

Appendix to
Decree -L of the Government of the RA,

Employment Strategy Program for 2025 – 2031

Abbreviations

AEP	Active Employment Program
CoE	Council of Europe
CSO	Civil Society Organization
EBRD	European Bank for Reconstruction and Development
EU	European Union
GDP	Gross Domestic Product
HEI	Higher Education Institution
ILO	International Labour Organization
LSI	Labour and Social Issues
M&E	Monitoring and Evaluation
MoE	Ministry of Economy
MoF	Ministry of Finance
MLSA	Ministry of Labour and Social Affairs
MTAI	Ministry of Territorial Administration and Infrastructure
NA	National Assembly
NGO	Non-governmental Organization
OECD	Organization for Economic Cooperation and Development
RA	Republic of Armenia
SDG	Sustainable Development Goals
UN	United Nations
USA	United States of America
WB	World Bank
USS	Unified Social Service

Contents

Introduction	5
Chapter 1. Overview of the Situation and Scope of Planned Reforms.....	7
1. Labour Force Profiling.....	8
2. Labour Market Trends.....	17
Chapter 2. The Priorities, Vision and Goals of the Strategy	22
1. Proposed Scenario.....	22
2. Results Framework	24
3. Links with Other Documents	26
Chapter 3. Working Age Population in Communities with Regional Towns	30
The Key Issue.....	30
Ways of Addressing Key Issues and Expected Outcomes	31
Expected Outcome and Impact Indicators.....	37
Chapter 4. NEET youth, aged 18 – 29.....	38
Key Issues.....	38
Ways of Addressing Key Issues and Expected Outcomes	39
Expected Outcome and Impact Indicators.....	43
Key Issues.....	44
Ways of Addressing Key Issues and Expected Outcomes	45
Expected Outcome and Impact Indicators.....	48
Key Issues.....	48
Ways of Addressing Key Issues and Expected Outcomes	49
Expected Outcome and Impact Indicators.....	50
Chapter 7. Transformation of the National Employment Policy Framework	52
Key Issues.....	52
Ways of Addressing Key Issues and Expected Outcomes	52
Expected Outcome and Impact Indicators.....	55
Chapter 8. Implementation, Monitoring and Evaluation of the Strategy	56
Chapter 9. Risks and Risk Management.....	58

Figures

Figure 1. The structure of labour resources.....	8
Figure 2. Distribution of employed population.....	9
Figure 3. Structure of underutilized labour force	10
Figure 4. Distribution of the employed per settlement type (% of the total employed population)	10
Figure 5. Share of the employed in the labour resources of the given region	11
Figure 6. Age composition of the underemployed.....	12
Figure 7. NEET youth share in labour resources (%)	14
Figure 8. School-to-work pathway (15 – 40 years of age)	15
Figure 9. Distribution of the unemployed (% of the total/persons).....	16
Figure 10. Unemployment rate	17
Figure 11. Number of the employed in 2000-2022 (thousand persons)	18
Figure 12. Productivity growth and GDP per capita growth in 2000 – 2022.....	18
Figure 13. Real productivity per person employed (at 2023 prices, in million AMD)	19
Figure 14. International best practices. Countries with productivity growth indicators, comparable to Armenia	20
Figure 15. RA GDP per capita (USD, based on 2022 constant prices) and growth rate (%)	23
Figure 16. Labour productivity in RA (USD, based on 2022 constant prices) and growth rate (%)	23
Figure 17. Labour force participation in 2022, 15+ aged population, 1000 persons	31
Figure 18. Labour force participation in communities, including regional towns, 15+, 2022, 1000 persons	31
Figure 19. NEET youth, aged 15-29	38
Figure 20. Share of the employed in the labour resources of the given age, 2022 (%).....	44
Figure 21. NEET youth	45
Figure 22. Distribution of family members who do not belong to any social group	49

Tables

Table 1. Distribution of the employed by type of economic activity, % of the region total	11
Table 2. Distribution of the employed by the type of economic activity.....	12
Table 3. Labour force participation rates of persons with disabilities (persons)	13
Table 4. NEET population	13
Table 5. Number of the employed in 2015 – 2022 (thousand people).....	30

Introduction

The Employment Strategy Program of the Republic of Armenia for 2025-2031 (hereinafter referred to as ‘the Program’) outlines a vision for the development of the employment sector and the strategies for achieving it, addressing current challenges and aligning with the priorities of the Government of the Republic of Armenia as well as the country’s international commitments. It is grounded in the goals set forth in the 2021-2026 Government Program and the Armenia Transformation Strategy 2050, which include the reduction of unemployment and poverty, development of human capital, an increase of labour productivity, and promotion of export growth. The Program seeks to promote employment in high-productivity sectors by continuously developing human capital and encouraging entrepreneurship.

Unemployment in Armenia is both cyclical and structural. The latter can be accounted for a mismatch between labour market supply and demand in terms of quality. A significant portion of the existing and potential workforce is incompetitive and lacks the necessary level of knowledge, soft skills, and professional expertise to meet the demands of the rapidly evolving labour market. In 2022, **the underutilized or potential labour force** accounted for 15% of the total labour resources, equating to 339,000 people. On the one hand, this figure reflects unrealized potential that, if harnessed through competitive employment opportunities, could contribute added value to the economy. On the other hand, the absence of work contributes to rising poverty levels. The current situation stems from several interrelated factors, including economic policies fostering productivity growth, the quality of education, and the limited effectiveness of state policies aimed at promoting employment.

Successful experiences from comparable countries demonstrate that productivity growth to address labour market challenges must be paired with enhancing the competitiveness of the labour force through evidence-based economic, educational, healthcare, and social policies. The goal is to foster inclusive economic growth that surpasses mere productivity growth, achievable through interventions in three directions:

- 1) Structural transformation of the economy, with a shift in the labour force from agriculture to non-agricultural sectors,
- 2) Boosting exports,
- 3) Attraction of foreign direct investment (FDI).

The directions outlined in this Program are targeted through a proposed socio-economic policy that is based on both the supply and demand of labour. Its goal is to foster the creation of new, non-agricultural, high-productivity jobs by developing industrial zones in regional communities with urban settlements. It aims to enhance the competitiveness and employability of the population, with a particular focus on NEET women and youth, residents of regional communities with urban settlements, as well as socially vulnerable groups. The Program also outlines a series of institutional and systemic reforms to improve

the effectiveness of public authorities and policies. The Strategy Program will be implemented in phases, starting with pilot programs designed to test the large-scale measures envisioned in the Program. One example of such a program is the result-based employment initiative currently under implementation by the Ministry of Labour and Social Affairs. A key objective of this strategic plan is to shift the public's perception of work, ultimately driving a change in behavior and attitudes toward employment.

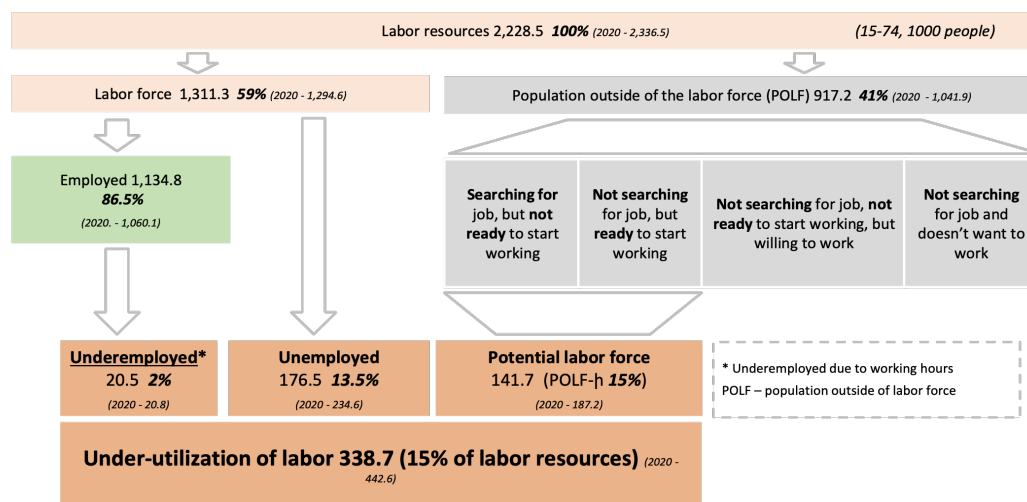
Chapter 1. Overview of the Situation and Scope of Planned Reforms

1. This Program is built upon a comprehensive, multi-layered survey, with data from the Statistical Committee of the Republic of Armenia (Armstat) on the labour market, which served as the baseline input.
2. The analysis included:
 - 1) ***Labour force profiling***, which identified population groups (by gender, age, region, status or other characteristics) with high rates of labour underutilization who should become effective targets for active employment programs.
 - 2) ***Labour market trend analysis***, which identified fluctuations and trends in employment, unemployment, and other labour market variables over time, both overall and across different economic sectors, regional divisions, and other characteristics.
 - 3) ***Employment policy mapping and effectiveness review***, which analyzed the scope and gaps in employment policies. The analysis included the coverage of officially registered unemployment, the financing of active employment programs, the number and composition of beneficiaries, the criteria for beneficiaries' distribution across the regions of the Republic of Armenia, job placement rates, costs per beneficiary, and the workload of Unified Social Service (USS) centers. Additionally, a comparison was undertaken between the financing of active employment programs and the coverage of officially registered unemployment in the Republic of Armenia and OECD member countries.
 - 4) ***A study of international best practices***, which identified effective employment policy tools that could be applied in the Republic of Armenia. The study focused on nine countries, six of which are developed (Austria, Germany, Czech Republic, Hungary, Estonia, Latvia), and three that are comparable in development to Armenia but reveal significantly lower unemployment rates (Georgia, Ukraine, Moldova).

1. Labour Force Profiling

3. In Armenia, *labour resources* among the population, aged 15-74, amounted to 2,228 thousand people as of 2022. Since 2020, this figure **has decreased by 108 thousand**, or by approximately **4.6%**. This decline can be attributed to two main demographic factors. First, it can be accounted for the aging population. Studies show that more individuals left the labour resources due to reaching the upper age threshold (75 years) than those who joined it upon reaching the age of 16. Second, emigration has also played a significant role in the reduction of labour resources.

Figure 1. The structure of labour resources



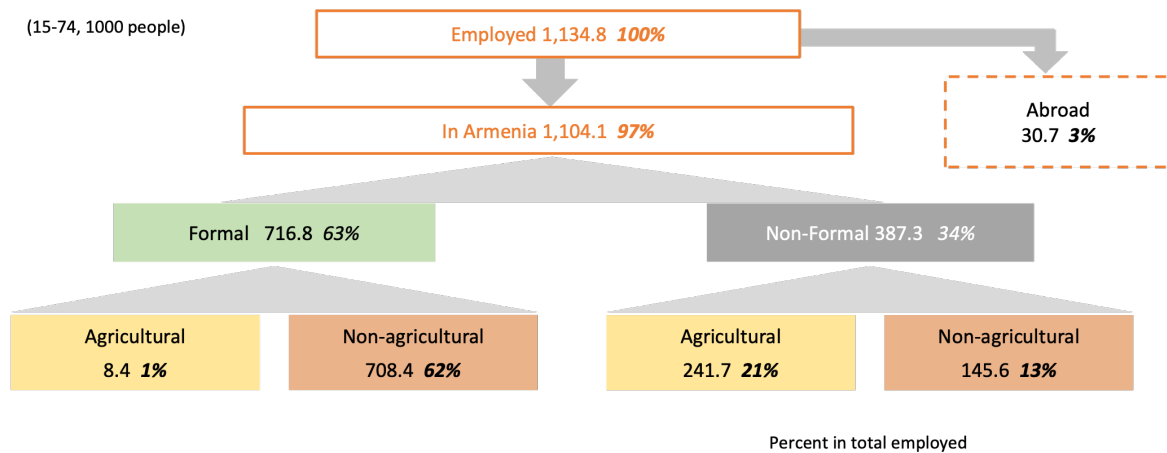
Source: Armstat, Labor market in Armenia, 2022

Source: ArmStat, Labour market in Armenia, 2022

4. Labour resources consist of the *labour force* (employed and unemployed individuals) and the *population outside the labour force (POLF)* (jobless and not searching), represented by 59% and 41%, respectively.
5. The labour force includes both *employed* and *unemployed* people. In 2022, the labour force totaled 1,311 thousand people, reflecting a slight **increase (1.3%)** as compared to 2020, primarily due to the rise in the number of employed individuals.
6. Between 2020 and 2022, the number of the *employed* increased by **74.7 thousand** or **7%**. In 2022, employed individuals made up 86.5% of the labour force, marking a 4.7 percentage point increase compared to 2020 (81.8%). This rise is attributed to higher economic activity and the return of employed individuals from abroad to Armenia.
7. The indicator of employed individuals includes both *formal* and *informal* segments of the labour market. In 2022, the distribution was 63% and 34% in formal and informal employment, respectively. As a matter of fact, 62.4% of the informal segment was agricultural, while 37.6% was non-agricultural, primarily in the construction and

passenger transportation sectors. Monitoring informal employment is crucial, as it helps capture the shadow sector of the labour market in studies.

Figure 2. Distribution of employed population



Source: Armstat, Labor Market in Armenia, 2022

Source: ArmStat, Labour Market in Armenia, 2022

8. Another subgroup of the labour force is that of the unemployed, defined by ArmStat (the Statistical Committee) as individuals who have been jobless but actively searching for employment (including both those officially registered as the unemployed and those not formally registered as such with the relevant authorities). Between 2020 and 2022, the number of the unemployed decreased by **58.1 thousand**, or **24.7%**.
9. *POLF* refers to the segment of labour resources that neither worked, nor searched for a job, or searched for a job but were not ready to accept employment during the period under review. Between 2020 and 2022, *POLF* **decreased by 124.7 thousand** people, or **11.9%**. These individuals either joined the labour force, emigrated, or were left out of the labour market upon reaching the upper age limit. A portion of the *POLF*, based on certain characteristics, is considered as *potential labour force*. The latter includes individuals who, during the four weeks preceding the survey:
 - Searched for a job but were not ready to immediately step in,
 - Did not search for a job but were ready to accept employment immediately.
10. Between 2020 and 2022, the number of potential labour force **declined by 45.5 thousand people**, or **24.3%**. The other segment of *POLF* neither searched for a job nor was ready to take one. The number of the latter fell from 854.7 thousand to 775.5 thousand between 2020 and 2022, **decreasing by 79.2 thousand**, or **9.2%**.
11. The sub-groups of the *underemployed*, *unemployed*, and *potential labour force* together comprise *the underutilized segment of the labour force*, which is the target group of this Program.

Figure 3. Structure of underutilized labour force

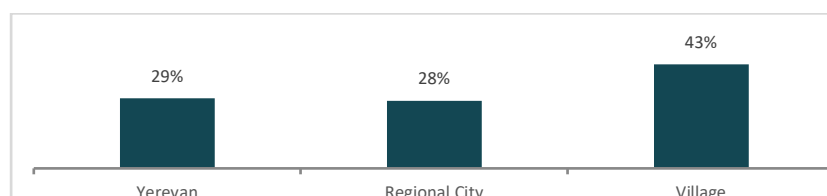


Source: ArmStat, Labour Force in Armenia, 2022

The selection of this group is justified by the fact that the scope of individuals facing employment challenges extends beyond the number of the unemployed, hence, focusing on the potential labour force and the underemployed, in addition to the unemployed, could have a significantly larger impact on increasing employment, given the latter's aspirations to be involved in the labour market as well as their untapped potential.

12. *Underutilized labour* creates two issues for the state. Firstly, it is the loss of potential added value that could have been generated through the work of these individuals. Secondly, this group is within the risk zone of poverty and emigration. In 2022, underutilized labour accounted for 15% of labour resources, down from 18.94% in 2020, and included 338.7 thousand people, with a decrease of 103.9 thousand, or 23.4%, compared to 2020. This decline can be attributed to the increase in employment during this period, as well as a general reduction in the labour resources due to demographic factors.
13. To maximize the impact and effectiveness of the Program, underutilized labour force has been analyzed by gender, age, and settlement.
14. Thus, in 2020, the distribution of the employed population by settlement revealed that 60% of the employed was concentrated in Yerevan and three regions: Armavir, Ararat, and Kotayk.

Figure 4. Distribution of the employed per settlement type (% of the total employed population)



Source: ArmStat, Labour force survey database, 2020

Women made up 46.2% of the employed population, and 54.6% of the labour resources. **The employment rate among working-age women is 38.9%, compared to 53.8% for men.**

15. As of 2020, 22% of labour resources in the Republic of Armenia were employed in the agricultural sector. In each of the following region – Armavir, Aragatsotn, Ararat, Shirak, and Syunik – more than 30% of the employed work in this sector. The share of people employed in the manufacturing sector exceeds 10% in Kotayk, Syunik, Yerevan, and Ararat. In Yerevan, the largest share of the employed population works in wholesale and retail trade (19%).

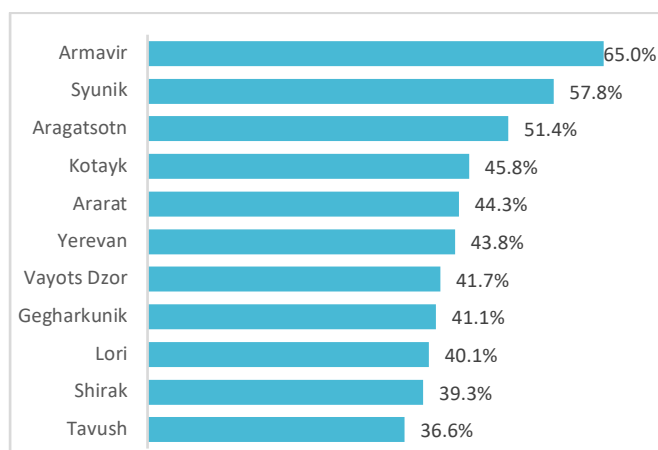
Table 1. Distribution of the employed by type of economic activity, % of the region total

	Yerevan	Aragatsotn	Ararat	Armavir	Gegharkunik	Lori	Kotayk	Shirak	Syunik	Vayots dzor	Tavush
Agriculture, forestry and fishing	0%	45%	37%	48%	32%	21%	11%	34%	33%	13%	17%
Public administration and defense, compulsory social security	6%	7%	6%	12%	15%	13%	7%	7%	7%	16%	11%
Wholesale and retail trade	19%	8%	9%	10%	6%	13%	13%	7%	8%	11%	8%
Education	10%	6%	11%	7%	14%	11%	11%	15%	14%	16%	19%
Manufacturing	13%	8%	12%	4%	4%	8%	16%	7%	15%	9%	7%
Construction	5%	9%	6%	4%	6%	10%	10%	10%	4%	6%	11%
Electricity, gas, steam and air-conditioning supply	2%	2%	1%	4%	3%	2%	3%	3%	3%	5%	2%
Human health and social work activities	9%	3%	3%	3%	5%	3%	5%	5%	3%	7%	6%
Transportation and storage	6%	3%	3%	3%	4%	5%	5%	4%	3%	2%	5%
Accommodation and food service activities	5%	2%	2%	2%	1%	1%	4%	1%	1%	1%	5%
Arts, entertainment and recreation	4%	2%	1%	1%	1%	3%	2%	1%	1%	0%	1%
Other services	4%	1%	1%	1%	1%	2%	3%	3%	1%	2%	2%
Telecommunications and other IT services	6%	1%	1%	1%	1%	1%	4%	1%	1%	2%	1%
Financial and insurance activities	4%	1%	2%	1%	1%	1%	2%	1%	1%	2%	2%
Professional, scientific and technical activities	5%	1%	1%	1%	1%	1%	1%	1%	0%	3%	1%
Mining and quarrying	0%	0%	1%	0%	4%	4%	1%	0%	5%	0%	0%

Source: ArmStat, Labour force survey database, 2020

16. In 2020, the highest employment rate was in Armavir, at 65%, where 47.7% of the employed population worked in agriculture. Among RA regions, only Syunik, Kotayk, and Lori stand out with the majority of the employed, residing in urban settlements. Aragatsotn has a relatively high employment rate, however, it has the lowest share of full-time employment among the regions.

Figure 5. Share of the employed in the labour resources of the given region



Source: ArmStat, Labour force survey database, 2020

17. The average wage distribution by region in 2020 revealed a significant disparity between settlements. In Gegharkunik, Shirak, and Tavush, the average wage was more than three times lower than in Syunik.
18. It should be noted that in 2020 a larger share of employed women had higher education, compared to men. This is largely because a relatively greater proportion of employed women worked in the health and education sectors, while men were mostly concentrated in construction and transport sectors. Hence, a relatively larger number of women were employed in sectors with a higher demand for workers with higher education.

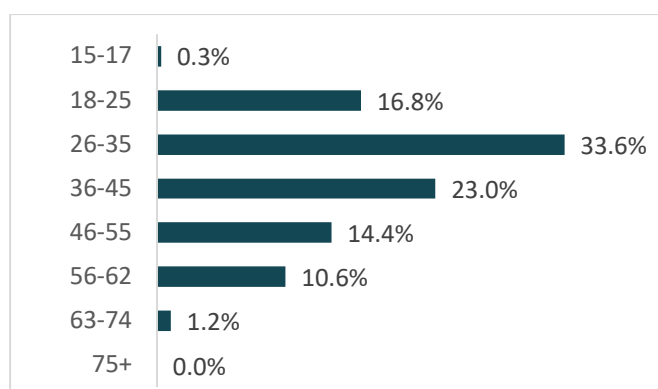
Table 2. Distribution of the employed by the type of economic activity

Distribution of the employed by type of economic activity	MEN	WOMEN
Agriculture, hunting and forestry	23.3%	20.7%
Wholesale and retail trade, . . .	11.8%	12.6%
Education	4.2%	19.0%
Manufacturing	10.3%	9.6%
Public administration and defense, compulsory social security	9.9%	6.9%
Construction	12.3%	0.4%
Transport and storage	7.2%	1.4%
Healthcare and social services to the population	2.2%	9.5%

Source: ArmStat, Labour force survey database, 2020

19. The analysis revealed that, as of 2020, three-quarters of the informally employed (343.7 thousand) were engaged in the agricultural and construction sectors. Considering this, later it was natural to find out that the specific weight of the informally employed was higher in rural settlements and among men. Besides, this weight was the greatest in the regions of Armavir and Aragatsotn, which had the highest shares of agricultural employees. The weight of the informally employed was also more prevalent among persons with secondary and basic education.
20. As of 2020, 20.8 thousand people were underemployed. Among them, the majority of the underemployed worked in agriculture, and one-third were between the ages of 26 and 35. Besides, as for education, a quarter had higher education, and in terms of regional distribution, one-third of the underemployed population was from Armavir.

Figure 6. Age composition of the underemployed



21. As of 2020, there were 137.7 thousand people classified as hopelessly unemployed.¹ Of these, 80% came from Shirak, Gegharkunik, Lori, and Tavush regions, and held either secondary or vocational education. The specific weight of women among the hopelessly unemployed was one-third higher than that of men.
22. As of 2020, the unemployment rate for persons over middle age (50+) was 12.6%. The lowest unemployment rates were observed in Yerevan, Lori, Vayots Dzor, and Tavush, where only one-third of the labour resources of this age group was employed.
23. In 2020, 72% of disabled persons were outside the labour force. Yerevan had the lowest rate of persons with disabilities within labour resources, compared to the regions. The share of the employed with disabilities in the total number of the employed was the largest in the transport, agriculture, and education sectors.

Table 3. Labour force participation rates of persons with disabilities (persons)

Labour resources	192,951	100%
Labour force	53,844	27.9%
Outside the labour force	139,107	72.1%
Employed	46,569	24.1%
Informally employed	20,507	10.6%
Unemployed	7,275	3.8%
Long-term unemployed	3,872	2.0%

Source: ArmStat, Labour Force database, 2020

Persons with Category 3 disabilities made up 57.5% of the labour resources, with only one-third of them being employed.

24. As of 2020, out of 169.5 thousand NEET young persons, 59.9 thousand (35.3%) were unemployed, while 109.6 thousand (64.7%) were outside the labour force. **Among the labour resources aged 25-29, 58.0% of women and 31.3% of men were neither employed nor in education.**

Table 4. NEET population

Age group	15-19	20-24	25-29	Total
Male	5,926	25,101	32,181	63,208

¹ “Hopelessly unemployed” refers to individuals who, despite having no job and being willing to work if a suitable opportunity arose, did not actively search for employment in the four weeks prior to the survey (including the survey week) due to the following reasons: • no hope in finding a suitable job, • uncertainty about where or how to search for a job, • a lack of professional skills or experience, • inability to find a job matching their qualifications or profession, • being considered too young or too old to secure a job, • the inability to find a job in their specific area.

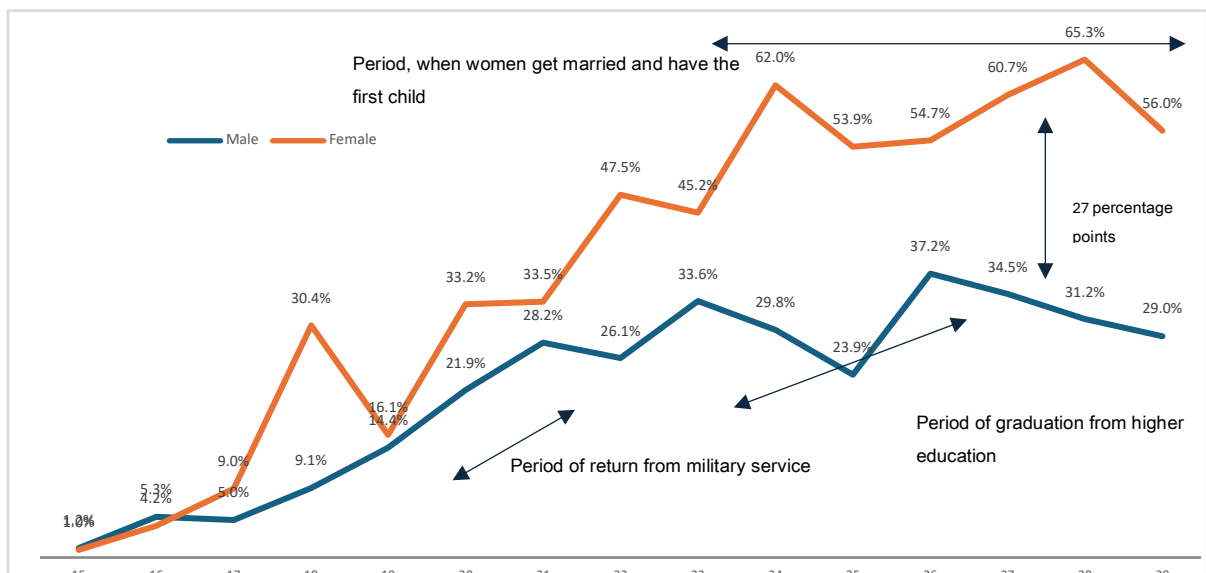
Female	10,151	37,290	58,892	106,333
Total	16,076	62,391	91,073	169,541
% of labour resources				
Male	6.8%	28.1%	31.3%	22.6%
Female	12.4%	44.9%	58.0%	39.9%
Total	9.5%	36.2%	44.5%	31.0%

Source: ArmStat, Labour force survey database, 2020

Furthermore, among persons aged 25-29 with higher education, 44.1% of women and 22.5% of men were neither employed nor in education. Studies have shown that young women across all age groups are more likely to be neither in education, employment, nor training, with the gender gap widening as age increases.

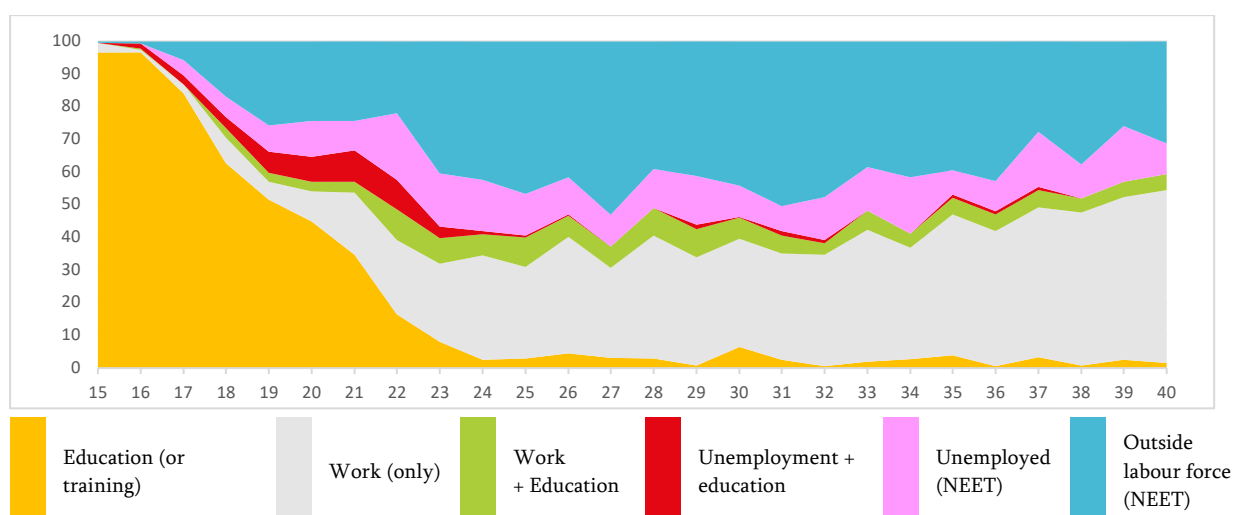
25. Behavioural analysis reveals that the school-to-work transition is different for women and men. While most men begin working shortly after completing formal education, **a significant share of women remain outside the labour force longer**. Boys typically leave education earlier (around the ages of 17 or 18), than women. Approximately half of the boys, leaving education, remain outside the labour force. Around one-third of 21-year-old males (after they return from the military service) study, while approximately 40% are either working or actively seeking a job. The share of economically inactive men remains relatively small and stable, with most either employed or job-seeking by the age of 25. Additionally, a higher proportion of men than women combine work and education.

Figure 7. NEET youth share in labour resources (%)



26. Women typically remain in education longer than men (which is reflected in the higher proportion of women in high school and higher education). However, upon graduation, a significant share of women does not enter the labour market. For example, approximately 40% of women aged 23-25 are economically inactive. The share of women outside the labour force peaks between the ages of 23 and 35, coinciding with life stages such as starting a family, childbearing, and caregiving. After the age of 30, women gradually return to the labour market, but a significant part of this group remains economically inactive. Prolonged inactivity in the labour force can negatively affect women's competitiveness and reduce their chances of finding employment.

Figure 8. School-to-work pathway (15 – 40 years of age)



Source: World Bank. 2019. Exploring the Diversity of Young People Not in Employment, Education or Training: The Gender Profile of NEETs in Georgia and Armenia.

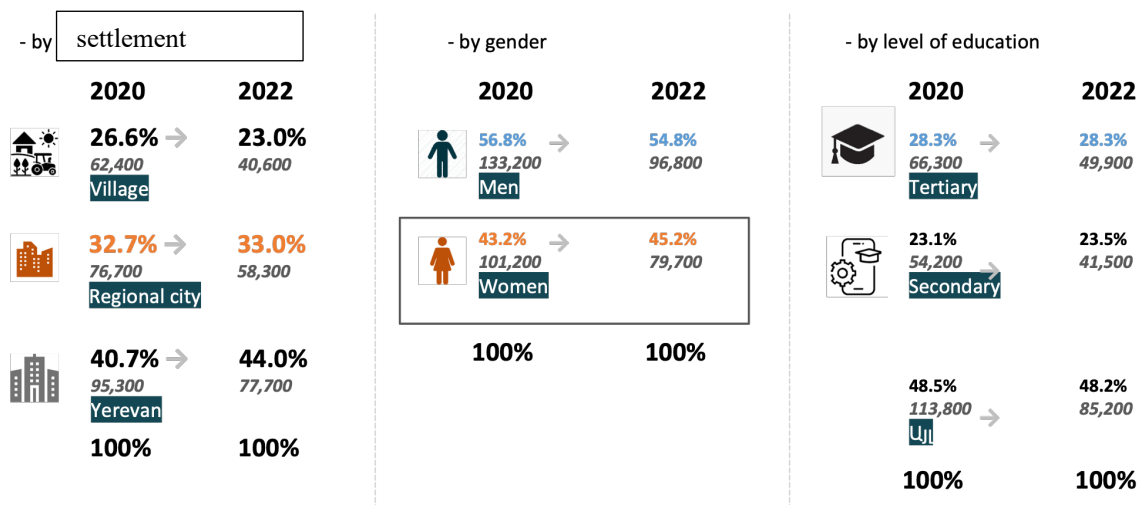
27. Based on 2020 data, a quarter of household managers (225.6 thousand) who were not employed or not actively searching for work due to housework and family responsibilities (including pregnancy and childcare) had higher education. **Of these household managers, 99.2% were women, with one-third aged 26-35** (the typical childbearing and caregiving age).
28. As of 2020, the group of the working poor consisted of 184.7 thousand persons, with 76% employed in agriculture, 5.2% in trade, and 5% in education. Additionally, 85.6% of the working poor were employed informally in their main job.
29. Regarding migrant workers, according to the Labour Force Survey, in 2020 there were 34.5 thousand migrant workers, of whom 32.7 thousand had migrated to the Russian Federation for work or job-seeking. Over half of these migrant workers came from Shirak (25%), Lori (18%), and Gegharkunik (13%) regions. Labour migrants mainly came from rural settlements, namely 54%. Among labour migrants, 66% had secondary

education, 19% had vocational education, and 10% had higher education. 97% of migrant workers were men. The majority of migrant workers (78%) were employed in construction, followed by 6% in trade and 6% in transport sectors.

30. Based on 2020 analysis, of the 63.3 thousand people who returned to Armenia, 16.2 thousand were unemployed, and only 12.3 thousand (19.4%) were employed.

31. In 2022, the unemployed totaled to 176.5 thousand, compared to 234.6 thousand in 2020. Of this, 44% were from Yerevan, and 33% were from regional towns.

Figure 9. Distribution of the unemployed (% of the total/persons)

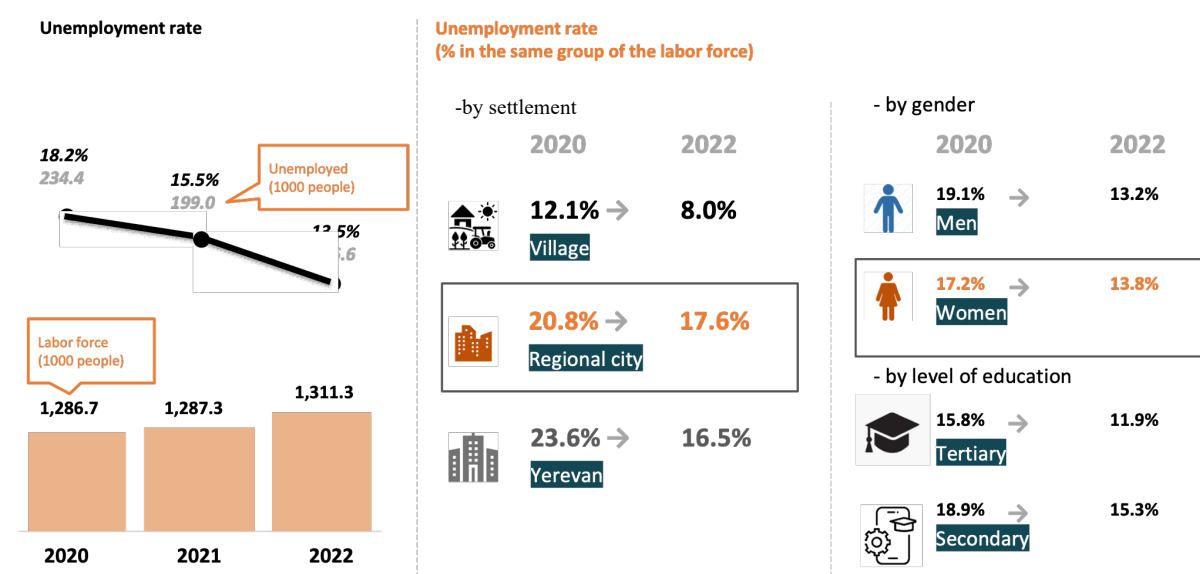


Source: ArmStat, Labour Market in Armenia, 2022

32. In 2020, 28% of the unemployed had higher education (36% of women and 23% of men). The unemployment rate among those under the age of 35 exceeded the national average (18.1%), and according to territorial distribution, the higher rates were observed in Yerevan and the regions of Tavush, Lori, Kotayk, and Vayots Dzor.

33. Between 2020 and 2022, the labour force in regional towns decreased from 369 thousand to 331 thousand, while in Yerevan, it increased from 403 thousand to 470 thousand. The share of women in the total unemployed population also grew during this period.

Figure 10. Unemployment rate



Source: ArmStat, Labour Market in Armenia, 2022

34. It is also important to note that between 2020 and 2022, the unemployment rate declined more slowly in regional towns, compared to rural areas and Yerevan, and among women compared to men.

35. In 2022, young people aged 15-29 accounted for 26.7% of the total unemployed population and 31.2% of those outside the labour force.

36. In 2020, 77.5% of the “present” members of beneficiary families aged 18-74 were women, with 41.8% of this group residing in regional cities.

37. Thus, the profiling of labour resources led to the identification and targeting of the most vulnerable groups under the Program, including:

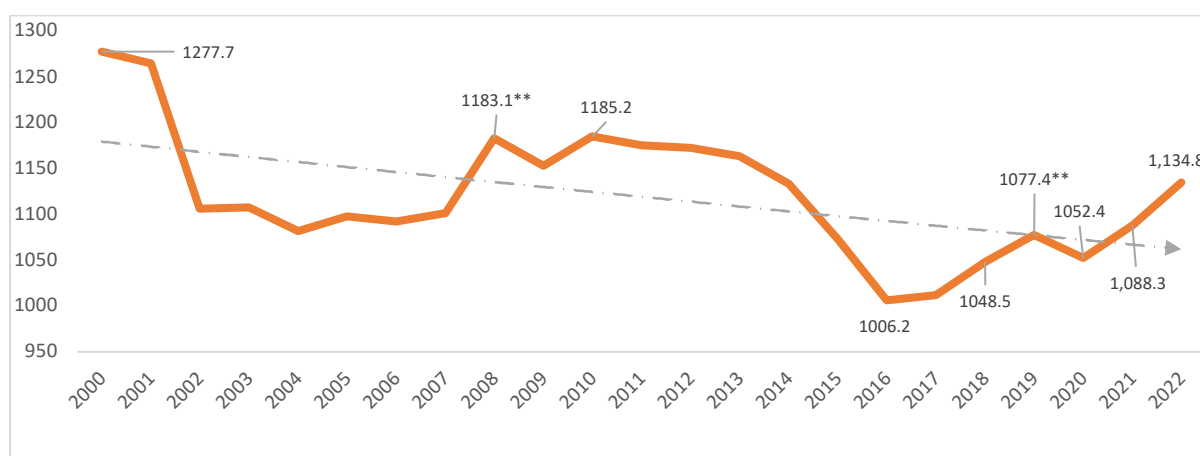
- 1) The population from communities, including regional towns;
- 2) NEET youth;
- 3) Women aged 30-39;
- 4) Recipients of family and social benefits who are capable to work without limitations.

The above-mentioned target groups (224.0 thousand people) comprise 66.1% of the total underutilized labour force (338.7 thousand people). It is important to note that the number of people in the target group excludes those who belong to multiple target groups to prevent double counting. Thus, the figure of the target group represents unique individuals, counted only once.

2. Labour Market Trends

38. Between 2000 and 2022, the employment rate showed a downward trend, with the number of the employed decreasing by approximately 142.9 thousand.

Figure 11. Number of the employed in 2000-2022 (thousand persons)



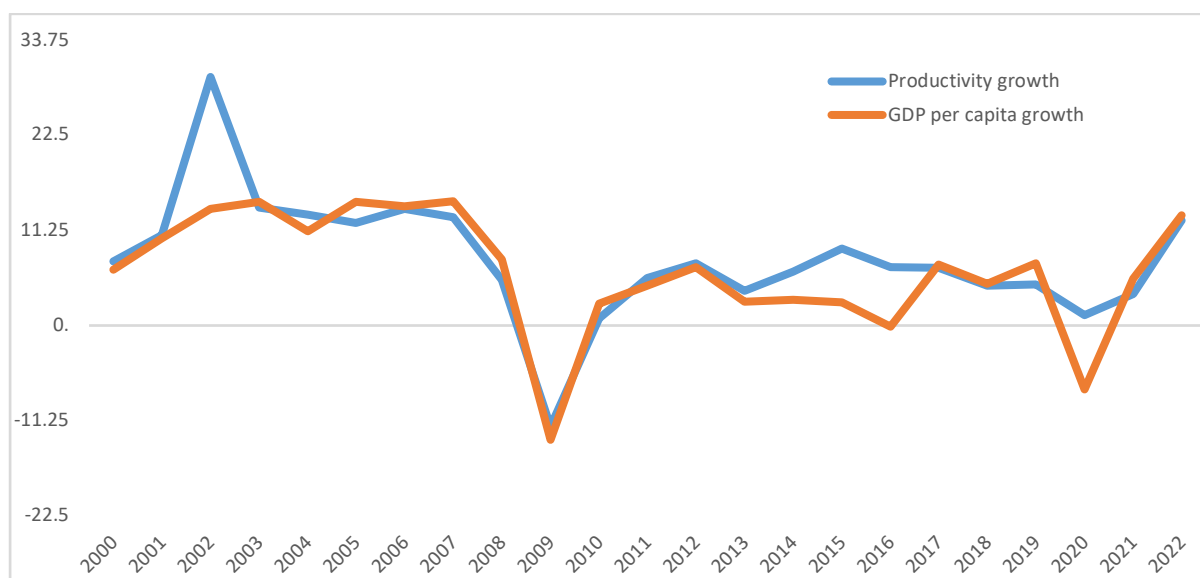
**Change in the methodology

The increase in 2018 was partly due to a change in the calculation methodology, where the labour force statistics started to be calculated based on permanent rather than current residence.

Source: ArmStat, ArmStatbank (2008-2022). Labour Market in Armenia (2000-2007)

39. This trend can be partly attributed to the fact that the average annual productivity growth (7.9%) exceeded the average annual GDP growth (6.4%) during this period.

Figure 12. Productivity growth and GDP per capita growth in 2000 – 2022



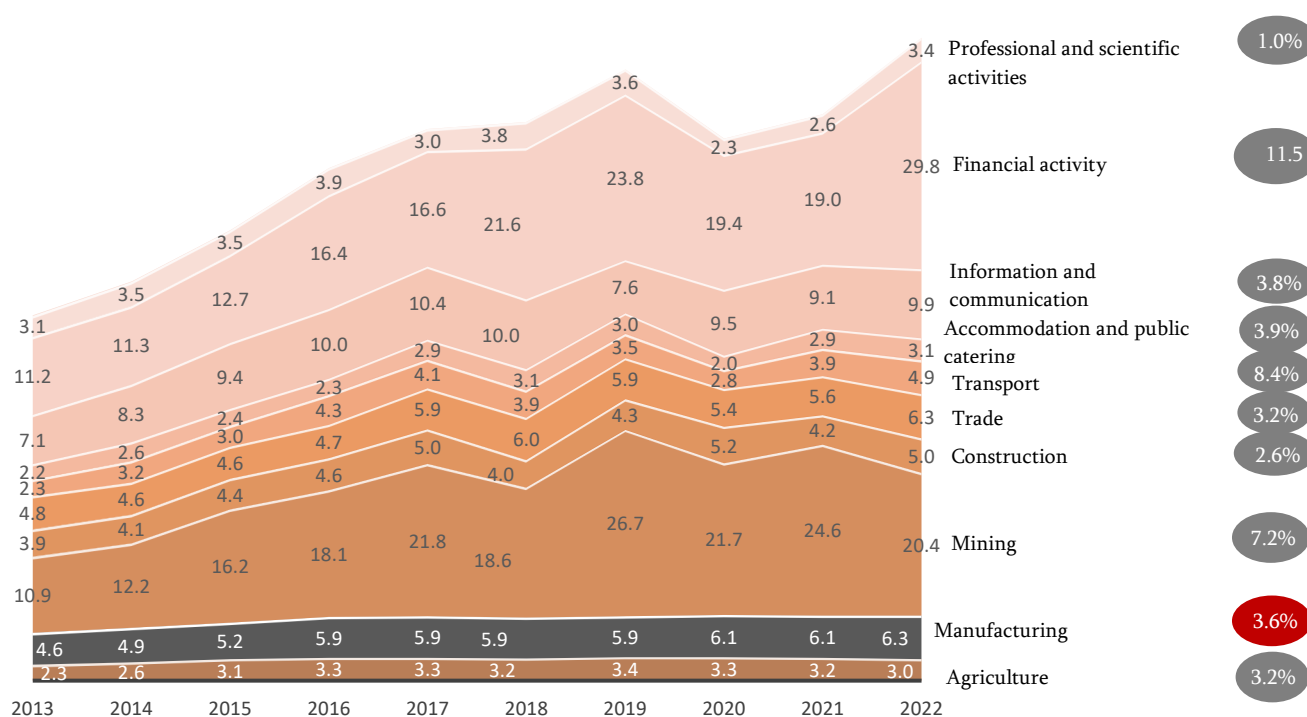
Source: ArmStat, ArmStatBank

40. Similarly, the decline in the number of the employed between 2001 and 2002 can be attributed to higher productivity growth relative to GDP growth. Conversely, the increase in the number of the employed in 2007 – 2008 was driven by higher GDP growth compared to productivity growth.

41. Between 2013 and 2022, the compound annual real productivity growth in the economy was 4.5%, with only the mining, transport, and financial sectors surpassing this rate.

42. Industries that were initially classified as low-productivity economic sectors experienced a significant reduction in the number of the employed, with agriculture being a prominent example. The real productivity rate per an employed person rose from 2.3 million AMD to 3.0 million AMD between 2013 and 2022. This increase was largely due to substantial state financial support, which led to the adoption of high-performance equipment in the sector. As a result, the number of the employed in agriculture decreased by **107.8** thousand people between 2015 and 2022. Moreover, projections suggest a further decline of 100 thousand workers in the next decade.

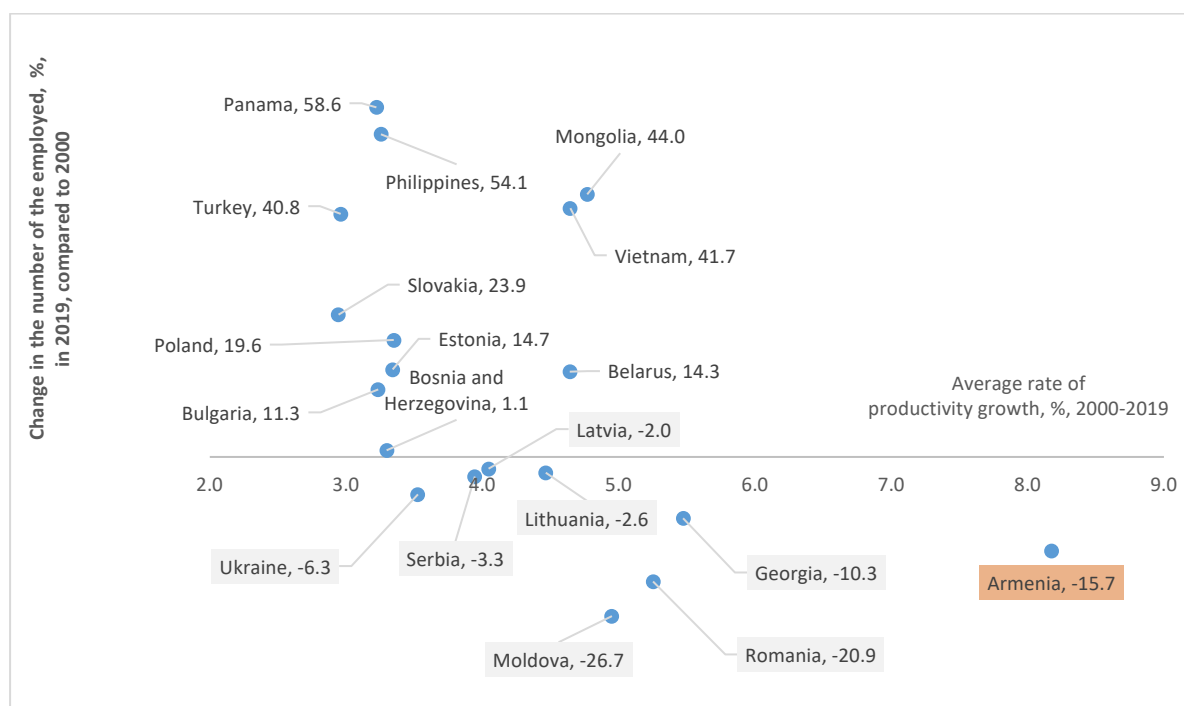
Figure 13. Real productivity per person employed (at 2023 prices, in million AMD)



Source: ArmStat, ArmStatBank

43. With a view of not only stopping, but also reversing the overall downward trend in employment and stimulating the labour market, this issue has been thoroughly examined through an international best practices review.

Figure 14. International best practices. Countries with productivity growth indicators, comparable to Armenia²



The analysis of the economic development paths of the countries mentioned above reveals two distinct groups: countries with **business-as-usual economic growth** and those with **accelerated economic growth**. This difference in growth scenarios is conditioned by the variations in productivity, employment, and gross added value rates throughout their economic development.

44. Given these changes, the scenarios are described as follows:

1) **Business-as-usual growth scenario**

- Productivity* which implies natural growth and includes trends typical of Armenia;
- Gross value added (GVA)* which implies natural growth and trends typical of Armenia;
- Employment* which implies an assumption of limited growth or decrease.

2) **Accelerated growth scenario**

- Productivity* which plans an annual growth of 5.0 – 5.2%,

² The selection of countries comparable to Armenia was based on the following criteria:

- Is not a BRICS member;
- The share of agriculture in GDP is lower than 75 percentiles of 163 countries (19.3%);
- GDP per person employed is higher than 25 percentiles of 163 countries (5,212 USD);
- Oil rent accounts for more than 10% of GDP;
- Cumulative productivity growth increased by over 50% between 2000 and 2019 (with average productivity growth of 3.7%);
- Annual productivity growth exceeded 3.7% for at least 5 years sequentially between 2000 and 2019.

b. Gross value added (GVA) which entails an annual growth of 7.6% in line with comparable benchmarks;

c. Employment which assumes growth.

45. The comparative analysis indicates that accelerated growth not only drives significant productivity gains in the economy but also facilitates employment growth. This is because Gross Domestic Product (GDP) growth outpaces productivity growth.

Chapter 2. The Priorities, Vision and Goals of the Strategy

1. Proposed Scenario

46. The findings of the review led to identification of the following milestones under the Strategy:

- 1) Ensuring parallel growth of employment and productivity;
- 2) Enhancing the effectiveness of public policies aimed at promoting employment and public spending;
- 3) Implementing targeted social policies by identifying the most vulnerable groups of the population and adopting a focused approach;
- 4) Reducing poverty rates and improving the quality of life;
- 5) Ensuring a shift in public perception of work, along with a corresponding change in behaviour.

47. **Based on the results of the calculation model, informed by the peer country review, achieving parallel growth in employment and productivity will require accelerated economic growth at an average annual GDP growth rate of 8%, rather than the 3.7% business-as-usual growth scenario.**

48. To achieve this accelerated economic growth, still drawing on the successful experiences of peer countries, the Program underscores the following priorities:

- 1) Structural transformation of employment, focusing on the transition of the labour force from agriculture to non-agricultural sectors;
- 2) Promoting exports;
- 3) Attracting inflows of foreign direct investment (FDI).

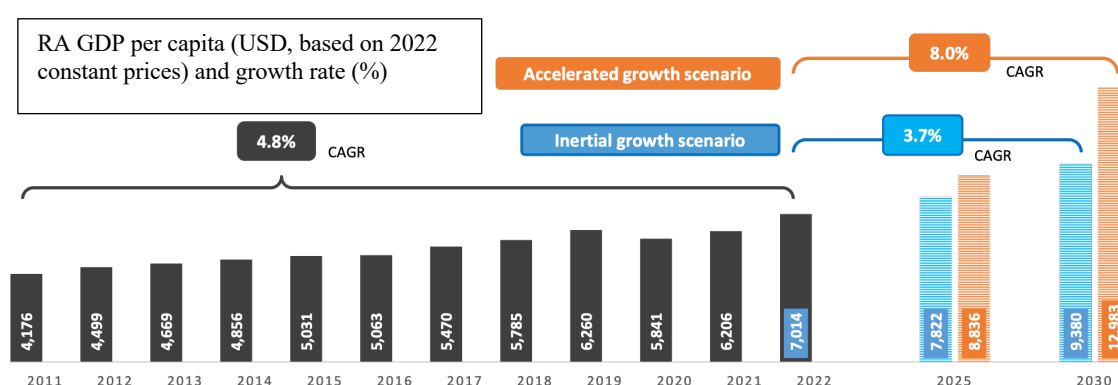
49. **The structural transformation of employment** under this Program aims to have an economic impact by developing industrial and service sectors, thereby shifting to a more diverse and flexible economic structure. This approach reflects the principle of intended impact on not only labour market supply, but labour market demand, too, aiming to align both. The development of the non-agricultural sector will be focused in **communities, including regional towns**, with an industrial past and now facing acute employment challenges. As a result, the planned increase in non-agricultural, high-productivity jobs will boost the country's economic productivity while contributing to regional development and addressing socio-economic problems.

To achieve this, the Program proposes the establishment and development of economic zones. These zones will include industries and sectors with the most suitable products for efficient **export**. Structurally, these zones will consist of large companies that engage in activities, typical for each zone's specialization, along with small and medium-sized

businesses that cooperate with them. The primary mission thereof will be the growth and development of these zones. It is key to highlight the importance of incentives for promoting large companies as the epicenters of these zones, by facilitating capital investment (such as **FDI**) and improving the overall business environment. This approach aims to boost the emergence of a robust, interconnected ecosystem around industrial hubs, fostering employment growth in both industrial and service sectors. The Government of Armenia will appoint a specialized operator for each economic zone, to coordinate the activity of the zone in alignment with the targets set by the Government. The development of these special economic zones will also be linked to the country's export strategy.

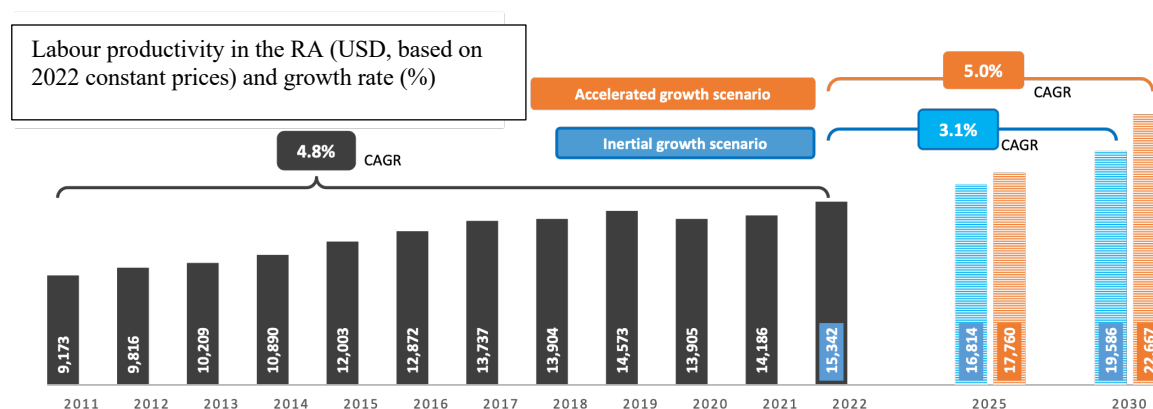
50. As a result, the GDP per capita projected for 2031, based on constant 2022 prices, will reach at least USD 9,380 under the 3.7% business-as-usual growth scenario, and at least USD 12,983 under the 8% accelerated growth scenario. This represents a 38.4% increase over the business-as-usual growth scenario.

Figure 15. RA GDP per capita (USD, based on 2022 constant prices) and growth rate (%)



Source: National Competitiveness Report of Armenia, 2019, World Bank, 2023

Figure 16. Labour productivity in RA (USD, based on 2022 constant prices) and growth rate (%)



Source: National Competitiveness Report of Armenia, 2019, World Bank, 2023

51. Similarly, the projected labour productivity for 2031, based on 2022 constant prices, is expected to reach 19,586 USD under the 3.1% business-as-usual growth scenario, and 22,667 USD under the 5.0% accelerated growth scenario, representing a 15.7% growth.
52. The Strategy adopts the principle of addressing existing problems and their root causes in a complex and comprehensive manner. The logic underlying solutions is built on the principle of **dual, simultaneous impact on both the supply and demand aspects of the employment sector**. This dual impact approach ensures balanced economic growth. While supply-side measures focus on enhancing the skills and availability of the workforce, demand-side interventions drive job creation by fostering economic growth. This balanced approach shall prevent potential labour market mismatches, such as labour force surpluses or shortages. Steps for demand enhancement guarantee the long-term sustainability of increased employment rates. This is due to private sector growth, achieved by fostering market demand, and its continuous need for labour force, which increases the probability for newly-created sustainable jobs. The dual impact approach may lead to a more inclusive economic policy, considering various sectors and diverse demographic groups. These considerations may help address employment issues across different regions, specificities of economic sectors, as well as various social groups, including gender, age, and social status.
53. Demand-side measures for employment development lead to the creation of high-quality jobs with higher productivity. Focusing exclusively on supply can result in a mismatch between the skills of the labour force and the needs of employers. A balanced approach shall ensure that training and education programs are aligned with both current and emerging economic needs.
54. To fundamentally address existing labour market issues, this Program extends beyond employment and social sectors, providing a framework of steps that includes educational, economic, territorial, and other related domains and sectors. Furthermore, the Program envisions the active involvement of not only public, but also the private sector as part of its plans and measures.
55. It is important to note that the education programs outlined in the Strategy are directly linked to labour market needs based on two key principles. First, they aim to equip participants with skills aligned with the current and projected labour market needs and demands. Second, the state funding model for these programs is performance-based, which is a precondition and means that the funding will be directed towards participants who successfully enter the labour market upon completion of these programs.

2. Results Framework

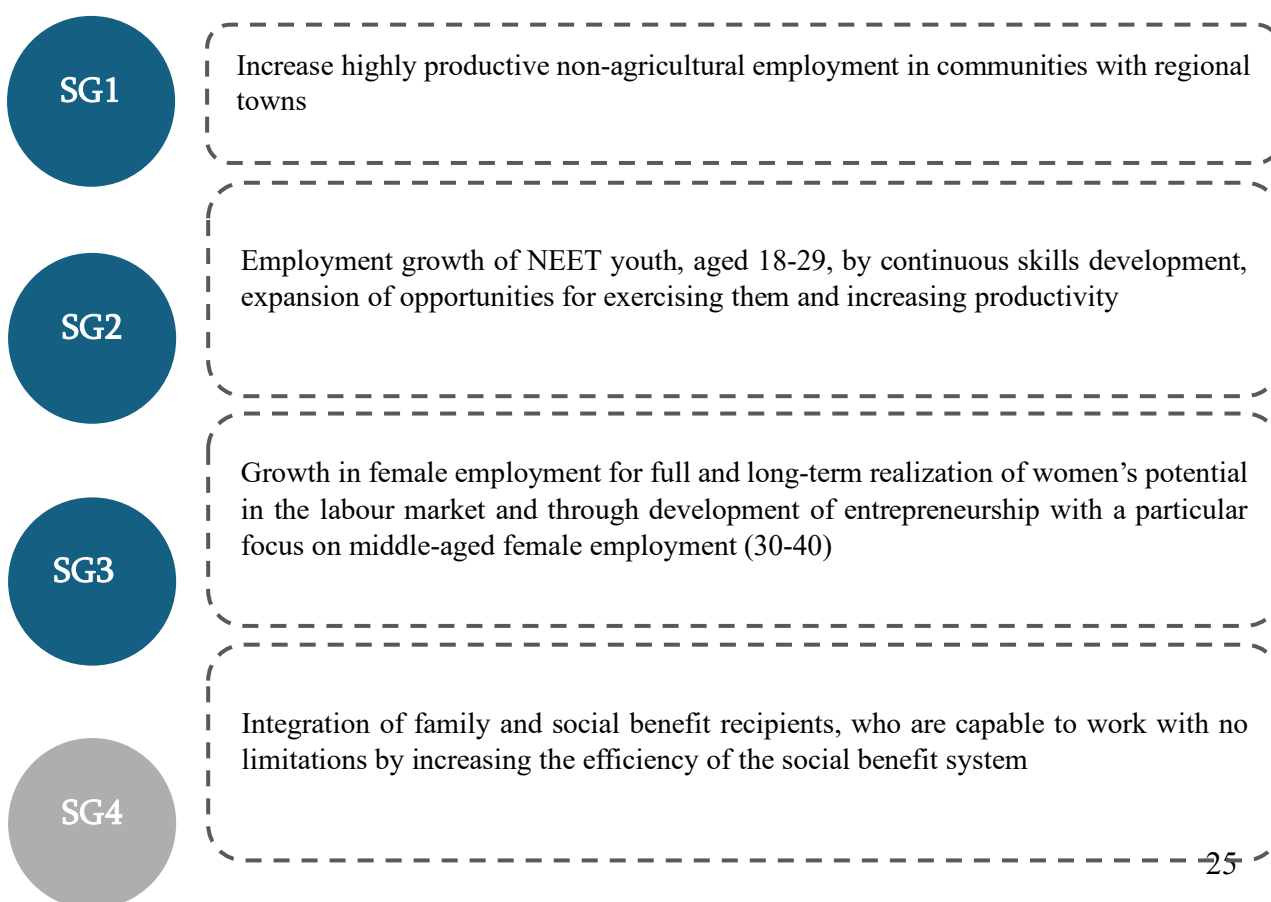
56. The public policy vision in the employment sector reads as follows:

Employment growth due to expanded opportunities for highly productive employment, driven by the development of a competitive and employable labour force

57. The following impact indicators are defined for the implementation of the Program:

- 1) By 2031, the employment rate in communities, including regional towns, will reach 60.7% (up from 51.2% in 2022);
- 2) The share of NEET youth among the population, aged 20-29, will decrease to 19.6% by 2030 (down from 35% in 2022);
- 3) The share of employed women in Armenia's female labour resources, aged 15-75, will rise to 50.9% (up from 41.5% in 2022);
- 4) The underutilized labour force will decrease by 50.8%, comprising 166,550 people in 2031, accounting for 7% of labour resources (down from 15% in 2022);
- 5) By 2031, employment will exceed 60% of the labour resources, with an increase of 252,000 people, reaching a total of 1,409,000;
- 6) The Employment Program will have a significant impact on the poverty rate, which is expected to decrease to 19% by 2031.

58. The following goals are set for achieving the vision:



SG5

Transformation of the employment sector public policy system, aimed at human capital development (labour market supply), growth in high-productivity jobs (labour market demand), and reduction of mismatch between labour force supply and demand

59. There are trends and environment-related conditions, shared across all target groups, which are referred to as cross-cutting themes (CCT). Those are best integrated and incorporated into programs aligned with the goals, along with additional thematic activities planned through interagency collaboration.

CCT1

Labour rights, social inclusion and equity

CCT2

Demographic trends, sustainable development and digital transformation

3. Links with Other Documents

60. The Constitution of the Republic of Armenia serves as the cornerstone of this Program, establishing **fundamental human rights, including the right to education, a decent standard of living, social security, and safe and fair working conditions for all employees.**³ The social market economy, which underpins public policy, is designed to promote overall economic prosperity and **equity**.

61. This Program outlines a framework of reforms to be implemented in the employment sector over the next seven years. It is closely aligned with several existing policies in the Republic of Armenia, which are directly or indirectly connected to three core programmatic documents:

- Program of the Government of Armenia for 2021-2026;
- Sustainable Development Goals;
- Armenia's Transformation Strategy 2050.

³ Articles 11, 38, 82-85

62. The scope of the linked policies encompasses 11 sectoral policies, which can be broadly categorized into two groups: those influencing labour supply and those affecting labour demand.

The strategic documents, related to labour force supply are as follows:

Adopted:

- 1) *Work-based Learning Development Concept Paper for 2019-2025;*
- 2) *Gender Policy Strategy for 2024-2028;*
- 3) *Education Development State Program 2030;*
- 4) *2024-2040 Strategy for Improving the Demographic Situation of the Republic of Armenia.*

The strategic documents, related to labour force demand are as follows:

Adopted:

- 1) *Agriculture Development Strategy for 2020-2030;*
- 2) *Tourism Development Strategy for 2020-2030;*

Under development or at the stage of adoption:

- 1) *Business Development Strategy for 2025-2030;*
- 2) *Export Strategy of Armenia for 2025-2030;*
- 3) *High-Tech Industry Development Strategy.*

63. The size of the labour resources within this Strategic Program is based on population projections, outlined in the Demographic Strategy. Economic productivity growth is tied to an increase in value-added output, driven by export promotion under the Export Strategy.
64. **The Republic of Armenia Government Program for 2021-2026:** The results achieved under the goals outlined in this strategy are significantly driven by the targets set in the Republic of Armenia Government Program for 2021-2026, including an average annual real GDP growth of at least 7%, annual total factor productivity growth of at least 5%, and an unemployment rate below 10%. The Government Program for 2021-2026 prioritizes growth aligned with productivity and employment for the country's sustainable socio-economic development. This is an ambitious objective, given that productivity growth could lead to a reduction in the labour force. As noted, "To increase and sustain long-term competitiveness, it is essential to significantly boost capital and **labour productivity**, in addition to expanding investment and employment, by broadening the economic opportunities available to citizens." The social assistance policy should be designed based on social needs assessments and proportionately tailored social service delivery, **which will encourage individuals' socio-economic activation**. Furthermore, "Encouraging and incentivizing work, and, to such an end, developing skills and opportunities for every citizen, is central to the state's social policy."

65. **Sustainable development goals:** Employment-related SDGs have been integrated into both target selection and the setting of intermediate goals and objectives. Out of the 17 Sustainable Development Goals, SDGs 8 and 9 are directly related to employment, while SDGs 1, 5, and 10 are connected indirectly.

- 1) *SDG 8. Decent work and economic growth:* promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- 2) *SDG 9. Industry, innovation and infrastructure:* build resilient infrastructure, support to inclusive and sustainable industrialization and foster innovation;
- 3) *SDG 1. No poverty.* End poverty in all its forms everywhere;
- 4) *SDG 5. Gender equality:* Achieve gender equality and empower all women and girls;
- 5) *SDG 10. Reduced inequalities:* Reduce inequality within and among countries.

66. **Armenia Transformation Strategy (ATS) 2050:** Two of the four guiding principles of ATS 2050 focus on labour and education. Regarding labor, the ATS emphasizes that people should have the opportunity to realize their creative potential through work. To enhance the operationalization of this principle, this Strategy underscores growth of employment as a fundamental goal. It shall be attained through continuous skills development, expanded opportunities to apply those skills, and productivity promotion. ATS also highlights the “utilization of women’s potential” as a key employment-related target. Reflecting this priority, one of the five strategic goals is dedicated entirely to boosting female employment.

Three of the 16 objectives, declared by ATS, are directly related to employment:

- 1) Mass exports of manufactured products,
- 2) Productive and responsible farming,
- 3) Making Armenia an attractive destination for businesses.

By 2050, ATS targets the achievement of the following employment-related outcomes:

- 1) Creation of 1.5 million additional jobs,
- 2) A 20-fold increase in GDP,
- 3) Extension of life expectancy to up to 90 years.

67. This strategic plan is subject to annual review based on the analysis of the implementation and delivery of the program in the previous years. The measures outlined in the Strategy may be included in the state budgets of the Republic of Armenia and implemented only if they are discussed and approved, and adequate funds are allocated within each year’s budgetary process.

Achieving the upper threshold of strategic targets is possible as a result of fully implementing the measures and programs. The adaptation of this strategic plan and related sectoral strategies will be subject to periodic review.

Chapter 3. Working Age Population in Communities with Regional Towns

The Key Issue

68. **Accelerated productivity growth** is a key factor for Armenia's competitiveness and continuous economic growth, however, unless accompanied by systemic labour market reforms in such low-productivity sectors as agriculture, it leads to the generation of surplus labour force and correspondingly to a reduction in the number of the employed (as indicated, the number of the employed in the agricultural sector manifested a decrease of 107.8 thousand people). Unless the employment problem of the people who have lost their job is addressed, the latter will appear in the risk zone of either becoming a social welfare scheme beneficiary or an emigrant.

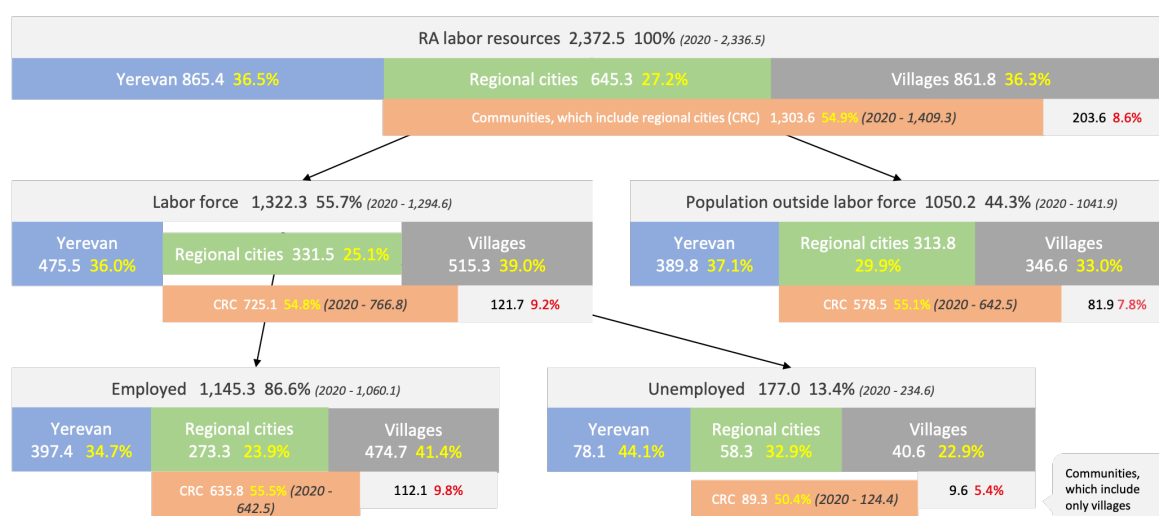
Table 5. Number of the employed in 2015 – 2022 (thousand people)

	Village	Regional towns	Yerevan
Agriculture	-93.8	-13.7	
Mining	+5.9	-5.0	
Manufacturing	-2.9		+5.7
Electricity, gas, water supply	-0.2		+1.8
Construction		+33.7	+12.5
Trade	+7.4		+0.8
Transportation	+2.6		+7.5
Accommodation and food	+3.8		+5.9
ITC	+0.7		+2.6
Public administration and defense	-0.4		+4.9
Education	+6.4	-6.8	
Health	+3.8		+3.2
Other	+3.7	-0.7	
Total	-29.3	+18.7	+98.6

Source: ArmStat, Labour force survey database, 2022

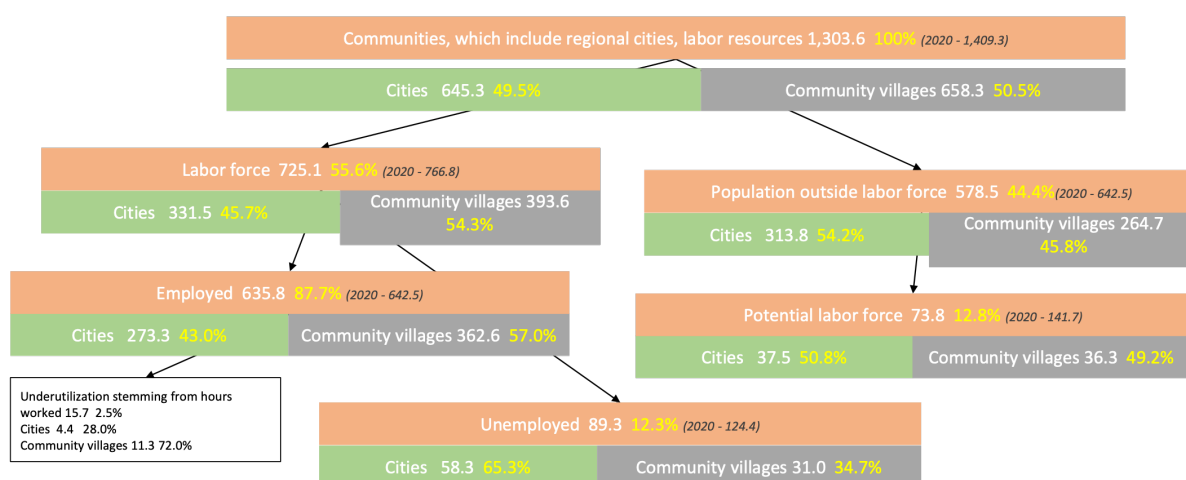
Between 2015 and 2022, significant shifts occurred in the labour market at both sectoral and regional levels. Some individuals who lost their jobs in the agricultural sector reintegrated into other sectors, such as manufacturing (31.1 thousand), construction (46.2 thousand), transport (10.1 thousand), and others. From a regional perspective, it is noteworthy that a substantial portion of those who lost jobs in agriculture found employment in Yerevan, leading to a concentration of employment growth in the capital.

Figure 17. Labour force participation in 2022, 15+ aged population, 1000 persons



Source: ArmStat, Labour force survey database, 2022

Figure 18. Labour force participation in communities, including regional towns, 15+, 2022, 1000 persons



Source: ArmStat, Labour force survey database, 2022

69. Statistical data indicate that the share of the population of communities with regional towns accounted for 55.1% of those outside the labour force and 50.4% of the unemployed. Regarding the underutilized labour force, communities with regional towns accounted for 52.4%, or 178.8 thousand people.

Ways of Addressing Key Issues and Expected Outcomes

70. The creation of high-productivity non-agricultural jobs in communities with regional towns will significantly boost economic productivity and help absorb labour resources,

while ensuring proportional territorial development and addressing the most urgent socio-economic challenges.

71. The aim of focusing on the population of communities with regional towns is to leverage the connection between these towns and their surrounding rural areas for economic growth and promotion of job creation by recognizing the integrated nature of these communities and the potential to expand employment opportunities therein.
72. Developing intra-community communication is a fundamental component to this process. Programs in this area will enable residents to continue living and working in their communities, thereby reducing migration from rural to urban area due to employment.
73. This approach not only supports the goal of diversifying employment opportunities but also fosters sustainable development for these communities, as a larger segment of the population will benefit from economic growth.
74. In communities with regional towns, high-productivity non-agricultural jobs will be generated through the establishment of special economic zones, the structure of which is outlined in the Priorities section.

Goals

75. **Strategic Goal 1** was set to solve the problems above in a systematic and sustainable manner:

An increase in highly productive non-agricultural employment in communities with regional towns.

The strategic goal is divided into 2 objectives: the first one focuses on promoting supply and the second targets promoting demand in the employment sector:

Objective 1.1. *Labour force development and ensuring its availability in communities with regional towns for high-productivity non-agricultural sectors.*

76. Programs to achieve the goal:

Program 1.1.1. *Creating incentives for vocational education services that align with the labour market demand and focus on practical skills development, in order to supply competitive labour resources for high-productivity non-agricultural sectors.*

Output:

In communities with regional towns the ratio of persons trained under the program to underutilized labour rates will reach down to 8.3 % in 2031.

- 1) To ensure the delivery of educational services of adequate quality and content, it is crucial to consider the capacity of the institutions providing these services. Therefore, it is planned to align the curricula of vocational education institutions offering non-formal education in communities with regional towns hosting

industrial zones to the specializations within those zones. Additionally, a series of training programs for the faculty of public institutions of this type will be organized in accordance with the procedure, approved by the authorized body.

- 2) In such public institutions, it is necessary to reimburse capital expenses and provide educational and laboratory equipment. For private institutions, it is recommended to consider the implementation of a grant competition for reimbursing the expenses of vocational education programs in regional towns.
- 3) Developing a platform for a system of interactive professional training courses as an alternative flexible model – in accordance with the procedure approved by the Authorized body – is another important step.

Program 1.1.2. *Developing a road and bus connection between urban and rural settlements.*

Output:

The share of non-agricultural employment among Armenia's rural population will grow from 49.1% to 63.0% between 2024 and 2031.

Monitoring target indicators for public transport coverage in rural settlements should be calculated by the Ministry of Territorial Administration and Infrastructure on an annual basis and be included in the calculations of strategic indicators during annual review and update.

- 1) First, to implement the project it will be important to prioritize subvention programs for the development of the road infrastructure in industrial zone hosting communities with urban settlements. To organize intracommunity transportation in communities that host industrial zones and include regional towns, a support modality of co-financing bus acquisition leases and subsidizing transport operating costs up to 50% shall be considered.

Program 1.1.3. *Program for recruiting highly skilled specialists in communities with regional towns*

Output:

Between 2025 and 2031, the share of specialists earning more than 500,000 AMD in companies within industrial zones in communities with regional towns shall increase to constitute 1.12% of the total employed population in these communities.

- 1) In case specialists earning more than 500,000 AMD move to companies, located in industrial zones, support to these companies within annual fiscal capacity shall be

considered to provide partial reimbursement of the salary of those specialists, thus incentivizing their recruitment and alliviating the burden of the employers.

Program 1.1.4 *Incentivizing non-formal vocational education of working age NEET population in communities with regional towns*

Output:

The ratio of reimbursed and issued education vouchers in communities with regional towns will increase up to 87.1% between 2026 and 2031.

Between 2026 and 2031, the ratio of the number of reimbursed vouchers to underutilized labour force in communities with regional towns will increase up to 30.5%.

The ratio of the average salary increase for program participants to the country's average salary increase is projected to range between 125% and 115.7% within two years after the completion of the program, implemented from 2027 to 2031.

- 1) The incentive is planned to come in the form of financial assistance through the introduction of an employment voucher scheme for the target group under the program. Participation in an online financial and digital literacy course to be delivered at USS territorial centers shall be a mandatory condition for all employment voucher program beneficiaries. To encourage the development and advancement of professional skills, the Armenian equivalent of World Skills professional competition platform will be expanded, with financial awards for the winners.

Program 1.1.5. *Introducing mechanisms for supporting housing and other public infrastructure develeopment, as well as increasing access to housing for citizens in communities with regional towns.*

Output:

Between 2025 and 2031, newly-built residential buildings area will have increased up to 431,168 square meters in communitites with regional towns.

- 1) The mechanisms will be based on the consideration of incentivization measures within annual fiscal capacity, such as partial reimbursement of the expenses, incurred for the apartment/house by the beneficiaries employed at companies within industrial zones and purchased in the region of the given industrial zone. Scaling up subvention programs shall also be considered by prioritizing regional communities with public industrial zones.

Objective 2. *Create incentives for job creation in highly productive non-agricultural sectors in communities with regional towns.*

Program 1.2.1. *Capital investment for infrastructure development in regional towns, particularly, for the creation of special economic zones, as well as inter-city connectivity, energy, and social infrastructure development.*

Output:

The ratio of capital investment (in cumulative value) for the implementation of the state program for industrial zones, relative to the number of employees in companies operating within these zones, is estimated to gradually decrease to AMD 5,805,000 by 2031.

- 1) The program's implementation will require the development of a state program for industrial zones. Through a mapping exercise the selected consulting firm or consortium will identify the comparative advantages and potential specializations of Armenia's regions (marzes) and will assess the financial resources needed to establish industrial zones. The term "special economic zone" shall be defined by law and be incorporated into the relevant legal acts.
- 2) The selection of an operator for public industrial zones is a critical step and will be carried out on a competitive basis by the RA Government. Financial activities will include financing the capital expenses for the renovation and upgrading of the facilities within the state-established industrial zones, as discussed during budgetary processes and planned by the state, whereas in the event of the creation of private industrial zones due to private sector investment, some reimbursement of capital expenditure shall be considered.

Program 1.2.2. *Providing access to finance for highly productive non-agricultural sectors in communities with regional towns.*

Output:

Between 2025 and 2031, industrial output as a share of GDP is projected to increase to 22.8%.

- 1) To ensure access to finance, the possibility for support to companies operating in industrial zones for the purchase of industrial equipment through leasing will be considered, by subsidizing 75% of the interest, provided the machinery value and lease repayment period do not exceed the caps set by the Strategy.
- 2) Additionally, within annual fiscal capacity, support to companies operating in industrial zones will be considered in the form of partial subsidies for trade finance loans interests, as long as the loan value and the subsidy duration do not exceed the caps set by the Strategy.

- 3) To support businesses to participate in state financial assistance programs and enhance the efficiency thereof, it is necessary to organize the provision of consulting services.

Program 1.2.3. *Enabling the relocation of industrial enterprises from Yerevan to communities with regional towns through the creation of an appropriate environment and mechanisms*

Output:

Between 2025 and 2031, employment in the industrial sector as a share of total employment in communities with regional towns will increase to 15.3%.

- 1) A further revision of the coefficient used for calculating property tax on industrial spaces in Yerevan, in addition to the already increased rates, shall be considered. This step aims to encourage the relocation of industrial entities in Yerevan to communities with regional towns, aligning with the Strategy's goal of developing non-agricultural job opportunities. It is recommended to reconsider the coefficient for property tax over industrial spaces which remain unused in the regions every subsequent tax year, in addition to the already increased rates. This step is aimed at the activation of unused industrial spaces.
- 2) Meanwhile, a certification scheme for the "industrial zones operator" shall be developed, offering profit tax and income tax returns.

Program 1.2.4. *Implementing special support programs to foster the development of existing and newly-established industrial enterprises in regional towns.*

Output:

37,915 new SMEs will be created in the regions between 2025 and 2031.

- 1) Support programs to be covered by available funding, as discussed and allocated in the course of every year's budgetary processes, will secure assistance to entities, operating in regional towns by providing financial aid for lease-based industrial machinery acquisition through an up to 50% subsidy of the interests on the lease if the value of the machinery and repayment period do not exceed the caps set by the program.
- 2) Under another support mechanism, it is recommended to consider partial subsidization of the interests, set by the bank on trade finance loan of industrial organizations, operating in regional towns, given the fiscal capacity of that year and taking into account the loan value and subsidy duration caps. The importance of an acceleration program for industrial entities, incorporating education, professional consultation, information sharing, and financial support components, shall also be highlighted.

Expected Outcome and Impact Indicators

77. The implementation of the Strategy by 2031, as compared to 2022, will lead to the following:

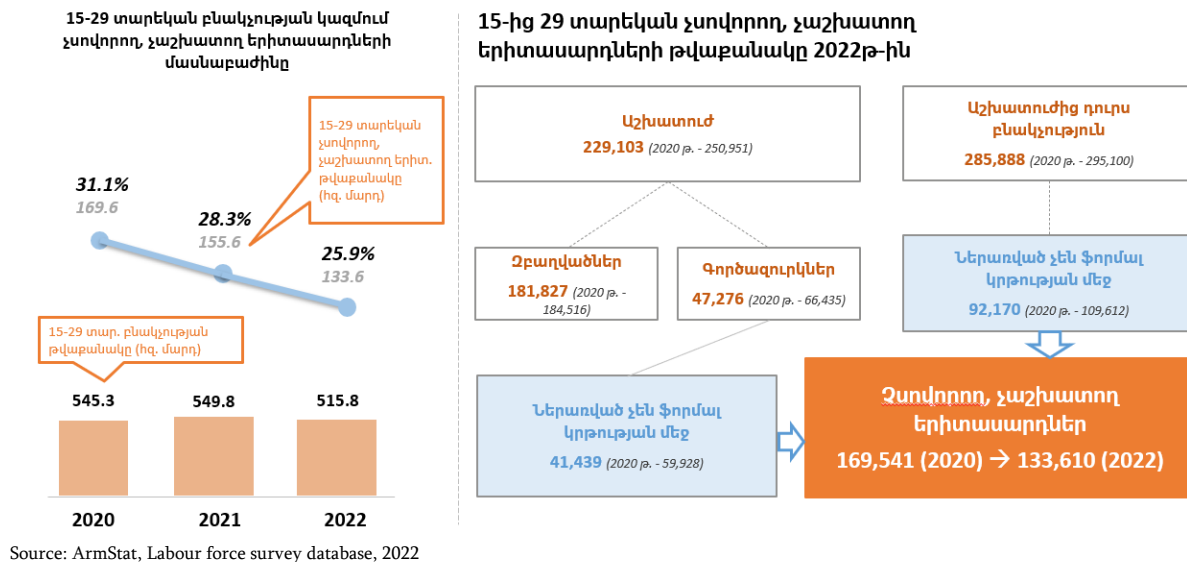
- 1) An increase in the employment rate in communities with regional towns from 51.2% to 60.7%;
- 2) An increase in the share of non-agricultural employment in communities with regional towns from 69.4% to 75.5 %;
- 3) A smaller ratio of underutilized labour force to employed labour force in communities with regional towns from 28.2% to 8.8%;
- 4) An increase in the average income level in non-agricultural sectors from 236,862 AMD to 574,733 AMD.

Chapter 4. NEET youth, aged 18 – 29

Key Issues

78. Professional experience is a crucial factor for the long-term competitiveness of the labour force. Currently, young people entering the labour market for the first time often lack sufficient professional knowledge and skills, failing to meet market demands. Additionally, the limited number of job in communities with regional towns often proves to be a challenge.
79. Proper professional orientation is also crucial; without it, entering the labour market becomes more difficult, posing challenges for transitioning between professions later on. These factors collectively delay the entry of young people into the labour market, limiting their potential for gaining professional experience. In turn, this reduces the overall productivity of the labour force in the short term.
80. Due to their age and longer learning trajectory, investing in the education of young people will have the greatest impact on the long-term competitiveness of the labour force. At that, NEET youth, aged 18–29, are particularly vulnerable to emigration.

Figure 19. NEET youth, aged 15-29



81. In 2022, 55.5% of the total population, aged 15-29 (285.9 thousand people) was outside the labour force. Of this group, 32.2% (92.2 thousand people) were not engaged in formal education. Additionally, 20.6% of the labour force, aged 15-29 (47.3 thousand people), were unemployed, with 87.7% (41.4 thousand people) not enrolled in formal education. Thus, 133.6 thousand young people (25.9% of the total population, aged 15-29) were neither in education, employment, nor training (NEET) in 2022. This share

decreased between 2020 and 2022, being at 31.1% in 2020. Over the same period, the total population aged 15-29 declined by 29.5 thousand, and the NEET segment thereof shrank by 36 thousand.

82. Therefore, it is crucial to focus on employment growth among NEET youth, aged 18-29. This will not only expand the number of responsible working citizens in the long term, but also contribute to the development of civil society and have a significant indirect social impact.

Ways of Addressing Key Issues and Expected Outcomes

83. **Strategic Goal 2** aims to provide a systemic and sustainable solution to the challenges mentioned above:

Employment growth among NEET youth, aged 18-29, by continuously developing their skills, expanding opportunities to apply them, and enhancing productivity.

This strategic goal is divided into two objectives with the first one focusing on promoting supply and the second one targeting the demand in the employment sector.

Objective 2.1: *Implement continuous professional training programs to build competitive skills and qualifications for young people that align with the labour market demand.*

84. Programs aimed at achieving the objective:

Program 2.1.1: *Developing flexible and results-based curricula in vocational education and training (non-formal).*

Expected outcome:

Between 2025 and 2031, the enrollment rate of individuals aged 20-29 years in vocational education will increase to 30.6%.

- 1) To address this issue comprehensively, it is essential to introduce a system for the development of vocational education and training institutions, implementing non-formal education, which will enhance their competitiveness, hence quality. Concurrently, vocational education and training programs are recommended to be subsidized within the fiscal capacity of each year in collaboration with private companies, provided that 50% or more of their graduates secure employment within three months.

Program 2.1.2: *Incentivizing young people, aged 18-29, to pursue non-formal vocational education and training (and dual degree programs).*

Expected outcome:

Between 2026 and 2031, the ratio of reimbursed employment vouchers to the total number issued for youth, aged 18-29, will increase to 41.7%.

Between 2026 and 2031, the ratio of reimbursed employment vouchers to the underutilized labour force within the age group of 18 – 29 is projected to range from 6.2% to 6.3%.

Between 2027 and 2031, two years after completing the program, the growth in program participants' wages will fall within the range of 129.6% and 111.1%, compared to the country's average wage increase.

- 1) Under this program, professional employment vouchers will be provided to beneficiaries from this target group. An online course on financial and digital literacy shall be developed and delivered through USS territorial centers. This course shall be a mandatory requirement for all participants in the voucher program.
- 2) An annual grant competition, organized under the heading “The Best Young Specialist” will serve as an additional financial incentive. Given the annual fiscal capacity, it is recommended to award scholarships to up to 100 individuals for training at foreign institutions in specific professions (with qualifications) designated by the government.
- 3) Support for the training of young specialists will include:
 - a. Assistance in finding training opportunities and establishing collaborations;
 - b. Help with obtaining visas and work permits;
 - c. Support with accommodation for interns.

Besides regulating the training procedure, mandatory requirements will be introduced for participants to return to Armenia after completing their training. It should be noted that dual degree programs will also be implemented in collaboration with leading foreign educational institutions.

Program 2.1.3. *Providing professional orientation and job placement support; developing career management skills.*

Output:

Average deviation between the share of students of the top 5 most in-demand vocational education programs and the share of employment in such sectors will be estimated in the course of the first update of the Strategy, based on the collected relevant data.

- Grant programs will be established for program implementation among entities engaged in the development of generic and non-specialization skills. A supplemental fee shall be considered to be paid to employment agencies by the state within annual fiscal capacity per young person aged 18-29 upon their first labour market entry in the event of their retention for at least for 1 year after taking the job.

Program 2.1.4. *A program for enhancing the competitiveness of young people, returning from compulsory military service.*

Output:

Between 2025 and 2031, the employment rate among the Armenian male population, aged 20-25, will increase to 43.3%.

- 1) The implementation of the ‘*Skills for Learning*’ program in the last 6 months of the compulsory military service shall be considered, given the annual fiscal capacity. Skills important for vocational education and orientation of beneficiaries will be improved under the program (the Armenian language, a foreign language, mathematics, computer literacy, financial and media literacy, soft skills).
- 2) Annual subscription for up to 5 courses on the interactive vocational training platform will be provided to beneficiaries, who have completed their compulsory military service.
- 3) It should be noted that a collaboration platform will be created for the implementation of a mentoring grant program, where people who have been successful across various spheres will be engaged as volunteers and stand ready to dedicate 5 hours a month for a year to the young people, who have completed their military service.
- 4) In view of the youth’s maximum labour market integration, a partial income tax refund to the employers shall be considered within the annual fiscal capacity for some period after these employers hire young people upon completion of their compulsory military service within one year after return. As part of the grant program, it is recommended to implement business acceleration programs for young people discharged from military service in the past year, comprised by educational, professional consultation, information and financial support components. It is critical to ensure that all discharged persons are entitled to tuition free vocational education.

Program 2.1.5. *Improving professional orientation and financial literacy of students in middle and high schools, considering the components under the new core curriculum for general education.*

Output:

In the 2030s, the ratio of the growth rate of program beneficiaries to the decrease in the number of NEET youth, aged 20-24, (with 1-year difference) will be up to 105.8%.

- 1) Under the program, within annual fiscal capacity, private organizations having benefited from state support programs will conduct career guidance activities in schools, based on signed memoranda of cooperation. After the list of private organizations is published, the schools will be obliged to select and engage at least 3 organizations to carry out career education activities (tours, visits, lectures, etc.). It is planned to develop a financial literacy module for high school students and a mandatory volunteering module both for high schools as well as for primary and secondary vocational education and training institutions.

Objective 2.2 *Create incentives for the private sector to engage young people in the labour market and continuously develop their competitive skills*

Program 2.2.1 *Creating mechanisms to facilitate internships (also at state institutions), as well as through public-private partnership models for youth, aged 18-29.*

Output:

Between 2026 and 2031 the ratio of youth, aged 18-29, undergoing internship to youth, aged 20-29, employed is projected to increase to 3.68%.

- 1) First, to analyze the effectiveness of this target group's internship and make data-driven necessary amendments thereto, it would be necessary to receive a monitoring report on internship from the SRC and the RA Ministry of Labour and Social Affairs.
- 2) Next, within annual fiscal capacity, the provision of a partial subsidy shall be considered for 6 months to the youth, aged 18-29, upon their first entry to the labour market after the internship.
- 3) For private companies having received government support, an obligation shall be introduced to provide internship opportunities to youth, aged 18-29, amounting to 5% of employees registered at the end of the year.
- 4) To incentivize job promotion for youth, aged 18-29, by lowering the financial burden on employers, the minimum wage amount of the latter will be reduced by up to 20%.
- 5) Considering the needs of youth, aged 18-29, and annual fiscal capacity, 10 percentage points refund to the employer shall be considered from the income tax paid for employees with flexible work schedules in the event that a flexible work schedule is introduced for 30% of employees.

Program 2.2.2. *Introducing a subsidized work mechanism for youth, aged 18-29, who have made a first-time entry to the labour market (partial salary reimbursement and/or income tax refund)*

Output:

Between 2025 and 2031, the share of the employed in the total number of youth, aged 18-29, having the status of an unemployed in Armenia will increase up to 14.7%.

- 1) Within annual fiscal capacity, a 50% refund of paid income tax to the employer which has been paid for young people, making their first entry to the labour market shall be considered. Moreover, in case of employment in regional towns, the refunded income tax may go up to 75%. Within annual fiscal capacity, a 100% income tax refund for some period of time to the employer for youth making their first entry to the labour market shall be considered, in the event of employment in entities operating in industrial zones.

Expected Outcome and Impact Indicators

85. The implementation of the Strategy by 2031, as compared to 2022, will lead to the following:

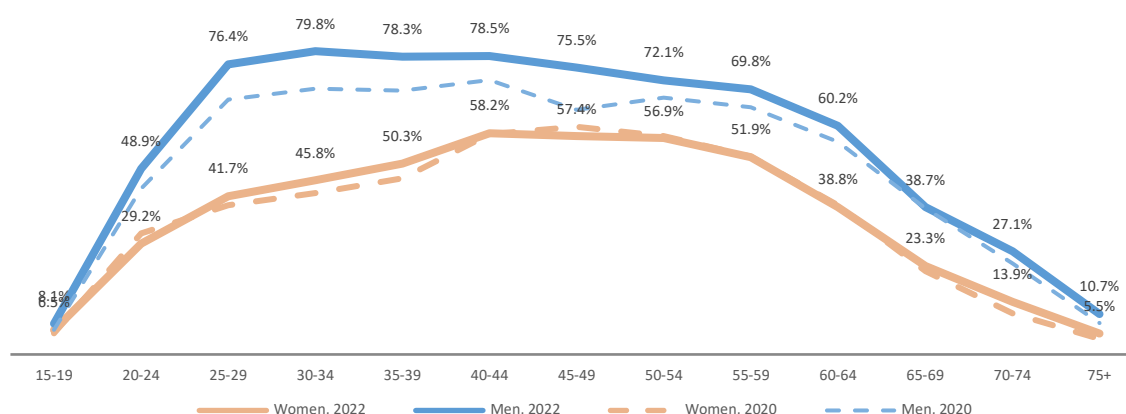
- 1) A reduction of the share of NEET youth in Armenia's population, aged 20-29, from 35.2% down to 19.6%;
- 2) An increase in the employment rate of the population, aged 25-29, from 53.3 % up to 78.7%;
- 3) A smaller ratio of NEET youth to the employed, aged 20-29, going down from 70.8% to 34.2%.

Chapter 5. Non-working Middle-Aged Women (30-40)

Key Issues

86. A more significant gap of approximately 34% is observed in female vs. male employment among those, aged 25-34.

Figure 20. Share of the employed in the labour resources of the given age, 2022 (%)

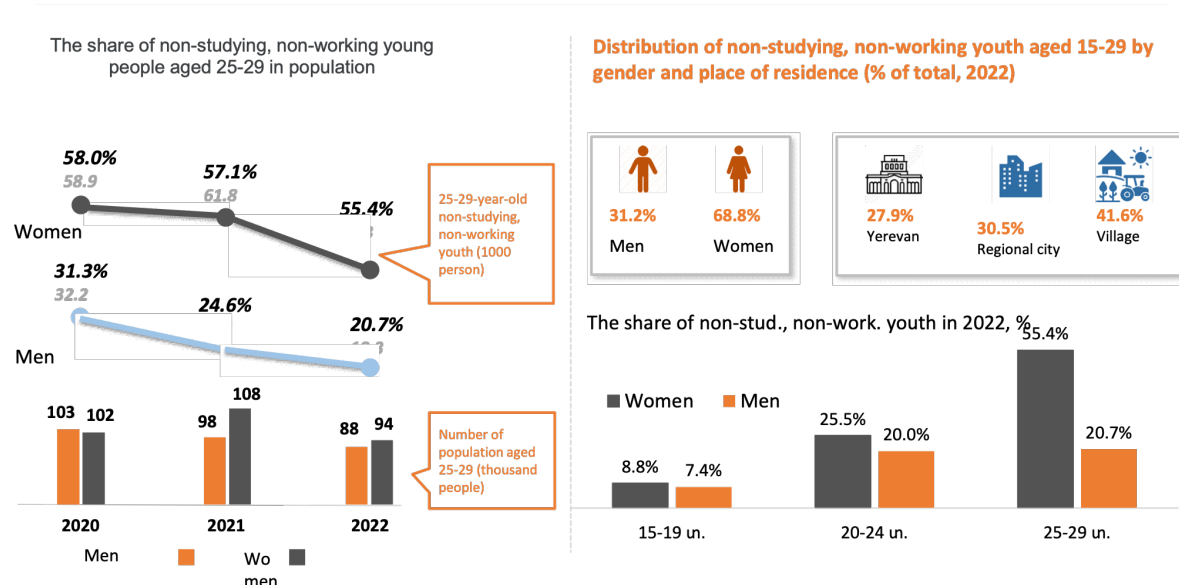


Source: ArmStat, Labour force survey database, 2022

One of the reasons is that 25.9 years is the average age for women to have the first child, yet, 28.5 years is the average age for the first marriage in towns (26.8 – in rural areas).

87. One-fifth of working age women enters the labour market after the age of 30 – almost a decade after completing formal education. Men enter the labour market at a younger age and more quickly than women. Almost half of men is already employed at the age of 20 to 24. The male employment rate reaches its peak (approximately 79.8%) in 30 to 34 age group.
88. While male and female employment rates converged at the age of 45 to 49 in 2020, the gap widened in 2022 as a result of an increased rate of male employment.
89. The share of NEET women, aged 25-29, is more than twice the share of men. In 2022, the share of NEET women, aged 25-29, accounted for 55.4% of the population of the same gender and age, while the share for men was 20.7%. Furthermore, although the gap between the shares widens, it still remains small if we consider younger age groups – with shares of 8.8% for women and 7.4% for men in the 15-29 age group, and 25.5% for women and 20% for men in the 25-29 age group.

Figure 21. NEET youth



Source: ArmStat, Labour force survey database, 2022

90. The second strategic goal already provides for a number of measures for young females, aged 18-29, that would enable women of this age to enter the labour market more effectively and tap their professional potential.

91. However, due to various objective reasons – long absence of professional experience, loss of and mismatch between skills and market needs – women aged 30-40 become uncompetitive and are left out of the labour market. This particular group needs special assistance for reintegration into the labour market.

92. Efficient implementation of favourable family policies and work models will serve as a solid basis for the wider participation of women in the labour market and a high level of inclusiveness.

Increasing labour market inclusiveness and inclusion of women would have a significant impact on the growth of economic productivity.

93. It should be emphasized that programs and approaches for women under the Employment Strategy should be aligned with the priorities of the Demographic Strategy to ensure lack of inconsistencies with the latter.

Ways of Addressing Key Issues and Expected Outcomes

94. **Strategic goal 3** was set to provide a systemic and sustainable solution to the problems mentioned above:

Increase in women's employment for the full and long-term realization of their potential, as well as the development of women's entrepreneurship by particularly promoting

employment among middle-aged women (30-40). This goal will be achieved by three specific objectives, affecting supply and demand.

The strategic goal is divided into three specific objectives: the first focuses on promoting employment supply, while the remaining two focus on stimulating employment demand.

Objective 3.1 *Engage and reintegrate middle-aged (30-40) non-working women in the labour market by changing the behavioural model and developing competitive skills.*

Program 3.1.1. *Developing non-formal, flexible and short term formats for work-based vocational education for non-working middle-aged (30-40) women.*

Output:

Between 2026 and 2031, the beneficiaries of this program as a share of non-working middle-aged (30-40) women will fall within 5.6% and 5.5%.

- 1) Within the scope of funds discussed and planned under annual budgetary processes, it is planned to provide an opportunity of annual subscription to up to 3 courses on the interactive professional training platform. Training programs will be implemented jointly with private companies through the reimbursement of 15 % of trainers' salaries by the state, if 50% and more of the education program graduates find a job within 3 months.

Program 3.1.2. *Incentivizing non-formal vocational education of non-working middle-aged (30-40) women.*

Output:

Between 2026 and 2031, the ratio of the number of vouchers reimbursed to underutilized labour force of middle age (30-40 years old) women will decline to 2.49%.

Between 2026 and 2031, within two years of program completion the ratio of program participants' salary increase to average salary increase across the country will grow up to 122.7%.

- 1) Vocational employment vouchers will be issued to middle-aged female beneficiaries under this program in the amount of 300 thousand AMD, within the limits discussed and planned in the course of budgetary processes. Attending an online financial and digital literacy course will be mandatory for the latter. Also, grant programs shall be implemented among entities engaged in developing generic non-specialized skills and a coaching system for middle-aged women.

Objective 3.2 *Create incentives for businesses to contribute to employment growth for non-working women.*

Program 3.2.1. *Developing a childcare system and introducing public-private partnership models.*

Output:

Between 2025 and 2031, the difference between employment rates for men and women aged 30 to 39 in the RA is projected to decrease to 15.6 percentage points.

- 1) Paternal care should be made legislatively equal to maternal care to partially alleviate mothers' burden. Co-financing of capital expenses for child day-care centers, created by an organization, shall be considered within annual fiscal capacity.

Program 3.2.2. *Introducing mechanisms to enable subsidized work for middle-aged (30-40) women (partial salary reimbursement and/or income tax refund).*

Output:

Between 2025 and 2031, employment rates for female population, aged 30-39, will increase to 82%.

- 1) An income tax refund to the employer shall be considered within annual fiscal capacity in the amount of 10 percentage points in the event of hiring middle-aged women who have gone unemployed for the past year. The refund will be administered for a year upon hiring.
- 2) As for employees with a flexible schedule, an income tax refund to the employer shall be considered within annual fiscal capacity in the amount of 10 percentage points in the event of ensuring a flexible schedule for at least 30% of the employees.
- 3) Within annual fiscal capacity a reimbursement in the amount of 20% of middle-aged women's salary for 1 year shall be considered in the event they take a job in industrial zones, if the latter were unemployed in the past year.

Objective 3.3. *Support the development of women's entrepreneurship*

Program 3.3.1. *Business development (incubation and acceleration) programs and expanding access to and securing financing and other necessary resources for female entrepreneurs*

Output:

Between 2026 and 2031, women's self-perception in relation to entrepreneurship (their view on themselves as "I have the necessary skills and experience" under GEM) will increase from to 85.6%.

- 1) It is planned to create a digital platform - WOMen Economic Network (Wom.E.N.) - to coordinate the state support programs.
- 2) Free of charge business management courses shall be expanded for non-working middle-aged women (30-40).
- 3) An acceleration program will be implemented for female entrepreneurs including learning, professional consultation, information as well as financial support provision. Within annual fiscal capacity it is planned to lower the profit tax for program participants by 5 percentage points, and subsidize loan interest for financing participants' startups. 3 female entrepreneurs will be awarded a 5 million AMD grant under "The Best Female Entrepreneur" program.

Expected Outcome and Impact Indicators

95. The implementation of the Strategy by 2031, as compared to 2022, will lead to the following:

- 1) An increase in the employment rate of the female population in the RA from 41.5% to 50.9%;
- 2) A reduction of the ratio of labour underutilization among the female population aged 30-39 years to the number of the employed from 33.5% to 17.9%;
- 3) An increase in the share of women in the total number of employers (owners) in the RA from 23.9% to 39.4%;
- 4) A reduction of the difference in earnings between employed men and women from 64.4% to 45.5%.

Chapter 6. Fully Capable to Work Recipients of Family and Social Benefits

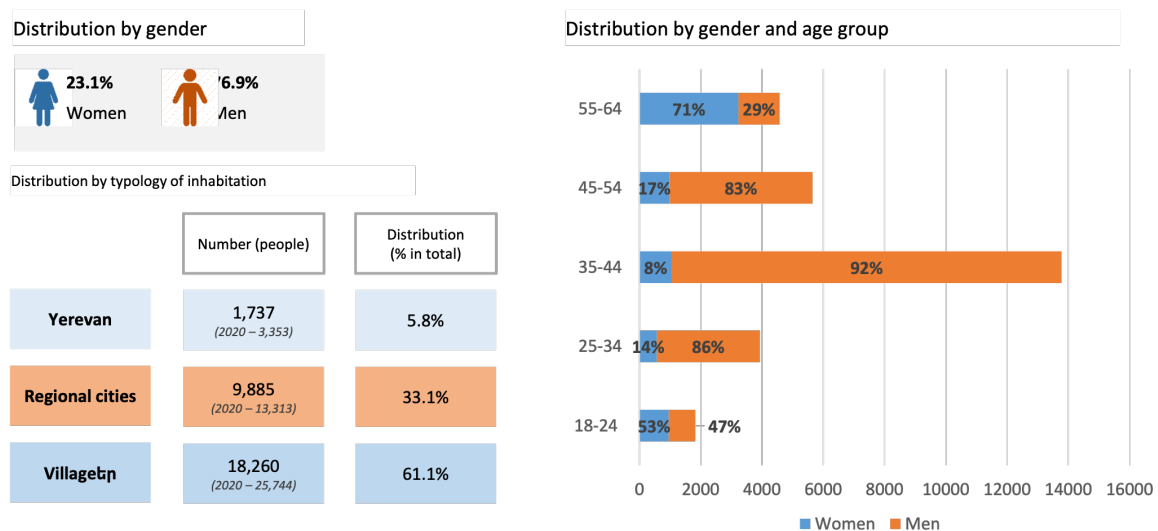
Key Issues

96. Many citizens among family and social benefit recipients have capability to work without limitations.

A situation comes afore when the beneficiaries of state social assistance schemes often have no need for such assistance, which simultaneously decreases the potential support for those who actually need it and undermines social justice.

97. 29,882 members of beneficiary families do not belong to any social group.

Figure 22. Distribution of family members who do not belong to any social group



Source: Nork social services technology and awareness center, January, 2024

98. Based on the distribution, 61.1% of the latter live in rural areas and 33.1% in regional towns. Men account for 76.9% of this population segment. Analysis by age groups revealed that the 35-44 age group is the largest, including more than 12,000 people of which 92% are men. This group is more than twice as big as others. Typically, the share of females in the 18-24 and the 55-65 age groups exceeds that of men, with women representing 71% and men 29% of the latter group.

99. The existing system of family and social benefits reduces the beneficiary motivation to reintegrate in the labour market and withdraw from the social assistance system.

100. Given the high demand for socially significant jobs in Armenia, introduction of the public works mechanism as an alternative to family and social benefits system will allow to tap into the potential of beneficiaries, who have the capability to work without limitations, and improve the efficiency and equity of the social assistance system.

Ways of Addressing Key Issues and Expected Outcomes

101. **Strategic goal 4** is proposed to address the issue of increasing the effectiveness of the social system:

Maximize effective labour market integration of family and social benefit recipients, who have capability to work without limitations.

Objective 4.1 *Engage benefit recipients, who have capability to work without limitations in the labour market as a result of the overhaul of family and social benefit system by developing their skills.*

Program 4.1.1. *Incentivizing non-formal vocational education of family and social benefit recipients who have the capability to work without limitations.*

Output:

Between 2026 and 2027, the ratio of reimbursed employment vouchers among family and social benefit recipients having capability to work to issued employment vouchers will go up to 6% annually.

Between 2026 and 2027 within two years of program completion the ratio of program participants' wage growth to average wage growth in the country will be up to 103.7%.

- 1) It is planned to provide vocational education vouchers of up to AMD 500.000 to social benefit recipients, who have capability to work without limitations. All participants in the voucher program will be required to complete an online course on financial and digital literacy. A Grant program will be implemented to support organizations involved in developing a generic non-specialization skills building and coaching system for family and social benefits recipients who have the capability for work without limitations.

Objective 4.2. *Replace family and social benefits by paid public works programs.*

Program 4.2.1. *Developing the public works mechanism at both national and local levels through a public works management and funding model, along with the creation of a list of public works based on an analytical framework, with continuous updates.*

Output:

It is projected that the ratio of expenditure for paid public works to social benefits aimed at improving family living standards in Armenia will increase to 89.6% between 2025-2031.

- 1) The program proposes implementing legislative amendments to establish the public works mechanism. It includes designing and introducing specifications for public works processes, as well as frameworks for financing, coordination, implementation, and stakeholder engagement.

Expected Outcome and Impact Indicators

102. The implementation of the Strategy is projected to achieve the following outcomes by 2031 compared to 2022:

- 1) A reduction of the ratio of the family and social benefit expenditures to income tax revenues in the RA State Budget from 5.7 % to 0.9%;
- 2) A 51% ratio of the unemployed engaged in public works in the RA to the number of family and social benefit recipients.

Chapter 7. Transformation of the National Employment Policy Framework

Key Issues

103. Review of the existing national employment policy suggests a lack of holistic and interlinked approach in terms of policy implementation, as well as alignment among all stakeholder ministries and relevant policies (economic, educational, territorial development, social, financial and security sectors).
104. The public framework for social services and the national policy in the employment sector essentially focused on counteracting the consequences, rather than addressing the causes of the existing situation.
105. Information asymmetry, driven by lack of analytical and research database, prevents the implementation of evidence-based national policy.
106. Hence, the national employment policy should be transformed to create a coordinated and unified approach to its implementation (considering the approaches and policies of all stakeholders) based on solid evidence, analysis, and research.

Ways of Addressing Key Issues and Expected Outcomes

107. **Strategic Goal 5** was set to solve the problems above in a systematic and sustainable manner:

Transformation of the national employment policy framework, aimed at developing human capital (labour market supply), fostering growth in high productivity jobs (labour market demand), and reducing mismatches between labour demand and supply.

Objective 5.1. *Develop comprehensive digitalized informational and analytical toolkits and mechanisms to serve as a link between labour market demand and supply.*

Program 5.1.1. *Manage and update the labour market information system through continuous monitoring, collection, analysis and application of essential data, and enhancement of the system capabilities*

Output:

A reporting framework will be created between 2024 and 2025:

- 1) The Program plans for undertaking legal amendments within the framework of the program to create an information system for the labour market and data collection. Labour market data will be continuously monitored, collected, and analyzed by outsourcing it to think-tanks. It is planned to integrate education, tax, and social sector administrative registries to track the learning and career paths of students. Subsequently, arrangements will be made to match jobs with potential employees,

whereby unemployed beneficiaries, given their experience, will connect with employers.

Objective 5.2. *Reforming social services in the employment sector and shifting to a case-based approach*

Objective 5.3. *Ensuring opportunities for exercising labour rights and decent working conditions*

Program 5.3.1. *Enhancing the regulatory framework for labour relations and promoting social partnership*

Output:

The ratio of disputes related to labour rights violations and labour relations resolved through extrajudicial procedure to the disputes settled in courts will be calculated based on relevant data collected during the first update of the Strategy.

- 1) Within the Program the regulatory framework for labour relations, the scope of binding terms in employment contracts and the content thereof should be revised, effective mechanisms for exercising the right to annual leave should be established, and collective bargaining procedures should be clarified.
- 2) Regulations and requirements facilitating safe and secure working conditions shall be defined, with regular monitoring conducted to prevent abuse, sexual harassment, and discrimination.
- 3) It is planned to continuously improve Armenia's regulatory framework, implementing safeguards to enforce labour rights in line with Armenia's commitments under the Comprehensive and Enhanced Partnership Agreement (CEPA) with EU.
- 4) The role and capacity of the Health and Labour Inspection Body will be strengthened.
- 5) To enhance the role of trade unions, mechanisms for strengthening social partnership will be revised along with the development of regulations to protect the employees elected into workers' representative bodies.
- 6) Public awareness of labour rights will be raised through the media and social video clips, meetings and consultations in educational institutions, and other means.
- 7) The need to develop an unemployment insurance framework should also be emphasized.

Objective 5.4. *Continuous development of mechanisms for elaborating the national employment policy, based on evidence and data, through effective collaboration between various stakeholders and decision makers.*

Program 5.4.1. *Continuously develop national employment policy-making mechanisms, based on a comprehensive analysis and research, the review of big data sets, evidence base, innovation, and modern approaches.*

Output:

A standard classification of occupations, developed and updated, will be available in 2026.

The classification of occupations will be developed under the program, and its application will become mandatory for all organizations registered in the Republic of Armenia. Additionally, mechanisms will be introduced to ensure the accurate identification of employees' places of work in tax reports.

Program 5.4.2. *Establishing an effective platform for collaboration among various agencies and key stakeholders to foster comprehensive approaches to employment policy development.*

Output:

Between 2024 and 2030, the share of underutilized labour in the total labour force of the Republic of Armenia is projected to decrease to 7.3%.

- 1) A working group focusing on labour market policy should be established, comprised of representatives from the RA Ministry of Labour and Social Affairs, Ministry of Economy, Ministry of High-tech Industry, Ministry of Education, Science, Culture and Sports, Ministry of Territorial Administration and Infrastructure, RA Statistical Committee, and the State Revenue Committee (SRC). This group will convene quarterly, with a report prepared on the outcomes of each meeting. Representatives of stakeholder non-governmental organizations, employers' unions and trade unions can participate in the meetings of the working group.

Program 5.4.3. *Introducing communication strategies and raising awareness about available training programs and state support to promote the goals of the Strategy.*

Output:

- 1) The findings from the annual survey assessing the role of employment and the appeal of technical vocational education and training, with a focus on public perceptions and awareness of state support programs, will be measured in the next cycle of the strategy update, following the completion of the survey.
- 2) Under this program, a long-term, large-scale national advocacy campaign will be launched to strengthen the role of employment and the appeal of technical vocational education and training, while also promoting the vision and initiatives of the Strategy. Additionally, a unified platform will be developed to consolidate information about training programs and state support within the employment sector.

Program 5.4.4. *Developing a national career support system*

Output:

- 1) The program will include the development and recognition of career guidance standards, the validation of qualification outcomes for career specialists, and the capacity building of the institution responsible for the national career support system.

Program 5.4.5. *Independent and continuous oversight over the quality of policy-making and implementation*

- 1) To monitor the progress of strategy implementation, an annual evaluation and review should be conducted by the working group, based on data from the analytical center.

Expected Outcome and Impact Indicators

108. As a result of implementation of the Strategy by 2031 the following shall be achieved compared to 2022:

- 1) An increase in the ratio of employment expenditure in the RA State budget to the growth rate of the employed population in the RA from 0.5% to 1.2%.
- 2) An increase in the ratio of employment expenditure in the RA State budget to income tax revenue from 0.2% to 4.3%

Chapter 8. Implementation, Monitoring and Evaluation of the Strategy

109. The Strategy Program document shall be monitored and reviewed on an annual basis.
110. The overall monitoring of this Strategy Program will be managed by the Prime Minister's office. The monitoring will be conducted through a digital tool, ensuring public access to data for transparency and accountability purposes. The tool will include report generation and visualization features. The digital system will be interoperable with the public finance management system to facilitate data exchange. To ensure effective implementation of the Strategy and manage the process, it is planned to establish a working group on labour market policy, involving representatives of all relevant government agencies, such as MLSA, MoE, MoHTI, MoESCS, MTAI, ArmStat and SRC. The working group will hold quarterly meetings to review the progress of the Strategy implementation. As part of this process, the working group will play an active role in monitoring and evaluating the Strategy. It will submit a report on completed activities to the Prime Minister's office. Data will be collected by the designated responsible agencies, as outlined in the Action Plan. Representatives of stakeholder non-governmental organizations, employers and trade unions may also participate in the meetings of the working group.
111. The annual evaluation process will be coordinated by the Prime Minister's office.
112. This Strategy is multi-sectoral and ambitious, requiring integrated and cohesive engagement from various ministries. To ensure effective implementation, a phased implementation and flexible procedures will be adopted.
113. **Flexible procedures.** The development and implementation of the Strategy is an ongoing process that includes the following key components: 1) identifying key issues; 2) defining priority areas; 3) developing program solutions; 4) implementing and monitoring the programs; 5) reviewing the programs based on monitoring results and additional surveys; 6) evaluating program effectiveness and assessing the situation; and 7) revising priority areas based on the evaluation findings.
114. This Strategy is a "living" document, with its progress and effectiveness overseen in accordance to the monitoring and evaluation plan of this Strategy. The plan includes results indicators for various levels of the Strategy, their baseline values and targets, and specifies the methods of measuring these indicators, the frequency of measurement and the responsible parties. Evaluation of the Strategy's effectiveness will be followed by decisions on necessary amendments to be implemented in the following year. After consolidating relevant outcome indicators for each year's activities and corresponding performance scores, the Strategy will be reviewed and

discussed with stakeholders to resolve any contradictions with other sectoral strategies and ensure alignment with them.

115. **Phased implementation.** First and foremost, priorities will be established for the objectives of the Strategy. Mapping of the programs aligned with this Strategy, as approved in the State budget, has revealed significant inconsistencies between existing budgetary programs and new strategic approaches. Therefore, it is essential to align the Strategy with the programs already adopted by the Government of Armenia prior to its adoption, as well as to design new programs in line with the the Strategy's objectives.
116. The year following the approval of the Strategy, 2025, will be considered a transition period. During this time, priority will be given to systemic (institutional) reforms, reviewing the program portfolio, and developing new budget programs while ensuring the continuity of existing programs.
117. A targeted survey will be conducted to determine the baseline values for the strategically implicit indicators. As part of the phased implementation, small-scale pilot projects for large-scale activities under the Strategy should be highlighted. Examples of such programs include the active, results-based employment program implemented by the MLSA or the pilot plan to establish a special economic zone, which is planned for the near future.
118. Such initiatives aim to identify potential barriers hindering the effective implementation of the measures.
119. It is also important that the adaptation of this Strategy Program, along with other interconnected sectoral strategies, will be subject to periodic review.

Chapter 9. Risks and Risk Management

Risk	Likelihood			Impact			Management
	Low	Medium	High	Low	Medium	High	
Significant shift in priorities in case of occurrence of geopolitical, socio-economic, and other challenges in the country		✓				✓	Periodic review of strategic priorities and focus areas with account of the macro situation and projections
Drawback in the perceived importance of the planned reforms because of change in the political agenda	✓					✓	Building broad public consensus through effective dialogue and ensuring maximum engagement in the reforms
Changes among decision-makers in the ministry		✓				✓	Developing and implementing clear regulations for knowledge management, securing institutional “memory”, as well as handing over the files to the legal successor in case of change of office.
Allocation of inadequate funding for the reforms		✓				✓	Maximum diversification of the financial sources and mechanisms
Inadequate capacity of the government agency for efficient implementation of the reforms			✓			✓	Establishing an interagency working group for the implementation of the Strategy; system-wide reform of the labour market policy and partial outsourcing of activities under Strategic Goal 5
Resistance from within the system			✓			✓	Integrating the strategic indicators into the performance evaluation of the departments/units
Public resistance to the reforms planned under the Strategy		✓			✓		Active and targeted public outreach; evidence-based decision making with account of the impact of changes
Operational deviations resulting from transformation of institutional arrangements	✓				✓		A clear timeline for changes in the institutional setting approved by the minister
Issues related to budgetary processes for programs specific to the transition phase		✓				✓	Implementation of a flexible scheme of regular reallocations
Coordination issues with interagency engagement		✓			✓		Establishing an interagency working group
Coordination issues with the existing data on the labour market		✓				✓	Developing a digitalized comprehensive informational and analytical toolkit and mechanisms planned under Strategic Goal 5