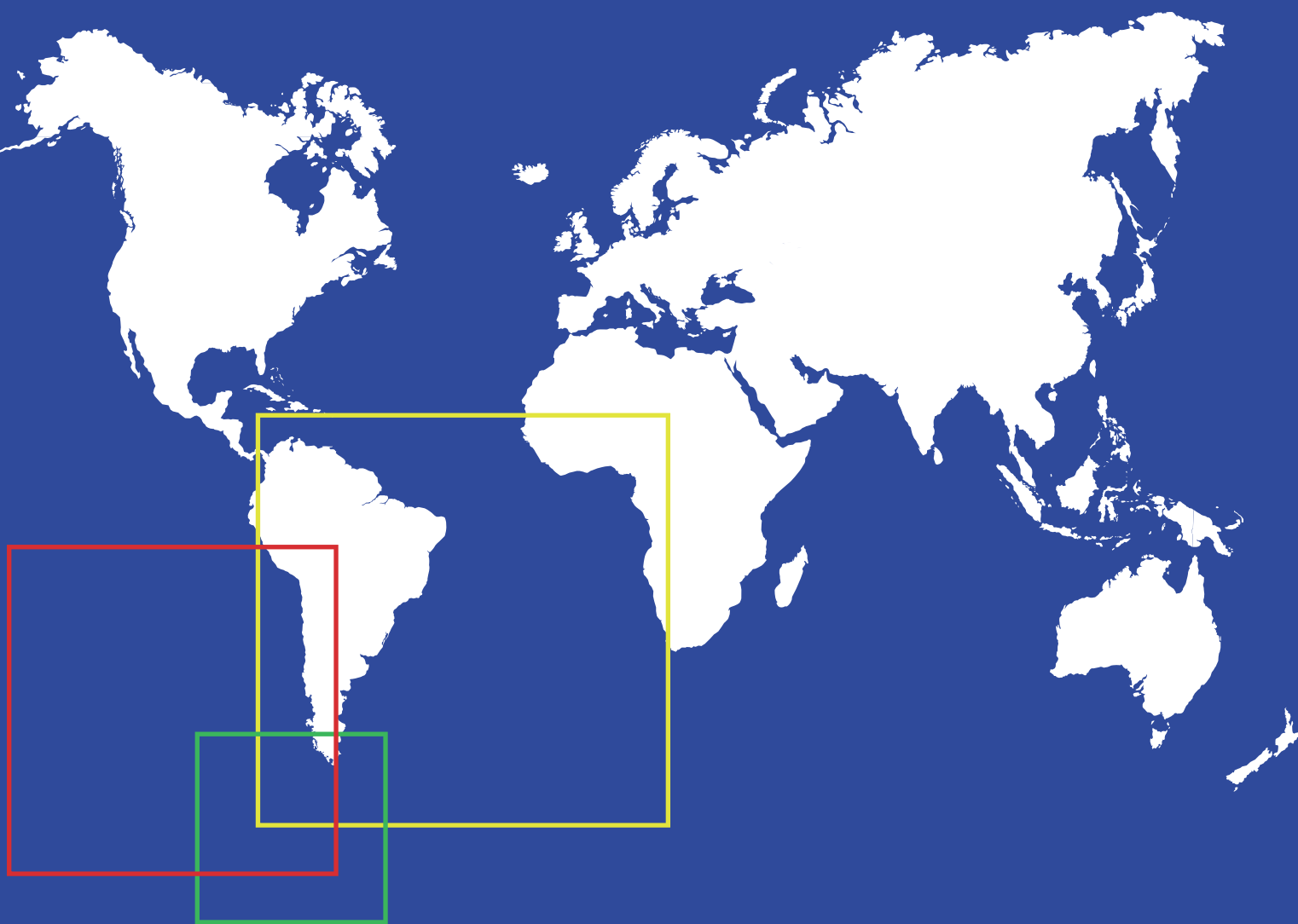




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Decent Work Country Profile ARMENIA



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EXECUTIVE SUMMARY

**DECENT WORK COUNTRY PROFILE
ARMENIA**

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Executive summary

The Decent Work Country Profile for Armenia looks at progress and challenges across ten thematic areas ranging from employment opportunities, to stability and security of work and social dialogue. The Decent Work Agenda combines employment promotion, rights at work, social protection and social dialogue. In order to capture all four dimensions of the concept of decent work, the country profile contains information on rights and legislation, presented as Legal Framework Indicators, in addition to statistical Decent Work Indicators, with much of the data produced by the National Statistical Service of the Republic of Armenia.

In 1992, Armenia declared its independence from the USSR and began the transition to a market economy. Socio-economic development in Armenia has been strongly influenced by the transition from state controlled economy, in combination with a devastating earthquake in 1988 and armed conflict with Azerbaijan over Nagorny Karabakh. In the 2000s, progress has been made in a number of areas relating to the Decent Work Agenda (see Chapter 1 ‘Economic and social context for decent work’). Economic growth has been strong and averaged some 12 per cent between 2001 and 2008. The construction and service sectors contributed most to growth, although employment declined in the service sector and increased substantially in agriculture. Per capita income almost doubled, rising to \$US 5,400 in 2008 and poverty has also fallen rapidly from 55 per cent in 1999 to 27 per cent in 2009¹. Armenia has a highly educated population, with near universal literacy and attendance in primary education. Almost three quarters of children stay in school until they reach 17 and the size of the university population is steadily growing. The global economic crisis has deeply impacted Armenia however, causing economic growth to contract sharply and many job losses.

Armenia made progress in increasing employment opportunities in the last ten years (see Chapter 2 ‘Employment opportunities’). The proportion of the working age population (16-70 years) in employment has increased from 40 per cent (2001) to 52 per cent (2010). Employment of both men and women has increased, although the increase has been greater for men. In 2010, 63 per cent of working age men were in employment compared to 43 per cent of women. Unemployment decreased between 2001 and 2007, although remaining consistently higher among women than men. During the economic crisis, unemployment increased overall, reaching 19.5 per cent in 2010. Youth unemployment is a big problem, affecting 41 per cent of people aged 15 to 24 in 2009, up from 37 per cent in 2008, immediately prior to the crisis.

A particular challenge to the decent work agenda in Armenia is the large informal economy. Some 52 per cent of employment was in the informal economy in 2009, and encompassed 25 per cent of jobs in urban areas and 82 per cent in rural areas, including 99 per cent of jobs in agriculture. Vulnerable employment has also increased over the last ten years. In 2010, some 35 per cent of men and 48 per cent of women were in vulnerable jobs. People working in vulnerable jobs and in the informal sector are more at risk to poverty and marginalization as they lack access to social security schemes, job and income security. The Government has implemented a range of programmes targeting vulnerable groups in the labour market to improve their employment opportunities, ranging from providing partial wage subsidies, to offering financial assistance for unemployed and disabled people to set up their own businesses and to facilitate professional mobility.

¹ World Bank data <http://data.worldbank.org/country/armenia>

Progress in terms of adequate earnings and productive work in Armenia over the last ten years has been mixed (see Chapter 3 ‘Adequate earnings and productive work’). Average real wages grew by some 26 per cent between 2007 and 2010. Working poverty declined from 29 per cent in 2004 to 19 per cent in 2008, although rose back up to 24 per cent in 2009 as the global crisis took its toll. Similarly, the share of workers earning less than two thirds of the median average slowly declined until the crisis hit. Armenia has a national minimum wage applicable nationally, to all sectors of the economy, which has undergone a series of increases since 2004 bringing it up to 32,500 drams in 2011. Despite minimum wage increases, the statutory minimum wage falls well below the poverty line and in 2010 was worth just 43 per cent of the median wage.

Average earnings in the public sector (119,721 drams) are similar to those in the private sector (121,663 drams). In both sectors women earn less than men and are clustered in lower paid jobs; for example women make up some 70 per cent of those earning less than 40,000 drams a month. Steps are being taken to address minimum wage setting mechanisms, and to address the concern of the Union of Manufacturers and Entrepreneurs of Armenia and the Confederation of Trade Unions of Armenia in this respect. In 2011, a National Framework on Education Qualifications was adopted, which is foreseen as a tool in wage regulation, setting steps in wages according to workers’ level of qualification.

Armenia has taken steps towards ensuring decent hours for workers (see Chapter 4 ‘Decent hours’). During the transition period, it was common practice for workers in the private and public sector to work long hours of overtime without compensation. The new labour code, adopted in 2004, defines a standard working week of 40 hours with a two day weekend and provides for paid leave. Regulations are in place to protect shift workers and children aged 14-18 years and to ensure payment for overtime. Adoption of new working practices is taking time, partly because the labour code is not widely understood and the state labour inspection service lacks resources for enforcement. In the formal sector, the proportion of workers engaged in excessive working hours has fallen from 28 per cent in 2001 to 19 per cent in 2010, and on average, workers now have a 36.4 hour work week. More men (41 per cent) are engaged in excessive working hours than women (9.6 per cent) and men have a longer average working week (41 hours) than women (31 hours). Less change appears to have taken place in the informal sector, where an estimated 35-41 per cent of people work more than 48 hours a week, with significantly more men working overtime than women.

While increasing numbers of women have taken up paid work in Armenia over the last decade, their share of family responsibilities has not decreased (see Chapter 5 ‘Combining work, family and personal life’). The economic turmoil of the transition period had an impact on the traditional Armenian social structure. Many older people lost jobs and men fell into long term unemployment, meaning women and younger people sought work to supplement family income and their voice within the family increased. New laws on maternity and parental leave have been introduced providing for at least 140 days of paid maternity leave and paid parental leave for carers of children up to two years old. Nonetheless, traditional gender relations persist; women often interrupt their employment after the birth of a child and work shorter hours to fulfill family responsibilities. In comparison, men tend to work full-time irrespective of family responsibilities. Two broad changes have taken place in the last ten years, on the one hand, the number of women working part time due to family commitments has decreased, reflecting the fact that less families can afford the loss of income. On the other hand, the number of women who are out of work and not seeking a job due to family reasons has increased rapidly. The Government is working to assist families, increasing access to pre-primary care and facilitating access to housing mortgages and social housing.

Limited data on child labour and forced labour in Armenia makes it impossible to draw conclusions on progress (see Chapter 6 ‘Work that should be abolished’). Armenia has

ratified the four related fundamental conventions as well as international standards against human trafficking. The general minimum age for employment is 16 years, although children aged 14 can work in limited conditions with parental consent. Outside household farms and businesses, less than five per cent of children aged seven to 18 are engaged in paid employment. However, much of the work children are engaged in appears to fall outside coverage of national labour laws which only apply to work conducted within a formal labour relationship. Children who are self-employed or unpaid for their work are not covered by the law and no data is collected on their activities. Regarding forced labour, the Government of Armenia has placed emphasis on tackling human trafficking. Armenia has been identified as a source and destination country for victims of human trafficking, with men and women, boys and girls trafficked into forced labour and prostitution. Efforts are being made to combat trafficking, institutional mechanisms have been set up, action plans implemented, and the Government has financed awareness raising campaigns on human trafficking on television and in schools.

In terms of the stability and security of work, Armenia has made progress in developing the legal framework; however implementation is lagging behind (see Chapter 7 ‘Stability and security of work’). The proportion of workers engaged in temporary or seasonal employment has declined over the last decade and now stands at 23 per cent of men and 15 per cent of women. Job creation has not kept up with the growth of the working age population. Between 2005 and 2009, the working age population grew by 7 per cent, while the number of jobs shrank by 2 per cent. Jobs in the public sector are being cut and the number of people employed in the formal sector has decreased by some 15-20 per cent suggesting an overall decline in job stability and security. Employed people working in the formal sector have a social safety net provided through contributory social insurance and the Government has been working to extend social protection. The self-employed and those in employees in agriculture can now contribute to social insurance schemes, cushioning the impact of new working conditions.

Armenia has taken steps to improve equal opportunities and treatment in employment over the last ten years (see Chapter 8 ‘Equal opportunity and treatment in employment’). The Equal Remuneration Convention, 1951 (No. 100) and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111) have both been ratified. National legislation guarantees equality before the law and prohibits discrimination on the basis of a number of factors including gender, race, nationality and age. However, the legislation provides for equal remuneration for men and women for the same, similar or equal work but not necessarily for work of *equal value*. There have been a number of successes: female labour market participation has increased, the proportion of women in executive positions has risen and women are more educated, particularly at the tertiary level. At the same time, men continue to earn significantly more than women, although the gender pay gap has decreased from 64 per cent in 2007 to 55 per cent in 2010. Women still tend to work in lower paid sectors of the economy and work shorter hours to fulfill household responsibilities. Another challenge is the low labour market participation of older workers, just 35 per cent of people aged 55-59 and 28 per cent of those aged 60-64 are economically active, with less women working than men.

In terms of the safe work environment, it is difficult to draw any conclusions on Armenia’s progress (see Chapter 9 ‘Safe work environment’). Occupational safety and health are key to a number of Government policies including the Programme of Stable Development. National legislation also provides for the right to “adequate, safe and harmless” working conditions and employers are required to ensure health and safety protection for employees. Efforts have been made to reform the state labour inspectorate which is responsible for the implementation, control and enforcement of labour legislation and collects data on occupational injuries and diseases. Challenges to implementing safety and health in the work place include a lack of implementing regulations provided by the Government, the lack of an insurance scheme for injuries and disabilities and low

awareness among employees and employers on appropriate practices. In 2011, steps were taken towards adopting rules and standards for providing occupational safety and health for employees. According to official statistics, there is a low rate of occupational injuries and diseases which has declined over the last five years. However studies of the informal sector suggest a much higher rate of injuries and diseases.

Reforming the social security system was one of the most challenging tasks faced by Armenia during the transition period (see Chapter 10 ‘Social security’). The social security system covers all nine branches identified in the Social Security (Minimum Standards) Convention, 1952 (No. 102) although there are challenges regarding breadth of coverage and the value of benefits. Public social security expenditures increased significantly until the economic crisis, rising from two per cent of GDP to eight per cent in 2009, budget cuts in 2010 brought expenditure down to seven per cent of GDP. Until 2008, compulsory social insurance covered expenditure for social protection. Old age pensions were the largest area of expenditure, valued at 4.3 per cent of GDP in 2008, although on average, the benefits received by individuals were below the poverty level. Reforms in 2008 pooled social insurance income into the total state budget and pension benefits were increased by 60 per cent. Debate on improving the sustainability of the social security system is ongoing, active contributions to social insurance are low at only 20 per cent of the working age population and there are concerns about the impact of population ageing. Planned reforms include the introduction of a self-financing, multi-tier pension system by 2014 to increase sustainability and incentives to contribute.

Progress regarding social dialogue has been mixed (see Chapter 11 ‘Social dialogue, workers’ and employers’ representation’). Armenia has a history of social dialogue and trade unionization going back to the beginning of the 20th century and during the transition period efforts were made to revitalize and redefine social dialogue. Freedom of association and the right to organize as well as the right to collective bargaining are protected in the law and coverage of workers by collective agreements has increased from some 20 per cent in 2007 to 32 per cent in 2010. However, since 2000, trade union density has declined significantly from almost 90 per cent to 45 per cent and the share of enterprises belonging to employers’ organizations has remained low at around one per cent. Moreover, some efforts are still needed to align the legislation with ratified ILO Conventions. A Collective Republican Agreement signed in 2009 by the Government, the Confederation of Trade Unions of Armenia and the Republican Union of Employers sets out methods and responsibilities to regulate labour relations and progress in the implementation of relevant ILO Conventions. As a result of the agreement, the Republican Tripartite Commission was established and provides advice to the Government on labour laws and policy.