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Rapid assessment of the employment impact and policy responses of the COVID-19 pandemic on Armenia

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The Ministry of Labour and Social Affairs in Armenia requested ILO technical assistance for conducting a rapid assessment of the impact of the current pandemic on the labour market and employment, following the subregional initiative launched in April 2020 by Olga Koulaeva, Director of the ILO Decent Work Team and Country Office for Eastern Europe and Central Asia; Sukti Dasgupta, Chief for EMPLAB Branch, ILO Headquarters, and Mikhail Pouchkin, Senior Employment Specialist at the ILO Decent Work Team and Country Office for Eastern Europe and Central Asia.

The rapid assessment takes advantage of the methodology elaborated by the ILO EMPLAB Branch, with focus is on the transmission mechanisms of the COVID 19 crisis on a country's economy and labour market, reviews existing policy responses and identifies gaps in policy implementation. The rapid assessment report has been written by ILO consultants Duncan Campbell, Per Ronnås and Arman Sargsyan, with technical assistance of Mauricio Dierckxsens (ILO EMPLAB Branch) and Ramiro Pizarro (ILO Decent Work Team and Country Office for Eastern Europe and Central Asia).

The consultancy «A Rapid Diagnostics for Assessing the Country-Level Impact of COVID-19 virus on the Economy and Labour Market of Armenia» has been coordinated and financed by the project "Partnerships for Youth Employment in the Commonwealth of Independent States (CIS) Phase II", implemented by the ILO in partnership with the Russian company LUKOIL, as a country case contribution to the CIS sub-regional network, supporting member countries to mainstream youth employment into national policies, voluntary peer-to-peer reviews on employment policies, institutions, services and active labour market programmes, and to inform country case studies on evidence based employment policy design, monitoring and implementation.

Foreword

During the past months, the COVID-19 pandemic has intensified and expanded in terms of its global reach, with large impacts on public health and unprecedented shocks to economies and labour markets. The massive economic disruption arising from the COVID-19 crisis is affecting the world's workforce. The employment impacts of COVID-19 are deep, far-reaching and unprecedented. However, the shock to the labour market is not uniform - specific hard-hit sectors and some categories of workers who are particularly vulnerable are more affected than others.

Armenia requested ILO's technical assistance for conducting a rapid assessment of the impact of this pandemic on the labour market and employment. In particular, the rapid diagnostics seeks to: a) Assess the current impact or most probable transmission mechanisms of the new coronavirus crisis on a country's economy and labour market; and b) Review existing policy responses and identify gaps in policy implementation.

The Rapid Assessment builds on the previous progress made towards the Decent Work Agenda in Armenia, which prioritised drafting a new employment strategy based on tripartite social dialogue and stakeholders' consultations. As first step, the Government and the ILO agreed to conduct an initial assessment of the "National Employment Strategy, 2013 -2018" (NES) and its expected contribution to the policy objectives and targets defined by the "Armenian Development Strategy, 2014-2025". ILO promptly delivered a technical report considered as an input of critical importance for the new Armenia National Employment Strategy (ANES): "The Armenian Labor Market: Considerations for the next National Employment Strategy" (ILO Decent Work Team and Country Office for Eastern Europe and Central Asia, December 2018), which was submitted to tripartite discussion along the year 2019. The employment assessment included as well a seminal previous technical report on employment policies called "Towards an Employment-Friendly Macroeconomic Framework: The Case of Armenia," (ILO Decent Work Team and Country Office for Eastern Europe and Central Asia, July 2017).

Tripartite plus workshops held during the year 2019, involving the government, employers and workers' organizations and relevant national stakeholder, discussed the main findings and recommendations of the ILO reports and led to a roadmap for drafting and approving the new national employment strategy. The ILO DWT and Country Office for Eastern Europe and Central Asia facilitated tripartite discussions where key policy areas and policy recommendations were prioritised. The ILO provided additional technical advice to the drafting of the document "Employment Strategy 2019-2023 of the Republic of Armenia", which was finally approved by the Ministry of Labour and Social Affairs in October 2019. Building on the development cooperation's previous achievements, the Armenian government asked additional support for conducting the rapid assessment of the impact of the COVID 19 pandemic into the labour market and employment.

The Armenian report is a country response to the sub-regional initiative launched in April 2020, by the Director of the ILO DWT and Country Office for Eastern Europe and Central Asia, Olga Koulaeva; the Branch Chief of the ILO EMPLAB Branch, Sukti Dasgupta, and the Senior Employment Specialist at the ILO Decent Work Team and Country Office for Eastern Europe and Central Asia, Mikhail Pouchkin.

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A. Background

The first case of Covid-19 in Armenia was discovered on March 1, 2020. Initially the spread was slow, reaching 100 cases by March 17. The spread of the virus accelerated rapidly thereafter, reaching 1,000 cases by April 10, 5000 cases by May 19 and 10,000 cases by June 2.[1] The growth in the number of deaths from the disease followed a similar patter, albeit at a lower level and with a time lag. The 100 deaths mark was reached on May 14 and by June 15 some 269 deaths had been registered. Over the past month (mid-May to mid-June) the number of infections doubled every two weeks and there are as yet (end-June) few signs of a slowdown.

The Government acted rapidly and took decisive measures to contain the virus. Air and land travel restrictions were introduced already on March 9, followed by closure of schools and cultural institutions on March 13. A temporary state of emergency was announced on March 16, and subsequently extended four times until July 13, when it was lifted. Restrictions on self-isolation and the right to free movement as well as a close-down of public transport, shops and restaurants were introduced on March 24.[2] On March 26, the Government allocated 150 billion Armenian dram (AMD), equal to roughly 2.2 per cent of GDP, to measures aimed at mitigating the economic and social impact of the pandemic.[3] The Government also introduced a package of 8, later 22, special programmes aimed to cushion the impact of the pandemic and support the economy.[4] On May 4 a phased process of easing the lockdown restrictions begun.

B Overview of the socio-economic situation

The economic situation

A few years of strong economic performance has propelled the Armenian economy into a relatively good position to withstand the impact of the Covid-19 pandemic. GDP growth averaged almost 7 per cent per year over the past three years (Figure 1), driven not least by an exceptionally strong performance of the manufacturing sector, which represents a trend-break from earlier years of lackluster economic development. However, the onslaught of the Covid-19 pandemic has brought the strong economic performance to an end. An IMF review in May 2020 predicted that GDP would decline by 1.5 per cent in 2020, with a strong downsize risk, which would imply a fall in GDP growth by 9 percentage units over 2019.[5] More alarmingly, subsequently released economic data for the month of April (2020) show a 17.2 per cent decline in economic activity over the same month a year early.

[1] https://www.worldometers.info/coronavirus/country/armenia/

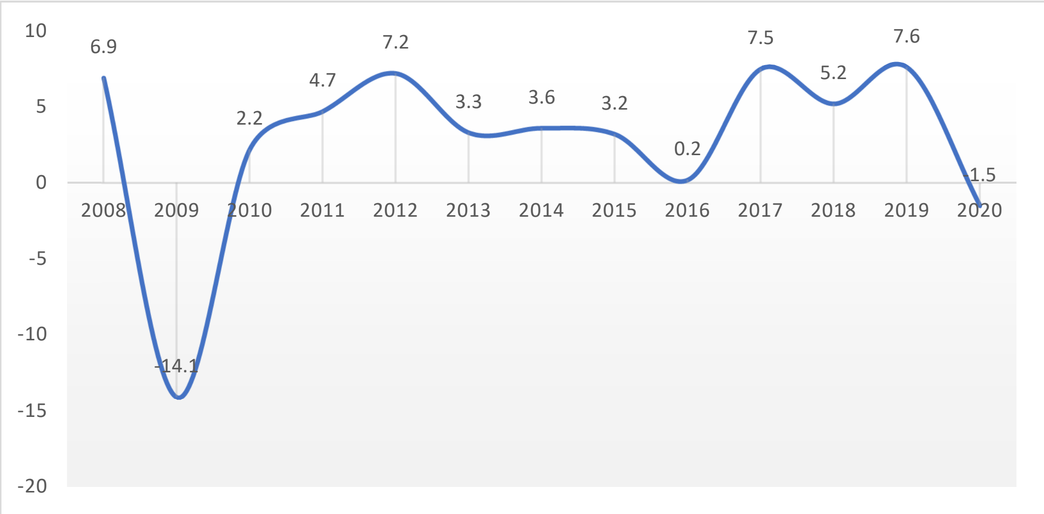
[2] Arsen Torosyan, Covid-19 preparedness and response: *The case of Armenia*, (Yerevan: Ministry of Health) Presentation. https://apps.who.int/gb/COVID-19/pdf_files/14_05/Armenia.pdf. https://www.worldometers.info/coronavirus/country/armenia/

[3] 1 USD = 482 AMD, 1 € = 584 AMD, June 23, 2020.

[4] These are summarised in the final section. A complete list is found in the appendix.

[5] International Monetary Fund, 'Republic of Armenia - Second review under the stand-by arrangement …', *IMF Country Report 20/176* (Washington D.C. May 2020).

Figure 1. Growth of GDP 2008-2020. Percentages



Source: Central Bank of Armenia. www.cba.am.

Armenia enters the 2020 crisis in a better macro-economic position than in the 2008-2009 crisis, when the economy contracted by 21 per cent (Table 1). In the years leading up to the current crises robust growth was accompanied by low inflation. Public sector expenditure amounts to about a quarter of GDP, yet the fiscal deficit has been declining and is manageable thanks to strong mobilization of fiscal revenue (Table 1). The public debt appears comfortably low, both in relation to GDP and fiscal revenues.

The external picture as it presented itself in 2019 is somewhat more mixed. Armenia is closely integrated in the global economy and as such vulnerable to externally induced shocks. In 2019 exports and imports amounted to 39 and 53 per cent of GDP, respectively (Table 1). Armenia has a long and persistent history of trade deficits that has been compensated for by large net inflows of worker remittances and other personal transfers. In 2018 and 2019 the trade deficit increased to 15 per cent of GDP, compared 12 per cent in 2017, largely due to a growth in imports.

Apart from the large trade deficit, the external picture has for a long time displayed two major weaknesses; (i) a heavy reliance on worker remittances and other personal transfers and (ii) a concentration of both exports and remittances to Russia. Indeed, these weaknesses, together with a domestic construction bubble, were the main reasons behind the very severe impact of the 2008-09 crisis on Armenia. Twelve years later, these vulnerabilities remain although not quite as pronounced. In 2019 Russia still accounted for 27 per cent of exports, 29 per cent of imports and with 54 per cent of remittances. Meanwhile, remittances from Armenian workers and other private transfers from abroad fell from 1,781 million USD in 2008 to 1,490 million USD in 2019, or from 14.3 to 10.9 per cent of GDP.[6] The risk that a decline in remittances would trigger a collapse of real estate prices and the construction sector, as in 2008/09, would also seem to be somewhat less today.

[6] Data from Central Bank of Armenia www.cba.am

Table 1. Main macroeconomic indicators

	2017	2018	2019
Population	2,979.4	2,969.0	2,962.5
GDP, million USD	11,527	12,433	13,637
GDP per capita, USD	3,869	4,188	4,603
CPI, %	1.0	2.4	1.4
as % of GDP			
Investments	19.3	22.4	19.2
National savings,	16.3	13.0	11.0
Exports,	37.4	36.6	38.7
Imports	49.7	53.5	53.1
Trade balance	-11.9	-14.9	-15.0
Current account	-3.0	-9.4	-8.2
Total net personal transfers	13.0	11.7	10.9
Net FDI	1.9	2.0	2.9
Govt. revenues and grants	21.2	22.3	23.9
Govt. expenditures	26.0	24.1	24.9
Govt. balance	-4.8	-1.8	-1.0
Public & publicly guaranteed debt	58.9	55.8	53.7
Total external debt stock	88.7	85.9	83.5
External public debt – export ratio	127	118	110
External public debt service ratio, %	6.7	7.9	15.4
Remittances & other private transfers (million USD)	1,494.2	1,452.3	1,489.5

Sources: IMF, Country Report 20/176, May 2020, op.cit. pp 24-26, Central Bank of Armenia www.cba.am (remittances), armstat.am (population).

Still, continued importance of labour migration to reduce supply pressure on the domestic labour market and on remittances as a main source of income and spending power for thousands of households and a source of foreign exchange for the country, combined with the heavy concentration of both trade and labour migration to Russia remain major sources of vulnerability in the current crisis.

Employment and the labour market

Armenia has suffered from a serious deficiency of productive jobs ever since the collapse of the Soviet economy in the early 1990s. For a long time, this deficiency took both the form of an absolute shortage of employment opportunities in the domestic economy and large numbers of working poor. The past decade saw a marked fall in working poverty, while the quantitative deficits of jobs remained very high. Indeed, despite economic growth the number of people employed in the domestic economy fell until a few years ago, while close to a fifth of the labour force has remained unemployed (Table 2). These large deficits of domestic employment opportunities persisted despite an absence of demographic supply pressure on the labour market and can largely be ascribed to systemic structural weaknesses in the economy that emerged after the collapse of the earlier Soviet economy.[7]

[7] For a more detailed discussion, see Duncan Campbell, Susanna Karapetyan and Per Ronnås, *The Armenian Labour Market: Considerations for the next National Employment Strategy.*

Table 2. Development of main labour market indicators 2011-2018

	2011	2016	2018
WAP 15-74, 1000	2286.3	2011.4	2194.6
Labour force, 1000	1440.9	1226.3	1293.8
Employed, 1000	1175.1	1006.2	1048.5
- working poor, 1000	418.3	295.8	246.4
Unemployed, 1000	265.8	220.2	245.4
Productive jobs, 1000	756.8	710.4	802.1
Deficit of productive jobs, 1000	684.1	515.9	491.7
Inactive, 1000	845.4	785.1	900.8
LFPR %	63.0	61.0	59.0
Employment rate, %	51.4	50.0	47.8
Unemployment rate, %	18.4	18.0	19.0
Working poverty rate	35.6	29.4	23.5
Productive jobs as % of LF	52.5	57.9	62.0

Notes: The figures for 2019 are not entirely comparable with earlier years due to changes in the (i) definition of employment (to exclude subsistence activities in 2019), (ii) the sample population (to include household members temporarily abroad in 2019, but not in 2011 and 2016, and (iii) definition of working age population as aged 15-75 in 2011 and 2016, but 15-74 in 2019.

Figures on working poverty are estimates, based on headcount poverty rates according to national definitions.

Sources: Armenian Labour Force Surveys 2011, 2016, 2018 (www.armstat.am

The shortfalls of domestic jobs have for many years resulted in high open unemployment and driven large numbers of Armenians to seek work abroad. It has also caused many Armenians to withdraw from the labour market discouraged by the lack of employment opportunities. In 2018 a mere 59 per cent of the working age population (generously defined as those aged 15-74) were in the labour force and less than half of the working age population were employed (Table 2).

The preceding three years saw significant growth of non-agricultural employment, resulting from the very positive economic development (Table 3). Indeed, the contrast between labour market developments in the past few years and previous decade is quite remarkable and suggests a positive trend break. The growth in manufacturing employment between 2016 and 2018 is particularly encouraging considering that this sector has for a long time been an Achille's heel. The very large growth in employment in construction should be seen in the light of the unusually low level in 2016, yet it contributed considerably to the improved overall employment situation. Altogether it would appear that non-agricultural employment increased by around 150 thousand, that is by 23 per cent between 2016 and 2018 (Table 3). The fact that this employment growth appears to have negligible impact on open unemployment would require further investigation, but can perhaps be explained by working age people from other categories counted as outside the labour market in 2016, such as discouraged people and overseas labour migrants, entering the domestic labour market as job prospects improved.[8]

Yet, the overall conclusion must be that the human and labour resources in Armenia were still severely underutilised as the Covid-19 pandemic hit the Armenian economy and labour market, despite the labour market improvements in the past few years (Table 2).

[8] The changes in definition unfortunately makes a precise analysis of such movements impossible.

Table 3. Non-agricultural employment 2016-2018 (Thousands)

	2016	2018	Change
Non-agricultural sectors	668.1	822.2	154.1
Mining	8.8	9.1	0.3
Manufacturing	83.2	104.1	20.9
El, gas public utilities	24.2	25.2	1.0
Construction	37.5	98.4	60.9
Trade	115.7	119.1	3.4
Transport	32.8	45.5	12.7
Hotel & rest.	23.4	26.3	2.9
Info & com.	19.2	21.0	1.8
Education	107.7	105.6	-2.1
Health	48.3	46.2	-2.1
Public admin.	86.5	90.7	4.2
Other services	80.8	131.0	50.2
All non-agricultural sectors	668.1	822.2	154.1

Note: The figures for 2016 and 2018 are not completely comparable due to changes in the definition of employment. People producing mainly for own consumption were counted as employed in 2016l but not in 2016. However, this change affected mainly employment in agriculture. For more details, see Table 1.

Sources: Armenian Labour Force Surveys 2016, table 4.1.2 and 2018, table 4.2.6 (www.armstat.am).

Some groups of people are more severely affected by the chronically depressed domestic labour market than others. The situation for women and youth is particularly worrisome. In 2018 a mere 38 per cent of working age women were employed, reflecting the combined effect of low participation rates in the labour force and high unemployment among those in the labour force.[9] In the same year youth unemployment[10] stood at 27 per cent. More than half of all unemployed had been unemployed for over one year. Some 34 per cent of all young women aged 15-24 were neither in education nor at work, as against 17 per cent of the young men (Table 4). Many more women than men withdraw from the labour market because they are discouraged by poor prospects to find a job and among those who remain on the labour market unemployment is higher than for men.

Overall, the level of education is quite high among both women and men; over 90 per cent of the working age population have at least secondary education and 22 per cent have tertiary or higher education. Some 45 per cent have general secondary education and an additional 24 per cent specialised secondary education.[11] Education greatly increases participation in the labour force and access to employment among both men and women. Some 72 per cent of men and 55 per cent of women with higher education were in employment in 2018, as against a mere 33 and 19 per cent, respectively, of men and women with no more than primary education. Particularly in urban areas, education also reduces the risk of unemployment

[9] It should also be recalled that as of 2018 the low labour force participation rate among women is also affected by the exclusion of workers in subsistence agriculture, most of whom are women, are excluded from the labour force.

[10] Measured against youth (aged 15 – 29) in the labour force.

[11] See table in Appendix.

Table 4. Utilisation of labour resources in 2018 (Percentages)

	Total	Men	Women	Urban	Rural
As % of WAP 15-74					
LFPR	59.0	71.6	47.9	57.6	60.7
Employment rate	47.8	58.8	38.1	42.3	53.8
LU 1 Unemployed	11.2	12.8	9.8	14.4	6.9
LU 3 Unemployed + discouraged	18.4	18.2	18.5	20.1	16.1
Unemployment rate	19.0	17.9	20.4	24.9	11.4
NEET, aged 15-24	25.7	16.8	34.1	21.9	30.0

Notes: Unemployment rate as % of labour force

NEET – youth neither in education nor in employment.

Source: Armenia LFS 2018, Tables 1.2, 4.1.3 and 6.5

Wage employment is the most common form of employment among both men and women (Table 5). Indeed, at 83 per cent, wage employment is pervasive in urban areas, while the high share of own account workers in rural areas reflects the predominance of employment on own farm (and a lack of non-farm employment opportunities). Still, informality remains widespread also in the non-agricultural sectors. In 2016, 18 per cent of all non-agricultural employment was found to be informal.12 Some 44 per cent of all own account employment and 14 per cent of all wage employment in the non-agricultural sectors was informal. At 22 per cent, informal employment was much more widespread among men than among women (13 per cent).

Table 5. Employed by employment status in 2018 (percentages)

	Total	Men	Women	Urban	Rural
Employee	62.6	58.3	67.9	82.7	39.9
Employer	0.9	1.4	0.3	1.3	0.5
Own account worker	35.0	39.5	29.7	15.8	56.8
Contributing family member	1.4	0.8	2.1	0.2	2.8
Total	100.0	100.0	100.0	100.0	100.0

Source: Armenia Labour Force Survey 2018, table 4.2.8

The average wage in Armenia is currently slightly more than 400 USD, following about ten per cent growth over the past two years. Tangible growth is expected to continue in 2020 as from January 2020 the minimum wage in Armenia was raised by 24 per cent to 68,000 AMD. The minimum wage currently amounts to 45.5 per cent of the average wage.

Demographic structure and social aspects

The age structure of the Armenian population is quite favourable from a European perspective. Although ageing, the share of elderly in the population is still relatively modest. The share of elderly over the age of 70, that is those most vulnerable to the Covid-19, is only 7.6 per cent while the share of those aged 80+ is 3.0 per cent.[13] The combination of declining shares of young and still rather small shares of elderly in the population implies that Armenia currently enjoy exceptionally low age-dependency rate.

The share of the population living below the national income poverty line fell rapidly in the past

[12] Armenia Labour Force Survey 2016, Table 4.3.6. The published results of the 2018 LFS did not include information on informality.

[13] www.armstat.am

decade, from 35.6 in 2011 to 23.5 per cent in 2018.[14] By 2018 a mere 2.1 per cent of the population lived in extreme poverty, defined as less than 1.90 USD PPP per capita and day, while 13 per cent lived on less than 3.20 USD PPP per day. Yet, a large proportion of the population continue to live on a very constrained budget; in 2018 half of the population lived on less than 5.50 USD PPP per day. The Gini coefficient of income increased form 30.0 in 2010 to 34.4 in 2018, indicating growing inequality from a relatively low level.[15]

The health care capacity in Armenia compares well with most other countries in Europe and Central Asia, judged by key indicators such as medical doctors per 10,000 inhabitants and total per capita health expenditures (Table 6).

Table 6. Health care and social protection

	Armenia	Europe & Asia
Per capita GDP, USD	4,212	8,181
Total current health expenditure / capita, USD	408	417
Total health expenditure as % of GDP	10.4	5.2
Govt. health expenditure as % of GDP	1.4	3.1
Govt. health expenditure as % of govt. expenditure	5.4	9.3
Out of pocket expenditure on health as % of total expenditure	84.3	36.4
% of children/households receiving child / family allowances	21.4	87.5
% of unemployed receiving unemployment benefits	0.0	42.5
% of older people receiving a pension	73.2	95.2
Govt. social protection expenditure, excl. health, as % of GDP	6.8	16.5

Note: Figures on expenditures refer to 2017 or 2018. Other figures refer to latest available year

Sources: World Social Protection Report 2017-19, (www.gov.am, www.armstat.am).
World Development Indicators (figures on expenditures).

Yet, the health and social protection systems in Armenia are one of the country's main sources of vulnerability. The share of total health expenditures paid for out of private pockets is exceptionally high; 84 per cent, as government expenditures on health are very low, both in absolute terms and relative to other countries in the region Table 6). The implications are several-fold for individuals as well as for the country as a whole.

- For the Armenians at large, Covid-19 presents both a health threat and an economic threat. It exposes the majority of Armenia's who still live on modest incomes to the risk of falling into income poverty. It will also most probably contribute to increasing income inequality.
- It will further depress demand in the economy, thus adding to the existing downward spiral of the economy. This is in part because everyday consumer expenditure is diverted to acute expenditure on health, but also because the high and acute economic risks facing individual Armenians will reduce their overall propensity consume.

The high share of health expenditures shouldered by private individuals is symptomatic of a weak social protection system more generally (Table 6). Armenia has opted against developing a universal, rights-based social protection system in favour of selective social assistance, in most cases, based on means testing. Public expenditure on social protection as percentage of GDP is, at 6.8 per cent, around 2.5 times less than the regional average. Even cross-generational transfers, such as child allowances, are means-tested, depriving four out of five households with children of this source of secure complementary income. Social pensions are very small – 38 USD – and far from all old people receive a pension.[16] From the perspective of the current crisis, which is also an employment crisis, the absence

[14] According to national definition.

[15] World Development Indicators.

[16] All figures and information are from the ILO World Social Protection Report 2017-19, as well as from www.armstat.am and refer to the latest available year.

of an unemployment insurance is arguably the most serious weakness.[17]

Pensions apart, the most comprehensive social protection scheme is the means-tested Family Living Standards Enhancement Benefits (FLSEB) programme, covering slightly more than 20 per cent of all households with children. Eligibility is based on social needs assessments that take into account factors such as unemployment, social group, level of household income and the number of children. A scaling up of active labour market policies (ALMP), targeting in particular vulnerable groups and beneficiaries under the FLSEB scheme, was supposed to compensate, at least partly, for the discontinuation of unemployment benefits. However, the coverage and funding of ALMP remain modest. In 2018. the amount budgeted for ALMPs was 0.1 of the total government budget or 0.03 per cent of GDP.[18] Only 3 per cent of officially registered unemployed are reportedly covered by ALMPs.[19]

A comprehensive diagnostic of the social protection system in Armenia undertaken in 2019 concluded, among other things, that “in general, the SP system is not shock-responsive and risk-informed. There are no insurance programmes as such. Since 2014, to mitigate social and economic risks, GoA has envisaged transition from cash support programmes to package support based on the needs of vulnerable families. However, the SP system still relies heavily on cash transfers and the minimum social protection floor has not yet been introduced in Armenia”.[20]

Hence, there does not appear to be any automatic stabilisers in terms of social protection - e.g. child allowances, statutory pensions, unemployment benefits etc. – that could cushion the economic impact of the current crisis and on individual households and on the economy as a whole. The problem is one of coverage and adequacy as well as mechanisms. A social protection system based on the principles of universality and automatic triggers has, at a time of a severe general crisis as the Covid-19 crisis, several advantages over discretionary, means-tested or otherwise merit-based systems.

- It kicks in automatically and immediately, which is crucial at a time of very rapid economic decline and rising unemployment. It also lends itself to quick and easy adjustment of levels of benefits, making it possible to rapidly strengthen its power as automatic stabiliser.
- Its universal nature and automatic triggers serve to reduce economic uncertainty for individuals and households, making them less risk averse and prone to reduce consumption at times of crisis.

C Transmission channels and impact on the economy and employment

The Covid-19 pandemic and the measures taken to mitigate its impact had an immediate and dramatic impact on the Armenian economy (Table 7). The level of economic activity was down 4.6 per cent in March 2020 and 17 per cent in April 2020, compared to the same periods a year earlier. This decline should be seen against the fact that the economy was growing rapidly until the onslaught of the epidemic. The economy continued to grow well into 2020. GDP for the first quarter of 2020 was 3.8 per cent above the level a year earlier. The crisis has affected the entire economy, although some sectors have been harder hit than others. At least up to April 2020, inflation was close to zero. Due to the state of emergency, severe or partly lockdowns, online work polarization, the structure and volumes of private consumption has changed. Thus, the expenses for transport, alcohol, tobacco, cultural events, recreation and restaurants food have been decreased, while expenses for healthcare, telecommunication, and utilities have increased.

[17] The public unemployment insurance scheme was discontinued in 2015 and replaced by cash support on a case by case basis to unemployed job-seekers deemed to be uncompetitive on the labour market. However, laid-off workers are eligible to a severance pay from the employer.

[18] Government of Armenia, The World Bank, UNICEF. *Core Diagnostic of Policies and Programmes of Armenia's Social Protection System.* 2020. Draft.

[19] Ibid. page 153.

[20] Ibid. Page 12.

Table 7. Changes in economic activitiy

	March 2020 as % of the level in March 2019	April 2020 as % of the level in April 2019
Economic activity	95.3	82.8
Volume industrial output	98.1	91.4
Volume construction	73.8	49.0
Trade turnover	90.1	66.9
- retail	90.1	59.4
Other services	95.7	84.1
External trade turnover	84.0	71.6
Exports	82.6	69.7
Imports	84.7	72.6
Freight turnover, ton-km	95.3	101.5
Passenger turnover, passenger-km	58.5	1.8

Source: www.amstat.am

The sharp contraction of the economy has had several causes. The state of emergency, restrictions on the freedom of movement and close-down of public transports, shops, restaurants etc. introduced in late March, which are now gradually being lifted, had an immediate and direct impact on the sectors affected. This was compounded by a sharp fall in both external and domestic demand. Exports, which amounted to 39 per cent of GDP in 2019 were down 30 per cent in April 2020 over the same period in 2019. The impact of a fall in domestic demand is less easily measured, but is likely to be significant. It stems from several sources, notably a decline in remittances, loss of income following unemployment and, most probably, a reduced propensity to consume due to economic uncertainty.

While the physical restrictions on economic activities are lifted as the lockdown measures are gradually terminated, the repressive impact on the economy due to the fall in domestic and external demand is likely to be more long-lasting. However, while external factors may be difficult to address with policy the severity and duration of the depressed domestic demand can be mitigated by policy interventions.

As a small open economy Armenia is highly exposed to external influences. The external exposure takes two main forms; (i) Trade in goods and services and (ii) labour migration abroad and remittances.

Russia is by far Armenia's most important trade partner, accounting for 27 per cent of exports and 29 per cent of imports in 2019. Other important trading partners are Switzerland (for export of gold and precious stones), China and Bulgaria. One of the main export commodities are copper ore, gold and precious stones, which combined made up 26 per cent of all exports in terms of value in 2019. Other main exports are tobacco, wine and spirits and iron and steel. Imports are much more diversified, with oil and gas and consumer goods accounting for major shares. The dependence on export of raw materials makes Armenia vulnerable to fluctuation of world market prices. The price of copper, the main export, fell by 25 per cent between mid-January and March 20, by June 15 it was still 10 per cent below the mid-January level. Transportation difficulties attributable to the Covid-19 pandemic may also have negatively affected both exports and imports. Covid-19 influence to the export structure shows that during January – April of 2020, comparing to the same period of 2019, the most dramatic fall of export by commodities are as follows: wood and wooden production (44.5 per cent), leather and leather commodities (55.8 per cent), precious stones and precious metals and commodities (57.4 per cent).

For the medium-to-long term three recovery scenarios can be identified, largely depending on the evolution of the pandemic. A V-shaped recovery is the most optimistic scenario. This would require that not only Armenia, but also Russia, rapidly manage to put the epidemic under control. If the pandemic continues into the winter of 2020 a U-shaped recovery appears more likely. And, finally, if there is a second wave the initial recovery of the economy may be interrupted resulting in a W-shaped recovery.

Table 8. Worker remittances and other personal transfers 2019

Total personal transfers, mld USD	1489.5
- worker remittances, mld. USD	771.2
- other personal transfers, mld USD	718.3
Avg. annual wage in USD, 2019	4,824
Total transfers as % of GDP	10.9
Worker remittances as % of GDP	5.7
Wage equivalent of total personal transfers	308,769
Wage equivalent of worker remittances	159,867
Impact of decline in wage equivalent, Scenario 1	47,960
Impact of decline in wage equivalents, Scenario 2	117,159

Scenario I Worker remittances fall by 30%, other personal transfers remain unchanged

Scenario II Worker remittances fall by 50%, other personal transfers fall by 25%.

Note: Calculated at 1 USD = 481 AMD.

Source: Central bank of Armenia, www.cba.am

During the 2008/09 global financial crisis a sharp net return of Armenian workers abroad and fall in remittance proved to be a main channel for transmitting the global crisis to the Armenian economy and livelihoods. Although the relative importance of labour migration abroad and remittances and other personal transfers from abroad has declined somewhat since then, they remain a major source of vulnerability. The concentration of labour migration to one country – Russia – aggravates this vulnerability.

Total personal transfers from abroad amounted to 1.5 billion USD, equivalent to 10.9 per cent of Armenia's GDP, in 2019 (Table 8).[21] Remittances by Armenian workers temporarily abroad accounted for more than half of these transfers, with much of the rest stemming from the large permanent Armenian diaspora abroad. Their importance for individual livelihoods in Armenia and for the Armenian labour market, and thus the impact of a decline, is far greater than their magnitude in relation to GDP would suggest.

A sudden large net return of Armenian migrant workers abroad and an accompanying fall in remittances would have a several-fold impact the domestic labour market.

- Net return migration increases the supply pressure on the domestic labour markets as the returned migrants need domestic jobs.
- The fall in remittances will also increase the supply pressure on the domestic labour market as members of receiving households are forced to seek domestic employment, or increase their labour input, to compensate for the loss of remittances.
- A fall in remittances will further depress household demand and, by extension, the labour market.

A recalculation of remittances into domestic wage equivalents illustrates this importance well. In 2019 household incomes from all personal transfers abroad were approximately equivalent to the income of 309 thousand domestic jobs at an average wage. The value of remittances from workers temporarily abroad was approximately equal to 160 thousand domestic jobs (Table 8).[22] Put differently, it would require 160 thousand new domestic jobs at an average wage to compensate households if they no longer received any worker remittances.

In the absence of real-time information on how the Covid-19 crisis has affected labour migration and remittances, two scenarios can be introduced to illustrate the immediate impact on households and the labour market of a decline in remittances and transfers from abroad. Under a first, rather optimistic scenario it is assumed that remittances fall by 30 per cent, while other personal transfers

[21] It should be noted that, except for a minor share, these transfers are not part of GDP

[22] Calculated as total remittances divided by the average annual wage.

remain unchanged.[23] This would amount to the equivalent of a loss of income from about 48 thousand domestic jobs at an average wage. In other words, an additional 48 thousand domestic jobs at an average wage would be needed to off-set the impact. Under a more pessimistic, yet arguably more realistic, second scenario, worker remittances fall by half and other personal transfers by a quarter. The economic shock to Armenian household of such a decline would equal the loss of income from some 117 thousand domestic jobs.[24] A former minister of economy estimated in early April that personal transfers, including remittances, would fall by 506 million USD in 2020, that is by a third.[25] This would imply a loss of the equivalent of 105,000 annual average wages, close to the more pessimistic of the two scenarios above.

Central Bank of Armenia recently published figures on total transfers to individuals in Armenia from abroad by individuals and sole proprietors. These figures include but are not limited to remittances shown above. Figures reliably show that in April 2020 personal transfers were down by more than a third over April 2019 (Table 9). Personal transfers from abroad are unlikely to recover anytime soon due to the Covid-19 situation in Russia and USA, taking into account that as of April 2020 38.1 per cent of transfers came from Russia and 20.1 per cent came from USA.

Table 9. Total transfers to individuals in Armenia individuals and sole proprietors abroad (million USD)

2019	**Jan/2019**	**Feb/2019**	**Mar/2019**	**Apr/2019**
Transfers	119.1	140.2	132.1	144.3
2020	**Jan/2020**	**Feb/2020**	**Mar/2020**	**Apr/2020**
Transfers	112.6	123.1	117.8	90.6
2020 as % of 2019	94.6	87.8	89.2	62.8

Source: Central bank of Armenia, www.cba.am

Covid-19 has also resulted in the closure of firms as well. According to the State Revenue Committee a total of 5,873 organizations and sole proprietors in the Armenia temporarily suspended their activities between March 1 to May 31 2020. This figure is 41 per cent higher than for the same period of 2019.[26] Furthermore, based on official statistics, in April 2020 only 563 legal entities and sole proprietors were registered in Armenia, which is almost five times lower than in April 2019 (2779 registrations). There was also 20 per cent decline of the same figure for March.

On 25 June 2020 Government meeting Prime Minister of Armenia announced that during March-May more than 70,000 employees, that is 11.5 per cent of all employees, lost their job (mainly from lockdowns in a number of economic sectors). The positive side is that during May 50,000 of these jobs were recovered. Currently 20,000 contract workers are still not back at work many of whom may have lost their jobs for good. To address this problem the Government announced a 22nd programme on June 25 during mentioned meeting which provides a lumpsum equal to one minimum wage to these former employees.[27]

Lastly, the number of vacancies submitted by employers to the State Employment Agency in April 2020 decreased by 8.2 per cent as compared to the same period of 2019, while the number of people finding their job with the help of the Agency has decreased by 42.5 per cent. The load of one free workplace within the frames of the State Employment Agency increased with 112 per cent in April 2020, comparing with April 2019.[28]

In the limitation of detailed real-time information of the impact of the Covid-19 crisis on the Armenian economy and labour market, some estimates can be done by juxtaposing statistics on the contribution

[23] This would appear to be a rather optimistic scenario, considering that the Russian ruble has fallen considerably against the Armenian dram since January and that the exchange rate has displayed large volatility.

[24] It may be recalled that in 2018 total domestic employment amounted to 1,049 thousand, less than two thirds of whom were wage workers.

[25] Analysis by Vahram Avanesyan. Armbanks.am April 6, 2020.

[26] How many businesses are closed in Armenia during COVID-19? News/am, 22.06.2020

[27] Meeting of the Government of Armenia, 25 June 2020.

[28] Socio-economic situation in the Republic of Armenia, January-April 2020, www.armstat.am

of various economic sectors to total GDP and employment with generic information on their relative exposure to the impact of the crisis compiled by ILO based on empirical examples from other countries.

Table 10. Sector distribution of total value added and of employment and sector exposure to employment and health impact of COVID-19

		Per cent of				
		GDP	Employment	% women	Employment impact	OSH impact
A	Agriculture, fishing, forestry	15,0	25,4	47,6	Little	Low
B	Mining	3,2	0,9	6,6	Moderate	Moderate
C	Manufacturing	12,4	9,9	39,6	Major	High
D	Energy supply	4,0	2,1	17,7	Little	Moderate
E	Water, sewage	0,5	0,4	35,1	Little	Moderate
F	Construction	7,3	9,4	1,0	Major	Moderate
G	Trade & repair	12,4	11,4	43,3	Major	High
H	Transport & storage	3,5	4,3	14,9	Little	High
I	Hotel & restaurants	2,0	2,5	50,2	Major	High
J	Information & com.	3,5	2,0	38,6	Moderate	Low
K	Finance	5,8	1,4	55,5	Moderate	Low
L	Real estate	8,7	0,2	37,5	Moderate	Moderate
M	Prof., science & tech.	1,3	1,4	59,5	Little	Low
N	Adm & support services	1,1	0,4	48,8	Little	Low
O	Public administration	4,6	8,7	27,8	Little	Moderate
P	Education	2,8	10,1	79,3	Moderate	Moderate
Q	Health & social work	4,6	4,4	84,0	Little	Very high
R	Arts, entertainment	6,2	1,6	48,2	Major	Moderate
S	Other services	1,0	2,9	45,0	Major	Moderate
T	Domestics	0,1	0,4	68,3	Moderate	High
U	Extra territorial	0,0	0,3	27,3	Little	Low
	All sectors	100,0	100,0	45,5		

Notes: Employment and health (OSH) impact based on ILO estimates adjusted by Armenian statistics in some instances, e.g. construction.

Sources: Armenia Labour Force Survey 20182018, armstat.am (national accounts)

Over 40 per cent of Armenia's GDP[29] is generated in sectors where the impact of the Covid-19 crisis is likely to be major; including trade and manufacturing (accounting for 12.4 per cent of GDP each) and construction (7.3 per cent) (Table 10). Indeed, in April 2020 construction was down 50 per cent compared to April 2019 and trade was down 40 per cent. Manufacturing would so far seem to have fared better, with a decline of less than 9 per cent. On the other hand, roughly 35 per cent of GDP is produced in sectors that are relatively shielded from the impact, including agriculture, most public and some private services, and transport and storage.

Almost 400 thousand men and women, that is 38 per cent of all employed, work in economic sectors where the economic and employment impact of the Covid-19 crisis is likely to be major. An estimated 44 per cent of all employed men and 29 per cent of all employed women work sectors where jobs are

[29] Strictly speaking total value added.

particularly at risk (Table 11). An additional 157 thousand, two thirds of whom are women, work in sectors where the employment impact of the Covid-19 epidemic can be expected to be moderate, while half a million employed, that is slightly less than half of all employed men and women, work in sectors where the impact is likely to be minor. The latter includes agriculture, but public administration and many private and public services. According to one local estimate, around 38 per cent of all non-agricultural employment – some 300,000 employed – were directly affected by the lockdown measures.[30]

Table 11. Exposure of employed to employment and health risk by sex

	Total	Men	Women	Total	Men	Women
Employment impact						
Major	395,4	266.5	128.9	37.7	44.3	28.8
Moderate	156.8	52.7	104.2	15,0	8.8	23.3
Little	496,2	281.9	214.4	47.3	46.9	47,9
Total	1048,4	696,2	447,5	100	100.0	100
OSH impact				%		
Very high	46,2	7,4	38,8	4.4	0.7	3.7
High	299,1	183,5	115,6	28.5	30.5	25.8
Moderate	378,9	240,7	138,4	36.1	40.0	30.9
Low	324,2	169,5	154,7	30.9	28.2	34.6
All sectors	1048,4	601,1	447,5	100	100	100

Source: Figures derived from Table 10

However, job loss is not the only danger facing the Armenian labour force. Many jobs also expose the employed to enhanced risks of becoming infected by the virus. Almost one third of all employed, some 345 thousand, work in sectors where the risk of infection is high or very high (Table 11). Workers in the health sectors, 84 per cent of whom are women, are particularly exposed to infection. Less than a third of all employed work in sectors where the risk of infection can be considered to be small.

D Workers at risk

The Armenian economy has for a long time remained too small to make full and productive use of the country's human resources and has ever since independence almost 30 years ago had a large deficit of jobs. The core problem has been structural. Manufacturing did not recover from the collapse in the early 1990s. The fate of agriculture was largely similar to that of manufacturing. Rather than developing into a dynamic private sector after de-collectivization, it regressed into a low-productivity subsistence-oriented activity. It also came to serve as an employment buffer when the urban labour market collapsed in the early 1990s, a role that lingers on. Arguably, Armenia might have chosen to develop modern traded services as a complement to or even to an extent substitute for manufacturing. However, at least until recently, this does not appear to have happened either.

Until 2016 economic growth was structurally not robust, nor did it create jobs. Employment growth was virtually zero and unemployment and labour migration abroad remained high despite a very modest demographic pressure on the labour market.

[30] www.armbanks.am, April 6, 2020. According to analysis by former minister of economy Vahram Avanseyan.

In the past few years 2016-2019 the growth improved both in terms of rate and structure (manufacturing became a main engine) and non-agricultural employment increased sharply. Unfortunately, this apparent new trend came to an abrupt, but hopefully temporary, halt with the onslaught of the Covid-19 pandemic. Still, the problem of a structurally weak economy remains and presents a challenge that will need to be addressed as economy shifts to recovery mode. In 2018 some 38 per cent of the labour force – approximately half a million people - did not have productive jobs, but were either unemployed or working poor (Table 2).

The inadequate utilisation of the country's labour resources takes several forms.

- Low labour force participation rates, in particular for women.
- Labour migration abroad. Remittances and other personal transfers to households in Armenia equalled the income of some 309 thousand domestic jobs at an average wage in 2019.
- High levels of open unemployment, to which can be added large numbers of discouraged people who wanted to work but had given up searching for work. In 2018 some 18 per cent of working age population aged 15-74 were openly unemployed or discouraged in 2018, compared to 48 per cent who were employed. More than half of the unemployed had been unemployed for over a year
- High levels of underemployment, in particular, but not only, in agriculture.
- The combination of low labour force participation rates and high unemployment has resulted in very low employment rates,[31] in particular among women. In 2018 only 38 per cent of all working age women had employment.[32]
- The difficulties facing young people in entering the world of work after completing employment are reflected in the large number of youths who are neither in education nor in employment (NEET). The challenges and difficulties facing young women are particularly severe. In 2018 some 34 per cent of all women aged 15-24 were neither in education nor in employment, compared to 17 per cent of the young men.
- Working poverty remains a problem, in particular in rural areas and in agriculture.
- Informality remains rather high, also in the non-agricultural sectors.

In addition to the sector imbalances in the economy, two other structural imbalances impact employment and the economy negatively.

The labour market suffers from geographic imbalances. The economic dynamism and job creations and potentials are to a large extent concentrated to Yerevan. This would have been a lesser concern if geographic mobility of labour within the country was high, but it is not. According the Labour Force Survey in 2016 only one third of the working age population stated that they were prepared to move somewhere else and in rural areas, where jobs are few, only 27 per cent expressed a willingness to move.[33] Furthermore, among those prepared to move more were willing to move abroad than to another place in Armenia.

Another structural weakness that is likely to negatively impact the employment generating capacity of the economy is the relatively minor role played by small firms in the economy and as a source of employment (Table 12).

In most countries SMEs make up the main engine for employment growth. Countries with a large and dynamic SME sector typically also have more job-rich growth. This does not appear to be the case in Armenia. In 2018 there were only 90 thousand working in firms with 1-9 employed, and 146 thousand in firms with 10-49 employed, compared to 324 thousand in firms with over 250 thousand employed. The average wage in firms with 1-9 employed was less than a third of that in the largest category and less than half of the national average. Prima facie two plausible explanations can be put forward to explain the apparent minor role of small firms.

[31] Defined as employed as percentage of total working age population.

[32] Excluding those working in subsistence agriculture.

[33] Armenia Labour Force Survey 2016, table 4.1.24 (www.armstat.am). Figures refer to 2016.

Table 12. Number of firms and employed, and average wage, by size of firms in 2018

	Firms	Employed	Average wage, AMD
1 – 9	32,743	89,669	101,089
10 – 49	6,975	148,008	146,342
50 – 249	1,665	153,365	202,746
250+	268	194,310	323,870
Total	41,651	585,352	213,119

Source: Armenia Labour Force Survey 2018, table 11.10.1 (www.armstat.am).
Figures refer to situation in December 2018.

- There are constraints preventing small enterprises to prosper and grow. In other words, small firms have limited scope for upward mobility. The very low average wages in small firms indicate low levels of productivity. A main question is therefore why productivity in most small firms is so low and what prevents productivity growth in small firms.
- It may well be the case that the real number of small firms is much larger that the statistics suggests, but that many of them are informal and therefore not covered by a survey of enterprises. The high share of informality among urban own account workers, as well as among wage workers, suggest that this may well be the case. Among other disadvantages, informality imposes a limit on how much an enterprise can grow as it depends on informal and direct contacts for backward and forward linkages and on word of mouth for a market.

The two causes put forward above are not mutually exclusive. Indeed, they are likely to exist in parallel. Both of them would need to be addressed, in tandem, to release the potential of small firms to become a dynamic engine of both economic and employment growth. While such measures would not primarily serve to cushion the immediate impact of the current crisis, they should be part of a strategy for post-crisis recovery.

A first observation regarding the acute exposure and vulnerability of the Armenian labour force to the immediate impact of the Covid-19 crisis must be that there is very high level of general exposure and lack of resilience, stemming from the lack of a universal social protection floor and weak protection of employment. The means-tested social assistance programmes targeting poor households (FLSEB) falls far short of protecting the population and labour force from severe economic consequences of Covid-19. Only a comprehensive social protection floor that provides income protection throughout the life cycle, including benefits for those of active age who due to ill health, disability or unemployment are unable to earn a living from employment and affordable health care for all, based on the principles of universality and automatic triggers could have provided an adequate economic protection for the population as a whole and prevent exposure to impoverishment of, in particular, the lower middle class.[34] In its absence there is a strong risk that the Covid-19 crisis will exacerbate inequality and push the victims of the virus itself and/or its economic and employment consequences into poverty.

- Unemployment benefits never covered more than a fraction of the labour force and were discontinued altogether a few years ago.
- Severance pay in case of loss of job amounts to only 0.5 monthly salary, for those who have worked less than one year, and 1 month for employees who have worked more than a year.
- Fixed term contracts can be extended indefinite number of times.
- Out-of-pocket payments account for over well over 80 per cent of total current health expenditures.

On the one hand this leaves just about the entire labour force exposed to risks of potentially very serious employment- or health-related economic risks. On the other hand, it deprives the economy of economic stabilisers.

[34] For details, see ILO Recommendation R202 on Social Protection Floors. (www.ilo.org/dyn/normlex)

Still, some are more at risk than others. The following categories, in particular, deserve to be highlighted.

- First and foremost, the 245 thousand women and men, making up 19 per cent of the labour force, who were unemployed already prior to the crisis and whose chances of finding employment have become even more distant. Approximately half of whom had been unemployed for more than one year.
- In 2016 some 18 per cent of non-agricultural employment was informal. In the non-agricultural sectors fourteen per cent of all of wage employment and 44 per cent of own account employment was informal.
- Youth and women are particularly exposed to unemployment, many more women than men are also discouraged. The NEET rate was high already prior to the crisis and is likely to spike in 2020 due to the economic and employment crisis. The young in particular are likely to suffer as more jobs are destroyed than created, making labour market entry exceedingly difficult, while recent labour market entrants are likely to be the first to go in times of job cuts. At the same time, the option of seeking work abroad has also been temporarily closed.
- Migrant workers abroad (and households depending on worker remittances) are very exposed to the impact of the crisis. migrant workers are the first to be fired and they arrive back home to a job market in crisis with little chance of finding a job.
- Some 395 thousand (266 thousand men and 129 thousand women), i.e. 38 per cent of all employed work in economic branches considered to be particularly exposed to the economic disruption due to Covid-19.
- Some 345 thousand work in sectors where the risk of becoming infected is high or very high. Some 46 thousand, 39 thousand of whom are women, work in the health sector where the risk of infection is very high.

E Policy responses to protect employment and workers

Policies and programmes introduced to mitigate the economic and social impact of the Covid-19 pandemic

Since mid-March Government has introduced a range of policy measures and programmes aimed at safe-guarding jobs and businesses and cushioning economic impact on households of the Covid-19 pandemic and the lockdown measures. In March Government allocated 150 billion Armenian dram (AMD), equal to roughly 2.2 per cent of GDP, to the implementation of such measures.[35] From mid-March until mid-June some 22 programmes have been put on place.[36]

Workers who were in formal employment and who lost their job between March 13 and 30, 2020, benefit from a lumpsum payment ranging from 68,000 AMD (141 USD) for workers without dependent children to 100,000 AMD (208 USD) for each child for workers with children and a similar amount for pregnant unemployed women whose husbands lost their jobs between March 13 and 25. These payments are made as automatic transfers. Workers in economic sectors that suffered lockdown also receive a half salary as a lumpsum payment, while self-employed can apply to receive the equivalent of 10 per cent of their turnover in the 4th quarter of 2019. Informal workers are entitled to a lumpsum payment of 26,500 AMD (53 USD), for which they have to apply.[37] A public works programme has also been initiated focused on the construction of riverbanks in the highlands.

[35] 1 USD = 482 AMD, 1 € = 584 AMD, June 23, 2020

[36] This section is to a large extend based on information provided by Arman Sargsyan. For a full list of programmes see Appendix II.

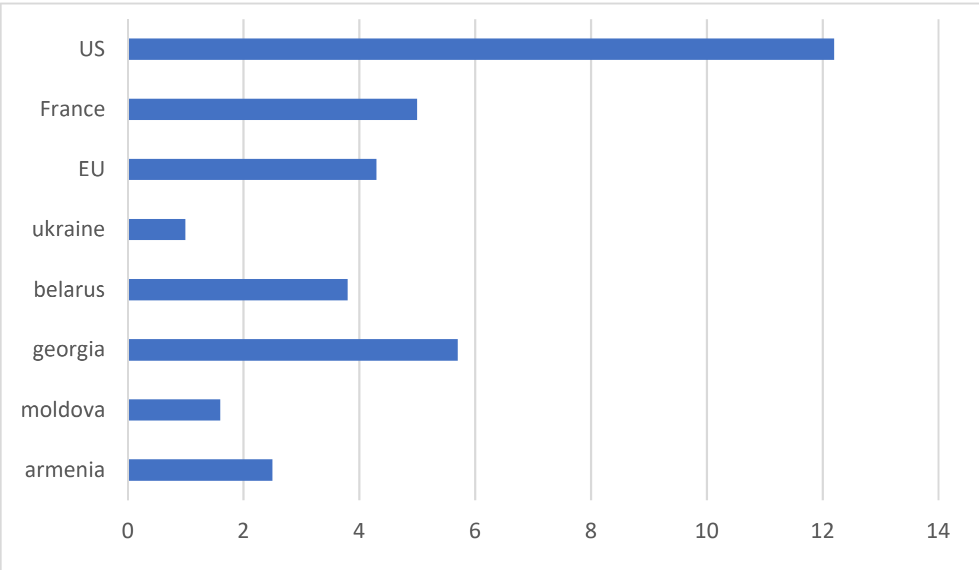
[37] Applications can be made on-line at www.ssa.am. As of April 22, 100,000 applications had been received. For details, see Appendix 2.

A series of non-employment related benefits for households were also introduced. Government stepped in to cover in the form of a lump-sum payment equal to 30 to 50 per cent of households' electricity, gas and water bills for the month of February.[38] Households involved in the Family Living Standards Enhancement Benefits (FLSEB) programme, covering slightly more than 20 per cent of all households with children, have been given a one-time assistance at the rate of 50 per cent of the amount of the regular benefit. Students have benefitted from a 75-100 per cent reduction of enrolment fees for the 2019-2020 academic year.

A range of benefits targeting enterprises have also been introduced. Companies with good credit and tax records can apply for public guarantees and interest subsidies for loans up to 250 million AMD (520,000 USD). Different categories of enterprises can also obtain specifically tailored and targeted support. Registered micro-businesses can obtain a lump-sum assistance in the amount of 10% of their quarterly turnover, with a ceiling of the equivalent of two minimum wages. SME's can, subject to some conditions, receive loans up to 50 million AMD (104,000 USD), at zero interest for the first two years. Start-up companies and innovation projects can apply for loan guarantees. Firms with 2 to 100 employees can receive a one-time grant equal to 20 per cent of their monthly wage bill. None of these benefits are contingent on retaining workers. IT companies are singled out for special support and can benefit from a lump-sum grant of 20 million AMD (42,000 USD). Lastly, private farmers and agricultural cooperatives can obtain support in the form of interest subsidies.

As a percentage of GDP the programmes initiated by Government to date appear relatively modest in an international comparison (Figure 2). It should also be noted that the grants given to households have been in the form of lump-sum with no provision, so far, for additional support as the crisis continues to weigh heavily on households. Similarly, the employment related benefits are in most instances linked to loss of employment during a fairly short period (March 13-25). As the economic and social fallout of the crisis have far from subsided, one may expect that additional measures will be needed in the months to come.

Figure 2. Value of COVID-19 relief packages in selected countries (percentages)



Note: The amount for Ukraine refers only to the value of interest-free loans made available to SMEs and excludes outlays for other relief purposes

Source: Authors' calculations from OECD (2020), "Crisis Response in Eastern Partnership Countries", May, and " Value of COVID-19 fiscal stimulus packages in G20 countries as of June 2020, as a share of GDP", https://www.statista.com/statistics/1107572/covid-19-value-g20-stimulus-packages-share-gdp/ consulted on June 24, 2020

[38] Payments were made directly to the gas and electricity providers without any need for the households concerned to apply.

It can finally be noted that Armenia has significant international support in its effort to crisis the fallout from the Corona Virus epidemic. These include a doubling of the IMF's debt window,[39] as well as from the country's leading institutional investor, the European Bank for Reconstruction and Development (EBRD): "In response to the coronavirus pandemic the EBRD has approved two Solidarity Packages and now expects to dedicate the entirety of its business investments in 2020-21 of up to €21 billion to overcome the crisis and support the recovery".[40]

The Context and the Scope for additional Relief

The crisis compounds an already labour-Demand-Deficient Economy

Two structural features of the Armenian labour market aggravate the current downturn caused by the pandemic and its economic consequences. The first is the country's secular tendency for there to be a sluggish employment response to growth. Bluntly put, the Armenian economy has never generated enough productive jobs to match the demand. The second feature, shared by at least some other countries in the region, is the high share of income-driven emigration, largely to Russia, from Armenia. As the pandemic has quite literally closed the door to outbound migration probably for the medium term, joblessness is not merely a domestic problem but an imported one in this period. Emigration had relieved pressure on domestic labour supply and, through remittances, made a substantial contribution to the country's GDP, both foregone in the present environment.

Prior to the pandemic, the country already had the highest unemployment rate in the region.[41] Impressive economic growth in the past three years has been job-creating, but has been far from being able to absorb the massive reserve of idle labour supply who would otherwise wish to work. As the unemployed are uninsured, the economy entered the downturn without the availability of an automatic stabilizer as an unemployment insurance not only places a floor on income deprivation but serves to stabilize consumption and aggregate demand in periods of economic slack.

Insuring the loss of work is a common, passive labour market policy widespread in European and other countries. Its absence in Armenia suggests the need for greater emphasis on active labour market policies (ALMPs). These feature prominently to be developed in the country's draft national employment strategy, and in this moment of need, there may be an opportunity to bring forward policies that had been contemplated in the first place, but not yet acted upon. One of the four pillars in mentioned strategy is defined as redesign of an active labour market programmes, mitigation of the long-term unemployment and ensuring sustainable employment through inclusive economic development.

Training is such an area. The pandemic interrupts but does not replace the Armenian Development Strategy (ADS) in which several industries are identified for policy support. This is a strategy that holds promise while waiting for a return of global demand. As originally articulated, however, there was little elaboration of training needs to support industrial policies. Joining forces with the Industrial Development Foundation, there may an opportunity for re-purposing the existing State Employment Agency as a training focal point for sectors in which growth is to be promoted.

A Regressive Impact on the Labour Market

The incidence of the virus' impact on the impact on the labour market is disproportionately on the poor and low skilled:

First, the latter are heavily concentrated in the most-affected industries, perhaps 25 per cent of total employment.

Second, the proximity service sectors as well as tourism are, by definition, precisely those where opportunities for remote working are least available. Indeed, a pandemic-induced source of widening inequality worldwide is the cleavage between remote and physically proximate work.

Third, an estimated 18 per cent of the non-agricultural labour force works in the informal economy. The latter is sometimes characterized as a "buffer" for those who lose their jobs in the formal economy.

[39] IMF, "Covid-19 and Debt Service Relief", https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker. June 24, 2020.

[40] Retrieved EBRD website, https://www.ebrd.com/news/2020/ebrd-provides-support-to-electric-networks-of-armenia.html

[41] By region in this instance, we refer to OECD's « partnership » countries : Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine.

This may be true, but it can be assumed that those who work in the informal economy do so because they were unable to find jobs in the formal economy in the first place. Informal workers are by and large excluded from the state's relief measures.

Fourth, the virus-related slack in domestic labour demand is compounded by the equally virus-related migration and remittance recession. The growth of labour supply in a context of weak demand is also inequality-inducing.

Fifth, healthcare costs in Armenia and elsewhere in the region are borne primarily as ot-of-pocket private expenditures with the consequence that health services might be avoided by those who cannot afford them. Subsidizing the healthcare needs of the neediest would be a partial measure toward flattening the regressive nature of pandemic's impact on the neediest. The ideal would be the universal right to healthcare, rather than limiting its access only to those who can afford it.[42]

The unequal distribution of economic pain

The pandemic's consequences on the labour market will thus be regressive. It is low-skilled, low-income labour that is disproportionately affected, those in proximity service jobs and construction, who are also who can least avail themselves of remote working and so are not working. The downturn's impact is all the greater in the absence of the automatic stabilizer of unemployment insurance. Discontinued in 2014, unemployment insurance in Armenia when it did exist nevertheless failed to reach much more than 11 per cent of the total unemployed. UI systems put a floor to income deprivation. In those countries that have them, the most common response in the current crisis has been to extend the duration of benefits. Macroeconomically, UI adds at least some support to aggregate demand through the consumption channel, and consumption tends to be the leading component of growth in Armenia as it is elsewhere. UI is also a tool for poverty reduction: the present risk in Armenia is for its impressive gains made in poverty reduction to be at least temporarily reversed by the economic contraction.

OECD estimates that each month of economic lockdown is the equivalent of a 2 per cent decline in growth.[43] The growth elasticity of poverty reduction in Armenia is approximately 0.57;[44] that is, 1 per cent of GDP growth in Armenia translates into about 0.57 per cent decline in poverty. As a rather crude estimate, then, a 2 per cent decline in growth thus increases poverty by more than 1 percent.

The country's low-skilled, mostly male and mostly rural workforce made up the major share of those who emigrated. They now return to (or were unable to leave) a domestic labour force affected by the pandemic. The Government's 270 million euro relief package largely excludes the 45 per cent of the labour force who are informal.[45] This is a broad definition of informality that includes largely non-commercial agriculture – perhaps least affected by the downturn – as well as the approximately 19 per cent who are non-agricultural labourers and entrepreneurs. These are largely low-skilled and low-income persons. Adjustment in the informal economy is likely to be reflected in lower incomes and fewer productive hours of work. The consequence of the downturn is not just open unemployment or withdrawal from the labour force, but rising underemployment – working poverty – as well.

To repeat, as elsewhere in the region, with the exception of Belarus, healthcare costs are for the most part borne privately as out of pocket costs. This may dissuade financially insecure families from obtaining needed healthcare.

The consequence of these factors is that the economic repercussions of the pandemic are regressive in nature, disproportionately affecting the most disadvantaged. The economic pain is therefore not homogeneously distributed, but tending to lead toward wider income inequality.

[42] World Bank and Unicef, *Core Diagnostic of Policies and Programmes of Armenia's Social Protection System*, draft, 2020.

[43] OECD, Covid-19 crisis response in Eastern Partner Countries, http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/

[44] Authors' calculations, *The Armenian Labor Market: Considerations for the next National Employment Strateg*y, ILO draft submitted to the Government of Armenia, 2019.

[45] World Bank and Unicef, 2020, op.cit.

Suggested Policy Responses

First Principles

Humanitarian support to citizens in need and made needier still by the pandemic's economic effects is the underlying motivation for the Government's response. On a broader level, however, interventions seek to staunch a more serious economic decline and sponsor a more rapid return to economic health. The policy suggestions that follow are mindful of this objective and seek as well to curb an excessively regressive impact of the crisis on the economy which would lead to widening income inequality, to forestall the risk of stalling or reversing gains made in poverty reduction, and, to the extent possible assist in promoting a job-intensive recovery. The suggestions are listed below.

Suggested Additional Policy Responses

1. Support to population in informal employment
2. Expand the FLSEB
3. Strengthen ALMPs and the SEA
4. Expand public works
5. Promote and invest in a "Recovery of Start-Ups"
6. Invest more in what already has been invested in
7. Soften regulations for better resistance and work productivity
8. Online work and online work platforms

In the redesign of existing policy measures and the design of new ones several considerations should be kept in mind.

Three largely complementary objectives should guide the redesigning and designing of policy interventions and their implementation:

- There is a strong need for short term interventions that can be rapidly implemented and which would have immediate impact with a view to further cushion the social and employment consequences of the Covid-19 pandemic and of the anti-contagion measures taken by Government.
- Medium-long term interventions aimed at strengthening resilience, the functioning of the labour market, a robust and job-rich economic recovery etc., i.e. addressing weaknesses that were around also before the crisis.
- Interventions will also need to address the unequal distribution of the economic pain by better addressing the most vulnerable working force and those most affected sectors. This is a question both of addressing existing inequalities and preventing the creation of new ones. As a universal social protection floor addresses both of these issues Government might wish to consider the introduction of certain elements of such a floor, the most urgent of which would be unemployment benefits and affordable health care.

One might add a fourth observation. The "safety-valve" nature of working migrants is now closed to Armenians whose immediate prospects thus lie with what happens in the domestic labour market. Relative to incomes and opportunities, this situation of course contains downside risks of lower incomes, a growth of the already substantial informal economy, or a growth of even more inactivity. The risks are real, but they do not preclude some counter-vailing opportunities.

For example, the loss of the migration option may make more attractive the uptake of domestic options, such as the ready uptake of Active Labour Market Policy programmes. The Government may benefit from assuring that the supply of such programmes is sustained. This could lead to a greater domestic involvement and "ownership" of a domestic recovery.

Indeed, this is precisely the intent of the Prime Minister's recent announcement that the Government would make available 100 infrastructure/construction projects directed primarily toward those who would otherwise be seasonal migrants.[46]

[46] Armenpress/eng/am, June 23, 2020.

Appendix II in this report summarizes in brief the main measures undertaken by the Government to support the economy and individuals such as these were known in late June. Available evidence shows at least that many firms and individuals have availed themselves of these support measures, although there is, obviously at this early date, no evidence of their effectiveness. While very few of the various measures are specifically job-related, to the extent that many measures aim at shoring up the continued viability of existing businesses, their indirect impact on the labour market can be assumed.

Another set of programmes is to address the social impact of COVID-19 and mostly related to individuals providing lump sums in case of losing jobs in COVID-sensitive sectors, as well as reimbursing utility payments, etc. In general, 10 programmes from 22 are directly related to labour support.

Additional responses focusing more directly on the labour market may nonetheless be worthy of consideration. In that consideration, two empirical premises are useful to recall from the experiences of the last decade's Great Recession. The first is that measures that seek to retain the employee's ties to the labour market are most effective in weathering the downturn and enhancing the labour market recovery. As a rule, financial and product markets tend to recover more rapidly than the labour market where a year's lag or more in recovering from the Great Recession was not unusual.

The Armenian mining union and mining employers have recently negotiated a collective bargaining agreement in which miners are guaranteed two-thirds of their pay in return for employment continuity.[47] This has advantages in terms of the retention of benefits provided by the employment contract for the miners, as well as the assurance of employment continuity of benefit to both parties. The economics of the matter are straightforward: Employers forego the turnover and hiring costs associated with re-hiring in the upturn. Employees, meanwhile, retain their ties to the labour market: periods of unemployment exacerbate labour market re-entrance as skills erode and contacts become severed.

The second empirical lesson from both the "Great" and previous recessions is that the use or repurposing of existing institutions might allow for more rapidly addressing labour market needs. It is true that economic calamities of the magnitude that the global economy now faces have often been the crucible of institutional innovation. The United States owes its social security and unemployment insurance system to the Great Depression. Today's crisis is thought to be accelerating progress in business and government digitization.

The response is more rapid when an institution is already in place. During the Great Recession, Germany was able to put ready use to its system of partial unemployment, by which the state would assume responsibility for a portion of the wages of those about to be laid off while the enterprise, in lieu of layoffs, would pay the remainder of the wage bill. An estimated 1.5 million German employees were able to maintain their jobs through this mechanism. Youth unemployment did not skyrocket as it did in neighbouring France with no such institution.

The following are policy options that the Government may wish to consider in addition to the several it has already put in place. Like these, the following also have social and economic recovery in mind. Greater emphasis here, however, is put on the labour market and livelihoods. They are a focussed complement to measures already introduced by the RA Government.

1. Support to Population in Informal Employment

The vast majority of the Government's relief measures address households whose working-age members have or have had recently a labour force status in the formal economy. The measures refer to enterprises in the formal economy with a defined history of good creditworthiness. The measures in consequence are largely not directed at all to the 40 per cent of the labour force who are in the informal economy. This in turn could have a large regressive effect on income distribution.

Only the 9th programme can be directly related but not fully overlap to informal workers as it considers lump sum payment to jobless individuals. The programme does consider only those families where both parents do not have a registered job and does not consider individuals who do not have up to 18 years old children. The latter shows that not all informal workers can be involved. Total number of beneficiaries of 9th programme is around 100,000 and each family received 48,000 lump sum in average (Appendix II). Another 7th programme can also be somehow related to informal

[47] http://www.hamk.am/?lang=eng

workers. The programme is related to pregnant woman without a job and with no husband or whose husband does not have a job as well on March 30. Again, the issue is that number of beneficiaries is very small, forming 8,753. Thus, only 2 of 10 employment support programmes are somehow related to informal workers and the coverage of informal workers in programmes is low.

From a rights and humanitarian perspective, these are many people to exclude. Nor does this exclusion make good sense on economic grounds as the informal economy contributes 36 per cent to Armenia's GDP, according to the IMF. As both vendors and consumers, the informal economy already contributes to the government revenues upon which fiscal spending to address the crisis is based.

There are of course operational / administrative challenges in assisting informal economy workers and enterprises, the scarcity of official records being one of them, the risk of "leakages" being another. These are daunting but not insurmountable challenges.

One approach might be to "reverse" the more common conditionality: instead of insisting upon formal registration as a prior condition to benefit receipt, benefit receipt in the short term could precede a commitment to formalization at a future date. Moreover, that commitment could be subject to an additional "holiday" from its obligations. The obligations of formality may in any case not be a binding constraint: there is scant evidence suggesting that the bulk of informal work is work in the "shadow" economy – i.e. a parallel economy whose primary motivation is to avoid taxes. Rather, and as elsewhere in the world, the informal economy in Armenia is likely to be a response to the paucity of jobs in the formal economy.

It is a sobering thought that the bulk of new entrants to the global economy today enter the informal economy, and equally sobering is the thought that throughout history the formal labour force has never exceeded the informal one.

Supporting the vulnerable in the informal economy could be in the spirit of recent changes in the FLSEB whereby the cash entitlement is now guaranteed for six months' continuation after the recipient becomes (re)employed. The change was to address the problem of FLSEB participants to curtail other income-generating activity for fear of losing their benefit. The fear arose from the fact that other income would not offset the loss of the benefit.

Another vulnerable and expressive issue is so called "self-organized" informality in agriculture and among other informal self-employed who are in general potential sole proprietors. Solution of this issue is not a task of today but can be implemented in a medium-long term and this solution mustn't have a fundamental vision and goal of tax collection but the Government can make corresponding environment for making those individuals to gain from transferring to the formal sector. The main principles can be organizing special online platform where all mentioned individuals can register, announce them as formal sole proprietors. As a result, government response at this platform will be simplified and light tax, access to microfinance, special online trainings and capacity building, special access state procurements, etc.

2. Expand the FLSEB

The FLSEB is the Government's largest second largest social protection outlay after pensions, and is the only income support available to the unemployed. The programme is based on means testing, that takes into account various factors for assessment and aimed to indirect poverty reduction, and smoothing income inequality. That said, benefit levels are low, and it remains the case that only 33 per cent of Armenia's poor receive any sort of social assistance.

The Covid-19 response measures increased the adequacy of FLSEB benefits to those currently registered. Government may wish to consider widening the pool of recipients to other families living in or at risk of poverty. This would mean relaxing eligibility criteria either permanently or temporarily.

Every fourth person lives in poverty in Armenia. For the period 2010-2015, for every 3 people who escaped from poverty, one fell back into it. This regression was the consequence of the Great Recession, which hit Armenia hardest of any country in the region. The pandemic effect could turn out to be less severe, but could have the effect of stalling or even reversing progress made in poverty reduction. This is because Armenia, as noted earlier, shows a relatively strong elasticity of poverty reduction to growth.

FLSEB must be more systemized and linked with other social protection programmes, especially with ALMPs. FLSEB may be one of the key programmes in the system of future social protection floor. FLSEB coverage may be more comprehensive. For this reason, ongoing reform of new FLSEB assessment system by the Government of Armenia can be effective, as in contrast to means testing, registered income can be more transparent and targeted and linked to employment programmes. Another point is that before new FLSEB implementation comprehensive risk analysis is of high importance.

3. ALMPs and the SEA

The government's relief measures to date have rightly been passive measures alleviating living costs and credit constraints. ALMPs were first introduced in 2006 and then became a programmatic offering of the SEA in 2014-15. The country has 14 active labour market policy (ALMP) programmes that have to date shown a lackluster performance. For 2020 several changes in ALMPs has been done. Particularly, a number of programmes with low effectiveness suspended, mainly related to the private job agencies support and jobseekers' transportation support. Instead of excluded ALMPs, more beneficiary (social group) targeted ALMPs launched, directly targeting young women, persons with disability. Responding to Covid-19 SEA recently launched online training course "How to find a job", which is important to serve soft skills especially to the first-time job seekers.

Although, in 2019 only 3.2 per cent of the registered unemployed were covered by ALMPs.[48] Another issue is that planning of ALMP annual project is rough, under- or overestimated. Thus in 2019 in seven planned ALMPs the planned number of beneficiaries was around 60 per cent higher than the number of actual beneficiaries after implementation. As a result, in the current year SEAs make changes to planning and budget.

However, SEA's and ALMPs' history in Armenia is not long, and their weak performance may been attributed to:

- There are more immediate obstacles, the most fundamental of which is widespread ignorance of ALMPs by their very target audience.
- ALMP's mainly do not let same beneficiary to be involved in the next programme after the prior one in the same year, so there are limited possibilities for vulnerable jobseekers to have better results, for example involving in training programme and job placement programme, after.
- ALMPs procedures and eligibility criteria are often very complicated and there is a lack of wide awareness rising media, with introducing of simplified rules and using up to date information channels, tools.
- Training offers that are divorced from employer needs, a likely factor in the underutilization of the SEA by employers.
- IT solutions are old and incomplete. There is no complex IT system, inducing back office and front office (also online) business processes organization, automated monitoring and digital report generation solutions. There is no online service provision solution, beneficiaries may visit SEA regional offices for registering and getting the service. This is also an obstacle in current Covid-19 and suchlike situations.
- Planning and management of ALMPs is not based on contemporary project management methodology and tools.

ALMP's need to be redesigned and aligned with current state of job market, current needs. Based on the planning and implementing differences it is the case that ALMPs are still not very attractive both for employers and jobseekers. Employers must clearly see set of benefits from the programme. The same is true for jobseekers, many programmes do not offer a high possibility of long term and decent work.

SEA's role in crisis deserves more attention. There is a lack of flexible procedures, rules and capacity to response quick when agile changes needed. SEA could be more inclusive using quick and targeted solutions to response Covid-19 employment threats in addition to the Government programmes. For example, public works ALMP can be intensified as a Covid-19 quick response.

[48] State Employment Agency 2019 reports and www.armstat.am

Innovative and comprehensive IT solutions both internal and online may be very efficient for better results, pro-activeness and quicker response and the new IT infrastructure may provide monitoring and evaluation, reporting. Corporate IT platform may also help in decision making and have one single and comprehensive hub to connect all regional offices. Online platform for jobseekers and employers is also one of the urgent solutions which can rapidly raise involvement level.

For the immediate and medium term, the Government might consider the wide dissemination of information on the availability of ALMPs. Participation in the programmes should be fully or partially subsidized. To ensure their relevance to employment opportunities as these re-arise, there should be strong business involvement in the programmes' design. It is suggested that this relief measure "bring forward" strong elements already contained in the revised Armenia Development Strategy 2030.

4. Public Works

The COVID-related relief measures already provide a public employment programme for those interested in working on an environmental project in the agriculture sector of North Armenia. Public Works programmes are perhaps the most "active" of all ALMPs to the extent that beneficiaries receive immediate cash payment. Armenia's current national strategy document, as well as the longer term Armenian Development Strategy 2025 (now 2030), and the draft Armenia Transformation Strategy 2050 all give emphasis to infrastructure development both inherently and for its massive indirect spillover effects. Some of these projects could perhaps come forward at the present juncture of need with a possible criterion being their "shovel-readiness".

In addition to income, public works also impart the experience of work discipline and teamwork. The best designed programmes might also allow for skill acquisition, all of which are relevant to the objective of labour market insertion.

Within the frames of the State emergency period Government can redesign relevant state procurement programmes to make the implementing companies involve in public works corresponding social groups, including working migrants.

5. A "recovery of start-ups"

Since independence, the Armenian economy has never been able to create enough wage-earning jobs for all those who would wish for one. Creating one's own job – entrepreneurship – is an alternative, and perhaps a fitting one for the country's highly educated youth. Paradoxically, employers might (rightly) argue that a labour shortage co-exists with a labour surplus in the labour market as the educational system does not produced the skills demanded on the labour market. But from a different point of view, perhaps the technological knowledge and innovative skills that youth do possess could benefit from a commercial outlet through start-ups. Armenia's president Sarkissian, himself a theoretical physicist, observes that, with the crisis: "one area that will be dramatically affected is employment, as some jobs may disappear as economies re-open. Therefore, it becomes even more pertinent for governments to focus on what their new economies and new jobs would look like, rather than trying to resuscitate expiring industries".[49]

The transmission channel between knowledge and a good idea, and income generation is a business start-up. One of the ILO's historically most successful products is Start and Improve Your own Business (SIYB). It is a three-day course on the rudiments of starting your own business, accessing credit and markets, dealing with contracts and business regulations, etc. Typically, SIYB involves a training of trainers component and then a network of interest candidates. Typically ,as well, the language of course materials and instruction is the country's own language. This is a potential relief measure going forward with the recovery and one to which the ILO could offer its support.

New Covid-19 challenges can provide new business opportunities. Besides Covid-19 19th Government programme, relevant government institutions, universities, civil society, venture funds and business angels may more intensively target their funding and competitions to those projects which provide business solutions in this new conditions.

[49] "start-ups can re-invent the post-pandemic world, says Armenian president", https://armenpress.am/eng/news/1018367.html, 17 June 2020

6. Invest more in what has already been invested in

A couple of the Government's programmes speak directly to payroll support. Perhaps a flexible element could be added to these measures by (1) increasing the level of support, and (2) evaluating a threshold criterion of impending layoff. Supporting a payroll is typically with the guarantee that the employment relationship is not severed. Enterprises might be given the opportunity to reapply for additional support if layoffs are imminent. In other words, make these relief efforts not to be "one-off" but potentially renewable on a needs basis. Obviously, this might introduce moral hazard, "hostage-taking" situations in which the enterprise would request cash but would not in any case have resorted to layoffs. These instances could be subject to review – or efforts could be made to stave off excessive programme leakages. The extension of benefits – including those to individuals – would need to go hand-in-hand with improved monitoring.

7. Softening regulations for better resistance and work productivity

State emergency situation, even after mass lockdown, assumes non-regular attendance of employees, as well as imperative absence of elderly and vulnerable people. Huge polarization to online work of companies without such practice and management procedures, particularly in a number of service sectors, may obviously decrease work productivity at least within a middle-short adaptation period. Government can go to temporary simplifying state regulations for employers in various sectors which can be "heavy" under the conditions of lower productivity of online work. For example, the Central bank of Armenia extended deadlines of reports from commercial banks up to the end of the State of emergency period.[50] Suchlike solutions are possible in many sectors.

Even in case of fast relief scenario mentioned situation has a long path to go, so Government may think on non-cash support "bureaucracy" simplifying programme to make employers be stronger in the situation of possible decrease of work productivity.

8. Online work and online work platforms

Online work

During pre Covid-19 period online work development in Armenia had been noticeably fragmented by sectors, not very popular and mainly somehow available in IT industry. Few Armenian IT companies are using agile (scram) management technique and organizing parallel online work with small and medium teams. From late March, due to lockdown, remote work relevant industry segments and workplaces greatly moved online work mostly effective in a technical sense. In several sectors and especially for elderly people one of the main issue is technological readiness and IT literacy. There is a lack of online work experience and corporate (adopted) online work procedures. Targeted sector-based training programmes may be effective.

In late April 2020 Ministry of Labour and Social Affairs made changes in the Labour Code eliminating several norms in the law related to the imperative physical presence at working place in emergency and suchlike situations in the country, referring to the possibility of using online work mechanism from employer. This solution may be not very comprehensive. Even after Covid-19 period companies may adopt for example partial online work solution directly after State emergency situation and in a long term in general. Managers may find this method productive and flexible. Labour Code of Armenia doesn't provide regulation of online work out of State emergency situations. The Ministry may think on comprehensive regulations of online work in normal conditions as well.

Online platforms (hubs)

There are number of online work platforms including taxi solutions (GG, Yandex, Ani, Utaxi, etc), repairing, renovating and engineering solutions (Ideal Master, Ideal Partner, Varpet), agriculture (Koriz) in Armenia. Development of online work platforms have noticeably active during last 3 years and still have a huge potential of employment support as number of sectors do not such solutions yet. Online work platforms make labour markets more flexible, centralized and provide high liquidity.

Online work hubs may be stimulated by the government with corresponding G2B partnerships. Making ease of access to necessary infrastructures and information (database). There is no any regulation for those platforms in Armenia,

[50] https://www.hamakarg.am/?p=3991

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Appendix 1

Table A1. Educational levels and participation in the labour force among the working age population (15-74) in 2018

	Total	Men	Women	Urban	Rural
Level of education, %					
Primary and lower	9,4	11,1	8,1	7,7	11,6
General secondary	44,9	48,0	42,2	36,5	56,2
Specialised secondary	23,6	20,4	26,3	26,5	19,6
Tertiary	22,2	20,8	23,4	29,3	12,6
All levels	100,0	100,0	100,0	100,0	100,0
LFPR %					
Primary and lower	34,0	44,1	21,1	26,8	40,4
General secondary	56,1	50,3	41,7	52,3	59,5
Specialised secondary	59,8	75,0	49,4	56,9	65,0
Tertiary	74,2	84,0	66,5	72,9	78,0
All levels	58,9	71,6	47,9	57,6	60,7
Employment rate, %					
Primary and lower	27,1	33,2	19,2	18,5	34,7
General secondary	45,8	38,0	33,4	37,3	53,2
Specialised secondary	46,3	60,3	36,8	40,6	56,6
Tertiary	62,0	71,3	54,7	59,5	69,7
All levels	47,7	58,8	38,1	43,2	53,8
Unemployment rate, %					
Primary and lower	20,4	24,8	9,0	31,0	14,1
General secondary	18,4	24,5	20,0	28,6	10,6
Specialised secondary	22,6	19,6	25,6	28,6	13,0
Tertiary	16,5	15,1	17,8	18,4	10,7
All levels	19,0	17,9	20,4	24,9	11,3

Source: Armenia Labour Force Survey 2018, Table 6.3

Table A2. Educational levels and participation in the labour force among the working age population (15-74) in 2018

	Total	Men	Women	Urban	Rural	
Numbers						
WAP 15-74	2194,6	1022,7	1173,7	1261,3	935,1	
A In the labour force	1293,8	731,8	562	726,4	567,4	
B Employed	1048,5	601,1	447,4	545,4	503,1	
C LU1, Unemployed	245,4	130,8	114,6	181	64,4	
C1 unemployed 1 yr+	127,4					
D Underemployed	28,8					
E Outside the labour force	902,5	290,8	611,7	534,9	367,7	
F Discouraged	158,2	55,8	102,4	72,2	86	
G Working	303,1					
G1 Own-use producers of goods	213,8					
LU2, C + D	274,2					
LU3, C + F	403,6	186,6	217	253,2	150,4	
LU4, C + D + F	432,4					
Percentages						
LFP rate, %	59,0	71,6	47,9	57,6	60,7	
Employment rate, %	47,8	58,8	38,1	43,2	53,8	
Unemployment rate, %	19,0	17,9	20,4	24,9	11,4	
as % of WAP 15-74						
LU1	11,2	12,8	9,8	14,4	6,9	
LU2	12,5					
LU3	18,4	18,2	18,5	20,1	16,1	
LU4	19,7					
NEET, aged 15-24, %	25,7	16,8	34,1	21,9	30	
By age groups	**Total 15-74**	**15 - 64**	**15 - 29**	**30 - 44**	**45 - 59**	**60 - 74**
Working age population	2194,6	2020,3	619,3	604,1	584,1	389
Labour force	1293,8	1244,2	299,3	437,2	400,5	156,9
Employed	1048,5	1003,8	219,3	351,7	340,7	136,6
Unemployed	245,4	240,4	79,9	85,4	59,7	20,2
Unemployed 1 yr+						
Underemployed						
Outside the labour force	900,80	776,10	320,00	166,90	183,60	232,10
- Potential labour force	902,5	776	320	166,9	183,6	232,1
F Discouraged	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
G Working	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Percentages						
LFP rate, %	59,0	61,6	48,3	72,4	68,6	40,3
Employment rate, %	47,8	49,7	35,4	58,2	58,3	35,1
Unemployment rate, %	19,0	19,3	26,7	19,5	14,9	12,9
as % of WAP 15-74						
LU1	11,2	11,9	12,9	14,1	10,2	5,2

Source: Armenia Labour Force Survey 2018, Tables 1.2, 1.7, 1.11, 3.6, 4.1.3 and 6.5

Table 3A. Utilisation of labour resources, 2018

Social insurance (contributory)	**Social assistance (non-contributory)**	**Labour market programmes**
Pensions • Old-age Pensions • Long-term Service Pensions • Pensions Appointed by The Law • Other pensions • Survivorship Pensions • Disability Pensions and (other special schemes)	Cash transfers • Family Living Standards Enhancement Benefits (FLSEB) • Maternity Benefit for Non-working Women • Childbirth Lump-sum Benefit • Old-Age social pension • Disability Benefit • Survivorship Benefits • Funeral grant • Financial Support to Schoolchildren in Orphanages	• Vocational Training at Employer's Premises for Uncompetitive Young Mothers • Internships • Lump-Sum Compensation to the Employer for training vulnerable jobseekers • Unemployment assistance benefits (for job search and re-location)
Other social insurance • Childcare Benefit • Sickness/Injury Leave Benefit • Maternity Benefit • Health Insurance for Civil Servants Mandatory Pensions	Food, in-kind and near-cash transfers • School Feeding • Subsidized Baby Food and Related Products • Targeted health, education, and housing/utility subsidies Social care services for children/youth/disabled/elderly	• Childcare assistance to promote re-entry before second year • Financial Support to those Assisting Persons with Disabilities to Gain a Foothold in the Labour Market • Business start-up assistance • Job Fairs

Source: Government of Armenia, The World Bank, UNICEF. *Core diagnostic of policies and programmes of Armenia's social protection system*. 2020. Draft report