need for higher employment flexibility based on non-standard employment, flexibility of work and working time, and on the flexible behavior of employees based on competences required in the era of the information society (e. g., the ability to permanently learn innovative and entrepreneurial skills, teamwork spirit, communication skills and an openness to change).

This also seriously influences changes of employment structure. On the one hand, the demand for knowledgeable, skilled workers is growing while on the other hand demand is declining in the case of unskilled employees. This is explicitly confirmed by the OECD data (concerning the USA and the EU), showing that the annual rate of employment growth in the case of skilled workers (3.3%) is twice the rate in the case of managers (1.6%) (Arnal et al., 2001, p. 13). The employment rate in the case of unskilled employees is negative and shows a 0.2% decline.

Flexible employment as well as more flexible work and work-time organization have led to higher a percentage of the employees being placed outside the so-called “core” of a company, namely its key employees who were hired on the basis of permanent full-time contracts. Hence, the phenomenon of a sort of internal company labor market segmentation.

Employment flexibility will become lower in those spheres of activity which are not sensitive to market signals – namely in monopolies. Also, specialists (Hausner, Sokołowski, 2001) point to the rather insignificant deregulation impact on employment growth in the case of a lack or a low level of diversification in economic activity. Monoculture labor markets

involve the real threat of high and permanent unemployment.

Economic transformation and ICT growth do not at all signify the extinction of full time jobs as, first, more traditional organizations will still exist beside the ones based on information.

Second, gathering, exchange and introduction of knowledge are all important conditions of knowledge-based organizational growth. Such exchange is obligatory within a company or a network of companies. The lack of acceptance for such exchange exists in the case of other companies. A need arises to create a kind of knowledge team based on cooperation. (Nonaka, Takeuchi, 2001). Employees hired temporarily, on fixed-term contracts, can hardly be expected to identify with the company, neither in mission, vision nor strategy.

Moreover, so far, companies have only reluctantly invested in personal development in the case of employees hired on fixed-term contracts or temporarily. Such investment is a necessary condition, though not sufficient, for knowledge creation and innovation growth. Personal development opportunities are, for most knowledge workers, the main criterion as regards job preference; this is even more important than the compensation package. American experience seems to strongly confirm this. According to MacEke (2001), 5 out of every 7 high school graduates attach more value to further education opportunities than to the initial level of compensation while applying for the first job. As many as 44% of employees who have poor prospects of further education in a company change jobs within a year, as opposed to only 12% in the case of those who have very strong opportunities for further personal development.

Third, talented knowledge workers are a rarity. Companies attempt to buy them and then keep them by any means. In striving for the best possible use of these people, companies tend to ensure the security of the employee and his/her family both through a permanent base salary and diverse benefits. As experience has it, companies are trying to tie them through co-ownership, namely through granting them of share packages or share options, etc.

Obviously, in most cases jobs may be contracted temporarily. Of further importance is the growth of consulting and brokerage (as regards training) institutions; this as well can be expected to take place as well as further development of self-employment among top specialists. This is seen in the emergence of a group of so-called “carpet riders” giving temporary services to other organizations in the area of problem solving.

Also, the higher percentage growth in the case of flexible forms of employment can be expected among those employed outside industry and construction (II economic sector) as well as among blue collar workers.

Fourth, as regards knowledge-based institutions in the sphere of social services (education, healthcare), permanent (full-time) employment cannot be totally eliminated. What is more, demand for this particular form of employment may even grow compared to the same demand in the business sector. Educational functions and direct contact between pupil and teacher in the educational process or direct patient care (see the family doctor concept) cannot be eliminated from schools.

Fifth, full-time employees on permanent contracts may still be more often employed on a part-time basis. This does not have to necessarily lead to job growth if compensated by higher productivity.

For the sake of recapitulation of this part of article, it is worth noting that, in the case of Poland, the following factors act in favor of deregulation:

- a high unemployment rate;
- a tolerance for high risk and uncertainty;
- reluctance towards hierarchical structures;
- growing demand for knowledge workers and higher qualifications of the young generation; and
- growing percentage of employees in private sector.

On the other hand, among factors restricting acceptance and possibility of deregulation are:

- highly valued collectivism (community spirit) and social security provided by the authorities and the heritage of old political system;
- poor living standard and high percentage of the poor creating barrier for labor cost reduction through narrowing relation

- between minimum and average wage with simultaneous restriction of social benefits;
- low qualifications of a large part of employees;
- relatively strong and politically oriented trade unions acting on a sector or national level, especially in public sector; and
- insignificant growth of knowledge-based economy and small – at least in some regions – diversification of economic activity.

## 2. Labor market deregulation in the EU

Ever-growing globalization and knowledge-based economy growth both lead to some form of deregulation and convergence in HRM models.

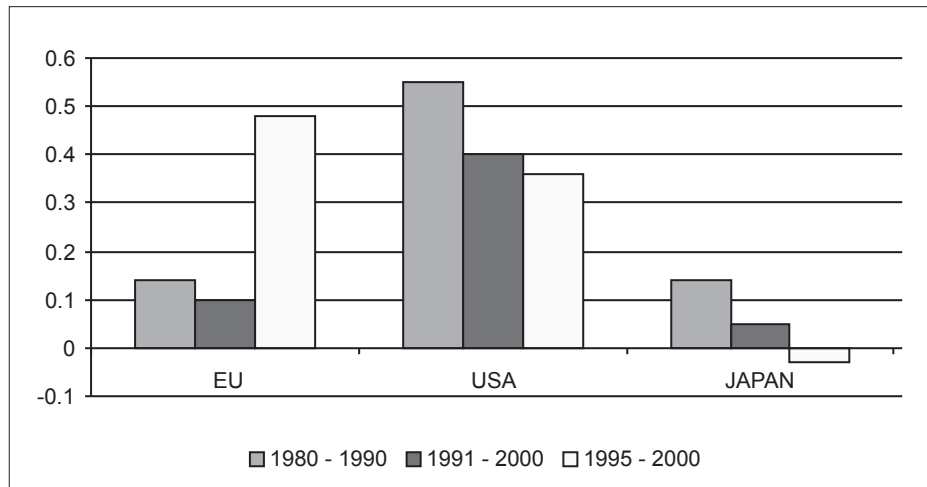
The lower the scope of market regulation, the less the need becomes for deregulation. In the case of models based on a lower degree of labor market flexibility, deregulation processes are in full swing. In Japan the pace is slow. Government regulation there is applied to a lesser degree towards the labor market, while applied to a higher degree to capital and product markets. Nevertheless, the lifelong employment and compensation package based on seniority and age is nothing but a relic of the principles worked out in huge backward companies founded and backed by the state. Deregulation is also hampered by widespread bureaucracy. The percentage of irregular employment and the extent to which pay is related to performance are growing fast.

In the case of the EU, significant growth in employment flexibility (see Graph 1) as well as a limited scope of regulation became apparent in the 2nd half of the 90s, especially beginning from the Lisbon Summit in 2000, when the primary goal was set for the EU knowledge-based economy to become the most competitive in the world, guaranteeing balanced, steady growth and social integrity. It was reflected in:

- more frequent cases of less severe regulations concerning employers, e. g., in the sphere of taxes and employment protection;
- a decentralization of some decisions so far made by the state authorities through transferring them to local authorities and/

**Graph 1**

**Employment Flexibility measured against GDP Level in the EU during the years 1980-2000.**

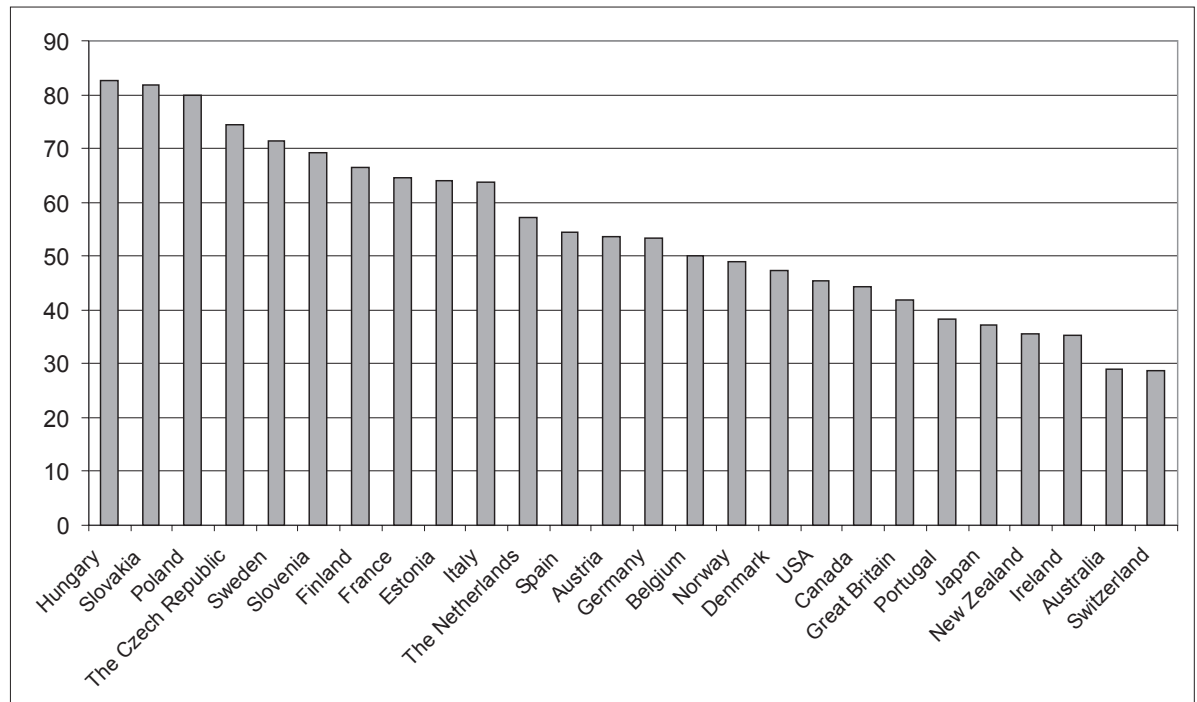


Source: *Employment in Europe 2001. Recent Trends and Prospects. European Commission. Directorate-general for Employment and Social Affairs Unit EMPL/A.1. Brussels, 2001, p. 16.*

- or submitting them to collective bargaining process;
- an importance growth of indirect regulation, creating conditions for finding proper solutions, promoting activities aimed at
- easier access to education and knowledge via ICT;
- a decentralization of labor relations, e. g., through transfer of pay negotiations at the

**Graph 2**

**Tax Burden on Labor in Selected OECD and EU Accession Countries (in %). Total Tax Rate.**



Source: Riboud M., Silva-Jauregui C., Sanchez-Paramo C., (2002), *Does Eurosclerosis Matter? Institutional Reform and Labor Market Performance in Central and Eastern European Countries*, [in:] Funck B, Pizzati L (2002), *Labor, Employment and Social Policies in the EU Enlargement Process. The World Bank. Washington D.C., p. 258*



- company level in order to better adjust them to a company's specific situation;
- a more common presence of flexible forms of employment, work and work-time organization;
- an importance in the growth of incentives connected with individual and organizational job effects; and
- creating better conditions for founding new companies, especially in high risk sectors which show innovative skills and are an important source for GDP growth. (Scarpetta 2002; Piłat 2002).

These phenomena obviously show a different intensity and scope in highly developed countries.

#### Tax wedge<sup>4</sup>

Both the overall labor taxation, and pay taxation alone are higher in the Western European HRM model than in the American (Anglo-Saxon) model. They are also relatively low in the case of Switzerland, Denmark and Norway (as regards pay tax – the Western European

model) and in Japan (Graphs 2 and 3). It may well be noted that in Ireland both forms of taxation are the lowest in the EU.

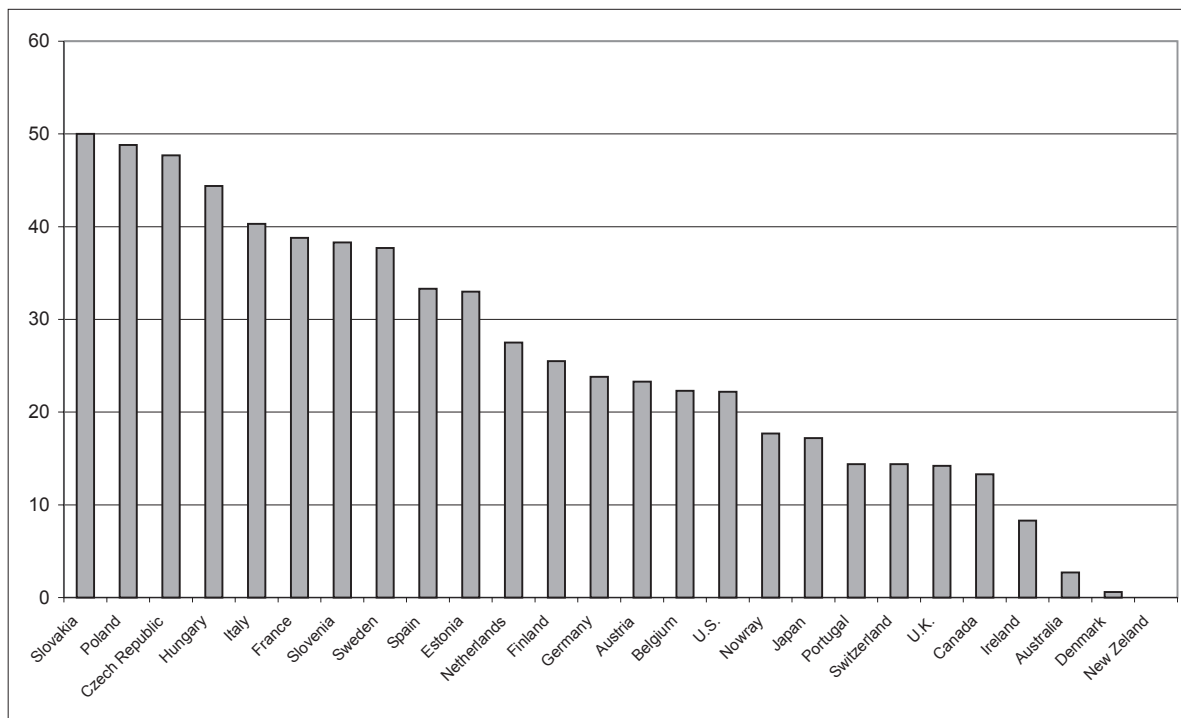
Considering the impact of taxes on unemployment reduction in the case of the least educated (qualified), it is essential that income taxation in this group of employees be lowered. Given the plausibility of this point of view, the period between 1996 and 2000 saw most Western European countries reducing taxes regarding low income brackets of the population. (Graph 4)

Taking into account average **reduction in unit labor costs**, it is well worth noting that:

- in 1999 they reached the lowest level in Greece, Italy, Portugal, and Ireland. The latter three countries show a similar level to that of Poland (Table 2). In addition, Greece and Italy showed a slight growth in these costs compared to 1995; in the case of Poland, Ireland and Portugal they distinctly fell;
- unit labor costs also fell in Luxembourg, Finland, Austria, the Netherlands and Brit-

#### Graph 3

**Tax Burden on Labor in Selected OECD and EU Accession Countries (in %). Pay-roll Tax Rate.**



Source: Riboud Met et al., (2002), op. cit., p. 258

<sup>4</sup> Covers obligatory insurance contributions payable by employers, contributions paid to the Guaranteed Employee Benefits Fund, to the Labor Fund, and contributions to the Company Social Security Fund, Income Tax (PIT), and, assuming total tax burdens, the VAT tax.

**Table 2**  
**Unit Labor Costs in Poland and the EU**

Greece	0.35	0.36	0.37	0.36	0.36
Italy <sup>a</sup>	0.44	0.44	0.44	0.44	0.45
Poland	0.50	0.51	0.52	0.47	0.45
Portugal	0.48	0.47	0.46	0.45	0.45
Ireland	0.49	0.49	0.47	0.46	0.46
Spain	0.51	0.51	0.52	0.51	0.51
Germany	0.38	0.46	0.50	0.52	0.53
The Netherlands	0.57	0.56	0.56	0.54	0.53
Austria	0.58	0.57	0.55	0.55	0.55
Belgium	0.56	0.56	0.55	0.55	0.55
Finland	0.58	0.59	0.57	0.56	0.56
Luxembourg	0.62	0.62	0.61	0.57	0.56
Britain	0.59	0.58	0.59	0.59	0.56
France	0.56	0.58	0.56	0.56	0.56
Sweden	0.62	0.64	0.63	0.62	0.61
Denmark	0.61	0.61	0.62	0.64	0.64

<sup>a</sup> In the case of Italy statistics encompass the GDP gained in "shadow economy", and they do not contain full cost calculation (Sztanderska, Liwinski 1999)

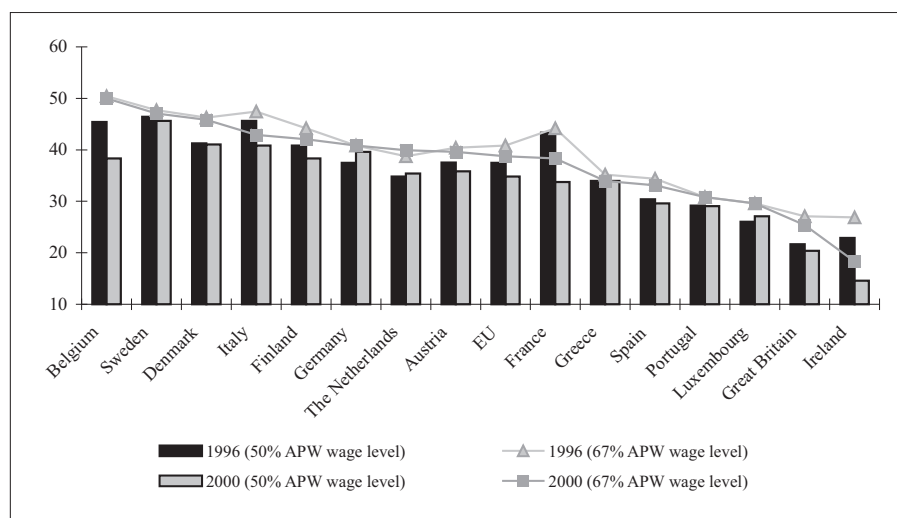
Source: Grotkowska (2002), p. 798

- in France and Spain they stayed at the same level; and

- the strongest rise took place in Germany (from 0.38 in 1995 to 0.53 in 1999), and then in Denmark.

Although low income taxation in 1996 was lowest in Britain and Ireland, the deepest re-

**Graph 4**  
**The average tax rate for a low paid single wage earner**



<sup>a</sup> APW = average wage production earnings

The EU average is a weighted average (weighted by the number of persons working in the manufacturing sector in each Member State)

Source: EC, 2001: Joint Employment Report 2001, Brussels, p.32).

duction, up to 2000, took place in Ireland and where it is minimal (Graph 4). The highest low income taxation perseveres in Scandinavian countries, Italy and Germany. France, on the other hand, substantially reduced its previously high taxation in the case of low income brackets (close to that of Italy). A smaller reduction also took place in Denmark, Spain and Britain, while a more significant reduction was seen in other countries. Such reduction did not take place in Portugal and Greece. In three countries, namely Germany, the Netherlands and Luxembourg, low income taxation brackets rose over the period, with Germany and Luxembourg showing a rise in salary taxation in the case of salaries not exceeding half or equal to half the average wage. In the case of slightly higher salaries (not exceeding 67% of the average wage), low income bracket taxation stayed at the same level. As for the Netherlands, all categories of low income were taxed higher.

### Minimum wage

Extensive research concerning the impact of the minimum wage and its relationship to average wages on employment has not led to unanimity among researchers. The research does prove, however, that such an impact can be essential in the case of the young generation (Borkowska, ed.). A relatively high minimum wage in relation to average wage, including social tax, along with low productivity among young unskilled people, especially those exhibiting a lack of experience, has become a factor discouraging employers from creating new jobs as, in their opinion, they are no longer profitable.

In Japan and Anglo-Saxon countries, the above relationship, called the Kaitz ratio, is significantly lower than the EU average and the percentage of the unemployed among young people there is also lower. A similar relationship can be observed in Spain (Western European model) as well as in the Czech Republic and Hungary (OECD, Employment... 1998).

With regard to reduction of unemployment, particularly in the case of young people, the above-mentioned relationship has been lowered in the EU countries. What is more, this relationship is only in part controlled at the central level. Still, this is the highest in

France, the Netherlands and Portugal (according to data from 1997). The same applied to Poland where this relationship was as high as (40.8%), i. e., only 1 percentage point lower than in Portugal over the same period.

As regards the EU countries, this relationship has been lowered through the introduction of the so-called “sub-minimum” wage, which in the case of Ireland and the Netherlands, is multi-layered (for different age groups). Introduction of such sub-minimum wage for younger age groups has often been associated with more widespread non-standard forms of youth employment.

### Employment Protection Legislation

In the 90s<sup>5</sup>, the level of **employment protection**, measured by means of the EPL (Employment Protection Legislation) index with the use of a method worked out by OECD specialists (OECD, 1994, 1996, 1999), calculated on the basis of 6-grade scale (Riboud et al., 2001, pp. 299 – 300), proved that the Anglo-Saxon model was far less restrictive than the Western European model. This value for the USA reached 0.7 while in the EU 2.4 (!), and in Japan 2.3. The level of employment protection measured in this way was, in the case of Britain and Ireland (Anglo-Saxon model), as well as in the case of Switzerland (1.5), Denmark (1.5), and Finland (2.1), lower than the EU average. The average or close to the average level (2.3) was found in Austria, Sweden, Belgium and the Netherlands. The highest EPL index was reported in the case of Portugal (3.7), Italy (3.4), Spain (3.1), France (2.8), Germany and Norway (2.6). The first four models belong to the Mediterranean HRM sub-model based on conflict. (Riboud et al., 2001, p. 248)

In sum, the comparison of strictness (rigidity) of the main labor market regulations in diverse HRM models shows that (Table 3 and 4) the less they are restrictive, the higher the ability of an economy to create new jobs (or to reduce unemployment). The same applies as regards the ability to develop a knowledge-based economy<sup>2</sup>. The best results are in the

<sup>1</sup> The German economy shows poor results in this sphere, labor relations being unreformed there, together with relatively high EPL and unit job costs, which are still growing.

<sup>2</sup> Investment in ICT contributed, to the highest extent, to per capita GDP growth in the USA, Australia and Finland, Canada and Britain, and to the least in Japan, Germany and France

case of a decentralized Anglo-Saxon model and in Switzerland. Scandinavian countries, with a high level of labor relation coordination, also have very good results in this area (mainly in Sweden and Finland, see Table 3). A specific correlation between EPL and labor relations model has been noticed by S. Scar-

petta (Scarpetta, 2002). A high EPL index does not have a negative impact on productivity in those countries with centralized labor relations, where high level coordination prevails (Scandinavian countries except Norway) as well as in those countries which favor decentralized labor relations (Anglo-Saxon model).

**Table 3**  
**Labor market regulation comparative analysis in selected countries**

Contents	Country									
	Portugal	Spain	Ireland	France	Germany	Sweden	Norway	Finland	USA	Poland
<b>I. Regulation Instruments</b>										
1. Taxes (2000)	low	high	very low	high	average 1)	high	average	high	low	very high
2. Unit labor costs level (1999)	low	high	low	high	high 2)	very high	-	-	-	relatively low
3. EPL Index (90s)	v. high	high	low	high	relatively high	average	high	relatively low	low	relatively low
4. Minimum to average wage relation (1997)	high	low	low	v. high	-	-	-	-	low	relatively low
5. Active counter-unemployment programs' outlays	-	v. low	high	high	high	high	average 3)	high	low 2)	low
<b>II. Socio-economic ratios</b>										
6. Annual employment growth rate (1995-2000)	relatively high (higher than the EU average)	relatively high	very high (!)	average	below average	average	-	very high	very high	very low
7. Unemployment rate (2000)	v. low	high	v. low	high	average	low	-	high	v. low	v. high
8. Intra-year productivity per hour growth rate (1995-1999)	-	high	v. high	average	average	high	-	high	high	high
9. Knowledge-based economy (GOW) advancement level	v. low	v. low	v. high	low	average	v. high	low	average to high	v. high	v. low
10. GDP growth rate per 1 employee (1995-1999)	v. high	v. low	v. high	average	relatively low	high	-	high	high	average

1) position in group of 26 OECD countries;

2) - signifies further upward trend;

3) high as compared to outlays in case of passive programs;

4) relatively low or high signifies in comparison with the EU average.

Source: Based on EC data (2001), Employment in Europe and OECD (2001), Science, Technology and Industry Scoreboard 2001, Towards a Knowledge-Based Economy.

**Table 4**  
**Macroeconomic indicators in selected countries (annual percentage change), 2000.**

Economic Categories	Country									
	EU	Portugal	Spain	Ireland	France	Germany	Sweden	Finland	USA	Poland
1. GDP (in real terms)	3.3	3.3	4.1	10.7	3.1	3	3.6	5.7	5	4.2
2. Employed	1.2	1.7	3.3	4.7	2	1.5	2.2	1.5	1.3	-0.3
3. Productivity	1.6	1.6	0.8	5.6	1.1	1.4	1.4	4.1	3.7	4.5
4. Inflation rate (CPI)	2.1	2.8	3.5	5.3	1.8	-0.4	1.3	3	3.3	-
5. Prices according to GDP deflator	1.5	3.2	3.5	6.2	0.9	-0.4	0.8	2.9	2.1	9.4
6. Compensation in real terms per 1 employee (GDP deflator)	1.4	2.3	0.6	1.6	1	-0.2	6.1	1.1	2.7	4.5
7. Compensation in real terms (CPI deflator)	0.9	2.6	0.4	1.9	0.4	-0.1	6	0.8	2.3	3.9
8. Real unit labor costs	-0.2	0.8	-0.2	-3.8	-0.1	0.2	4.7	-2.9	-1	0

Source: Based on EC (2001), *Employment in Europe*.

The highest GDP growth, seen in Ireland, Finland and the USA (Table 4), is accompanied by low taxes, falling unit labor costs and around 2% growth in real pay (CPI deflator) in the USA and Ireland, and Finland, where it is lower by half. As for productivity, it grows fastest in the case of Ireland and the USA, while

the employment growth is most important in Ireland and in Spain, where the coordination level is even higher. In Germany, both labor costs and taxes go up.

Perhaps the most important factors as regards differentiation in the sphere of GDP growth and employment levels across most of the EU countries are taxation and unit labor cost levels and then the knowledge-based economy development. In the case of Sweden (unlike in other Scandinavian countries), major importance is attached to associating the knowledge-based economy with widespread implementation of flexible forms of employment, better work and work-time organization as well as high labor relations coordination.

### 3. Labor market regulation in Poland; ways of decentralization

An evaluation of the scope labor market regulation in Poland will be based on a comparison to the EU, and it will be performed with the use of deregulation determinants.

**Tax wedge.** External obligatory tax burdens associated with labor costs are indeed very high in Poland as compared to other OECD countries. As regards income tax brackets, they are second highest (48.2% as opposed to the OECD average of 19.5%) in the OECD only behind Slovakia. Considering the overall obligatory labor costs tax burdens, they are third highest in Poland (80% as opposed to the OECD average of 45.4%) only behind Hungary and Slovakia (Riboud et al., 2002). These tax burdens even exceed the average level in the whole EU (23.5% and 53.0 % respectively) as well

as in accession countries, where this average is 43.4% and 74.7% respectively.

In addition, obligatory tax burdens on labor have been growing recently as a result of liquidating a great deal of tax relief, a tax-free income threshold freeze in the case of Personal Income Tax (PIT) or a change in classification of tax deductible costs, and, at last, as a result of higher healthcare insurance contributions as well as a doubled employer contribution to the Employee Guaranteed Benefits Fund. A further slowdown has taken place with regard to the legally defined reduction rate of Corporate Income Tax (CIT).

The lowest rates of PIT, concerning the low income bracket of the population, i. e., people having low qualifications, still remain at a relatively high level in Poland. Moreover, high tax burdens lead to growth in labor costs, which, coupled with slow GDP growth, hamper SME development and employer ability to create new jobs. Since most people having low qualifications are employed in SME, restricted development in this industry primarily results in decreased employment for these people.

According to calculations provided by B. Suchecki (Borkowska, [ed. ], 2002), a reduction in these burdens by 10 percentage points could bring about employment growth of 3% as well as a growth in vacancies of 1.8% in the first year and 2.67% in the fourth as compared to the base year. If applied only to the lowest income brackets of PIT, the effects here would be much more impressive and this is actually what happened in the EU.

A primary focus, though a purposeful one, on reduction of CIT is neither sufficient nor can it substitute for social tax reduction. The implementation of a legally defined reduction schedule has already been delayed. Employees regard their net pay as the most essential thing, whereas for employers the most important thing is gross pay, which is an element of their costs. Social tax reduction may reduce these costs without having a negative impact on the motivational power of compensation.

**Labor costs.** Unit labor costs in Poland, according to Table 2, are close to the EU level, while labor costs for every 1 employee are substantially lower. The essential quality of

these costs is, due to high tax burdening, a relatively low percentage of effective pay in their structure, i. e., the part of the labor costs constituting the main incentive for people to undertake a job, keep it, improve job efficiency and follow pursue personal development. Let me repeat here once again, Poland – and I feel strongly about this – is in need of simultaneous growth in productivity and employment.

Hence, among the actions that should be taken in order to change the labor cost structure are the reduction of external and internal obligatory labor cost burdens (internal here means imposed by collective agreements) and the introduction of pro-effective and competitiveness-oriented compensation, adjusted to company strategy.

**Employment protection.** In Central and Eastern European countries (CEEC) aspiring to join the EU, the average employment protection level proved to be the same as in the EU (2.4). In Poland specifically it was less restrictive (2.0) than in the case of the EU and the CEEC. A lower index value than this was measured only in Hungary (1.7). Anyway, the EPL index in Poland was still eight times higher than in the USA.

The value of this index has confirmed that the employment protection level in Poland was lower than in the EU even before the last Labor Code amendment of July 26th, 2002 (Official Journal no 135, pos 1146), which undermined this employment protection even further.

Nevertheless, strictness in the overall EPL index in Poland was (before the last Labor Code amendment), in fact, highly differentiated. It was higher in the case of permanent employment contracts (2.2), particularly in the case of dismissals, notice periods and amounts of severance pay (3.9) under such employment contracts. On the other hand, regulations concerning collective dismissals were, in Poland, less restrictive than in the CEEC countries while more restrictive as compared to the EU. The most restrictive, however, were principles concerning time-based systems (dismissals here were even higher than in the case of the Czech Republic and Hungary).

The impact of the EPL index on employment level calculated by A. Czyżewski (Borkowska, ed., 2002) for the EU countries is noticeable. Each EPL growth by 1 percentage point requires a GDP growth of 0.5 percentage points in order to maintain the current employment level. On the other hand, a fall in the EPL index by 1 percentage point allows for the maintenance of a steady employment growth rate, as long as GDP growth falls by 0.5 percentage point. The same relationship, if applied to the case of Poland, may be expected to create an opportunity of accelerated GDP and employment growth based on a falling EPL index.

The above mentioned Labor Code amendment has resulted in the reduction of several regulations included in the EPL index calculation. These were in fact more restrictive than the overall index for Poland or the EU and/or the CEEC countries particularly regarding severe restrictions connected with time-based forms of employment. Consequently, the percentage of the employed on such employment contracts in Poland was lower than in the EU. On the other hand, Poland was the leader as opposed to the EU and the CEEC countries in the sphere of self-employment development, which partially resulted from imposed substitution of Labor Code employment contracts with Civil Code contracts. Once this kind of practice is legally forbidden, pathological phenomena will be significantly limited, though, of course, it will bring in the verified percentage of the self-employed.

Purposefulness and the effects of minimum wage reduction are dependent on a low percentage of labor costs in the overall costs in numerous companies, particularly small ones. In 2002, out of 94 companies under research (Borkowska, ed., 2002), a quarter showed the percentage of labor costs in relation to overall costs lower than 10%, and half of them did not exceed 20%. These companies were reluctant towards further employment growth based solely on minimum wage reduction.

**Minimum wage.** An exceptionally high percentage of unemployment among young people in Poland (almost three times higher than in the EU) justifies the search for all possible ways to create new jobs in this age

group. This would thus allow for the possibility to apply a minimum wage for young workers that is lower than that applied in the case of adults. Nevertheless, the possibility for further minimum wage manipulation is limited in Poland. Firstly, the Kaitz ratio has substantially diminished over the last few years, falling, in 2001, below the level of 30% (27.14%), and this is relatively low compared to EU countries. Secondly, in accordance with the results of research conducted by IPISS, the impact of minimum wage growth on decreased employment among young people is relatively high in the youngest age group (15 – 19 years of age). It is expected that in this age group, minimum wage growth of 1% will cause a 1.7% fall in employment in the short run and a 0.63% in the long run. This impact is much more insignificant in the age group of 20 to 24 years of age and it amounts to 0.3% in the short run, while in the long run it is insignificant.

Hence, a slower than overall minimum wage growth should be considered only in the case of the 15 to 19 year old age group. A solution as such may be justified by the fact that members of this age group mostly remain financially dependent, if only partially, on their parents. On the other hand, actions should be taken to avoid a situation where the relationship between minimum wage and unemployment benefits encourages them to take illegal jobs.

**Labor relations.** Market rigidity in this field is generally measured by the level of unionization and the validity of collective agreements. The longer the contract, the higher the market rigidity. In addition, one character of negotiation priorities may also be of some importance here. The level of unionization in Poland (33.8% in 1995) (Dasgupta, 2001, p. 17) is lower than the average in the EU countries and aspiring countries, but the number of employees covered by collective agreements is among the highest (Riboud et al., 2001). It is given a grade of 3 on a three-point scale, where a low score (grade 1) means that collective agreements cover no more than 1/4 of all the employed, a medium score (grade 2) means that this percentage falls into a range between 26 to 69%, and a high score (grade 3) signifies the percentage exceeding 70%. As this coverage level is actually a decisive factor in this sphere of labor market regulation, labor

relations in Poland can be regarded as highly rigid.

This brief sketch on labor relations should be completed by at least three questions mentioned above:

**First** – the limited possibility to introduce new collective agreements or essential changes in those currently binding, necessary to adjust to dynamic change in company environment as well as to the domestic economic situation or the situation of the whole country. The results of research conducted in the Łódź region in 2000 and which covered 100 companies (Oleksiak, 2002) show that:

- as many as a quarter of the collective agreements were signed before 1995 (as a result of transformation of the former agreements), were at least 10 years old, 64% of them dated back to the years 1995 – 1997, i. e., they were 57 years old and still remain unchanged. According to management this was mainly due to resistance on the part of trade unions;
- every 1 out of 5 collective agreements guarantees better conditions than those provided for in the Labor Code, e. g., extra pay for overtime exceeding standard rates. They account for as much as 75% and 100% base pay for the first two hours while 120% to 200% for the next and for working on holidays and days-off, and as many as 42% of companies apply higher extra pay for night work;
- rigid wage structures are still in use, which in the case of 57% of companies, contain even in the blue collar worker category 11 to 20 wage grades. In 15% of companies, there are 16 to 25 or more wage/pay grades (in the chemical industry, there are even 32 wage grades). As regards white collar workers, more than half of all companies (52%) apply 16 to 25 wage grades.

**Second** – the number of new collective agreements is falling. Whereas 57 of such agreements were signed in the Łódź region in 1997, in 2000 the number of new agreements shrank to 15. The impact of private sector growth cannot be ignored here as well as the possibility to create new pay schemes/regulations, employer anxieties regarding non-flexible attitudes on the part of trade unions and, finally, difficulties in collective agreement

adjustment to the changing economic environment of companies;

**Third** – training and personal development of employees aimed at better job usefulness and at offsetting the threat of unemployment, should be placed among bargaining priorities.

## Conclusions

1. Poland faces the necessity to increase productivity and employment at the same time. **Structural changes** are needed, however, to achieve this goal. The most important change is a complex transformation of Poland coupled with an intensive knowledge-based economy and SME growth. Among factors facilitating these transformations and flexible reactions to ever-changing economic environments are, most of all, product and service market deregulation, capital market deregulation and labor market deregulation.
2. Labor market deregulation is neither the main factor for GDP growth of the economy nor is it responsible for an increased competitive advantage or capability to create new jobs.
3. Higher employment flexibility and knowledge based economy development are based on a higher educational level of employees, continuous education (development) and intensified scientific progress. These are key factors in the creation of knowledge and innovative strength of a company. All in all, it is the innovative potential of a company which determines in the end its competitive strength on the market. At the same time, there is still a need for better coordination of education (as regards its directions and quality) with market requirements.
4. The scope and effectiveness of deregulation depends on numerous factors. Hence, the implementation process should be based on mutual adjustment of deregulation and its determinants, the role being different and dependent on time and space. Although it may be influenced to some extent, most of the process is subject to long-term changes. In order to reach the



required and accepted deregulation level, proper action should be taken in advance to influence those determinants in a reasonable and coherent way.

5. Labor market deregulation is in fact aimed at the reduction of labor costs. The room, however, for substantial reduction here is very small due to the current, relatively low labor costs per employee and, most of all, to the expected relative growth of a real salary level connected with a gradual interest rate reduction preceding the EU accession followed by the growing percentage of highly paid specialists. A relative compensation growth inevitably leads to employer pressure on higher productivity. Hence, interest rate reduction alone will not create better possibilities for non-employment GDP growth. The stress should, then, be put on **a change in the labor cost structure** which would favor both productivity growth and the creation of new jobs. Thus, a need arises for a reduction in the **tax burden on labor**, accompanied by the introduction, on the part of employers, of a strategic HRM coherent with company targets.
6. As regards the easing of external burdens, there is only a narrow margin to decrease the legal employment protection level which is already relatively low, especially as a result of the latest Labor Code amendment. The level is lower than that in the EU and, after EU accession; further EU regulations will have to be applied. E. g., the EU directives concerning equalization of labor conditions in the case of flexible and standard employment will have to be applied as well as an introduction of certain restrictions regarding permanent employment contracts or allowing for longer holiday periods, etc.
7. As for the minimum wage, there is hardly any room for modifications.
8. Given that labor costs are burdened by a high social tax, a reduction in this, particularly as regards low income brackets of the population who have low qualifications and are threatened by unemployment, creates the best opportunities, insofar neglected,

for market flexibility growth as well as for higher ability to create new jobs.

Taking into account the high budget deficit and the high level of government debt, the following are three aspects well worth closer consideration:

- a) A reduction of the tax burden on labor in the case of the lowest income group of employees who principally possess the lowest qualifications and face the highest risk of unemployment. A reduction as such may be implemented through the introduction of decreased tax rates or lower insurance contributions.
- b) An association of tax breaks with higher qualifications in accordance with labor market requirements. These tax breaks would be afforded to those bearing the costs of effectively finished training, i. e., to employers or employees (though this is mostly directed towards employers as in most cases employee earnings do not allow them to cover such costs themselves). On the other hand, the probability exists that training financed by an employer will not match his/her needs and it will only increase an employee's chance of keeping his job;
- c) An introduction of tax breaks or social benefits for poor families that would be destined for their children's education in order to avoid the unemployment and/or poverty inheritance trap. An argument assuming the lack of possibilities to reduce taxes due to the high budget deficit cannot be defended in the light of experience borne by other countries, including Poland. The principles surrounding forming a company's social security fund should also become a subject of discussion. Both the minimum level and principles of implementation are regulated by law. More freedom in using this fund seems reasonable, particularly as regards combining the social criteria with job appraisal of its potential beneficiaries. Incidentally, an employee deserving such help from a social security fund, taking into account legal criteria, does not at all deserve it considering his/her job performance or unwillingness to continue

his/her personal development. A company actually keeps him/her in the job for social reasons.

9. On the **employer** side, a wide range of possibilities still exist to introduce a more flexible HRM, including compensation at the company level.

In a knowledge-based economy, human resources should not be treated as a cost to be lowered, but rather as an asset that increases the value of a company. They should be the subject of investment in order to ensure a company's competitive edge. Investing in people, unlike cost strategies based on employment reduction and diminished investments in people, signifies a leap forward and facilitates overcoming crises.

A need for substantial productivity growth and continuous education (lifelong learning) of employees involves the necessity to transform compensation systems with a view to their strategic orientation and flexibility thanks to, among others:

- a percentage increase of short and long term incentives as well as a stronger correlation with job performance;
- a flatter pay hierarchy and upgrade system accompanied by introduction of broad banding;
- the introduction of competence-based pay; and
- the creation of compensation packages based on balanced and proportionate shares of base pay and incentives components, short term and long term, cash and non-cash, including, in particular, share options.

The latter constitute an opportunity for cost-free compensation growth, higher effectiveness and a higher number of new jobs. Development in this form of compensation and long-term compensation in general are considered to have an essential impact on American success in fighting down unemployment. Therefore, the European Commission recommends development in this area as a helpful step in encouraging employment growth.

At the same time, in addition to the differentiation in lower levels of pay hierarchy, a transformation of pay systems will also lead to the further dispersion of pay in general.

A change in labor costs depending on a company may also be influenced by the development of flexible forms of employment and work-time.

10. Changes in HRM, and also a partial deregulation, at the sector and national levels heavily depends on labor relations, particularly on:
  - progress in bargaining based on cooperation and decentralization;
  - a change in bargaining priorities so that they encompass investment in human capital; and
  - creating real possibilities for flexible collective agreement adjustment to contemporary challenges and a company strategy aimed at maintaining its balanced development and competitive advantage while not disregarding employee interests.

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## The Origins and Transformation of Policy Ideas, Case study: Education Law of Armenia

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### Introduction

This study aims to explore the primary genesis of policy ideas in education legislation in Armenia. Dye (1995) outlines three important reasons for political scientists to study public policy. First, public policy helps to understand the causes and consequences of policy decisions, which in turn improve the knowledge of a society. Secondly, a deeper understanding of causes and consequences of public policy gives the opportunity to solve practical problems by applying social science knowledge. Finally public policy can be studied for political purposes: “to ensure that the nation adopts the ‘right’ policies to achieve the ‘right’ goals (p. 5).” Thus, the importance of this issue for Armenia is evident: good policy ideas are needed in order to modernize and adapt Armenian legislation to the new realities of independence and market relations. It will also help the general public to understand how policies are created and how good policy ideas can be promoted, and the study aims to foster an understanding of the origination, transfer, and transformation of policy ideas in Armenia.

This study contributes to completing the local picture of the way policy is made, a concern of perpetual interest to academics, analysts, and the community. A research project such as this can be tackled immediately in Armenia, a small country where senior politicians and bureaucrats are accessible to academics and the public in general. Moreover, the experience of Armenia during transition makes Armenia a subject of comparative analysis with other transition countries.

This study focuses on policy analysis mainly because policy analysis is an often – neglected field of inquiry that has sig-

nificant importance. While a rich body of literature has been developed dealing with particular policies, much less emphasis has been placed on discussing the policy process, especially the part of policy formation. Education is chosen first of all because education reform impacts very large layers of the population and, as a result, may be a good case for studying policymaking for general policies of the government. Despite the fact that the claim is often made that policy – making is too often only specific to the field it operates in (e. g., Ripley and Franklin (1991) ), we hope that in Armenia, with its lack of a very specialized legislature, a decentralized decision – making process and clearly identified interest groups, there are lessons to be drawn from each policy sub – system that can be generalized more or less accurately.

To appropriately address this concern, the reform should be discussed appropriately in a historical and cultural perspective. Reforms necessarily arise in particular social, economic, political and institutional contexts. The way any reform program is conceptualized, developed, defended (and attacked), and implemented will owe a great deal to previous events and practices in a given jurisdiction.

### Literature Review

Thomas Dye (1995) suggests that public policy can be learned in three basic ways. First of all, it can be described as what government is “doing or not doing in welfare, defense, education, civil, rights, health, the environment, taxation and so on (Dye, 1995, p. 5).” Secondly the causes or determinants can be studied. Thirdly, the consequences, or impact of public policy can be studied. In the contemporary world, as Dye suggests, the actions of governments and the reasons

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behind these actions are questions of great importance.

Thomas Green (1998), on the other hand, distinguishes between policy analysis, policy formation, policy decision or promulgation, and political analysis. Nevertheless, there is a distinction of practice corresponding to each activity, and each practice, moreover, has its own distinct kind of theory. He points out that the theory of policy analysis is the theory of marginal utilities. In his opinion, policy choices might be ranked according to the estimated net utilities of each. Moreover, as he explains, the theory of policy formation is the theory of inter – agency politics. It is the governmental process by which a course of action comes to be selected and actually framed, he suggests. Green points out that the theory of policy decision is nothing less than the theory of the polity itself, the theory underlying the placement of authority. And finally, according to Green (1998), the theory of political analysis is the theory of political behavior. He suggests viewing all these processes as “distinct facets of a social process.” Thus, it can be concluded that the “rational standards of policy analysis are the standards of theoretical reason, but the rational standards of policy decision and political analysis are the standards of political judgment (Green, 1998).”

As Green explains further, this difference may help to explain why it is that when the question, “What should we do?” is given a policy analysis, we may get one answer, and when given a political analysis or when rendered in a policy decision, we may get an entirely different answer. Thus, according to Green, the exercise of political judgment is a practical activity, as well as an evaluation activity. In this case, policy ideas become crucial.

The policy making process begins with a specific idea, and this idea must be turned into a resolution. Once an idea has been turned into a written resolution, it can be formally introduced to those who can initiate governmental action. According to Gray and Lowery (2000), policy ideas are the raw materials for the policy – making processes.

Policy ideas can be very unclear or can be precise about the features a program should have. People with policy ideas seek to achieve commitments from the government to put their ideas into practice. The government “has the authority to do something individuals cannot do: it may legitimately coerce citizens to consistently contribute to the realization of an act with the commitments it has made (Gray and Lowery, 2000).” Once political choice has been made, policies must be carried out: this is generally their responsibility.

As Kelman (1984) suggests, the final actions that emerge from the early stages of the policy – making process are the government’s last shot at affecting what goes on in the real lives of its citizens.

The nature and source of policy ideas was thoroughly analyzed in Kingdon’s classic book, *Agendas, Alternatives and Policies (1984)*. In a very influential attempt to describe the genesis of policy ideas, Kingdon states that political decisions emerge from the interaction of three streams: political events, problem recognition, and policy proposals. The balance of importance between political events, problem recognition and policy proposals, and the way the three streams interact will vary from setting to setting. These streams are largely independent of one another, and each develops according to its own dynamics and rules (Kingdon, p. 20).

Within each of these streams, additional work has been done in this study to define key elements. Political events are often under – emphasized in analyses of education policy because they are so unpredictable. The outcome of political processes, however, according to Levin, can be affected strongly by factors such as stages in the political cycle, the internal dynamics of the governing party, the personalities of important actors, the nature of the relationships between key players, and unanticipated events or crises.

According to Gray and Lowery, Kingdon’s main contribution to the policy process literature was to link the agenda formation stage to the policy formulation stage.

He found that the “visible cluster” of actors, mainly elected officials, is most influential in setting the agenda, while the “invisible cluster,” mostly the policy community, is more influential in formulating policy alternatives. Since the agenda is always crowded and financial resources are always limited, policy entrepreneurs are critical in keeping policy proposals alive.

In reformulating the garbage can theory, Kingdon argues that the legislative process is made up of various streams (including problems, policies, and politics). Solutions float around without problems, problems don't have solutions, and the politics of the situation may be all wrong. But, when these streams converge and a policy window opens, politicians – or, in Kingdon's language, “political entrepreneurs” – are wise to strike at the opportunity to change existing laws or to implement new policies.

As Kingdon (1984, 72 – 73) maintains:

*We have discovered that as we move from one case to another, we have difficulty discerning a pattern to the origins. It is also true that within a given cause when we try to track down the origins of an idea or proposal, we become involved in an infinite regress. An idea doesn't start with the proximate source. It has a history. When one starts to trace the history of a proposal or concern back through time, there is no logical place to stop the process.*

Furthermore, according to Levin's (2001) analysis, the problem recognition involves a variety of influences bearing on political decision makers and on each other. One important set of influences is found within government itself, including both political and bureaucratic elements. Within government, political sources of problem recognition can include individuals in key roles (such as ministers, governors, or members of a legislature), political parties and their associated bodies, legislatures, and central agencies of government (such as finance units or central policy units). Sometimes policy issues emerge not from the particular policy area but as a result of broader government agendas, such as a focus on reduc-

ing expenditure. Problem recognition also emerges from the apparatus of government as various agencies try to convince politicians of the importance of particular issues or problems, or expand their own influence and budget, or manage external pressures. Levin (2001) also emphasizes the importance of external influences on the definition of problems which are wide ranging. They can arise through various consultative processes as well as through formal and informal lobbying efforts made by many different interests.

One of the more important questions in this regard is the getting an issue onto the legislative agenda. In a paper presented at the Annual Conference for the American Political Science Association in 2002, Sean Theriault attempts to describe how an issue makes its way onto a legislative agenda in the US. Theriault (2002) analyzed the articles written in *Congressional Quarterly* in order to understand the problems of getting onto the legislative agenda. This is a very good source and each major piece of legislation considered was reviewed, because, as the author explains, the publishers of these volumes almost always provide sufficient information to determine how the issue can occupy the time and attention of representatives, senators, and presidents. The materials were categorized according to their significance and further analyzed.

Theriault (2002) outlines five categories:

- renewal;
- long – term issues;
- congressional initiatives;
- presidential initiatives; and
- scandals, events, and instigators.

Several political scientists have warned against even attempting such categorizations. “The causes of change,” according to Baumgartner and Jones (1993, p. 242), “are much more complex than the behaviors of any single actor.”

Theriault suggests that some public policy issues have extended stays on the legislative agenda. The issues reoccurring with great frequency or lasting for several Congresses are what he classifies as “long

– term issues.” Long – term issues arrive on the legislative agenda through one of two ways. The first way is that the issue is a perpetual political issue. The second way is when a piece of legislation fails in the previous Congress and then it usually receives a free ride to the agenda in the following congress. At some point, the legislation is either jarred loose from legislative gridlock and is passed or gets so marred in the process that it loses its political punch and is dropped from the agenda.

Theriault also focuses on the congressional and presidential initiatives. As he points out, Members of Congress frequently spearhead particular legislative causes. Issues classified as “congressional initiatives” make their way onto the legislative agenda only through a particular member’s efforts. It is not enough for a member to champion the cause once it is on the agenda; the member has to be crucial in getting the issue on the agenda. Once an issue finds its way to the agenda, but is unresolved and maintains its place on the agenda in the succeeding congress, it is classified as a “long – term issue.”

Theriault points out that congressional initiatives are those issues that had either, previously, not ever been on the agenda or had not been on the agenda for several congresses. Moreover, as he suggests further, congressional initiatives, even if they aren’t initially successful, usually bear the name of their primary sponsor. For the presidential initiative, as Theriault defines, the legislation frequently comes from the president’s office.

For transition countries, as well as European countries, policy genesis can very often be a result of policy transfer. Bennett (1991) outlines four possible causes behind convergence: (1) emulation, (2) harmonization, (3) elite networking and policy communities, and (4) penetration. Policy transfer is not simply copying or emulation. There is also the “value of learning about different concepts and approaches rather than specific policy designs (Wolman, as cited in Bennett, 1991).” Policy transfer of specific ideas or programs is often underpinned by a deeper and prior process of learning.

Emulation, also referred to as “policy band – wagoning (Ikenberry, as cited in Bennett, 1991),” means “borrowing ideas and adapting policy approaches, tools or structures to local conditions (Bennett, 1991).” In his opinion, emulation entails looking at overseas situations and practices, thus using another nation as an example. Thus, according to Bennett, the decision – making elite in one country believes that the import of innovatory policies developed elsewhere will be similarly successful and bring economic benefit or electoral advantage.

The second process, harmonization, is a process of direct relevance to European experience (Bennett, 1991). Convergence, according to Bennett, is driven by a recognition of interdependence and is “promoted and sustained by supra – national institutions such as the European Commission issuing regulations and directives, and involves some sacrifice of national autonomy and sovereignty (Bennett, 1991).”

According to Bennett, elite networking and interaction via transnational policy communities is another route of policy transfer. Policy transfer occurs when transnational groups of actors share their expertise and information and form common patterns of understanding regarding a policy. This creates an “international policy culture (Ikenberry, as cited in Bennett, 1991).”

Penetration of policies can also arise from the actions of international organizations (Biersteker, as cited in Bennett, 1991). Penetration or coercion is of least relevance to think tanks. As they are usually non – governmental organizations, think tanks do not have the authority to enforce policies on other political systems. As Kingdon (1984) points out, think tanks play a considerable role in policy – making processes in the US. They can, however, provide the intellectual arguments and justifications to legitimate such interventions. In transition countries, however, such as Armenia, “traditional,” US – style think – tanks with more or less permanent funding and core activities either do not exist or their role in policy – making processes is quite limited.

## Hypotheses

Taking into consideration the reviewed literature, as well as the state of Armenian politics with its features of not very developed special interest groups, rather loose policy issue networks, an underdeveloped policy advice community, and a rather significant influence of donors and international organizations, the following hypotheses were developed for this study. The first hypothesis is the assumption that for education legislation in Armenia, the primary genesis of a policy idea is either the experience of a Deputy of the National Assembly of Armenia or of his/her constituents. The second hypothesis implies that for education legislation in Armenia, the primary genesis of a policy idea is the practical experience of the executive. And, finally, the third hypothesis is the assumption that for education legislation in Armenia, the primary genesis of a policy idea is the experience of international organizations (the World Bank, UNDP, and others) and/or foreign countries (most notably represented by such organizations as USAID, TACIS, or the experience of Armenian specialists in other countries—most notably Russia). In the other words, it is the desire of harmonization with other countries or compliance with regional (mostly CIS), international or European standards.

## Methodology

The aims of this study are addressed through an explanatory case study. This case study was developed from evidence gathered concerning the adoption of the Law on Education in Armenia. There are two main sources of evidence: documentary and personal interviews. Documentary sources included the review of Laws on Education in Armenia, Russia and other countries, as well as various documents (letters, notes, minutes) from the National Assembly, the government of Armenia and independent experts.

Interviewee selection and interview instrument development was based on the Kingdon survey and related literature. Most key policy – makers in the field of education in Armenia were approached. The first set

of interviews involved the people who are key decision makers such as the Chairman of the Standing Committee on Education, Health, Science and Youth of the National Assembly and the Deputy Minister of Education, as well as the Head of the Legal Department of the government of the Republic of Armenia. Moreover, interviewees were asked to identify other contributors to the policy process who should also be interviewed. They included experts from the Standing Committee of the National Assembly on Education, Science, Youth and Sport, the Advisor to the Minister of Education, as well as experts from that Ministry and some staff members from the Ministry of Education. Also, an ex – Chairman of the Committee on Education, Science and Youth was interviewed. With each individual, the level of his or her involvement was agreed upon.

A series of interviews were conducted from September 2002 through February 2003. The interviews took between two and three hours each. The interview questions were asked under two broad headings: (a) establishing the interviewees' part in the process. For example, interviewees were asked how they would explain the changes and amendments in the Education Law, sources of ideas and influences, level of support for the policies; and (b) looking for interviewee analysis of various aspects of the changes. For example, what were the main purposes of the changes, who initiated the ideas, who were the key influences, what part they played, and what were the circumstances that influenced progress. The interviewees were asked the following questions:

1. How did policy makers in the National Assembly of Armenia identify a problem or an issue as something that needed to be included in the law?
2. Where did they turn when they were crafting a possible legislative solution to the problem?
3. Through what strategies were the changes adopted?

The Education Law of Armenia was adopted on April 14, 1999. It took a very long period of time, more than eight years after Armeni-



an independence in 1991, to write the initial draft of the law. During these years, several changes in political actors occurred as well as changes in economic and social conditions. It is not surprising, then, that often the accounts of the main political actors about the evolution of policy ideas in the Education Law have been contradictory—not only in terms of the quality of different drafts, but also of causes and actors shaping the events. In order to obtain a more complete and real picture, the flow of policy ideas was analyzed in two directions. In order to track the flow of policy ideas, a brief overview of the organization and structure of education in the USSR was done. Afterwards, the sources of policy transfers and origins of policy ideas were analyzed in the module laws of FSU countries. Moreover, the Russian Law on Education and Armenian Law on Education were compared to each other in order to distinguish similarities in the structure, content and logic of these laws.

After establishing the sources of policy ideas for the current Education Law of Armenia and accessing the extent of policy transfer in it, the second part of the analysis was conducted to track changes in policy ideas once the Education Law was adopted. In the second part, an analysis of changes and amendments in the current Educational Law was made and the reasons behind these changes were explored and classified. The results were discussed with key – policy makers, and their opinions were also analyzed in order to understand the logic behind these changes.

### **Background: Independence and Afterwards**

As other constituent parts of the Soviet Union, the Republic of Armenia also enjoyed the well organized, tightly controlled and science – intensive system of state run education that the Communist system constructed. The people of Armenia were well educated. Education was not only accessible to all, but to a certain extent also mandatory, since the school was viewed as a very important tool for socialization and ideological indoctrination. According to Article 121

of the constitution of the Union of Soviet Socialist Republics (USSR), all

*citizens of the U. S. S. R. have the right to education. This right is ensured by universal, compulsory elementary education; by education, including higher education, being free of charge; by the system of state stipends for the overwhelming majority of students in the universities and colleges; by instruction in schools being conducted in the native language, and by the organization in factories, state farms, machine and tractor stations and collective farms of free vocational, technical and agronomic training for the working people.*

The break – up of the Soviet Union, the forming of independent states and the introduction of a market economy brought with it a truly novel situation for the republic, and the educational sphere faced a number of problems. Education had to be redesigned and modified to suit the new conditions and the new demand for knowledge in other fields such as foreign language and market economy.

Following the breakdown of the Soviet Union, the old education system continued to work by default. The state of education, though, proved to be inadequate to meet the demands of Armenia’s social development. Meanwhile, it became obvious that the social and economic development of the country in the long run strongly depended on the state of education. It was widely acknowledged that centralized administration, bureaucratic obstacles, obsolete education technologies and ideological contents became an impediment to developing the society.

During transition, the crisis of educational system was among many problems in Armenia. Lack of funding, as well as a lack of textbooks, freezing classrooms in winter, and very small salaries for teachers rendered the previously well – functioning educational system totally defunct. Before the collapse of the USSR, the curricula, textbooks and instructions were received from Moscow. Everything was planned: the duration and content of each lesson

and no adjustments were made to fit local conditions. Even exams were universal for the whole territory of the USSR. This huge mechanism operated with considerable efficiency and Soviet education, discounting heavy “ideologization,” was among the best in the world.

The post – Soviet education system in Armenia experienced many problems such as ineffective education management, an insufficient legal and standard base which failed to encourage market mechanisms in the education sector, and deteriorating knowledge. The need for educational reforms was clearly understood by the government of Armenia. However, the new education law was adopted only after 8 years of independence, and this long period of discussion was a result of various factors.

After the collapse of the USSR, the first conference of Ministers of Education from CIS countries was held in Tashkent in October, 1992. In order to facilitate information exchange in the field, different legislative and sub – legislative acts of various CIS countries were published in the collection. There were three volumes in this collection. The first includes the Law on Education from the Ukraine, Latvia and Lithuania. The second volume contains Laws on Education from Belarus, Kazakhstan and Estonia. The third volume contains the Law on education from Uzbekistan and Russia. Analysis of the module laws shows that all of them followed a similar pattern.

Even though the reality of the educational systems had changed, the approach to the organization of education was not changed; moreover, the old Soviet framework dominated in these legislative acts. Despite Armenia’s participation in the conference, no education law was developed at that time.

In July 1995, the Constitution of Independent Armenia was adopted and article 35 of the Constitution declared that

*Each citizen has the right to education. Secondary education is free of charge in state academic institutions. Every citizen has the right, on a competitive basis, to receive higher and other specialized*

*education in state academic institutions free of charge. Regulations concerning the establishment and operation of non – state academic institutions are provided by law.*

In fact, the law mentioned in the constitution was adopted only four years later. In 1995, the government of Armenia introduced regulations for educational institutions, which had previously operated on temporary and not fully developed regulations. The 1997 Government initiated the program of “changes in the management and financing of education” which was primarily aimed at contributing to the process of decentralization of educational institutions, at improving the legal base for self – governance of schools and also at introducing effective ways of using budget money. Also, various governmental decrees were adopted in 1998 – 2000 in order to facilitate the decentralization of educational institutions, effective management and experimental programs in the field of education. According to a UNDP report, between 1997 and 2000, 85 types of textbooks and 34 teacher’s manuals were approved and published (most of them through World Bank sponsored programs). Until 1999, the education system in Armenia was regulated via various often contradicting governmental decrees and regulations, and this situation led to negative consequences. However, there was not one but many drafts of the Education Law though all of them failed to make their way to the National Assembly of Armenia. One of the main reasons for this failure was either the lack or the absence of “policy entrepreneurs – people who are willing to invest their time, energy, and reputation in policy – making” (Kingdon, 1985) in the field of education.

## **Drafts of Education Law**

Policy entrepreneurs can come from different backgrounds as Kingdon suggests: they could be inside or outside the government, in an elected or an appointed position, as well as part of interest groups or research organizations (Kingdon, 1985). Research organizations and interest groups are still not engaged in active policy – making in Ar-

menia. Their voices are too weak to play a considerable role in policy making. And the adoption of the Education Law can serve as a perfect example of that.

Perhaps no single law was written and rewritten as often as the Education Law of Armenia. For eight years various policy makers contributed to the process. One of these attempts was undertaken by the Chairman of the Standing Committee on Education, Science, Youth and Sport of the National Assembly of Armenia from 1990 – 1995. According to his personal interview, the draft of the law was developed in accordance with the realities of Armenia, and was an independent work rather than a work of emulation. It did not involve any policy transfer, or the borrowing of ideas from the legislation or experiences of other countries.

Analysis of this draft law showed that it consisted of 12 chapters and had a clear structure. First, the general provisions were presented, and then in Chapter 2, the general principles of an education system organization were described. Chapters 3 and 4 explained the structure of the educational system in Armenia and the principles of the functions of the educational system. The following chapters explained the organization principle of various types of education: preschool, secondary education, special education, out – of – school education, professional and higher education. The eleventh chapter provided for the social – economic guarantees of education; and the last chapter dealt with the administration of education by government.

A brief analysis of this law and the present Law on Education (passed in 1999) shows that the former addresses the current problems to a greater degree, whereas the latter is evidently similar in organization and logic with the Russian Educational Law. What are the possible reasons for this failure? Initiators of this particular draft mentioned two reasons: 1) the absence of deputies at the three days of sessions and when the bill was finally put to a vote (19 – 21 June, 1995). This resulted in not reaching a quorum and 2) the unwillingness of certain deputies to vote for the draft and, moreover,

their purposeful blockade of the voting. Although this can be explained by the fact that at that time, in an extremely fragmented Armenian parliament, the main sponsors of the bill were from the opposition, it was also due to the fact that many of the people elected to the first Parliament of the Republic of Armenia (among them, sponsors of the bill) were amateur politicians who were swept into Parliament during the first ever free elections in Armenia on the wave of democratization but who were unable to master the art of bargain and consensus. It is interesting to note the fact that during preliminary meetings with other deputies, the draft was readily accepted but it failed during the vote at the National Assembly. Due to various political reasons, often quite different from educational reasons, the “window of opportunity” was not used.

### **Policy genesis of the changes and amendments in the Education Law of Armenia**

However, even after rejection of the draft, the need to have an Education Law did not vanish. New “policy entrepreneurs” started to formulate the Education Law, which was finally adopted on April 14, 1999. Analysis of the law shows a considerable similarity to the Russian education law in content, structure and logic. This time, a substantial number of debates, extensive publication of the draft law in the national newspapers, and meetings with teachers and parents were conducted. According to the director of an NGO center, there was even a grant program, especially aimed at facilitating the active participation of citizens in the discussion on the education law. However, this grant was relinquished after some time because no results were achieved. Moreover, during the discussions on the law, many letters were received in the Standing Committee of Education, Science, Youth and Sport with suggestions and changes. Some examples include letters from rectors of private and state educational institutions, and from ordinary citizens and teachers, expressing their wishes and thoughts, and even more seldom, clearly identified suggestions. However, the analysis of the law shows that

these particular suggestions were not taken into consideration while developing the final version.

The pressures of time and the urgent need to present the law to the National Assembly (it was a month before the new elections, and the Government was in a rush to pass every law it had promised to pass regardless of how much extra “cooking” it needed), as well as more successful “political rather than policy entrepreneurship” made it possible finally to adopt the Education Law. However, even at the moment of adoption, the future shortcomings of the law were quite clear to all the main participants. The Ministry of Justice of Armenia endorsed the adoption of the Education Law on the condition that it would be reviewed and changed after at least two years of implementation. We were unable to trace the exact source of the decision to emulate the Russian law. There was, however, a widespread perception that five factors had an immediate impact on this solution:

- By 1998, although many changes had occurred in the system, there was no systematic conception of what the system should be;
- Many policymakers in the field of education had been highly controversial and as a result, discredited the ideas of reform altogether;
- After the 1998 change of political leadership in the country, there was a discontinuity in leadership in the field, but a desire to show some productiveness;
- Because of different factors (language availability, structural similarities, etc. ), when Armenian policymakers were pressed for time and did not have targeted donor – provided technical assistance, the first source they consulted was similar Russian legislation; and
- The most vocal interest group – in this case, academics from universities – were “molded” by the Soviet system, and instinctively were drawn to a more familiar and more rigid system as exemplified by the Russian law.

The state program for the development of education in the years from 2001 – 2005 has outlined ten basic problems faced by the system of education in Armenia. Inadequate and insufficient financing of the educational system is the major problem, as a lack of finances is the most powerful factor affecting all aspects of the educational system. Imperfection and incomplete implementation of the Law on Education is another serious problem. As was noted before, this law has serious imperfections and the current educational program recognizes this. Another problem is the imperfection of the administrative system, as well as an absence of horizontal links between various units of administration. Moreover, the slow path of integration into the international education system and also non – competitiveness in Europe pose serious challenges for education in Armenia. Other problems include accessibility and the spread of education throughout all layers of society, non – professionalism and a shortage of teaching personnel, a lack of adequate materials and teaching resources, and the inefficient operation of the educational system. Furthermore, non – compatibility between the structure and content of the educational structure to the new realities of free market economies should be overcome.

The state program for development of education in 2001 – 2005 explains the imperfection of law by the fact that it was adopted on the basis of already existing legal and sub – legal acts regulating the field of education, without revising and regulating them. So the law did not create a logical framework with clear principles for educational organization, but rather was incorporated into the existing framework. This original limitation of the law serves as an explanation for the large number of changes that occurred afterwards.

The Law on Education changed many times in the course of three years. The changes were studied according to source:

- 1) initiatives made by Members of the National Assembly, and
- 2) Government initiatives.

A detailed analysis of these changes shows that governmental initiatives were more strategic and aimed at questions of greater significance, whereas the members' initiatives were rather temporary and addressed towards problems of relatively less import. Moreover, this analysis shows that, although other actors such as interest groups, NGOs, unions, etc., can theoretically contribute to law making and formulating policies, their opinion is rarely considered in law making unless they are successful enough to lobby their case through the main governmental agency responsible for the field, i. e., the Ministry of Education.

In order to more deeply assess the reasons behind these changes, official files were accessed. According to current Armenian legislation, in order to be considered on the Parliament floor, each change in the law requires a written request which explains the aims of the proposed changes, describes their influence in general and also states the implication it will have on the budget.

Whereas deputies write a request to make an amendment to the Chairman of the National Assembly (with the subsequent opinion of the government attached during the discussion on the floor), the government initiative is usually initiated by the Deputy Minister of Education, who is in charge of developing legislation in the field of education. Afterwards, the letter with the proposed amendments is sent to the Ministry of Finance to verify budget spending on the proposed change and to the Ministry of Justice, to verify the content of the changes. Usually, the Ministry of Justice gives certain advice on all drafts; however, they are usually not content – oriented and mainly deal with non – contradiction of the laws, and closely follow the legislative wording of the proposed amendments.

In an attempt to explore the reasons behind the amendments, various papers were analyzed. The selection of the analyzed papers is a matter of availability, as it was not possible to find these kinds of reports for all the changes in the Education Law.

### ***Amendments initiated by deputies.***

The amendments were thoroughly studied and classified into the following categories: 1) non – significant changes, which did not change the overall meaning of the sentence, but rather added, omitted or paraphrased the content; and 2) significant changes, which completely changed the meaning of the particular clause of the law. The classification was verified with key policy – makers during the interviews.

An example of a non – significant change is the amendment in Chapter 3. 1 of the Law where in the sentence “Education is a process... which is aimed at sustaining knowledge for new generations,” the word “new” was omitted. The second type of change occurred in Chapter 3. 4 (The basic definitions used in this law). This is an example of a change in wording, which has an important change in meaning. In the sentence an “Educational institution is a governmental organization or legal entity that conducts one or more educational programs,” the term “governmental organization or legal entity” is changed to the word “structure” and reads as an “Educational institution is a structure which conducts one or more educational programs.” This change is significant because it makes the definition of what an educational institution is more general than before. This change was proposed by the Government and removed any limitations in the definition of educational institutions.

There are several significant changes in the Education Law of Armenia initiated by deputies. An example of such a change is the Education Law passed on April 25, 2000. The main reason behind this amendment was to organize the work of the student council in institutions of higher education. This amendment was proposed by young deputies, members of the Student Council, and was aimed at preventing rectors from placing loyal people on Student Councils (# 28. 5 of the law). Another change proposed by this group allowed students to pay biannually (# 28. 6 of the law). This change can be viewed from two angles: 1) how policy ideas passed from student meetings

to members of the Student Council and then onwards to the Deputy of National Assembly, who was also a member of the Student Council, or 2) how a particular member of a Student Council tried to solidify his/her power base.

Another example of change is an amendment initiated by a group of deputies who proposed an amendment to the educational law on May 18, 2001 to add a new paragraph to Article 49. The policy idea for this change came from letters of citizens and the personal experience of deputies (most importantly, the speaker of the Parliament strongly supported the cause, since his father owns and runs such an institution). This amendment was aimed first of all at solving the problem of recognition of diplomas of non – state (including non – licensed) educational institutions (in Armenia, most of these institutions lack both sufficient facilities and permanent staff of core lecturers, and are not known for good quality). Moreover, the amendment aimed at helping diploma recognition not only for current graduates but also for alumni of these institutions. With this change, the huge problem of diploma recognition was successfully resolved. The amendment was ratified on December 19, 2002, and recognized only certified institution diplomas and only those after certification. The seeds of this amendment actually came from a 1999 law which provided for certification of such institutions. It is interesting that this certification process itself was a matter of controversy.

In an attempt to initiate amendments in the Law, a group of deputies proposed a change to article 37. 5 of the Law on Education on November 28, 2000. This amendment aimed at increasing the oversight function in the process of appointment and dismissal of directors of educational institutions. This change intended to insure merit – based appointments and eliminate nepotism as well as other non – democratic appointments. Again, the policy idea for this change came from the personal experience of deputies, as well as from calls and letters they received from constituents.

Changes were usually proposed by a group of deputies who shared some occupational or other background and who held meetings and proposed the amendments. Sometimes only one National Assembly deputy initiated various changes. For example, a deputy proposed an amendment aimed at increasing the authority of educational institutions, and also at increasing the morale of educational institutions and improving the efficiency of the educational process. The amendment was adopted on December 15, 2000. The same deputy proposed a change in Articles 6. 4 and 50. 2 of the Education Law on December 20, 1999. This change was aimed at improving the social status of children in elementary school classrooms as well as at improving the social status of teachers and raising their authority and recognizing their work. The change was adopted on November 27, 2000. The deputy explains the genesis of policy ideas for these amendments by his immediate involvement in the educational process and also his responsiveness to his constituency.

Some amendments are driven by a desire to harmonize with other institutions (usually with CIS countries but there are other cases as well, such as the introduction of a Master's degree from Western, or more precisely, American universities). Actually, the Armenian law is quite interesting from this perspective because it has the desire to harmonize both with the West (usually in order to attract donors for universities) and the CIS (since there is a very large level of labor mobility). The system created in higher education, for example, has incorporated both the standard Soviet diploma – the Candidate of Sciences and Doctor of Sciences degrees and the Bachelors, Master's and PhD degrees, equating the PhD with the Candidate of Sciences. Thus, the new hybrid has more, often overlapping levels of degrees than either of those in the West or in the Soviet Union. Although the discrepancy is obvious, the lobby from “tenured” professors to maintain the existing pecking order in academia is so strong that the adoption of a more streamlined system is rather unrealistic (unless there is some type of

**Table 1**  
**Typology of Amendments to the Law**

	Significant	Non-significant	For the purposes of harmonization	Total
Single Deputy	3	1	2	4
Group of Deputies	9	2	2	11
Parliament in total	12	3	4	15
Government	28	0	7	28

international standard the Government has to comply with).

**Government initiatives**

On August 6, 2001, the Government introduced the biggest package of amendments it had ever initiated. It included 28 amendments to various articles in the Law on Education. The main reason for these changes was the fact that after two years of implementation, the need for practical changes was identified. According to policymakers in the Ministry of Education, the need to edit or correct certain articles of the law was evident. All the amendments aimed at contributing to the systemization and better administration of the educational system. As noted in the reference, amendments do not imply any additional spending from the budget. However, other amendments require some additional financing, but in the long run the implementation of changes will generate more savings. Interestingly enough, on its way to the Parliament, neither the bill nor the original law went through close scrutiny from the Prime – Minister’s office, or any other Ministries for that matter. Essentially, “core” policymaking is left to the Ministry of Education.

The package was adopted on August 16, 2001. One of the changes dealt with special education. For many years, a special law on the rights of disabled and parentless children was discussed, but because the draft of that law is not included in the agenda, an amendment was made to temporarily fix the problem.

**Summary and Conclusion**

One can detect the general pattern of the above discussion from Table 1.

As we can see, most of the amendments were initiated by the Government and were wizeden by the knowledge of implementation. In about 25% of all cases, policymakers both in the Parliament and the Government tried to emulate policies from other countries. In most of the cases this was aimed at harmonization with CIS countries, and most particularly, Russia. Perhaps, as a “necessary by – product” of occupation, members of the Parliament, though generally trying to make important changes, in 20 percent of the cases could not resist the temptation to make declaratory statements. Since none of the amendments proposed by the deputies could be tied together with other amendments into a coherent story, one can suggest that the existence, activities and representation of special interests in Armenia is quite weak. In most cases, deputies represent some individuals or organizations, but usually not organized interest groups. This leaves the Government, and particularly the Ministry of Science and Education, in charge of setting the strategy for educational policy in Armenia.

The hypotheses for this study were the following:

- In Armenia, the primary genesis of a policy idea for education legislation is either the experience of a Deputy of the National Assembly of Armenia or the experience of one or more of his/her constituents.**

Taking into consideration the information obtained during in – depth interviews with policy – makers in Armenia regarding the genesis of policy ideas in the Education Law, as well as after completion of content analysis of written reports of lawmaker initiatives, it can be stated that the personal experience of a deputy of the National Assembly and/or his/her constituents plays a considerable role in formulating initiatives. However, overall, the experience of deputies and his/her constituents does not play a strategic role in lawmaking processes because these changes are small in number and in scope. Deputies usually change something in the law; however, this requires more time and effort for them than for the government and although these changes are for something important, they never have strategic implications. Actually, we can say that, although the experience of lawmakers (or their constituencies) does influence the origin of policy ideas, because of the government – dominated policy process, these ideas usually do not have a significant impact on the general logic of policy; they are rather fine – tuning instruments to allow for some special interests.

**2. In Armenia, the primary genesis of a policy idea for education legislation is the experience of the government.**

This hypothesis is absolutely correct. The government has initiated twice as many changes than the Parliament, and all of them quite important. The genesis of changes is an immediate experience of the government gained and systematized during implementation. The governmental amendment package introduced in 2001 serves as an example. Moreover, it should be added that these amendments were strategic and have a long – term effect.

**3. In Armenia, the primary genesis of a policy idea for education legislation is driven by the desire to harmonize with other countries.**

The drive to emulate the policies of foreign countries (whether a single country or a group) is quite significant.

It is because of both a lack of ideas (and relevant experience) and a drive for harmonization. Emulation is most obvious in the development of the Educational Law in 1999, and still remains quite an important factor during the phase of further improvement of the law when the desire to harmonize with existing legislation in foreign countries, namely Russia, is evident. However, there is also an attempt to keep track of changes in European countries, with Armenia hoping to join European cooperation structures some day.



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## Appendix A

### List of persons interviewed (in alphabetical order)

Avetisyan, Ara – Deputy Minister of Education, February 2003

Gevorkyan, Nerses – Advisor to the Minister of Education, October 2002

Hakobyan, Marine – expert of the Committee of the National Assembly on Education, Science, Youth and Sport, October 2002

Hayrapetyan, Susanna – Expert, World Bank, October 2002

Kocharyan, Shavarsh – Chairman of Committee of the National Assembly on Education, Science, Youth and Sport, October 2002

Khazaryan, Rafael – ex – Chairman of the Committee of the National Assembly on Education, Science, Youth and Sport, October 2002

Manasyan, Heghine – Resource Director, Eurasia foundation, October 2002

Manasyan, Nvard – expert of the Ministry of Education and Science, October 2002

Ossikyan, Artur – Head of Legal Department of the Government of Armenia, November 2002

Petrosyan, Artashes – ex – Minister of Education, October 2002

Philiposyan, Margarita – NGO center director, October 2002

## Information for Contributors

The *Occasional Papers* are devoted to public administration and public policy issues based on empirical research carried out in Central and Eastern Europe.

### **Papers**

Decisions about the publication of a manuscript are based on the recommendation of the main editor and an additional review process conducted by two appropriate specialists from a relevant field. The main editor and/or deputy editor selects these specialists.

Submissions should not have been published previously and should not be under consideration for publication elsewhere. Papers presented at a professional conference qualify for consideration. The submission of manuscripts that have undergone substantial revision after having been presented at a professional meeting is encouraged.

### **Components of a Policy Paper**

#### **Presentation of the Issue**

What is the problem that requires action?

#### **Scope of the Problem**

What is the history and current context of the issue? How did it become an issue? Who is affected and how severely?

#### **Consultations**

What are the views or positions of groups who will be significantly affected? What are the concerns of other ministries/agencies who will be affected?

#### **Options for Consideration**

What three or four distinct options should be considered? What are their implications? What are their advantages and disadvantages?

#### **Additional Issues:**

Consistency with the government's priorities; the effectiveness of available options in addressing the issue; the economic cost-benefit; the effects on taxpayers; the impact on the private sector; environmental impacts; the fiscal impact on the government; the disproportionate impact on various groups or regions; the complexity and timing of implementation; public perception; and constraints raised by legal, trade, or jurisdictional issues.

#### **Recommendation(s)**

What is the proposed course of action? Why was it chosen over other possibilities?

#### **Implementation Issues**

What are the financial impacts of the proposed course of action? What are the implications for government operations? Will the proposal require regulatory or legislative changes? What is the proposed means of evaluation?

#### **Communications Analysis**

What is the current public environment? What are the key issues of contention, and how can they be addressed? What is the position of key stakeholders, both inside and outside the government, on the proposal, and what communication vehicles should be used for each? How does the proposal relate to government reform priorities? What is the objective of communication on this issue? What is the key message?

### **Structure of a Paper**

#### **Title**

The title should be a brief phrase adequately describing the content of the paper.

#### **Abstract**

An abstract is a summary of the information in a document. The abstract should not exceed 250 words. It should be designed to clearly define the contents of the paper. The abstract should: (i) state the principal objectives and scope of the research; (ii) describe the methodology employed; (iii) summarise results and findings; and (iv) state the principal conclusions. References to literature, bibliographic information, figures or tables should not be included in the abstract.

#### **Introduction**

The introduction should supply sufficient background information on the topic and also provide the rationale for the present study. Suggested guidelines are as follows: (i) the introduction should first clearly present the nature and scope of the problem that was researched; (ii) it should provide an overview of the pertinent literature used; (iii) it should state the research methodology employed and, if necessary, the reasons for using a particular method; and (iv) the principal results of the investigation should be stated.

#### **Results**

This section should contain an overall description of the topic and present data gathered during the research project. The manuscript should utilise representative data rather than repetitive information. Data that will be referenced several times in the text should be provided in tables or graphs. All data, repetitive or otherwise, should be meaningful. Results must be clearly and simply stated as the section comprises innovative research findings for an international community of academics and practitioners.

#### **Discussion**

This section presents principles, relationships, and generalisations indicated by the researcher's findings. This should not restate information present in the results section, but should: (i) point out any exceptions or lack of correlation; (ii) define unresolved issues; (iii) show how the results and interpretations agree (or contrast) with previously published work; (iv) discuss the theoretical implications of the work, and any possible practical applications; and (v) summarise the evidence for each conclusion. The primary purpose of the discussion section is to show the relationships among facts that have been observed during the course of research. The discussion section should end with a short summary or conclusion regarding the significance of the work.

#### **Acknowledgements**

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#### **References**

Only significant, published references should be cited. References to unpublished data, papers in press, abstracts, theses, and other secondary materials should not be listed in the references section. If such a reference is essential, it may be added parenthetically or as a footnote in the text. Secondly, authors should verify all references against the original publication prior to submitting the manuscript. Stylistically, authors should utilise the in-text parenthetical reference system with complete references alphabetised at the end of the text.

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