

Improving Labor and Employment

Background Information

Since the mid-1990s, Armenia has pursued successful stabilization that has resulted in fast and increasing macroeconomic growth. In 2003, GDP growth rate reached 13.9 percent compared with 12.9 percent in 2002. Significant advances in structural policies that have aimed consistently at growth, job creation and public management of resources have taken place. However, the growth and the reforms that have so far occurred have not lead to significant social achievements - a slight increase in the number of employed was first registered only in 2003, and in spite of a somewhat modest decrease of poverty mainly in urban areas, about 48 percent of the population still remain below the poverty line and poverty remains a key development issue in Armenia.

By December 2003, the number of registered job seekers was 149,600 people, or 8.6 percent of the economically active population; out of which 80.2 percent had received the status of unemployed. The highest level of unemployment was registered in Syunik district (Marz), 20.3 percent; in Shirak, 20.6 percent, and in Lori, 16.1 percent. In Yerevan, the registered unemployment rate was 7.8 percent. The labor force survey data from 2002 indicate that at age 16-70, 67.7 percent of economically active population was employed, and 32.3 percent were unemployed (data according to ILO definition).

According to expert assessments, no less than 70 percent of total employment is located in small enterprises, agricultural livelihoods or self-employment, and a significant proportion of jobs (40-45 percent) are informal sector jobs.

The Employment Service has 51 local centers, and total staff of around 460 people of which 340 are job counselors. This makes the workload of job counselors very high: there are on average 440 registered job seekers per one counselor. At a local level, the ES is the only organization perceived to be “responsible” for dealing with unemployment issues. The reality, of course, is that a full range of services to redundant workers and unemployed clients cannot be (and international experience shows should not be) delivered totally “in-house” by the ES. Armenia’s total expenditures on employment programs are very low, and in 2003 equaled 0.1 percent of GDP.

Job counseling, training and public works (“Benefit for work”) programs are the only visible active labor market programs offered by the Employment Service. In addition to the budget funded temporary community works program, the international donor community is funding a “Food for work” program. On a limited scale, some other programs are implemented, such as small business

assistance, job clubs, and professional orientation. The composition of ALMPs indicates a much greater focus on public works than on programs which have been determined to be more cost-effective, based on international experience (job counseling/job information).

The Government of Armenia is making efforts to update and enhance labor market institutions and legislation. The new draft Labor Code has been prepared which does take a significant step forward in making labor market legislation more consistent with a market economy, especially with respect to promoting labor market flexibility. Other labor legislation is being drafted or updated, such as the law on employment, on occupational safety and protection, on wages, and on labor inspectorates.

In the sphere of employment policies the Government priority is to replace of the currently existing inefficient policies of unemployment insurance and transition to proactive employment policies.

The main object of the project is to develop a comprehensive management information system (MIS) for the creation, acquisition, storage, maintenance and exchange of digital information required for the operation of an effective social protection system, to increase efficiency and effectiveness of the state employment services (SES) in labor market intermediation and support labor reform in the country, to create a modern pension administration, to improve poverty targeting by supporting community-focused household surveys and developing in-depth monitoring and evaluation of the effectiveness of poverty targeting, to ensure professional implementation of the project by using appropriate mechanisms of project management, and proper tools of project monitoring and evaluation.

General Introduction to the “Improving Labor and Employment” subcomponent of Armenia Social Protection Administration Project

In the framework of agreement of Development credit, which has been signed with World Bank in 2004 on the 30-th of June, Republic of Armenia implements “Armenia Social Protection Administration Project”. The total cost of the project is US\$5.71 million, from which US\$5.15 million (3.600.000 SDR) will be financed by International Development Association (IDA).

The proposed Social Protection Administration Project will assist the Government to better administer social protection and employment programs, make the pension system more sustainable and build capacity to better target social assistance benefits to the most vulnerable groups.

The project has 5 components:

1. General Support to the Social Protection Sector (US\$1.86 million),
2. **Improving Labor and Employment (US\$1.26 million),**
3. Modernization of Pensions System Administration (US\$1.27 million),
4. Improvement of Social Assistance (US\$0.77 million),
Project management (US\$0.55 million).

The component 2 (Improving Labor and Employment (US\$1.26 million) has four subcomponents.

- Management Information System,
- Improvements in employment services provision,
- Job Rehabilitation Center for Disabled Unemployed,
- [Professional orientation services to unemployed youth.](#)

Sub Component 2.1 Management Information System

This sub-component will improve business practices in the SES by introducing a Management Information System (MIS) as a part of the national information network. The following activities will be financed under the sub component:

- (a) Refurbishment of SES offices to accommodate the MIS at central and local office levels;
- (b) Installation of MIS-related hardware and voice and data communications at central and local levels;
- (c) MIS-related software development and implementation at the center and in the local offices;
- (d) Training of personnel in use of the MIS system at central and local employment office levels.

Sub Component 2.2 Improvements in employment services provision

This sub-component will pilot new programs in selected local employment offices. The following activities will be financed under the sub-component:

- (a) A pilot survey on a national basis of employers as a first stage in determining labor market trends and a survey of disabled individuals in Gyumri;
- (b) Piloting job clubs, and vacancy and job fairs in three regions (including preparation of the guidelines for the activity, training of personnel, publication and dissemination of information materials);
- (c) Introduction of improved employer contact services, job search assistance programs, job search skill training programs (including preparation of the guidelines for the activity, training of personnel, publication and dissemination of information materials).

Sub Component 2.3 Job Rehabilitation Center for Disabled Unemployed

This sub-component will establish Professional Training, Advisory Services and Job Rehabilitation center for the disabled unemployed in Gyumri. The following activities will be financed under the sub component:

- (a) Refurbishment and equipping of a building for the Center;
- (b) Introduction of relevant programs for the reconditioning of the disabled for the job market;
- (c) Training of personnel.

Sub Component 2.4 Professional orientation services to unemployed youth

This sub-component will support the establishment of an experimental Youth Professional Orientation center in Yerevan. The following activities will be financed under the sub component:

- (a) Rehabilitation and equipping of the facility;
- (b) Development of guidelines for the services to be provided by the Center;
- (c) Training of personnel.

The introduction of management information system and piloting of new active labor market programs should result in better matching of job seekers with jobs, improve placement and reduce job search periods. By the end of the project placement rates for registered job seekers will increase from current 5 percent to 15-20 percent; placement of training and retraining programs graduates will increase from 60 percent to 80 percent; 50 percent of information about job vacancies will be available in electronic form (currently information in electronic form is not available at all). In a growing economy that increasingly emphasizes labor-intensive growth, it should contribute to increasing labor market participation and raising employment rates.