

EMPLOYMENT STRATEGY 2013-2018 OF THE REPUBLIC OF ARMENIA

Yerevan, November 2012

Content

ABBREVIATIONS	3
INTRODUCTION	4
1. ECONOMIC DEVELOPMENTS AND CHALLENGES	4
1.1. The Macroeconomic picture and its impact on employment.....	4
1.2. Economic Policy and Reforms	6
1.3 Economic challenges	7
2. LABOUR MARKET: DEVELOPMENT AND CHALLENGES	7
2.1. Labour Market Analysis.....	7
2.2. Labour Conditions and Wages.....	9
2.3. Educational Trends	11
2.4 Labour market Challenges	11
3. EMPLOYMENT POLICY: DEVELOPMENT AND CHALLENGES	12
3.1. Labour Market and Education System	12
3.2. Wage Policy and Social Labour Warranties.....	12
3.3. State Employment Regulation.....	14
3.4. Social Partnership	15
3.5. Employment Policy Challenges.....	15
4. REFORMS OF EMPLOYMENT POLICY	16
4.1. The New Model of Employment Policy and main results expected from the implementation	16
4.2. Key Performance Indicators of the Reform of Employment Policy and the assessment of ensured financing	18
5. ACTION PLAN OF EMPLOYMENT STRATEGY	21

ABBREVIATIONS

ACTU	Armenian Confederation of Trade Unions
CIS	Commonwealth of Independent States
CJSC	Closed Joint Stock Company
FTZ	Free trade zones
GDP	Gross Domestic Product
ILO	International Labour Organization
LSGB	Local Self-Governance Body
MLSI	Ministry of Labour and Social Issues of the
MM	Mass media
MOA	Ministry of Agriculture of the
MOE	Ministry of Economy of the
MOES	Ministry of Education and Science of the
MOF	Ministry of Finance of the Republic of Armenia
MTA	Ministry of Territorial Administration of the Republic of Armenia
NORK	Nork Information-Analytical Centre CJSC of RA
NSS	National Statistical Service of the Republic of Armenia
RA	Republic of Armenia
RAB	Regional Administration Body
RUEA	Republican Union of Employers of Armenia
SESA	State Employment Service Agency of the RA
SLI	State Labour Inspectorate of the RA
SME	Small and Medium Enterprise
SMEA	Social-Medical Expertise Agency of the RA
SMEDNC	Small and Medium Enterprise Development National Centre
SMS	State Migration Service
SNCO	State Non-Commercial Organization
SSIS	State Social Insurance Service of the RA
TE	Tertiary education
UN	United Nations
VAT	Value- added tax
WTO	World Trade Organization

INTRODUCTION

1. Regardless of the level of the current and long-term development of economy, employment is considered as one of priority areas for ensuring social-economic stability of the country, hence the state employment regulation and management stem from objective necessity. Here there is a need for highlighting the importance of “labour resource selection – labour market – population employment” cycle, which does not always provide for the effective balance in the labour market itself. Therefore, the main target for the state in this sphere has to be the provision of balances though additional efforts.

2. In other words, the employment policy has to always be aimed at the development of labour force for sustainable development of the economy, on one side, and the provision of conditions for the effective realization of labour supply potential, on the other side.

3. The above stated regulatory problem is rather salient in developing countries, including Armenia. This is mostly due to the fact that the economies of developing states in general always have the imbalance of quantity and quality in the labour market. In this situation, the state employment regulation and the need for continued comprehensive reforms of these processes are essentially important.

4. The contextual state policy of employment sphere has its direct impact on the social-economic development of the country and after all, on the quality of life of all social groups.

5. In order to ensure systemic and strategic reforms of employment sphere the Employment Strategy 2013-2018 of the Republic of Armenia and Implementation Action Plan has been developed (hereafter-Employment strategy).

6. The employment strategy includes the mid-term results (2013-2018) of employment policy and implementation. The possibilities for stimulation of employment are considered, the principles, realistic mechanisms concerning its organization and depolarization are provided along with the initial budget for the implementation of these reforms.

7. The employment strategy has been developed taking into consideration the Constitution of the Republic of Armenia, the legal regulatory framework of the sphere, as well as the International labour Organization conventions and agreements concerning employment, the requirements of the European Social Charter, European Neighbourhood Policy.

1. ECONOMIC DEVELOPMENTS AND CHALLENGES

1.1. The Macroeconomic picture and its impact on employment

8. The average growth rate of GDP in Armenia was 5.9 percent in the period from 1994 to 2001. The growth rate has picked up after 2000 (Figure 1), particularly, within the period from 2000 to 2011, the GDP growth rate had reached 7.8 percent, whereas before the global economic crisis (2000-2007) it constituted 11.75 percent. The main driver behind GDP growth rate was the increase in internal demand.

9. On the other side, the size of internal and external investment is not yet promising, which negatively impacts the adequacy of capital, thus, affecting the creation of new jobs.

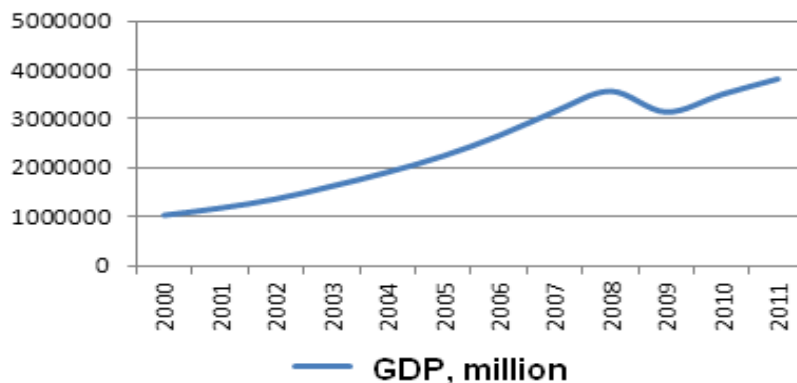


Figure 1. GDP in absolute terms, 2000-2011

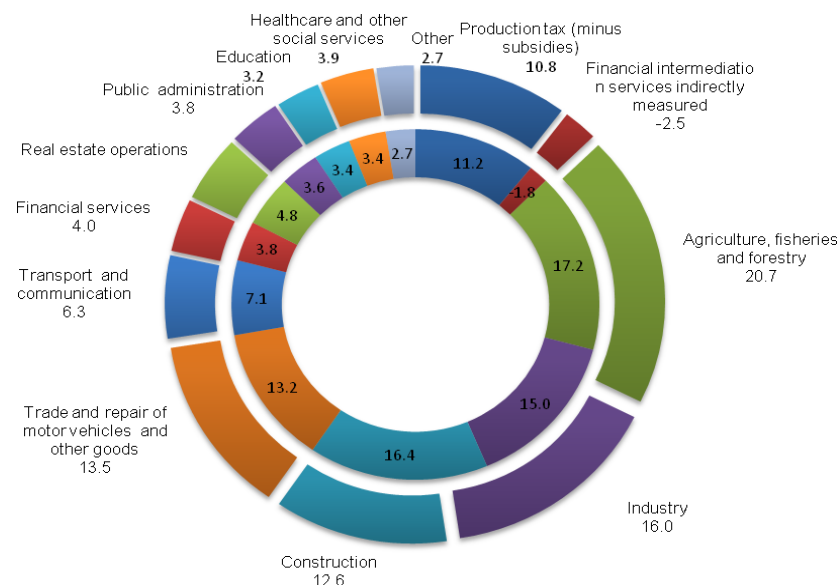


Figure 2. GDP structure in RA, 2010–2011

10. In 2010-2011, within various areas of GDP there has been a growth (Figure 2). The share of agriculture in GDP has grown from 17.1 percent registered in 2010, to 20.2 percent, in 2011; the share of industry has accordingly changed from 15.4 to 16.3 percent, trade from 12.9 to 13.4 percent. Within the indicated period in the spheres of certain services there has also been a growth tendency, such as healthcare that has changed from 3.2 to 3.8 percent, financial services from 3.7 to 4 percent, real estate from 4.9 to 5.2 percent. Construction has retreated from its previous 17.3 percent contracting to 12.8 percent, transport and communications has gone from 6.5 to 6.3 percent.

11. Starting from 2002, the GDP tendencies have been strongly correlated with employment quantity tendencies in the country (Table 1). In other terms, it is clearly seen in the figure that employment rate in the country is highly sensitive to GDP fluctuations.

12. A similar picture can be seen in case of specific spheres of GDP and the number of employed in the economy (Figure 4).

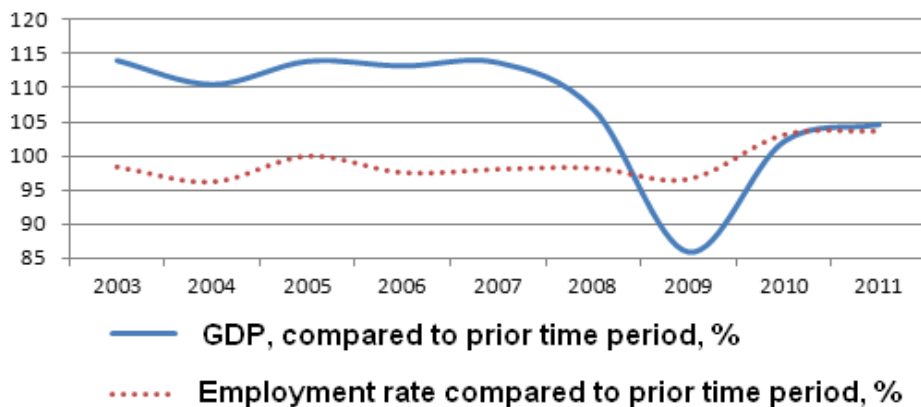


Figure 3. GDP and employment growth rates, 2003-2011

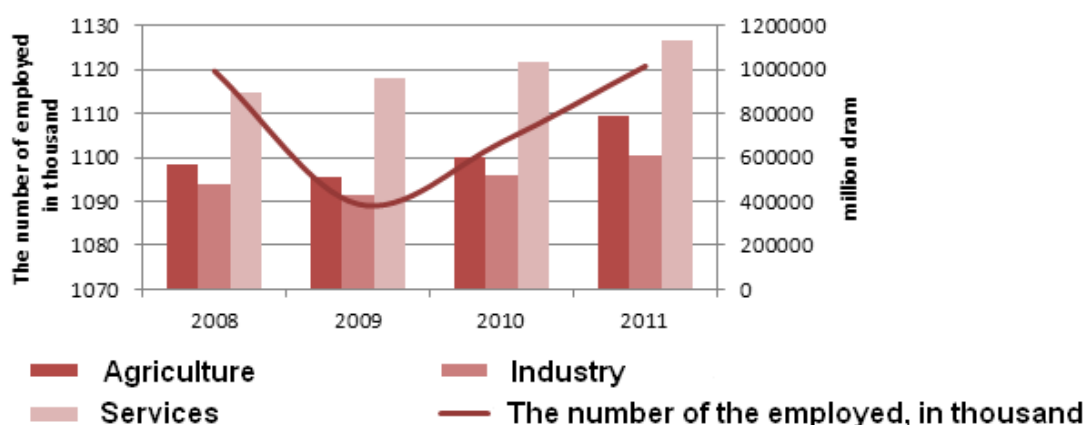


Figure 4. GDP and the number of employed, 2008-2011

13. It is quite interesting that the annual average wage growth, from 2004-2011 has been lower (110.5%) than the annual average growth rate of productivity, constituting 120% (Fig. 6).

14. On the other hand, a number of indicators concerning employment sphere of 2006-2011, observed in quarterly manner, have shown their high correlation with GDP. This result allows concluding that the employment in the country is practically sensitive to macroeconomic developments (Table 1). It is quite characteristic that the employment rate and the number of people seeking jobs are negatively correlated with the GDP.

Table 1. GDP and employment quarterly indicator correlations for 2006-2011

	GDP
Number of employed	0.82
Economically active (per 1000)	0.59
Migration balance	0.48
Unemployment rate, %	-0.43
Number of job seekers, per 1000	-0.57
Vacancies, labour demand, persons	0.27
Average benefits per person	0.34
Average wage	0.47

1.2. Economic Policy and Reforms

15. The main directions and programs of economic policy in Armenia are aimed at the entrepreneurship development, including programs that set as their objective the social-economic development of different regions and their equalization.

16. The Government of the Republic of Armenia sees the improvement of business environment as the most important direction of economic development and aims at the creation of simplified, less costly and transparent system of state regulation, services and procedures for doing business in Armenia.

17. It is quite interesting that according to the data provided in the World Bank study named "Doing Business", the business environment indicator for Armenia during the last few years has been steadily growing. For instance, according to the study of "Doing Business 2012"¹, Armenia with its "opening business" indicator stands in the 10th position out of 183 and has improved its position by 10 points. The study on Armenia mentions that the establishment of formal business provides a number of direct positive possibilities for the employed².

18. The concept of industry development for Armenia has been approved. Along with the main objectives highlighted within the framework of state assistance to the real sector of the economy, is the provision of

¹Doing Business in Armenia, 2012, The World Bank, 2012, main indexes - <http://www.doingbusiness.org/data/exploreeconomies/armenia>

² «Doing Business 2012 Armenia, Doing Business in a More Transparent World. The International Bank for Reconstruction and Development / The World Bank, 2012», page 14 - <http://www.doingbusiness.org/~media/fpdkm/doing%20business/documents/profiles/country/ARM.pdf>

qualified specialist to the modernizing sectors of industry. Within this direction, a new modality of social relations between employees and employers is being encouraged.

Reforms of tax and customs are proceeding, the economic benefits provided to certain sectors, most of which started within the state program for overcoming of impacts of global economic crisis, aim to preserve existing jobs, create new non-agriculture jobs in rural areas, as well as promote small and medium enterprises and self-employment. The state support to the village and agricultural sector is prioritized by the “The 2010-2020 Strategy Sustainable Development of Rural and Agricultural sectors of Armenia”. It is mostly aimed at the creation of an enabling environment for rural businessmen and investment into the sector, as well as encouragement of agricultural employment, etc.

19. Appreciating the importance of SMEs for the development of remote and borderline settlements in terms of the creation of new jobs, improvement of quality of life, formation of the middle class, provision of sustained social and political stability, promoting innovation, the SME is considered as the priority and one of the strategic directions for the economic development policy.

In the program on support of the start-ups, the SMEDNC is expected to collaborate with SESA in order to engage the beneficiaries. It is notable to state, that from this perspective, a financial support to the unemployed and people with disabilities is provided under the annual employment regulation state program in order to register entrepreneurial operations. Persons included in this program are provided with free counselling and a professional training course is provided if needed.

20. Number of programs, including annual ones, is being implemented and have been developed aiming at the development of tourism industry in the marzes and the creation of new jobs in this field. The tourism industry in Armenia is also considered as having the potential for the equalized regional development.

21. Determination of competitive and attractive locations (centres of development), which can ensure the economic development of the adjacent localities is defined as a main direction by the Concept of Territorial development. One of the goals defined in the concept is the comprehensive program for the promotion of entrepreneurship, solution of social problems of the population and provision of effective employment.

22. The Concept Paper on the Initial Strategy of the Formation of Innovation Economy has the development of legal framework for a national innovation system, projects aiming at the development and reforms of business capacities, education, innovation and financial infrastructure as its foundation. Within the framework of project, which are supposed for the purpose of augmenting the productivity and developing skills, is stipulated a need for periodical training and education of workers.

23. The development of infrastructure as a precondition for economic development and growth requires additional financing practices throughout the world by launching public-private partnerships. In Armenia as well, this partnership has a potential for development and perspective for further expansion.

1.3 Economic challenges

24. From the point of view of promising/perspective developments in the employment field the economic following main challenges are separated;

1) To observe the sustainable employment promotion among the main factors which are stimulating economic investments by the state

2) Tool deepening, continuity and consistent promotion assistance's new approaches for entrepreneurship development, which is aimed to overcome global financial crisis

3) For the promotion of further development of SME field and effective employment and self-employment of the population providing permanent contact of definite mechanisms between the state assistance to the SMEs and government agencies which are planning and implementing employment annual state programme

4) Providing effective and complete laborforce (with the preferred specialization in the field of agriculture) for the created new jobs in the field of industry and services; the result of implemented economic comprehensive reforms and state assistance programs for development.

5) Providing the necessity of progressive expansion of labour productivity towards average salary's average annual growth rate, at the same time promoting rise in wage ranges.

6) Consistent improvement of rated indicator of labour rural relation effectiveness by the «Doing Business» service of World Bank through RA's labour legislation and its implementation control on legal basis elaboration.

7) Complete inclusion of social-labour field within the framework of public-private partnership which's main measure of effective development must be social partnership.

2. LABOUR MARKET: DEVELOPMENT AND CHALLENGES

2.1. Labour Market Analysis

25. For the analysis of current situation of labour market the official statistics provided by NSS, SESA has been used, including “GORTS” data base, as well as the results of surveys conducted by various organizations

related to labour market and employment. For current situation analysis, the period from 2008 until 2011 has been observed.

26. The main indicators of labour market are summarized in statistical handbooks of RA, particularly are included; the number of labour force, the number economically active/not active population, quantity of informal employment and migration.

27. From the perspective of demographic tendencies, it is remarkable, that according to regional distribution, after the combination of the number of population and labour resource indicators, the labour resources with certain exceptions are less concentrated in Yerevan than the population. The same is true for economically active population – labour resources; employed –working age disabled ratios. Deviations from the stated are recorded in Lori, Shirak, Kotayk, Syunik and Tavush regions of RA. That's why the officially registered unemployment rate in these regions is higher than the national average.

28. On the other hand, compared with 2008, in 2011, the growth of labour resources has been four times as big as the growth of population. Though the number of economically active population has grown, the employment indicator has mostly declined. The number of economically not active population also decreased, therefore, witnessing a high growth rate of economically non-active population.

29. The rate of decline of employment in 2008-2011 has three times exceeded the rate of decline of non-formal employment. Meantime, a number of regions have witnessed a sizable deviation in employment and non-formal employment indicators

30. Another important factor within the framework of formation of labour market equilibrium is labour migration. Armenia can be historically considered as a country with active migration tendencies.

The statistics of non-commercial transfers to Armenia shows that during the last decade, excepting 2008-2009 period, it has a tendency of consistent increase.

According to official statistics, the negative balance of migration in 2008-2011 for Armenia has equalled to about 138.6 thousand persons. It is notable that the negative balance for 2008-2009 is twice as small as the 2010-2011 indicators.

According to expertise assessments this tendency is mainly explained by global economic crisis that occurred in 2008, as a result of which due to the worsening economic conditions of the countries that mostly receive Armenian migrants have tangibly curbed the number of migrants from Armenia.

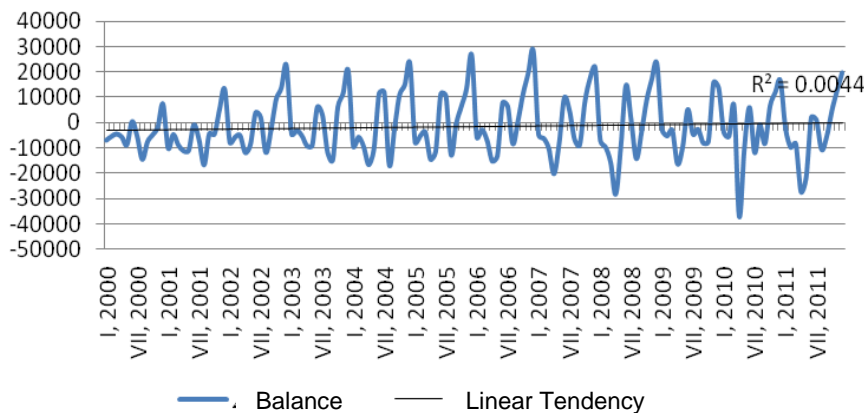


Figure 5. “Doing Business 2012” Armenia among 183 countries based on the general and specific indicator values

31. One the other hand, within the considered period of time, regardless of the mild improvement, there are quantitative and qualitative discrepancies in the tendencies of indicators of SESA registered beneficiary groups and those who have found jobs within the same groups along the lines of gender, age, education, regional distribution.

During the period of 2008-2011 the number of job seekers registered by the state employment agency has reduced, whereas the numbers of unemployed and disabled job seekers has increased.

Compared to 01.01.2009 in 01.01.2012 the officially registered unemployment rate has reduced, and has increased according to the NSS household survey. The unemployment rate calculated by the household survey exceeded 3 times the officially registered unemployment rate.

During 2011 the number of job seekers, unemployed, disabled not employed job seekers excluded from registration by the SESA had an increase in comparison with 2008, which in average was 35%. In this sense, as a positive trend is estimated the fact that during this period out of persons excluded from registration the number of work finders increased by 80 %.

32. From the point of view of labour market state regulation, it is still problematic that in 2011 among beneficiaries registered by SESA only 20 percent have found jobs due to the annual state programs on employment or by filling the vacancies registered at SESA. The problem is further stressed if one considers that the job placement indicator has tended to decline compared with 2008. From the point of view of labour market situational development, the results of state annual program on employment are important, which have been analysed (01.01.2008-01.01.2012), taking into consideration the continuum of the given time period. The analysis excludes the programs on "Payment of benefits to a deceased unemployed for the funeral purposes for those who have at least one year of insurance record" and "Organization of Paid Public Works"³, which has been stopped on 01.05.2011. "Unemployed with professional qualifications with no job record and organization of internships for disabled unemployed looking for jobs" and "Adjustments of the workplaces for disabled unemployed looking for jobs" programs have been introduced in 2011; thus, have not been included in the analysis.

33. The number of unemployed registered in the program on unemployment benefit payment has equalled to 28713 persons.

The annual average number of persons included in professional development programs has constituted 1446 persons including 180 among job seekers that are owners of farm land. Vocational training programs have been provided via the financing of international organizations, that has benefitted 795 persons. The program providing compensation to the employer providing job opportunities to non-competitive persons in the labour market has involved 139 persons, 60 out of which have been disabled. The number of beneficiaries enrolled in the program 'Compensation paid to the unemployed and the unemployed disabled persons looking for jobs for the material expenses in connection with work mission to some other place' per annum has been equalled to 8, none of whom has been a disabled person. The number of beneficiaries enrolled in the financial assistance to the unemployed and unemployed disabled persons looking for jobs with the aim to undergo state registration of entrepreneurial activities per annum has equalled to 60 persons, 3 out of which have been disabled persons.

By age groups, the highest rate in the program is included in the 31-54 age group, which can be estimated as a positive trend taking into account the unemployment rate among the youth which is quite high.

34. A comprehensive system of evaluation of state regulation programs concerning the labour market is yet to be implemented, which objectively complicates the analysis of these programs. In this situation in order to determine the performance indicators measuring the outcomes of the programs it is suggested to consider the quantitative indicator of sustained employment upon the completion of the programs (NSE), the sustained coefficient of employment (SEC) and the unit cost allocated from the state budget in order to ensure the sustained employment upon the completion of the program (UCSE).

$$SEC = NSE / NPB \times 100\%,$$

Where:

NPB is the total number of enrolled beneficiaries,

SEC = the number of persons that have found jobs and started a business upon the completion (professional education and internship) of programs within 3 months + the number of persons who have found jobs or have started a business upon the completion of the program (employment relocation, financial assistance for state registration, partial compensation to the employer, employer's salary adjustment) + the number of persons who have found jobs or started a business within 12 months upon the completion of the program – the number of beneficiaries that have lost their jobs or closed the business within 6 months upon the completion of all the stated programs (except for the unemployment benefit payment program),

UCSE = the sum of state budget allocations to all programs/ NSE.

35. For the given period the NSE has equalled to 3189 persons, SEC was about 10.5%, whereas UCSE was about 1.31 mln. Drams, which from the stand point of non-financial and financial effectiveness, target indicators are subject to continued improvement. These indicators along a number of programs' effectiveness evaluation can have a guiding nature. Within the period under consideration these with minute deviations have almost generated the same overall picture.

36. As indicated by the annual analysis of program indicators of state regulation of labour market, from the perspective of strategic regulation a number of undesirable deviations in terms of effectiveness and targeted nature are available defined by sex, age group, attainment levels, regional distribution of enrolled beneficiaries and conditioned by labour market situational development the tendencies of their labour potential indicators.

2.2. Labour Conditions and Wages

37. In 2003-2007, in Armenia, as well as in the world, a period of economic growth occurred. After the difficult period of economic transition, Armenia acquired a certain level of social wellbeing among salaried works and other social groups. However, in 2008, the global economic crisis significantly shook the foundations of the Armenian economy, which was mostly noticed starting from the first quarter of 2009.

³ Those that have been placed in jobs have not incorporated the number of persons doing paid public works.

38. In 2008-2008, the minimum wage in Armenia continued to rise, particularly compared to the previous year of 2008 it went up by 25 percent, whereas in 2009 the same indicator equalled to 20 percent. In 2010, no rise of the minimum wage was noted, whereas in 2011 it constituted 8.3 percent.

39. According to official statistics, the initial assessment of average nominal wage, in January - December of 2011 equalled to 115451⁴, which compared to 2008 had gone up by 26.1 percent. As of 01.01.2012 the minimum wage has equalled to 28.2 percent of monthly average wage of January - December of 2011.

40. On the other hand, if we consider 2008 as a baseline year then 2008-2011 CPI has been 120.5 percent, whereas the minimum wage has increased by 30 percent.

41. Therefore, taking into account the 2008-2011 dynamics of wage levels and CPI, the real wages for the given period have had a much slower rate of growth.

42. Armenia does not keep a statistical record of labour productivity. For the overall observation of labour productivity the following indicators have been calculated: (a) the ratio of GDP to total employment time of all the employed, (b) the annual labour productivity (the value added per employee), which is calculated by the division of the GDP and the total number of employed persons. In Figures 6 and 7, the annual labour productivity has grown by 197 percent over the period of 2004-2011. The decline has only occurred during the period from 2009-2010 and has equalled to 10 percent.

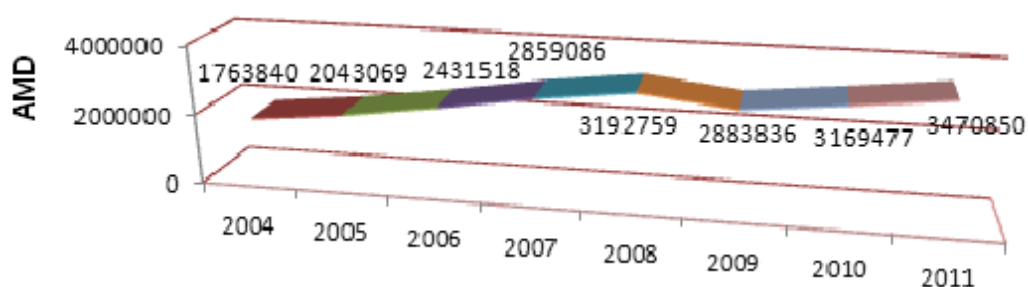


Figure 6. The annual productivity of labour in Armenia, 2004-2011

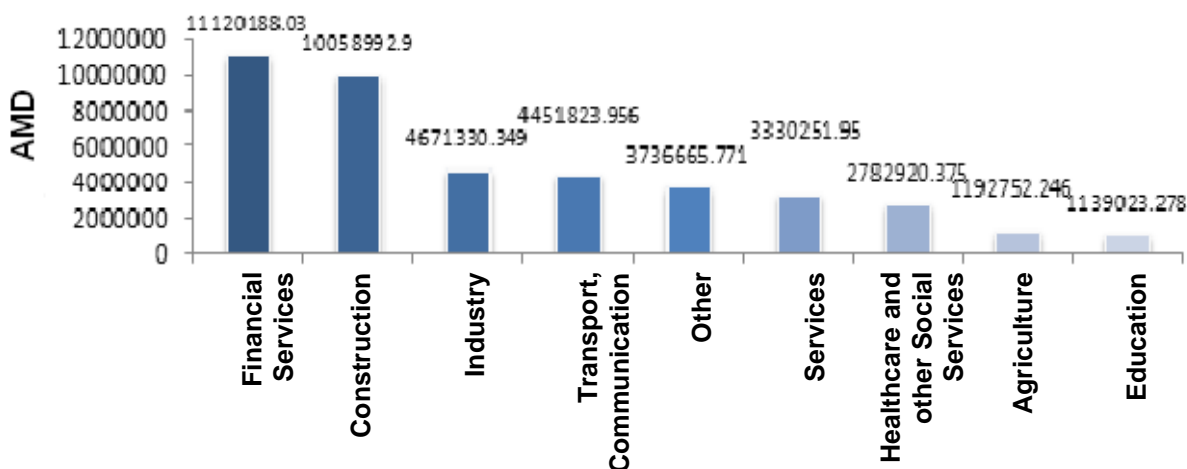


Figure 7. The annual productivity of labour by economic sectors, 2010

43. The minimum social-economic warranties and conditions in Armenia are presented via the following main indicators and trends. Compared to 2008, in 2011, the allocations from the state budget to cover the prenatal and child labour benefits of the employed have grown by 46.3 percent, whereas the number of beneficiaries has increased by 23 percent. In 2011, the sums allocated for the payment of temporary inactivity benefits has decreased by 7 percent, whereas the number of beneficiaries has declined by 29 percent. In 2011, allocations for childcare benefit for children up to 2 years old has increased 13 times, whereas the monthly average number of beneficiaries has more than doubled (2.3 times).

It can be noticed that the financial and non-financial indicators of the above-stated benefits for the period of 2008-2011, except for the number of beneficiaries receiving benefits for temporary inactivity, have

⁴ The indicator does not include the data of small and extra small organizations. The data with the inclusion of these will be finalized in September of 2012.

continuously increased, which is a positive trend, taking into account the negative macroeconomic impact of global economic crisis.

44. According to available official statistics, in 2008, the number of accidents equalled to 76, whereas in 2010, it was 59. In 2008-2010 years, the number of professional illnesses was zero. Accidents at workplace with fatal result has equalled to 12 in 2008 and 8 in 2010. During 2008, 6 persons have been disabled due to accidents and in 2010, the number of disabled equalled to 6.

The indicators describing the security and health of the workers reveals that the provided statistical data is quite general which is not allowing to conduct an in-depth analysis.

45. In the context of the description of work conditions, the violations of the Labour Code provide key indicators to assess the trends.

According to annual reports published by The State Labour Inspectorate, the following picture has been recorded based on the inspections and studies conducted: the number of non-registered employees equalled to 1260, which compared with 2008 has grown by 7.4 times. In 2011 about 842 million drams have not been paid by the employers, which compared to 2008 has grown by 5 times. In 2011, 15119 violations of Labour legislation has been recorded, 2.3 times that of the 2008.

Henceforth, during the last four years the overall indicators due to recorded results of the state inspectorate have registered a sizable increase, mostly due to the improvement in administration, implemented operational reforms, but not in the result of increased number of violations. It is notable that for the given period, the indicator of non-formal employment has declined.

According to data received from Legal department of the Republic of Armenia, from 01.01.2008 until 01.04.2011, the analysis of labour related court verdicts, the following picture has been recorded: a total number of 920 lawsuits have been presented, 529 out of which have been considered.

In other terms, according to the presented statistics on labour disputes about 60 percent of them were related to labour rights, which is a quite high indicator. From this stand point, it is notable to state that the indicator concerning the violations of labour legislation reflected in the official statistics provided by the State Inspectorate of labour has increased sizably.

2.3. Educational Trends

46. The literacy rate in Armenia is quite high, according to the data results of 2001 census it is 99.4 percent among the population aged 7 and above and it is over years have steadily maintained its levels, comparing with the developed part of the world. The compulsory education literacy rates have remained the same, which in 2011 was 91.8 percent. However, the enrolment rates in secondary general education, mostly in the high schools have been quite low, constituting 72.8 percent.

From 2000 to 2011, about 68000 graduates have entered the labour market on an annual basis. In recent years reduced the number of professional education institutions, whereas the number of students educated there has increased. The latter is mostly explained by the reforms in this sphere of education, particularly the introduction of three-level education system as well as by the establishment of 3 multifunctional regional colleges. The number of state educational institutions implementing preliminary professional (technical) educational programs has declined by 21.4 percent, whereas the number of enrolled in these institutions has gone up by 24.8 percent. The number of professional educational institutions has declined by 3.8 percent, whereas the number of enrolled in these institutions has gone up by 3.1 percent. The total number of higher education institutions has declined by 17.7 percent, whereas the number of enrolled in these institutions has increased by 82.8 percent.

“National Report on Additional and Lifelong Learning” of the MOES has found out that more than 245 (155 in Yerevan) different institutions provide non-formal learning opportunities. According to 2010 data, about 11000 people have received non-formal education, 3150 out of which in Yerevan (with 62 percent being women) and 7850 in the marzes (with 61 percent being women).

47. The above-stated educational trends show a positive trend of growing enrolment rates, which has also positively impacted the demands of employers and strengthening of the capacities of educational institutions. On the other hand, based on the current analysis of labour market one can objectively state that there is a positive correlation between the level of education and employment rates.

2.4 Labour market Challenges

48. Nevertheless, the phenomena of transition period have had their negative impact on the educational system, leading to a qualitative and quantitative mismatch between the education system and labour market, which in its turn has created the supply and demand imbalance in the labour market.

From the results of Armenian labour market situational analysis the following main challenges are separated

1) the consistent improvement of labour market main indicators and their challenges, with the comprehensive and underlying principles of labour market and implementation of flexible state regulation which has appropriate tools.

2) promotion of cooperation with employers and SES, as well as complex promotion of new approaches and modern methods

3) from the point of view of exclusion of undesirable deviations of efficiency indicators of beneficiaries included in programs and targeting, which are implied from the labour market state regulation programs and situational development of labour market

4) provision of complex basis registration and fully recording of accidents in workplace, professional degasses, labour right violations

5) consistent decrease in deviation between systems of labour market and education, which is one of the main reasons of labour market supply and demand current imbalance and phenomena, conditioned with transition period.

3. EMPLOYMENT POLICY: DEVELOPMENT AND CHALLENGES

3.1. Labour Market and Education System

49. The education system is so far undergoing structural, content-related and administrative reforms aimed at the provision of adequate education and learning, matching the needs of the economy and labour market.

50. The reforms envisaged by the 2011-2015 Education Development State Program are directed towards the relevance of education to the requirements of the economy, science and society at large. Effective mechanisms for cooperation and dialogue between educational networks and the industry are to be established, allowing to further harmonize the provision of adequate specialists with the requirements of the specific sectors of the economy. The reform program of TE of 2012-2016 years is aimed at ensuring the strengthening and expansion of the acquired experience of multifunctional regional colleges. One of the main factors ensuring the development of TE is the demand of the labour market.

51. A number of activities are being implemented in line with Bologna and Copenhagen principles that are aimed at the improvement of quality education of professional programs and their relevance to labour market demands by strengthening the capacity to prepare specialists based on European standards and criteria.

52. Regardless of the signs of improvement, quality of education at all levels remains the main problem. In the field of higher and post-graduate education it is envisaged to introduce a national framework in line with the European Qualifications Framework, create and develop the national system of quality assurance, promote the links between HEIs (Higher Educational Institutions) and employers, assist in choosing the profession and providing opportunities for job placements.

53. The National Qualification Framework is one of the main tools, which is linking the education system with labour market and the economy, on basis of which at each level of qualifications are issued description of professions based on the classification of occupations from which are considered educational standards and professional educational programs.

Every stage of this chain implies active involvement of all beneficiary parties, which must be viewed in the centre of strategic improvement of employment.

54. In order to maintain the current balance of the labour market additional educational programs have their realistic capacity, particularly for the group that is non-competitive in the market, helping them to get engaged in it.

55. In the context of labour market and education system linkages, as means for the employment of population, long-terms effective balance of labour market, the professional orientation becomes quite important, which has to be based on the completeness of factors formulating professional inclinations of individuals.

56. From the generalized comparison and analysis of priorities and main goals of implemented reforms in economic and educational systems can be separated the efficient balance and lack of qualitative link of economy-labour market-education.

3.2. Wage Policy and Social Labour Warranties

57. Any labour for the worker has an internal value, which is the possibility for self-realization and making a career, however, the main reason for any individual's employment is the earning that allows that person to gain a specific status in the society by ensuring his/her and family members' wellbeing.

58. In Armenia the main tool for state regulation of wages remains the minimum wage, which is defined by the law for the entire economy of the country.

Based upon the results of the analysis of state regulation of minimum wages one can argue that there is a need to harmonize the mechanism of minimum wage definition with the international standards (IMF No. 131 convention and according to obligations of the Republic of Armenia in relation to the revised European Social Charter), gradually increasing the size of it by taking into account the macroeconomic conditions and trends currently observed in the country.

59. It is remarkable that in light of remuneration of works and productivity regulations that for certain social risks requiring benefits the workers are also eligible for other guarantees of payments minimum extra-payments for hard, harmful, extremely hard, extremely harmful conditions, overtime, night shift, week-ends and holidays.

60. For the completeness of description of labour market, there is a need to consider minimum social warranties and conditions defined by the government, including concerning certain social and age groups, which are guiding the regulation of social-economic objective phenomena and processes occurring in the labour market. Particularly, the legislation defines the maximum and minimum duration of work and rest, as well as limitations and warranties for overtime, nightshifts, disabled and pregnant persons or the ones taking care of children under the age of 3 or 14-18 age groups for the deviations occurring from the normal work conditions. Through temporary inactivity benefit the earnings of persons are being compensated either partially or fully due to the temporary inactivity and for that period only. The unemployed are being paid an unemployment benefit from the state budget.

61. Another form of remuneration and social warranties is functioning for the sphere of civil service.

62. Taking into account the results of analyses of work conditions and wages in public sector, one can argue that the functions of wage distribution in the system of civil service, generation of promotional, with purchasing power and reproductive demand, social accrual and status are not fully realized, particularly:

The link between the size of the wages of the civil servant and necessary costs for the reproduction of labour, final results of labour, as well as wage rates and changes in price index is missing,

- There is no economic justification for the job classification hierarchy and attached wages
- There no connection between the quantity of salary of public servants and expenses necessary for labour force reproduction and the final results of labour , as well as lack of connection between changes in salary and price levels.,
- The baseline for different services is mostly defined taking into account the capacity of the state budget,
- The salary structure is not adequate,
- A non-equitable system of bonuses and social warranties is in place,
- Due to low levels of salary there is a real obstacle for engaging high quality specialists and high risk of outflow to the private sector.

63. The provision of worker security and health protection system is one of the main components of employment regulations. The effective implementation of this system directly relates to the prevention of accidents and illnesses due to work related operations, along with the promotion of labour productivity and cost savings as a result of processes aimed at the diminishing of these accidents.

Currently, in the sphere of work security the norms and sanitary rules, hygienic standards defined by 16 orders of the Minister of Healthcare stemming from the Law on the sanitary-epidemic security of population are being applied, the implementation of which is being controlled by the anti-epidemic inspectorate of the Ministry of Healthcare. The sphere applies the normative acts stemming from the Law on State Regulation of technical Security, the control of which is under the authority of the Ministry of Emergency Situations.

On the other side, according to the Labour Code, the main rules and norms of the protection of health conditions of workers and provision of the security must be defined by the labour legislation. The requirement of rules and norms of security provision of worker and protection of health conditions to be defined by labour legislation is a requirement of WTO conventions (No. 17, 18, 81, 94), revised European Social Charter (3rd, 22nd articles) that have been ratified by the Republic of Armenia.

64. Within the context of drafting the new system of inspectorate it is envisaged to introduce the main rules and norms of health protection of workers and security provision within the framework of labour legislation, covering the state supervision of these norms and thus, ensuring the necessary solution.

65. The sphere of work security provision also describes the issues of compensation due to work place accidents and professional illnesses. According to the legislation already in force, the organizations regardless of their status carry full financial responsibility, if workers acquire work related illnesses and/or harm their health caused by the operations of the organization. The legal entity recognized as the party responsible for causing damage to citizen's life or health in case of liquidation undergoes the capitalization of fees to be paid in accordance with legislation in order to compensate the affected party. In case of absence of a successor as defined by the Civil Code no organization is defined as the bearer of an obligation to make compensation for damage.

66. In 2004, after legislative amendments, the issues related to compensation of loss of life and health due to the accidents occurring at the work place and illnesses contracted during professional actions have been left out in the case of those organizations that had been liquidated before august 11 of 2004. Prior to the above-mentioned amendment the compensation paid to these individuals was being done through the state budget.

67. For the purpose of systemic solution of the issue, in 2011, The Central Bank of Armenia developed the draft concept of introduction of an insurance system for cases of work place accidents and professional illnesses.

68. From the point of view of social-labour minimum guarantees and practical implementation of terms the key factor is provision of state control of those relationships

69. The State Inspectorate of Labour has been created in 2004, in accordance to the requirements of Convention No. 81 which is «Labour Inspection in industry and trade» and is an external body of the MLSI, which executes supervisory functions and uses charging actions within the framework of legal relations.

70. Within the framework of inspection reforms implemented in the State Inspectorate of Labour a system of risk based inspection is being introduced, which in reality will allow the inspectorate to analyse and evaluate organizations subject to supervision based on employer risk factors in relation to labour issues, develop a database providing the possibility to have a risk based ranking system and improve the effectiveness of inspection related functions.

3.3. State Employment Regulation

71. The Government of the Republic of Armenia, within the framework of policy for employment of population, through the appropriate authorized bodies, implements the regulation of balancing the demand and supply of employment and its structural adequacy. For this purpose the policies of state employment regulation, labour and wages, entrepreneurship, financial-banking, regional development, investment, tax administration, and educational, demographic and labour migration are being devised. In the stated spheres the state authorized bodies are MLSI, MOE, MOES, and MTA.

The base of the state institutional regulation of labour market is as follows; MLSIRA and acting within the structure of it state employment agency, professional orientation centre of youth, professional orientation of disabled, labour rehabilitation centre.

72. The demographic situation and trends are important for the regulation of employment strategy. The demographic policy is aimed at the maintenance of the current positive trends and further expansion, for provision of which is confirmed The Strategy of Armenian Demographic Policy and on basis of which are implemented state annual programs on improvement of demographic situation.

73. The sphere of state regulation of labour migration has a key importance in relation to the strategic reform of employment.

The main aim of RA Migration State regulation is national security, formation of migration situation in accordance with requirements of sustainable development and the provision of defend of rights and interests of persons involved in migration flows.

By the Law on Foreigners of the Republic of Armenia is established to provide work permission to foreigners. The work permission of foreigners can be applied if the appropriate normative acts are adopted. The legislation of the Republic of Armenia does not define the authorized body dealing with work permission issues of foreigners and does not have the rules for the provision of the stated permission. Foreigners, people who do not have citizenship can benefit from social assistance packages provided in case of unemployment, according to the rules defined by Armenian legislation and international legal agreements.

In reality, the possibilities for legal labour migration have been expanded within framework of the EU declaration on «Partnership around Mobility» signed in Luxemburg.

The issues of migrants are directly dealt with the State Migration Service (SMS) under MTA, the authorities of which include the development of policy for state regulation of migration, coordination of actions of bodies that have migration related functions.

The aim of regulation, priorities and implementation measures of labour migration are presented in conception of Armenian Migration State Regulation Policy and conception of the study and prevention of Irregular migration that nascent from Armenia.

74. The main problems of state regulation of labour market have been identified based on stocktaking of the labour market, the institutional, operational and legal solutions of which play a key role from the perspective of systemic reforms of employment.

75. The law defines the overall goal of the policy for state regulation of labour market and principles, which however, does not specifically show the role of regulation in the system of socio-economic policy and does not provide for measurable, assessable results subject to estimation in terms of current and long term perspectives.

76. The law defines specific programs of state regulation of employment, where the annual program of state regulation of employment is being developed within that framework. As a result, the possibility of flexible planning based on the current situation is being limited with an annual program becoming a rather passive instrument. Therefore, the objective opportunities for improving effectiveness and targeted nature of state financial resources channelled to the sphere lessen to a significant degree.

77. The Monitoring and Evaluation system of state employment regulation is not introduced.

78. The processes of registration of beneficiaries, online transfer of information and management, development of database are not provided, which denies the possibility of providing online services to beneficiaries along with mechanisms that would ensure track-keeping of beneficiaries, thus, making it possible to use this information in the process of development of annual program and outcome-based management system.

79. The key problems remaining so far are capacity development of institutions dealing with state regulation of employment, lack of collaboration avoiding duplication, improvement of quality and accessibility of services provided,

80. There are private recruitment companies in the country, which at most has been left out of the program of state employment regulation. In exchange, there is no possibility to protect the rights and interests of customers of these private agencies based on international standards.

81. Within the concept concerning irregular migration from Armenia and its prevention, it is planned to ratify the ILO convention No. 181 on Private Employment Agencies. It is planned to license the operations of private agencies providing employment services and define international criteria along with rights and responsibilities of parties involved in the process.

82. Within the presence of described problems in state regulation of labour market. there is a lack of functional link among the systems of economy -labour market-education.

3.4. Social Partnership

83. During the last years a notable progress is seen in terms of social partnership, specifically at national level. The collective agreement signed on 2009 among The Government of Armenia, the Confederation of Trade Unions and the Republican Union of Employers of Armenia, marks a new stage of social partnership development. The additional guarantees of social-labour relations are provided in the agreement along with the joint actions of the parties aimed at fulfilling these relations.

84. To provide implementation of contract obligations in 2009 in accordance to tripartite agreement was formed Republic tripartite Commission and the staff of the Commission was approved - 5 representatives from each party.

85. One of the main principles of state policy for employment is the social partnership. For the effective implementation of the principle a number of actions have been taken, stemming from employment legislation of the country. Particularly, concerning the issues of preparation and implementation of national and local programs dealing with the employment of population, and based on the necessity of concerted action, SESA initiates republican and regional agreement committees.

86. Social partnership is successfully being implemented within the framework of reforms of professional education.

3.5. Employment Policy Challenges

87. Conditioned by the employment field developments are separated the following challenges of policy:

1) provision of consistent decrease of current discrepancies in labour market and education systems through the promotion of the possibility of lifelong learning and accessibility, in all levels of education the continuous improvement of quality, investment of national framework of qualifications,

2) investment of effective systems of professional orientation during lifetime, which must be based on complex factors of individual's professional preferences formation, and on comprehensive ways of implementation of those.

3) as a priority of efficiency improvement of the public administration system, at the same time, a significant factor in formation of salary levels in country, the provision of complex main objectives of reforms in public servants' salaries, including the provision of efficient and high quality public service, efficient conditions of price formation in labour market, and acquirement of dignified level of life for every public servant

4) provision of workers' security in accordance with international standards, investment and development of health protection systems, which must be the main component of labour relation regulations

5) investment of mandatory professional diseases" and industrial accidents' insurance systems in Armenia, taking into consideration international best experience and standards and national characteristics

6) taking into consideration that labour relations are the most common public relations and are one of the most changeable fields, also taking into consideration special nature of labour relations, the necessity of solving the unsolved problems of regulations in accordance to international law norms provide further continuity reforms of labour legislation and state regulation and control systems of those relations.

7) the complex solution to the problems of demographic and migration state regulation, regional development, which are fixed by strategic and conceptual documents of employment state policy targeting

8) state employment service agency's institutional capacity compliance to the employment strategy new model taking into consideration the investment of consistent process of implementation of integrated social service system

9) fully regulation of non-state organizations that provide recruitment services, fully and effectively usage of their potential within the framework of state regulation of employment and taking into consideration the successful experience of other countries

10) the investment of uncompetitiveness defining mechanisms in labour market as well as provision of new approaches for uncompetitive group employment by priorities

11) the expansion of social partnership in all fields of social labour relations, in regional and situational levels

12) the promotion of functional link among the systems of economy-labour market-education as a main priority of employment strategy reforms

4. REFORMS OF EMPLOYMENT POLICY

4.1. The New Model of Employment Policy and main results expected from the implementation

88. Armenia's employment policy is considered within the strategic development of socio-economic context of the country. The activities suggested within the context of employment reforms have to be sustainable, long-term and provide measurable criteria.

89. The objective of employment policy as a component of economic policy is to ensure the effective implementation of the necessary quantity and quality of labour supply and labour demand, which should be considered as a main condition for sustainable economic growth. The objective of employment policy as a component of social policy is to ensure the definition and effective integration of uncompetitive groups in the labour market and guarantee decent working conditions consistent with internationally accepted standards, which should be considered as the main condition for weakening the social tension in the country.

90. The main principles of state policy for employment are:

- 1) voluntary work and free choice of occupation,
- 2) increase the person's social role through sustainable employment,
- 3) employers' social responsibility and social partnership,
- 4) ensuring the informational proportionality (symmetry) within the framework of the labour market state regulation,
- 5) improvement of working conditions and ensuring decent work, consistent with the internationally accepted standards,
- 6) effective professional orientation,
- 7) consideration of economic, employment, demographic, labour migration and education situational and development trends,
- 8) ensuring targeted policy, transparency and comprehensive evaluation of the results,
- 9) provision of sustainable employment as a result of state support based on the main priorities,
- 10) forecast of negative consequences of the state regulation and their prevention during the implementation period.

91. The main directions and implementation mechanisms of the policy are:

- 1) Provision of relevance of economy with labour market
 - a) For planning purposes of SME assistance programs and implementation processes the mutually inclusive and collaborative format of operations among responsible state bodies have to be staged in order to promote the development of enterprises and sustainable employment,
 - b) For the purpose of having a comprehensive information system for SESA, the state regulating bodies should periodically provide information about expected new jobs in different sectors of economy and regions,
 - c) Development of mechanisms for SESA to receive information from employers about existing job vacancies and possible changes in the labour market,
 - d) Institutional and active participation of responsible state bodies, social partners on various levels in the development and approval of occupational classification and profile descriptors,
- 2) Ensuring linkage between labour market and educational system.
 - a) Introduction of new mechanism for state order placement for secondary, preliminary and middle vocational and higher education based on labour market trends and forecasts,
 - b) A provision of the following comprehensive mechanism for the development of National Qualification Framework: occupational classification – occupational profile descriptors – educational standards – educational programs - and as a result of all above to have comprehensive mechanism for the evaluation of the quality of education,
 - c) Introduction of professional orientation system, which must be accessible starting from general education and in all stages of employment status and professional career,
- 3) Promotion of balanced demographic and regional development:
 - a) current and long-term perspectives of the state employment policy should be aimed at regional, demographic and migration development within the scope of reforms implemented and regulated by state, and

which has to be based on the main conceptual and strategic directions of activities and results of the corresponding targeted outcomes,

4) State regulation of labour market

a) There is a need to harmonize the suggested employment policy with the institutional capacities of those state bodies which are responsible for state regulation of employment, as well as with the capacities of private employment agencies, introduce complementary and effective legal and operational foundations for cooperation, taking into account the introduction of new system of integrated social services along with the international experience and criteria,

b) The state regulation programs and services concerning employment need to undergo changes and re-evaluation in order to ensure the appreciation of labour and promotion of rural non-agricultural employment in the labour and in order to improve the targeted nature and efficiency of state assistance

c) "Suitable job" regulatory tool and the implementation objectives need to be fully re-evaluated in order to improve the labour market regulatory functions and harmonize them with international standards,

d) There is a need to consider one, unified period for payment of unemployment benefits aimed from one hand at the promotion of active job seeking and long lasting employment, and from the other hand, provision of efficient planning of proportion of state regulatory programs for beneficiaries,

e) For annual state regulatory programs concerning labour market need to consider sustainable employment as the key objective,

f) The necessity of defining flexible mechanisms for identifying persons who have additional difficulties finding jobs and are uncompetitive in the labour market, as well as provision of new approaches and mechanisms for promotion of sustainable employment for these group of people,

g) The annual Program of State regulation of Labour Market must be considered as the main tool for the implementation of state employment policy,

5) The aimed management of the planning, implementation, monitoring and evaluation process of the annual Program of State regulation of Labour Market

5.1 The planning process

a) Regular forecasts and in-depth analysis of labour market,

b) Inclusion of those programs in the annual program the current and long-term effectiveness of which have been evaluated as having a positive impact, along with new programs that have been piloted and considered appropriate for further implementation,

c) The foundation of distribution mechanisms of programs must be guided by the priority of beneficiary involvement, provision of equal development of regions, the main characteristics of labour markets of these regions, as well as peculiarities of socio-demographic situation,

d) Definition of effective share of financial and non-financial criteria for program implementation, including the possibility of co-financing from local budgets,

e) Development of intermediate and final outcomes based on programs, marzes, different beneficiary groups,

f) Possibility for making flexible decisions based on situation,

g) The possibility of piloting the new programs through the means of planned state and local budget resources, which were not spent according to timetable for given year, as well as from donor assistance resources,

h) Definition of the share for implementation of programs delegated to private sector,

5.2 The Implementation

a) ensure implementation through the appropriate state, community based and non-governmental bodies,

b) a sustained provision of employment of beneficiaries as a final outcome of the program,

c) continued improvement of quality and accessibility of provided services, provision of online services to job seekers and employers,

d) electronic submission of medium-term and final reports,

5.3 The monitoring and evaluation

a) the definition of evaluation criteria of the final results of monitoring and evaluation of programs and services, based on predetermined goals and indicators of targets,

b) the possibility of comprehensive monitoring and evaluation including through online means,

c) the analysis of deviation of results from the targeted criteria and development of remediation plan,

d) employment programs aimed at the regulation of target and non-financial measures used to ensure the recovery process, as well as definition of equivalent responsibility in the case of violations of the law,

e) services rendered to beneficiaries on the results of analysis of retrospective information,

6) state regulation of labour remuneration and productivity

a) In the Republic of Armenia there shall be the minimum salary of the mechanisms necessary to conform to international standards, gradually increasing its size, taking into account the macroeconomic situation in the country, labour productivity level, stable trends of those indicators, as well as equitable distribution of income, as well as the necessity of ensuring the competitiveness of the economy,

b) The main priority of improving the system of remuneration of public servants must be considered the introduction of unified system of remuneration public servants by developing the main pillars of core wages, additional payments and social warranties.

7) The state regulation of work relations and its supervision

a) According to labour legislation and in accordance with international standards of safety and health protection of workers' basic rules and norms should be defined and applied as a main component in the regulation of labour relations,

b) Introduction of compulsory system of insurance of industrial accidents and occupational diseases taking into account international best practice and standards, as well as national peculiarities,

c) Registration of cases of workplace accidents and contracted illnesses of employees and the provision of comprehensive foundations for organization and implementation of state control,

d) In those cases when businesses have been dissolved prior to August 11 of 2004, ensure the provision of compensation to those found themselves in workplace accidents and contracted occupational diseases as a result of damage caused to a person's life and health.

e) Compliance of social labour minimum guarantees and conditions to the international standards, according to defined timetable, practically achieved and comprehensively assessed situational opportunities.

8) Social partnership

a) development and strengthening of social partnership in all spheres of social and labour relations at regional and national levels, within the framework of employment policy should be viewed as an imperative necessity for the provision of socio-labour related additional guarantees of key importance,

9) Legal provision

a) based on the principles of employment policy, strategic issues and priorities of employment sphere as well as for the purpose of legislative priorities ensuring effective implementation of key mechanisms for adoption of new legislation, based on the conceptual foundations defined previously,

10) Provision of information

a) The provision of information concerning the current and expected labour demand received from employers, the relevant state bodies and other relevant sources along with the development, operation and continuous improvement of a complete database of job seekers,

b) According to Armenian legislation, the information in the database should be available to those visiting the regional centres of SESA, as well as online.

92. In the sphere of employment the realization of set strategic reforms will have to result in the provision of the following outcomes:

1) Involvement of labour force by sectors and required professions in different sectors of economy, as well as improvement of conditions and opportunities for self-employment,

2) The establishment and development of foundation for systemic linkages within economy - labour market – educational system triangle,

3) Introduction of operational system of professional orientation,

4) Mitigation of regional inequalities of labour market,

5) Maintenance and gradual improvement of demographic and labour migration's positive trends,

6) Promotion of decent work conditions, provision of effective legal basis,

7) Improvement of life conditions of population by augmented income as a result of employment and introduction of equitable destruction mechanisms,

8) Targeted decrease of employment rates calculated via ILCS,

9) Grouping and provision of state assistance to groups that encounter additional difficulties in labour market,

10) Improvement of effectiveness and targeting of channelled financial resources from the state budget,

11) Regulation of operations of private providers of job matching services through ways approaches to collaboration that are of mutual interest,

12) Introduction of monitoring and evaluation system aimed at the management of quality, accessibility, targeted nature and effectiveness of state programs and services concerning employment,

13) Continued growth of employment indicators as a result of state employment programs and services,

14) Strengthening of social partnership at all levels of development and implementation of employment policy.

4.2. Key Performance Indicators of the Reform of Employment Policy and the assessment of ensured financing

93. The following target indicators for the implementation of strategic reform of employment are being suggested to be fulfilled via the implementation plan of 2013-2018:

1) Employment rate calculated by NSS ILCS (TI1) - 2013-2018 annual rate of decline being equal to 0.35% percentage points,

2) In annual state regulation programs of labour market (hereafter programs) the number of beneficiaries (TI2) – 2013 growth rate has to be 18 percent compared with average indicator for 2008-and from 2014-2018 record a 5 percent annual growth rate,

3) The number of disabled persons included in programs (TI3), – 2013 growth rate has to equal to 50 percent compare to the annual average of 2008-2011 and from 2014-2018 record a 50 percent growth rate compared to the previous year,

4) The share of unemployed who have acquired the right to unemployment benefit compared with the number of unemployed actively looking for job included in different programs (TI4) – 2013 reduction rate compared with 2008-2011 must equal to 10 percentage points and from 2014-2018 the annual rate of reduction must equal to 10 percentage points compared to the previous year,

5) The coefficient of sustained employment as a result of programs or SESA mediation (TI5) – 2013 growth rate compared to 2008-2011 has to equal to 4.5 percentage points and from 2014-2018 the annual growth rate is planned to equal to 2 percentage points compared with previous year's rate,

6) The number of vacant jobs collected by SESA and excluding duplicated information (no double reporting of results) (TI6) – 2013 growth rate compared with annual average of 2008-2011 will have to equal to 60 percent and from 2014-2018 with annual growth rate of 10 percent,

7) Financial resourced allocated from state budget (TI7) – 2013 growth rate compared to annual average allocation from 2008-2011 will equal to 18% and from 2014-2018, the annual growth rate will equal to 5%,

8) The size of minimum salary (TI8) – 2013-2018 annual growth rate in comparison with last year according to MTEF.

94. The justification and financial evaluation of implementation of targets of employment strategy are provided below.

In 2008-2011, the real annual allocation from state budget was 4.2 bln. drams. The annual average of beneficiaries so far has equalled to 30371, whereas the average cost of a beneficiary involvement per program has equalled to 138000 drams. Through SESA mediation or as a result of programs the sustained employment coefficient was around 10.5%. 3190 persons have had a sustained employment.

According to 2013-2015 MTEF, for 2013 the planned allocation from the state budget is 4.96 bln drams, which exceeds the 2008-2011 real annual allocation from state budget by 18 percent. The provision of employment strategy implementation target indicators will be done due to interprogram redistribution of financial measures of employment programs which are appropriated by 2012-2015 state MTEF program.

Assuming that a per unit cost of beneficiary involvement in the program is 138000 drams, then in 2013, the number of program beneficiaries will equal to 36000 persons, the growth rate of which is about 18 percent compared to 2008-2011 annual average value. The annual planned growth rate of number of beneficiaries included in 2014-2015 programs, will equal to 5%. The financial measures through interprogram distribution given to employment programs within the framework of 2013-2015 period State MTE program, and the minimum growth in 5% of beneficiaries included in 2016 -2018 programs and the quantity of financial measures needed for provision of that will be defined by appropriate framework of MTE. On the other side, as a result of reforms of employment policy it is expected that in 2013, the coefficient of sustained employment will be 15 percent, growing by 4.5 percentage points compared to 2008-2011 average value of the coefficient. For 2014-2018, the planned growth rate is 2 percentage points. As a result the following outcomes are expected: 2014-17%, 2015-19%, 2016-21%, 2017-23%, 2018-25%.

Therefore, in 2013, the number of persons having sustained employment will be 5400, then in 2014-6426, 2015-7541, 2016-8750, 2017-10062, 2018-11482: In other terms, from 2013-2018, the number of persons with sustained employment will grow by 5071 persons on annual basis, this compared to 3190 persons for 2008-2011.

In order to ensure targets set for the coefficient of sustained employment, the creation of new jobs is being stressed, as well as qualitative data on vacant positions, being collected by SESA.

In 2013, as a result of reforms of employment policy, the number of vacant positions (non-duplicated) collected by SESA is expected to equal to 10000, whereas for 2014-2018, the annual growth rate compared with previous years is expected to equal to 5 percent. As a result that indicator will have the following values: 2014-11000, 2015-12100, 2016-13310, 2017-14640, and 2018-16105.

From this perspective, it is remarkable, that the Government program for 2012-2017 plans creation of 100000 jobs.

Meantime, NSS ILCS annual average of economically active population for 2008-2011 was 1434.4 thousand persons.

Accepting that i2008-2011 indicator of economically active population will remain constant, as well as taking into account the estimated annual growth rate of the number of sustained employed for 2013-2018, it will be possible to estimate the reduction of unemployment rate calculated by ILCS, which will amount to 0.35 percentage points. In 2018, the stated indicator will be possible to reduce by 2.1 percentage points, reaching 16.3% compared to 18.4% of 2011.

The monthly minimum wage's annual growth in 2013-2018 years is defined according to MTEF program. The monthly minimum salary in 2013, according to 2013-2015 state MTEF program, is expected to be set at

35000, increasing by 7.7%. The minimum wage increase in 2500 drams will have an impact on the state budget expenses that is estimated to be an increase in 941 bln AMD.

800 persons, for whom workplace accidents and occupational diseases have caused damage to life and health and are entitled to receive compensation, will cost the state budget extra funds, such as 326.4 mln drams in 2013, and from 2014-2018 130 mln drams per annum.

95. In order to ensure the targets of implementation of employment strategy the following risks are highlighted:

- 1) In relation to (TI1)
 - a) Ensuring of (TI2), (TI3) and (TI5) target indicators,
 - b) The possible changes of economically active population's annual average number for the period from 2013-2018,
- 2) In relation to (TI2) and (TI3)
 - a) Ensuring (TI4) and (TI7) target indicators,
 - b) 2013-2018 possible changes of the per unit cost of engaged beneficiaries compared to 2008-2011
- 3) In relation to (TI5) the provision of (TI3), (TI4), (TI6) indicators,
- 4) In relation to (TI6) the provision of number of new jobs planned by the 2012-2017 government program set target.

5. ACTION PLAN OF EMPLOYMENT STRATEGY

No	Activity name	Actions linked to the Activity	Expected Outcomes	Implementation period	Responsible parties	Main Target Indicators
1	Ensure the relevance of labour market and economy	1. The global financial crisis reformation, entrepreneurship development promotion and tools development and implementation continuity consistent provision	1. Promotion of sustainable employment through created new jobs, especially effective recruitment in rural communities' non-agricultural jobs.	2013-2018	SSSP MECO MITERA Social Partners	1. (TI ₁), (TI ₂), (TI ₅)
		2. For the planning and implementation of assistance to SME through introduction of mechanisms of complementary and coordinated collaboration of stakeholder state bodies	2. SME development and sustained employment, particularly, promotion of self-employment	2013	SSSP MECO MITERA Social Partners	2. (TI ₁), (TI ₄), (TI ₅)
		3. Information concerning new expected jobs by state regulatory bodies in different regions, spheres of economy with the introduction of a mechanism for a periodic transfer of this data to SEA	3. Engagement of labour force based on demanded specializations and spheres of economy, as well as improvement of conditions and opportunities for self-employment	2013	SSSP MECO MITERA	3. (TI ₂), (TI ₃), (TI ₄), (TI ₇)
		4. A comprehensive information concerning current and possible vacancies in private sector through the introduction of holistic mechanisms for the receipt of it by SEA	4. Consistently increasing number of (non-duplicated) vacant positions collected and registered by SEA	2013	SSSP Social Partners	4. (TI ₆)
		5. Establishment of realistic basis for the institutional and operational collaboration of various stakeholders and social partners in developing occupational descriptors and descriptions of specializations	5. Qualitative and permanently functioning link between the labour market and the economy	2013-2018	SSSP, Other stakeholder state bodies and social partners	5. (TI ₁), (TI ₅), (TI ₆)
2	Ensure the link between labour market and educational system	1. On the comprehensive bases of labour market trends and forecasting the introduction of new mechanisms for the definition of state order for secondary general education, professional preliminary, tertiary education	1. Promotion of relevance of labour market supply and demand in a long-term	2013	SSSP MOES Social Partners	(TI ₁), (TI ₂), (TI ₃), (TI ₅), (TI ₆)
		2. The investment of national qualifications framework providing the active involvement of employers	2. Qualitative link between labour market – educational system.	2013-2018	SSSP MOES Social Partners	
		3. Introduction of professional orientation system, which has to be accessible from secondary general education and in all stages of professional career, regardless of employment status	3. Functional system of professional orientation	2013-2014	MOES SSSP Social Partners	
3	Promote demographic and regional balanced development	Directing the state employment policy towards the regional development, comprehensive solution of demographic and migration related issues	Mitigating the disproportions of regional development, maintenance of demographic and migratory positive trends, as well as continued improvement	2013-2016	SSSP Other stakeholder state bodies Social partnership	Strategic and conceptual targets outlined by the relevant areas

4	Introduction of new model of state regulation of labour market	1. Capacity building of state regulatory bodies related to labour market, as well as private providers of labour matching services, promotion of complementary and effective collaboration, taking into account the processes of introduction of integrated social service provision underway in the country along with the international experience and criteria	1. Compliance of labour market's state regulatory organizations' institutional capacity with the suggested model	2013-2015	SSSP Social partnership	1. (T ₂), (T ₃), (T ₄), (T ₆)
		2. A total re-evaluation of programs and services of state regulatory programs and services concerning labour market, comparing it with a set outcome of sustained employment	2. Acknowledgement and promotion of labour, as well as overall improvement of targeting of state assistance	2013	SSSP	2. (T ₁), (T ₅), (T ₇)
		3. Definition of flexible mechanisms for identification of non-competitive groups, as well as adoption of new forms and approaches to the promotion of sustained employment for persons included in those groups	3. Availability of real bases for sustained employment of persons included in non-competitive groups	2013-2018	SSSP	3. (T ₁), (T ₃), (T ₅), (T ₇)
		4. Introduction of comprehensive mechanisms of management of the appraisal, implementation, monitoring and evaluation of annual program of state regulation of labour market according to the suggested new model	4. Availability of operational bases of a suggested model	2013-2018	SSSP	4. (T ₁), (T ₂), (T ₃), (T ₄), (T ₅), (T ₆), (T ₇)
5	Reforms of state regulation of labour, wages and other conditions	1. The minimum wage determination mechanisms in line with international standards, taking into account the macroeconomic situation in the country, labour productivity levels, as well as trends in these indicators of sustainable	1. Raising the living standards of population, as a result the introduction of mechanisms leading to equitable distribution of income from employment	2013-2018	SSSP MECO Social Partners	1. (T ₁), (T ₅), (T ₇), (T ₈)
		2. Social-labour related minimum guarantees and conditions of employment in line with international standards, comprehensively assessed according to contextual opportunities	2. Promoting decent work conditions, an effective legal basis for the existence of working conditions in line with international standards	2013-2018	SSSP MECO Social Partners	2. (T ₁), (T ₃), (T ₅), (T ₇), (T ₈)
		3. Improvement of the system of remuneration of public servants in accordance with predetermined conceptual foundations	3. A unified system of remuneration of public servants based on the development of equitable and effective pillars of core, additional wages and social guarantees	2013-2018	SSSP Other stakeholder state bodies	3. According to targets identified in the concept
6	Within the ongoing reforms of inspection, finalization of the provision of legal basis for supervision of implementation of labour legislation	1. As the main component of labour relations, definition and implementation of provision of job security and rules and norms of health preservation according to international standards	1. Completion of the legal framework providing healthy and secure working conditions and synchronization with international standards, prevention of work related accidents and illnesses	2013-2018	SSSP Other stakeholder state bodies	(T ₁), (T ₅), (T ₆), (T ₈)
		2. Introduction of compulsory system of insurance in cases when work related accidents occur and/or persons contract illnesses when executing their functions taking into account the best international experience and criteria, as well as national specificities	2. Availability of all-encompassing grounds of the compensation of employees if the above stated occurs	2013-2018	Social Partners Central Bank of Armenia, SSSP Other stakeholder state bodies Social Partners	
		3. Regulation of provision of compensation to those persons who have contracted illnesses and/or have been subject to work related accidents in organizations that have been liquidated after August 11, 2004 and have not yet received it	3. Provision of compensation to these persons	2013	SSSP	

		4. Continuation of processes of supervision and state control over the implementation of labour legislation	4. Introduction and successful operations of risk based inspection system in the State Inspectorate of Labour	2013-2018	SSSP MECO Social Partners	
7	Development of social partnership	Enlargement and deepening of social partnership within the framework of employment policy in all spheres of social-labour relations, at national, sectoral and regional levels	National, sectoral, regional and organizational collective agreements that define social-labour related additional guarantees and ensure them	2013-2018	SSSP Other stakeholder state bodies Social Partners	The measures outlined by expected results and targets defined by collective contracts
8	Legal reforms of employment sphere	Taking into account the principles of employment policy, strategic problems of employment sphere and priorities, as well as in order to effectively provide for the legislative foundation for the implementation of previously stated, development of draft law on employment and presentation to the Government of RA	Availability of bases for the new model suggested by employment policy	2013	SSSP	
9	Introduction and improvement of MIS for state regulation of employment	1. Development and operations of a comprehensive database concerning the current and expected demand received from employers, appropriate state bodies and other sources along with the provision of complete data on persons seeking jobs	1. Availability of necessary MIS for the implementation of new model suggested by employment policy	2013-2018	SSSP	(T ₁), (T ₂), (T ₃), (T ₅), (T ₆)
		2. Accessibility of information to the beneficiaries in both cases, when they visit the regional centres of SEA, as well as online (via website created for that purpose)	2. The receipt of data from the database by beneficiaries by all possible means			