Makaryan, Gagik; Galstyan, Mihran

Research Report
Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Partner Countries. Country report. Armenia

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Costs and Benefits of Labour Mobility Between the EU and the Eastern Partnership Partner Countries. Country Report: Armenia

Gagik Makaryan
Mihran Galstyan

No. 461/2013
Materials published here have a working paper character. They can be subject to further publication. The views and opinions expressed here reflect the author(s) point of view and not necessarily those of CASE Network.

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<th>Description</th>
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<tbody>
<tr>
<td>AMD</td>
<td>Armenian Dram</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CRRC</td>
<td>Caucasus Resource Research Center</td>
</tr>
<tr>
<td>CTUA</td>
<td>Confederation of Trade Unions of Armenia</td>
</tr>
<tr>
<td>ETF</td>
<td>European Training Foundation</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FADF</td>
<td>French Armenian Development Foundation</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IOM</td>
<td>International Organization for Migration</td>
</tr>
<tr>
<td>IT</td>
<td>Information technologies</td>
</tr>
<tr>
<td>JSC</td>
<td>Joint Stock Company</td>
</tr>
<tr>
<td>LLC</td>
<td>Limited Liability Company</td>
</tr>
<tr>
<td>Mln</td>
<td>Million</td>
</tr>
<tr>
<td>MLSI</td>
<td>Ministry of Labour and Social Issues of Armenia</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>MTA RA</td>
<td>Ministry of Territorial Administration of RA</td>
</tr>
<tr>
<td>NBFI</td>
<td>Non-bank financial institution</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
</tr>
<tr>
<td>NSS</td>
<td>National Statistical Service of Armenia</td>
</tr>
<tr>
<td>OSCE</td>
<td>Organization for Security and Co-operation in Europe</td>
</tr>
<tr>
<td>RA</td>
<td>Republic of Armenia</td>
</tr>
<tr>
<td>RF</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>RUEA</td>
<td>Republican Union of Employers of Armenia</td>
</tr>
<tr>
<td>SES RA</td>
<td>State Employment Service of Armenia</td>
</tr>
<tr>
<td>SMEDC</td>
<td>Small and Medium Entrepreneurship Development Centre (Sectoral association of RUEA)</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>SMEDNC</td>
<td>Small and Medium Entrepreneurship Development National Centre (Ministry of Economy)</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium sized Enterprises</td>
</tr>
<tr>
<td>Ths</td>
<td>Thousand</td>
</tr>
<tr>
<td>TU</td>
<td>Tradeunion</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>USD</td>
<td>United States dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value added tax</td>
</tr>
<tr>
<td>VET</td>
<td>Vocation education and training</td>
</tr>
<tr>
<td>VET DNC</td>
<td>Development National Council (or Center) on vocation education training</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WE</td>
<td>Women Entrepreneurship</td>
</tr>
<tr>
<td>WED</td>
<td>Women Entrepreneurship Development</td>
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Dr. Gagik Makaryan's expertise is in social-economic analysis for Armenia and former Soviet states. He is the Chairman of the Republican Union of Employers of Armenia since July 2011, and is a member of various governmental councils on social-labour issues and economic reforms chaired by the Prime Minister and state ministers of Armenia. Dr. Makaryan has published numerous books and articles on economic development issues. He has taken a leading role in the strategic design of national policies of Armenia on youth employment, migration, micro and small entrepreneurship (SME) development; SME as a strategy for the return, reintegration and migration prevention, capacity building for business productivity and competitiveness in Armenia, etc. Dr. Makaryan has directed various projects funded by the ILO, IOM, USAID, Eurasia Foundation, United Nations, Danish Refugee Council, ETF, EBRD, etc, and is a well-known expert both internationally and regionally in the CIS. He has been an invited speaker at different conferences and workshops organized by UNDP, ILO, World Bank, USAID, ETF, IOM, EC, etc.

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Abstract

Purpose

The purpose of this study is to explore and assess the costs and benefits of labour migration in Armenia and the potential of migration for contributing to the country’s development. We also examine how policy can be effectively formulated and implemented so that Armenia can get the most out of its migration experience. Lastly, we analyse how a phenomenon that emerged because of limited opportunities for employment – migration – evolved into a strategy towards development and prosperity.

Based on this analysis, this paper makes a strong argument in favour of implementing programs in Armenia that involve the active collaboration of government institutions and the Armenian Diaspora, duly considering the unusual influence the latter has on Armenia's economic and human development.

Armenia and Migration

For Armenia and the Armenian people migration is a common event. Migration has to varying degrees been part of the history of Armenia for many centuries; however, during the last two decades, Armenia experienced an unprecedented high rate of migration. The large outflow created internal challenges that affected many aspects of social life in Armenia.

As a result of extraordinary phenomena and specific factors in the late 1980s and early 1990s – the earthquake, the economic collapse following independence, war, the blockade, the energy crisis, the lack of independent government experience – Armenia’s external and internal migration patterns changed fundamentally. An emerging emigration wave quickly became massive and, in a period of only 14 years, between 1988 and 2001, resulted in a total net emigration of about 1.1 million (or 30% of the country’s population).

The unprecedented migration flows in Armenia were influenced by the economic changes precipitated by the collapse of the Soviet Union and the interruption of the common economic zone. This important economic shock was accompanied by an economic and energy blockade
of the country, a decrease in industrial production, fundamental structural changes in the economy, the development of new market economic relations, social stratification and unemployment. Many people saw little economic opportunity in the new Armenia and chose to look for employment and a better life in other countries. This massive population outflow had consequences for the social, demographic, economic, political, and moral-psychological situation of the Armenian people.

Beginning in the late 1990s, as the country’s social and economic conditions improved considerably, Armenia’s migration patterns generally returned to normal. But despite the fact that in terms of absolute numbers of migrants Armenia is not ahead of its neighbours, the external migration situation of Armenia remains alarming. Migrants and people intending to migrate account for a rather high share of Armenia’s population.

Armenians’ decision to emigrate has been affected by economic concerns. Currently, labour migration is estimated to involve about one-sixth of Armenian households, with a well-defined trend of (seasonal) labour migration. The main destination is the Russian Federation, a country that is relatively close to Armenia geographically, seen as a friendly state boasting a vast growing economy, and last but not the least, with a visa-free border entry regime with Armenia.

Many young people see labour migration as an alternative to unemployment in their home country, and the lack of opportunities for the skills they have developed. In this respect, the Armenian educational system still has to adjust to the challenges of the evolving economic structure—too many young Armenians acquire skills that cannot be properly used at home or abroad.

An important conclusion is that the migration processes in Armenia were not only driven by socio-economic causes, but also by the lack of suitable employment—people felt Armenia was not a country where one’s potential could be adequately realized and appreciated.

Migration has also remained a largely male endeavour—partly reflecting the low numbers of migrants heading to the European Union, which in the experience of other countries in the region offers greater job opportunities for female migrants.

**Large Remittances Inflows**

The large remittances sent by migrants to their families back home has helped reduce poverty, furthered human development, and eased social tensions. Armenia is among the top-20
countries that receive remittances (in relation to its GDP). The large and rapidly increasing remittance flows have benefited Armenia’s growth and external accounts but have also made the country more vulnerable, as shown during the 2008–09 crisis. Remittances, which are received by 40% of households, have become an important way to improve the socioeconomic situation of many households. However, opportunities have been missed, as remittances are still largely used for consumption, and financial institutions have yet to capitalize on these large flows to deepen financial intermediation, as did happen in other countries in the region.

**The Armenian Diaspora**

The Armenian Diaspora is recognized internationally as one of the most vibrant and organized diasporas. Over the past 20 years it has strongly influenced economic and human development in the Republic of Armenia (RA). It is one of the main engines of foreign investment (although it is widely acknowledged that there would be even more scope for expansion if were the investment climate were sufficiently competitive and attractive).

Home-based Armenian Diaspora organizations work actively with Armenian migrants, providing support in the respective countries of residence in various areas and significantly running educational and cultural programs, mainly aimed at preserving the Armenian identity and traditions. Numerous Armenian labour emigrants take an active part in the economic, political and social life of Armenia. Effective leveraging of the intellectual and financial resources of the Diaspora will remain a powerful tool to enhance the development impact of migration on Armenia.

**An Agenda for Migration Reform**

One of the main goals of this research is to identify the common policy lines of Armenia as a migration-generating country and the EU countries, as receiving countries. Presently labour migration is unregulated and unorganized, which leads to frequent violations of migrants’ rights, inadequate pay for work performed, a lack of decent work conditions and the inability to maximize the benefits of labour emigration. The state should play a key role in creating regular labour migration opportunities abroad for the Armenian labour force by building a legal foundation that regulates labour emigration to the benefit of the labour emigrants. As discussed in this paper, many aspects of domestic policies affect migration outcomes: from education, to
business regulation, to financial sector regulation. This is an agenda that goes beyond migration per se, and is firmly on the radar screen of the Armenian Government.

As the EU is in the process of rethinking its mobility policies with regard to the Eastern Partnership countries, a few considerations are in order. It is to be hoped that whatever migration policy the EU countries will elaborate, all aspects that can lead to development and prosperity provided they are skilfully regulated, will be duly considered. These include brain circulation, access to international best practices, Armenia’s emergence as a regional educational centre, money remittances, and the Diaspora.

The EU migration policy should aim to facilitate the continuous mobility of people, the exercise of the right to move freely and be employed, as well as the protection of their interests in the EU. It should also enable migrants to obtain employment without a work permit, which is already possible in some EU countries and set labour quotas for Armenian workers in order to organize temporary labour migration. Employment agreements with the EU could be concluded that allow for regular labour migration to and from the EU countries, and the inclusion of Armenian migrants in the migration schemes, which would provide safeguards for the protection of their rights.

The issues related to returning labour migrants should be the scope of joint policy initiatives on the part of the sending (Armenia) and the receiving (European) countries. Proper coordination of administrative procedures dealing with migration issues is also important. A key step to facilitate the movement of Armenians into the EU is the introduction of a simplified entry procedure and, ultimately, its abolishment.

A key objective is to ensure the development of the Armenian migrants’ human potential. Before migrating, people should have access to a high-quality functional system of professional training in order to improve their skills and enhance their possibilities of free movement prior to emigrating to European countries, rather than the economically less-developed RF, which only has demand for non-qualified labour without a high level of education.

Migrants should be legally recognised as a more vulnerable group and special attention should be paid to protecting their rights through bilateral agreements with the destination country on labour migration, which should include clear provisions on the protection of labour migrants, the establishment of special accommodation centres for foreigners, the designation of labour attachés at Armenian embassies, the acquisition of employment quotas and the protection of
Armenian labour migrants’ rights abroad. Being primarily a migration-generating country, Armenia should join the international treaties on the protection of the rights of migrant workers.

As argued above, Diaspora organizations should also be engaged in the efforts to defend migrants’ rights.

**In Conclusion**

The key takeaway of this study is that the implementation of a labour migration regime jointly regulated by the governments of the receiving (European) countries and the Armenian government, supported by the active participation of the Armenian Diaspora in the management process can bring clarity and predictability to the population movements into and out of the country. Various schemes of the regime can be applied. In the end, a managed labour force flow is highly likely to have lasting positive economic and social implications for Armenia. A well-defined regime of temporary labour migration is achievable and can in fact prove beneficial for both the home and the host country. Modern Armenia must urgently deal with outward migration because human capital remains (and will most likely remain in the short term) the country’s main resource for ensuring its prosperous and consistent growth.
1. Introduction

The study has utilized all existing statistical data on the quantitative and qualitative aspects of Armenia’s external migration—but this data has been found wanting particularly with regard to the earlier situation starting from the Soviet period, when migration flows were not reflected in the existing recording system, and the official data did not reflect the real situation. Within the limitations of official and unofficial statistics, the study addresses labour market and migration issues by interpreting statistical information with a view to highlighting costs and benefits of labour migration for Armenia.

The existing statistical information has been complemented by two Focus Group discussions, held in the framework of this research. The first Focus Group was held with migrants who had travelled to the EU countries between 1992 and 2010. The second Focus Group took place with the participation of representatives of the main state bodies related to migration and employment in Armenia.

The focus groups centred on the policy changes with European countries and the EU on the scope of the EU’s Eastern Partnership project, and were particularly useful to better understand migration preferences and the impact of the potential changes in the EU’s migration policy on migrant behaviour. The focus group discussions led to a number of key conclusions and recommendations, based on opinions of the participants regarding how they would like to see migration policy change in the EU. Annex II provides more detail on the focus groups composition and results.

In Chapter 1 the most recent economic developments and policies, and how they have affected employment and migration over the past 20 years. The impact of macro-economic developments on employment and migration are also reviewed.

Chapter 2 reviews some features of the labour market that can help shed light on the role that various policies and migratory flows have had with respect to labour market outcomes in Armenia.

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Chapter 3 addresses the main migration patterns and trends in Armenia, analyses the evolution of Armenia’s migration situation, with a historical sketch of migration and a more detailed analysis of the most recent migration developments. The changes in Armenia's external and internal migration situation over the 20 years preceding the declaration of independence are presented first, followed by a detailed overview of migration flows caused by external exigencies before and after independence.

Chapter 4 reviews several migration-related issues, such as rates of labour migration, social and demographic characteristics of labour migrants, as well as migration motives, duration of stay abroad, and the skills and professional background of migrant workers. The discussion also touches upon the marital status and family relationship of migrants, status abroad and incomes, as well as the future intentions of labour migrants.

Chapter 5 assesses the importance of remittances for the economy in terms of its macroeconomic and microeconomic impacts. It focuses on the interconnections of migration and remittances and their role in economic development of Armenia, which receives large inflows of remittances – it is among the top 20 remittance receivers in the world as a share of GDP. The role of financial institutions in providing financial products to remittances senders and receivers is also reviewed.

Chapter 6 provides an analysis of migration policies in Armenia and of the institutions responsible for their implementation. It also discusses NGO activities as concerns cooperation with governmental bodies on migration issues. Particular attention is paid to the Armenian Diaspora, its activities and experience in regard to its involvement in migration programs.

In Chapter 7 an agenda of improving the costs and benefits of migration is discussed. Rather than attempting to issue a single ‘score’ on the positives and negatives, costs and benefits of migration, this part of paper identifies the main issues that should be on the policy-makers’ agenda with a view to maximizing the benefits of labour migration flows, particularly with respect to Armenia and the EU. Particularly, the issues of remittances impact, protection of migrants abroad, mitigation of social consequences at home, ‘brain gain’ and ‘brain drain’ are analysed.
2. Background and Recent Economic Developments

For Armenia and the Armenian people migration is an ordinary event. Migration has to varying degrees been part of the country’s history for many centuries; in fact, so much so, that Armenia has one of the largest and most sophisticated Diasporas in the world, with a large presence in North America and in several countries in Europe, the Middle East and Asia. This being said, over the last two decades Armenia has experienced an unprecedented high rate of migration. The large outflow has created internal challenges that have affected many aspects of social life in Armenia and, together with the effects of the Diaspora’s attention for Armenian development issues, have turned migration into a key issue for the country. In this Chapter we briefly review the most recent economic developments and policies, and how they have affected employment and migration over the past 20 years.

2.1. Macro-economic developments and impact on employment and migration

Like other former Republics of the Soviet Union, Armenia experienced a period of substantial economic decline in the early 1990s, in the wake of its independence, possibly characterized by the largest GDP decline recorded in the region (-40% in 1992), and further amplified by the aftermath of the Nagorno-Karabakh conflict. Unlike other CIS countries, however, Armenia saw an early rebound of GDP, with annual growth of about 5.9% in the period 1994-2001. This was widely seen as dividend for the strong implementation of the reform and liberalization policies that led to control over inflation and fiscal outcomes. Between 2001 and 2008, prudent fiscal management helped to limit the fiscal deficit to 2.5% of GDP or less. Public debt shrunk from 46% of GDP in 2001 to 16% in 2008, while the stock of debt nearly doubled to reach US$1.9 billion by 2008.

Net FDI inflows also increased as a share of GDP, from 3.3% in 2001 to 8.1% in 2008. The current account deficit decreased from 8% of GDP in 2001 to 1.3% in 2006, before quickly rising again to 11.5% in 2008, on account of a widening trade deficit. Mirroring this deterioration in the trade balance, gross remittance inflows almost doubled between 2006 and 2008 to reach USD 2

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2The main economic indicators of Armenia are presented in Box1.
1.1 billion. Economic growth accelerated after 2000 (Figure 1) until 2008 (average growth close to 12% per year), when the onset of the economic crisis severely hit Armenia through a substantial decline in remittances and exports (the output decline in 2009 was close to 15%, one of the highest in the region). Growth has since rebounded, but at more modest rates.

### Box 1. Armenia - Main Economic Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>GDP (nominal)</strong></td>
<td>USD 9.371 billion (2010)</td>
</tr>
<tr>
<td></td>
<td>USD 10.3 billion (est. 2011)</td>
</tr>
<tr>
<td><strong>GDP growth</strong></td>
<td>2.1% (2010), 5.3% (2011)</td>
</tr>
<tr>
<td><strong>GDP structure (2010)</strong></td>
<td>Agriculture: 18.9% (22%) (USD 2.1 billion)</td>
</tr>
<tr>
<td></td>
<td>Industry: 48.4%</td>
</tr>
<tr>
<td></td>
<td>Services: 32.7%</td>
</tr>
<tr>
<td><strong>Labour force</strong></td>
<td>2.252 million</td>
</tr>
<tr>
<td><strong>Labour force by sector</strong></td>
<td>Agriculture: 46.2%</td>
</tr>
<tr>
<td></td>
<td>Industry: 15.6%</td>
</tr>
<tr>
<td></td>
<td>Services: 38.2%</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>6.4% (2011), 7.0% (2010)</td>
</tr>
<tr>
<td><strong>Poverty rate</strong></td>
<td>26.4% (2006)</td>
</tr>
<tr>
<td></td>
<td>35% (2011)</td>
</tr>
<tr>
<td><strong>Agro-products</strong></td>
<td>Fruit (especially grapes), vegetables, tobacco, livestock production</td>
</tr>
<tr>
<td><strong>Agriculture sector growth</strong></td>
<td>16.1% (2011)</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>Diamonds, metal-cutting machines, press machines, electric motors, tires, cement, fabrics, hosiery, shoes, silk, cloth, chemicals, instruments, microelectronics, precious jewelry, computer software, food, brandy, wine, canned food</td>
</tr>
<tr>
<td><strong>Industrial sector growth</strong></td>
<td>8% (2010)</td>
</tr>
<tr>
<td></td>
<td>4.1% (2011)</td>
</tr>
<tr>
<td><strong>Inflation (annual average)</strong></td>
<td>8.2% (2010)</td>
</tr>
<tr>
<td><strong>Average Monthly Nominal Wage (AMD)</strong></td>
<td>102652</td>
</tr>
</tbody>
</table>
Thanks to the sustained economic growth in the decade preceding the crisis, Armenia moved into the category of middle-income countries. Economic growth led to higher real wages and stabilized the level of employment. Combined with growing private remittances, these factors resulted in a significant lowering of the poverty rate. However, despite the good performance of GDP during the long stretch of sustained growth, Armenia experienced structural problems, particularly in regard to the structure of the economy and employment possibilities, leading, among other things, to high migration rates.

Armenia was an industrially developed country with 30 production sites within the Soviet Union. After the collapse of the Soviet system, the loss of markets and the halt of production in many areas resulted in a large migration of skilled workers, particularly in the sectors of electronics and machinery, chemistry and light industries. Many physicists, architects, chemists and technical specialists left the country. A number of European countries, such as Belgium, the Netherlands, France, Germany, Sweden, Poland, and Bulgaria (1989–96), other CIS countries such as Russia, Ukraine, Kazakhstan, and Belarus (1995–2002), and the United States (since 1990) became recipient countries for permanent residents from Armenia. Some of those who did not leave the country managed to find jobs by adapting their qualifications to the new labour market requirements. They became specialists in the internal refurbishing of houses, taxi drivers, dealers or sole traders and self-employed. Over 65% of Armenian households developed micro businesses or sole entrepreneurships.
Thus, despite the impressive GDP growth, based on survey data, unemployment stands at around one-fifth of the labour force, and a dual labour market has emerged in which large underemployment or subsistence employment co-exists with a more skilled labour force that has enjoyed large real wage gains in expanding sectors of the economy. Many observers argue that the causes of the weak response of employment to investment and growth lie in a business climate that has discouraged the flexible use of labour, and in inadequate skills among the unemployed, who often have skills that are not in demand, the result of an obsolete VET system, or a general education that is unable to meet market demand.

At the same time, a return of migrants has been observed since 2002: about 55,000 migrants have returned to Armenia. Return migrants have better professional skills and accuracy in terms of doing precise and qualified jobs. For this reason, return migrants command higher salaries than employees the same qualifications who stayed behind with. The most important group among the permanent returnees are the temporary labour migrants who decided to stop migrating. A smaller group of returnees are those who migrated in the 1990s ‘permanently’ but have been moving back to Armenia since 2002.

### 2.2. Economic policy and reforms

Armenia was an early and sustained reformer after the dissolution of the Soviet Union, and its relatively strong growth has been attributed to the decisiveness of the policy actions in areas such as macroeconomic stabilization, liberalization of prices, privatization of key enterprises, and other key areas. This policy effort was sustained by large inflows of external aid and the progressive increase of the flow of remittances, which helped fuel domestic demand and shore up the external accounts. The deterioration and dualization of the labour market, however, showed that less progress had been achieved, by the mid-2000s, in key structural areas such as competition policy, demonopolization, and transparency – more difficult ‘second-generation’ reforms that have dogged other countries in the area.³ The crisis of 2008–09 was a sharp wake-up call in this respect, and the government has since proceeded to address the more difficult and more ambitious items on the reform agenda with a view to ensuring the competitiveness of the Armenian economy and its ability to create quality jobs.

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This reform agenda has included reforms in the business environment and a simplified tax code for Small and Medium Enterprises (SMEs), as well as credit facilitation to industrial enterprises based on their business plans. Overall, the business environment has been marked by positive results, as shown for instance by the progress made in several of the Cost of Doing Business rankings published by the World Bank project – ‘Ease of Doing Business.’ Nevertheless, the agenda for Armenia in the years ahead remains daunting. The country needs to diversify the economy away from non-tradable sectors and improve productivity by promoting a more efficient allocation of investment resources and the reallocation of labour to more productive sectors. The creation of institutions for better managing macroeconomic volatility is also important in order to create a macroeconomic environment that promotes growth. Furthermore, finding ways to better leverage the vast resources of the Armenian Diaspora through efficient external networks, knowledge transfer and innovation is important for Armenia’s development prospects. All these aspects will be crucial in determining the role of migration and of migrants in the further development of the country.

3. Labour Market Trends and Characteristics

In this Chapter we review some features of the labour market that can shed light on the role that various policies and migratory flows have had in labour market outcomes in Armenia.

The labour market of Armenia, like those in other former socialist countries, has gone through a profound transition since the start of political, economic, and social reforms in the early 1990s. The labour force migration is the result of systemic changes in the economy and society, rather than just being cyclical in nature.

As indicated in Chapter 1, the Armenian labour market has increasingly shown dual tendencies, with a large pool of unemployed apparently lacking skills and feeding the ranks of the labour migrants, and few, sometimes foreign-trained, professionals capable of taking advantage of quality employment possibilities. Armenia continues to have a large underemployed population in agriculture, which often views migration (seasonal or permanent) as a better alternative. It has also been unable to provide jobs to all entrants, so that the unemployment rate among the youth

is very high, again providing incentives to migrate. This is in part the result of an inadequate education system, which produces students lacking updated technical qualifications, or with a general education that does not meet international standards. At the same time, quality jobs have been created, and often returnees from abroad are able to capture them. This will in turn better prepare migrants professionally, who can be beneficial to a bigger extent to both Armenia and the countries of destination.

3.1. **Indicators of labour market activity**

The National Statistical Service of Armenia (NSS) estimates the country’s total labour resources at 2.25 million out of 3.26 million *de jure* population of Armenia. As shown in Figure 2, the economically active population makes up around 60% or 1.19 million of the total population.\(^5\)

**Figure 2. Labour Market Composition (x 1,000)**

![Labour Market Composition](http://www.armstat.am/file/doc/99466628.pdf)

The gender and age distribution of economic activity of Armenia’s labour force are presented in Table 1 below. The highest rates of economic activity and employment of both men and women are observed in the age groups of 35–44 and 45–54. However, (registered)\(^6\) unemployment seems to be a much bigger problem for women than men (in all age groups the unemployment rate of women is 1.4–1.9 times higher). The unemployment rate is especially high among young women. More than 60% of women aged 16–24 fail to find a job in Armenia.

**Table 1. Economic activity by sex and age (as a percentage of cohort)**

\(^{6}\) The reader should be aware that there are unusually large discrepancies in Armenia between official (registered) unemployment figures and those derived from various surveys.
Employment and unemployment

The data on labour force participation are very controversial. There are wide discrepancies between official data on employment and (registered) unemployment on the one hand and data gathered through surveys. The official administrative data on employment show some stability in labour market dynamics and the registered unemployment rate – estimated by the State Employment Service of Armenia (SES) at 7% of the labour force in 2010, 7.5% in 2011, and 6.2% as of January 1, 2012. At the same time, numerous household surveys suggest that the actual unemployment rate is much higher, close to 24%. Data on economic activity and employment of the population gathered through the Returnee Survey 2008 and the Labour Force Survey conducted by the NSS in 2007 also suggest that roughly 30% of Armenia’s economically active population is unemployed.

Youth unemployment – especially its long-term character – is a serious issue in Armenia. Surveys of unemployed youth and students of primary vocational schools and secondary specialized education establishments, as well as official sources put the unemployment rate at 48.1 and 40.9% in 2009 and 2010 respectively. Worldwide, the youth unemployment rate is 3 times as high as the average unemployment rate (2010); in Armenia it is 2.5 times higher than the average rate.

A recent decrease in the level of total youth unemployment by 7.2% in 2009–10 and by 15.5% for those aged 15–19 (59.9% in 2009 and 44.4% in 2010) is mainly attributable to the expansion of the education duration. In 2009–10 the duration of education was extended to 11 years from 7

Returnee Survey. 2008
Integrated Living Conditions Survey (ILCS) 2009-2010, NSS, 2011.
the previous 10 years, and in 2010–11 to 12 years. In spite of this fact, the economic activity of young people aged 20–24 remains very low, and the unemployment rate for this age group has increased from 36.2% to 37.5% and for the 20–29 year olds from 35.9% in 2009 to 36.1% in 2010. This situation is exacerbated by the low level of professional education among the young job seekers, and their unwillingness or inability to invest in upgrading their skills. As concluded by the International Labour Organization (ILO), the high level of youth unemployment is conditioned by an economy which doesn’t support the creation of a sufficient number of workplaces for young people, who have a great desire to work.

3.2. The role of migration and internal mobility/sectoral redistribution of labour

As far as regional differences are concerned, the unemployment is much more of an issue in urban areas, especially in regional towns, where roughly 40% of the economically active population is unemployed. The situation is slightly better in Yerevan, where the unemployment rate is close to the country average. On the other hand, the comparatively low unemployment figure in villages is by and large due to self-employment in agriculture, which, however, does not necessarily ensure a decent income.

As shown in Table 2 below, agriculture continues to have a dominant role in employment, accounting for nearly half of all jobs in Armenia. The productivity of labour in agriculture is low, as total agricultural GDP accounts for only 8% of total GDP.

Employment in the industrial sector (particularly in the food industry, mechanics and metal processing) is relatively small, reflecting the de-industrialization of Armenia in the early 1990s mentioned in Chapter 1. Construction activity had been showing substantial increases prior to the crisis of 2008–09, and subsequently slowed down again, reflecting the retrenchment of construction activity. The share of employment in services, at less than 40%, is substantially lower than in other countries in the CIS area.

10 Integrated Living Conditions Survey (ILCS) 2009-2010, NSS 2011.
Table 2. Employment by sector of the economy

<table>
<thead>
<tr>
<th>Annual average</th>
<th>Employed, 1000 people</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>1097.8</td>
<td>1092.4</td>
</tr>
<tr>
<td>Agriculture</td>
<td>507.6</td>
<td>504.5</td>
</tr>
<tr>
<td>Industry</td>
<td>140.2</td>
<td>140.9</td>
</tr>
<tr>
<td>Construction</td>
<td>34.6</td>
<td>29.7</td>
</tr>
<tr>
<td>Services</td>
<td>415.4</td>
<td>417.3</td>
</tr>
<tr>
<td><strong>Including:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and communication</td>
<td>49.7</td>
<td>48.6</td>
</tr>
<tr>
<td>Financial activity</td>
<td>6.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Education</td>
<td>98.7</td>
<td>100.8</td>
</tr>
<tr>
<td>Health and social services</td>
<td>50.6</td>
<td>48.8</td>
</tr>
<tr>
<td>Other</td>
<td>210.3</td>
<td>212.5</td>
</tr>
</tbody>
</table>


Wages and incomes

Salaries are the main source of income for average-income families in Armenia. In 2010, the average monthly salary was the equivalent of USD 291.3, whereas in 2011 it reached USD 309.4. However, these figures masked a reduction in real terms, reflecting instead the appreciation of the dram against the US dollar. Moreover, 42% of rural households owning land or livestock also reported income from their agricultural activities.¹⁴

Over 2008–10, the incidence of poverty rose both among labour market participants (the employed and unemployed) and non-participants (the economically inactive population). This in turn increases the migration propensity of the labour market participants, which is higher than the rate observed among non-participants (35.1% compared to 25.6%).¹⁵

As income is generated through work, both the unemployed and the employed earning low salaries face the highest poverty risk¹⁶ among the economically active population (participants of

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¹⁵Ibid.

¹⁶Poverty rate in rural communities increased in 2010 by 8.5 percentage points, as compared to 2008. Such increase was smaller in urban communities (8.1 percentage points).
the labour market), and hence have a high propensity to migrate. According to a 2004 migration survey, approximately half (51%) of the labour migrants were involved in some income activity before their first trip abroad, of which 65% had held permanent jobs and 35% had enjoyed occasional employment. The average monthly income of migrants barely exceeded USD 100 while still working in Armenia (80% of cases), 16% of the migrants had been earning an income between USD 100 and USD 200, and only 4% had been earning more than USD 200 per month. Most labour migrants are from families with an average income rather than from low- or high-income families.\textsuperscript{17}

Against the background of economic reforms, changes in the relative demand for different types of labour, gave rise to various wage premiums for specific worker and firm characteristics (such as education and skills, occupation or industry), as reflected in an increase in wage inequality. Average salaries in the highest-paid financial intermediation sector much exceed the average salary, and are almost eight times higher than the average salaries in the predominantly publically financed culture and arts.\textsuperscript{18}

Regional disparities in average wages are also substantial. Wage levels in Yerevan and Kotaik Marz– the regions with the highest unemployment rates – are on average 1.7 times higher than in the lowest-paid regions of Armenia. The wage gaps among regions are mainly explained by differences in human capital and job characteristics, while the variation in the wage due to the differences in unemployment rate is relatively weak.\textsuperscript{19}

As reflected in Figure 3, real wages and salaries are higher for the well-educated and highly skilled workers than for the less educated workers, and well-educated individuals have a lower rate and duration of unemployment than less educated workers. These developments have led to a substantial increase in returns to education, especially university education, and influenced the labour-market outcomes in terms of the impact of education on earnings in relation to cost. The returns to education in relation to its cost are quite high for young males who find employment (though they diminish as their level of education increases). Young women of all


\textsuperscript{19}Ibid.
educational levels earn substantially less than men, but also gain a reasonable rate of return on their higher education.\textsuperscript{20}

**Figure 3. Average monthly income (in AMD) of the employed by education level**

![Average monthly income by education level](chart)

3.3. **The educational composition of the labour force**

Armenia has high enrolment rates at all levels of education regardless of gender, poverty level, or geographic location. This high level of educational attainment is corroborated by data presented in Table 3, which show that 21.3\% of the population had completed a higher and post-graduate education, while almost the same percentage (21.8\%) had had a vocational (secondary specialized (professional)) education. More than 100,000 students are enrolled in universities. The majority of graduates and job seekers are economists, but despite their large number, there are not enough competitive candidates in the market.

The overall number of students in all (108) colleges is 29,575. At non-state colleges, every fourth student is male while at in-state colleges every third student is male, which means that colleges are dominated by women, pointing to a general tendency of feminisation of the skilled labour force. Thus, potential migrants to the EU are likely to be women, given that (as confirmed by our Focus Groups) persons with higher education choose EU countries (and USA) as their destination countries. By contrast, migrants (mainly men) with secondary education, that prevail currently in the migration flows, prefer Russia as their destination country. Six out of seven migrants with completed university education travelled to European countries, and only one – to Russia.\textsuperscript{21}


\textsuperscript{21} See Appendix II, Focus Groups
Table 3 also shows that highly skilled labour has larger access to the labour market than the less skilled or unskilled labour. That testifies to a positive correlation between the level of education and the employment rate.

Table 3. Economic activity and education (in percent)

<table>
<thead>
<tr>
<th>Education</th>
<th>Total</th>
<th>Economically active</th>
<th>Employed</th>
<th>Unemployed (percent of Economically Active)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal education</td>
<td>0.5</td>
<td>17.1</td>
<td>14.3</td>
<td>16.7</td>
</tr>
<tr>
<td>Incomplete secondary</td>
<td>7.4</td>
<td>40.8</td>
<td>27.2</td>
<td>33.5</td>
</tr>
<tr>
<td>Complete secondary</td>
<td>49.0</td>
<td>52.7</td>
<td>33.6</td>
<td>36.3</td>
</tr>
<tr>
<td>Vocational</td>
<td>21.8</td>
<td>68.6</td>
<td>45.8</td>
<td>33.3</td>
</tr>
<tr>
<td>Higher</td>
<td>21.0</td>
<td>77.7</td>
<td>60.3</td>
<td>22.4</td>
</tr>
<tr>
<td>Post-graduate</td>
<td>0.3</td>
<td>92.0</td>
<td>88.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>60.5</td>
<td>41.5</td>
<td>31.5</td>
</tr>
</tbody>
</table>


On the other hand, while the number of graduates with tertiary education has increased, part of the workforce is losing its skills or has skills that are becoming obsolete. The number of trainees in the labour market without Vocational Education and Training (VET) is increasing more quickly than the number of trainees in VET.22 People with a low level of education who are trained by a company (through on-the-job training) obtain high qualifications more quickly than those who obtain training through formal VET programs.23 Thus, the new labour market entrants have lower levels of education. This means that an increasing number of vocational and technical graduates are more likely to become unemployed in a changing labour market. Coupled with the relatively high level of employees with incomplete secondary education (almost 8%), this trend seems to enhance these groups’ propensity to migrate.

Problems with the educational system


Additional references to VET data can be found at: http://www.vet.am/en/Reports.

23 Employers may prefer to hire returned skilled migrants, in spite of the fact that they demand higher salaries. They adapt quickly, take responsibility for doing the required job and have considerable experience.
In Armenia, with its high unemployment rate, appropriate education is required to develop a skilled and well-educated labour force to meet the local and international demands. As of today, there appears to be a substantial lack of “conformity” of the professional education system graduates with the requirements of the local market. Based on a survey among experts, such conformity is about 65% in the state institutions, 62% in the state special professional higher institutions, and, in the case of private institutions, less than 50% and 40% for the two types of institutions respectively. If one considers the conformity of educational standards with the requirements of the international labour market, the situation is even worse – around 50% for state institutions, around 47% for state special professional higher institutions, and for private institutions 45% and 40% respectively.\(^{24}\)

The educational system of the Republic of Armenia\(^{25}\) changed from a free-of-charge to a paid system in 1992, when the professional educational institutions introduced the fee-based education model alongside the free-of-charge ‘state order’ (state-financed) education.\(^{26}\) The education process includes pre-professional (craftsmanship), VET, higher education, and post-university education. While the educational system has been reformed in order to meet European standards (Bologna process), and the number of private institutions has risen, the quality of education is not sufficiently high and Armenia’s higher education system faces serious problems in terms of its international competitiveness. In identifying the education problems in regard to labour market supply, we refer mainly to the Survey of Experts of Armenian Professional Education, conducted by AST, as well as reports of the Republican Union of Employers of Armenia (RUEA) on professional education institutions.\(^{27}\)

\(^{24}\)Survey of Experts of Armenian Professional Education. In: Migration and Development. Armenia Country Study.ILO.2009, p.54

\(^{25}\)Additional information on RA educational system can be found at: http://www.edu.am/, http://ddp-ext.worldbank.org/EdStats/ARMwde07.pdf.

\(^{26}\)The number of available places for the free-of-charge education in state institutions is set by the government every year, considering the budget provided by the state for professional education and, to some extent, the demand for the corresponding specialists. The number of places available for the fee-based education in different educational institutions and for different professions is set by the Ministry of Education and Science of RA. The education fee set autonomously by the institutions.

Post-secondary school professional education at colleges and universities is not available for all school graduates: more than 40% (especially in small towns and villages) enter the labour market without any profession. Additional problems are the reluctance of educational institutions to adjust their curricula so as to meet labour market requirements and the fact that the labour market’s real demand is not considered at the time of admission. The mismatch between training and qualifications provided and the labour market demands is resulting in the ‘production’ of graduates in professions that are in vogue (e.g., teachers, doctors, lawyers, economists), without taking into account the labour market needs, thus producing educated unemployed. Another problem is insufficient awareness of available job opportunities, combined with a lack of professional orientation.

A huge problem still exists as regards VET, despite some positive developments during the last 2 years. Graduates from these programs cannot compete with university graduates. The VET technical-material base, teaching methods and literature are out of date and do not guarantee employment; they frequently become the cause for internal and external migration. The salaries of professors are low, which explains their lack of motivation to do a good job. The quality of teachers and trainers in VET is low as well. Employers rarely address VET institutions with a specific request that they prepare concrete specialists as there is no legal basis for this kind of cooperation.

Conclusion

Armenia’s labour market participation was marked by low levels of economic activity and high unemployment rates during the first years of independence. Recent labour force trends, as presented in this chapter, are characterized by a higher participation rate, which unfortunately is again due to extremely high unemployment rates. The reluctance of educational institutions to adjust their curricula to better meet labour market requirements is a major factor in the high youth unemployment, and in labour migration.

The occupational and professional structure of the labour force substantially influences the migration trends. Despite the positive correlation between the level of education and the employment rate, ‘for many professional groups there is a mismatch between the supply and

\[28\text{Survey of Experts of Armenian Professional Education. ... Op. cit.}\]
demand of the labour force. More often than not, the Armenian labour market simply cannot absorb the labour which is available at the labour market. At times it seems there are too many specialists in a given professional group'. However, while the qualifications of graduates of Soviet educational institutions are no longer needed by the employers, the VET responses to labour market requirements are weak and the degree to which demand-supply interactions are taken into account is low. Young graduates of Armenian secondary specialized and tertiary education are likewise not equipped with the necessary set of skills. An increasing number of vocational and technical graduates are more likely to become unemployed in a hanging labour market. Not surprisingly, together with the highly educated young people who lack opportunities to get decent jobs in Armenia these unemployed graduates have to migrate abroad.

As the professional qualifications of graduates do not comply with the requirements of the internal and external labour market, there does not appear to be a strong response to labour market demands regionally or globally. This means that both regional and global labour market opportunities will not be fully tapped by Armenians.

Thus, Armenia’s labour market developments are forming objective prerequisites for migration and artificially promoting migration. High domestic unemployment rates and low incomes among migrant labour largely explain the motives for labour migration, to be discussed in Chapter 3.

4. Labour Migration

As we learned in the previous Chapter, labour migration has affected labour supply in Armenia mainly as it responds to the lack of employment (or employment acceptable to the migrating individual) and relieves the pressure on the local labour market for those who do not migrate, thus helping to achieve equilibrium in the local labour market.

This chapter addresses the main migration patterns and trends in Armenia, analyses the evolution of Armenia’s migration situation, with a historical sketch of migration and a more detailed analysis of the most recent migration developments. The changes in Armenia’s external

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and internal migration situation over the 20 years preceding the declaration of independence are presented first, followed by a detailed overview of migration flows caused by external exigencies before and after independence, which resulted in the decline of the country’s population by about 30% in the period 1988–2001.

4.1. History and migration trends

As mentioned earlier, migration is not a recent phenomenon for Armenia. Abstracting from the well-known geo-political (and tragic) massive movements of population that occurred during the last part of the 19th century and the early years of the 20th century, and concentrating more narrowly on the history of external labour migration, we can sketch out the following stages:

1. Prior to the establishment of Soviet rule in Armenia in 1920;
2. From the establishment of Soviet rule in the 1940s to the 1960s (from the end of World War II to the recovery of the eroded Soviet economy);
3. Pre-transitional period under the Soviet Union, covering the period from the 1960s to the 1990s, when Armenia’s independence process began.

The first stage, covering the period from the second half of the 19th century to the establishment of Soviet rule, involved a number of specific trends in population migration. Some of the migrants who went abroad travelled to today’s EU member states, especially to Greece and France, but most of them left for the United States, especially to the greater Los Angeles metropolitan area. These emigrants were mostly from rural areas and were craftsmen.

The second stage began with the establishment of Soviet rule in the 1940s and lasted until the 1960s. Once Armenia became a part of the Soviet Union, the history of external labour migration of Armenia’s population became part of the history of the Soviet people’s migration: people mostly left Armenia for other Soviet Republics. The scale of labour migration within the Soviet territory increased to about 3 million in 1926–27, to over 4 million in 1927–28, and to about 5.5 million in 1931.31/32

31 Там же, с.102.
32 The emigration process was interrupted because of World War II, and gradually restored in the USSR in 1950s and 1960s due to the post-war economic recovery. The etymology of folk-language term
The third stage, or the pre-transitional stage under the Soviet Union, lasted from the 1960s to the 1990s, before Armenia’s independence process began. Through these years Armenia experienced massive internal and external migration flows. Two types of flows clearly prevailed in the external migration flows of Armenia’s population in this stage: permanent external migration or emigration and immigration aimed at conclusively changing the place of permanent residence; and seasonal external labour migration or cyclic travel to and from other Soviet republics from the spring to the fall.

The 1980s were the years of intensive internal migration. Due to considerable disparities between the regions of the country in terms of socio-economic development, stable inflows emerged from villages to towns, from peripheries to the centre, from mountainous areas to the plains, and from small towns to big cities; against this background, the domestic migration process was accompanied by a deterioration of the regional distribution of the population. Villages in the remote and mountainous areas, as well as small and medium-sized towns were losing population, while the population of Yerevan was rising rapidly. Emigration from 10 of the 36 administrative-territorial regions of Armenia, a country with a population of around 3 million, reached 1–3% per year for the country as a whole and 3–8.5% in 6 of the regions.

4.2. Post-Independence Migration Trends

The recent labour migration process of Armenia’s population can be divided into two stages:

1. The transition period from 1991 to 2001; and
2. The last decade.

The beginning of the first stage was marked by the collapse of the USSR, the independence of Armenia, and the emergence of a new market economy framework combined with a new societal and political order. It was accompanied by an economic crisis that led to an increase in mass migration from Armenia and changes in the direction of labour migration. As discussed in Chapter 1, during 1991–93, the GDP of the country contracted by more than half. Armenia’s

‘khopanchi’ (a person going to the ‘khopan’) is related to the development of ‘khopan’ (lit., idle, unused) lands in various regions of the USSR during that period, Kazakhstan, Siberia, Ural, and Povoljije, which provided new impetus to migration. Armenia’s population contributed to this process as well.

The estimates are based on materials from the NSS RA report ‘О полноте учета миграции населения АрмянскойССРе 1983 году’.

Ibid.
population was 3,574,500 in 1991, of which about 53% was of working age. Due to the economic crisis, about 645,000 jobs were lost in the non-agricultural sectors during this period.\textsuperscript{35}

The period from 1992 to 1994 is considered the period of mass emigration from Armenia. According to the data provided by the Ministry of Statistics in 1999, during 1991–98, a total of 760–780,000 people left Armenia. Experts estimate that the population outflow during this period reached about 980-990,000. There was also immigration during that early period, however; 360,000 refugees and 72,000 internally displaced persons came to Armenia as a result of the Nagorno-Karabakh conflict. Additionally, Armenia gave refuge to another 11,000 of its nationals escaping conflicts in some former USSR republics. Thus, before 1994–95, Armenia received around 420,000 immigrant refugees (the equivalent of 12% of the current population). Net emigration in the same period was 610–620,000 or about one fifth of the country’s population.\textsuperscript{36/37}

It is believed that external migration activity slowed and the flow of migrants decreased significantly during 1995–2001 due to the stabilization of Armenia’s socio-economic situation and the remittances sent by emigrants; both changes contributed to the improvement in the living standards of those who stayed in Armenia and alleviated tensions in the domestic labour market. The outflow in the period 1995–2001 reached 600,000 and the inflow 350,000, thus yielding a total net emigration of about 250,000(8% of the country’s population).\textsuperscript{38} The NSS figures presented in Figure 4 show that, in the period 1994–2001, the difference between the number of departing and arriving passengers (including air, land, and rail transport) was 238,600.\textsuperscript{39}

\begin{enumerate}
\item \textsuperscript{36}Migration and Human Development: Opportunities and Challenges. National Human Development Report, Armenia 2009, p. 39.
\item \textsuperscript{37}This estimate is more than one fifth greater than the net emigration figure of 475,800 calculated through a revaluation of migration flows by the NSS based on the 2001 census results.
\item \textsuperscript{38}\textit{Ibid}, p. 35.
\item \textsuperscript{39}Armenia Demographic Compilation.2010.NSS ,Yerevan, p.109.
\end{enumerate}
The external migration of the population was 574,000 in 2000, 493,000 in 2005, and 324,000 in 2010 (18.7%, 16.1%, and 10.5% of the total population of Armenia respectively). The absolute number of labour migrants who left Armenia in 2002–05 ranges from 116,000 to 140,000, or 3.6–4.6% of Armenia’s permanent population. The estimated figure for 2005–07 lies between 96,000 and 122,000, or 3 to 3.8% of Armenia’s permanent population.

From 2001 to the present the negative migration balance decreased, resulting in net emigration of 57,500 during the period 2002–10 (but, interestingly, in 2006 a positive balance of 21,800 was registered). CIS countries accounted for 46,700 of the net emigration, while other countries, including the EU, accounted for 10,800.

The international passenger traffic statistics of the State Migration Service under the Ministry for Territorial Administration for the period 2002–10 shows a different level and trend in external migration from Armenia, as illustrated in Figure 5. The difference between the number of departing and arriving passengers was 154,700 during 2002–10; the last 2 years (2008–10) accounted for 90,500 or 58.5% of this figure. The extrapolation of results from a 2007

Source: *Armenia Demographic Compilation*. 2010. NSS.
Note: *Difference between arrivals and departures (x 1,000) for 1994-2009 (air land and rail transport).*
integrated sample survey of migration shows that about 205,600 persons were absent from the country due to external migration in the period from 2002 to October 2007.\textsuperscript{45}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5.png}
\caption{The balance of international passenger transportation for 2000-10}
\end{figure}

An analysis of the current migration situation based on data of passenger records at border crossing points of RA – the number of persons that arrived in or left Armenia in the period January–May 2012 by any means of transport (air, land, or rail) – shows that the negative migration balance (the number of persons leaving Armenia outnumbered the number of arrivals) for those months had increased in comparison with the same period of the previous year by 8,900 people (12.9\%) and had reached 78,200 persons. The overall passenger flow in January–May 2012 had increased by 94,600 persons (7.5\%) compared to the same period of the previous year and had reached the figure of 1,351,200.\textsuperscript{46}

Compared to the Soviet era, when the external migration of Armenia’s population was purely seasonal, long-term (1 year or longer) external labour migration flows were the norm in the post-Soviet years. Short-term migrants (i.e., those who returned within a

\textsuperscript{45}Sample Survey of External and Internal Migration of Armenia. UNFPA, NSS RA. Yerevan 2008, p. 40.
\textsuperscript{46}The assessment is made on the basis of data provided by NSS to State Migration Service of RA, available at: http://www.smsmta.am/?menu_id=17#.
year) represented 62.7% of all migrants in 2010. The average labour migration rate for the last 10 years is 55.5%.

4.3. Migration Destinations

The directions of migration have also evolved, be it only slightly. Previously, labour migrants would travel only to the former Soviet republics. After independence, they started travelling to European countries as well. However, the flows from Armenia to European countries were not large, representing only 2.9–3.9% of Armenia’s external migration flows, and reflected an increase of only 1% in the 10-year period. There are no data on the specific EU countries to which the migrants travelled.

The Russian Federation remains the most appealing destination for Armenian migrants. The percentage of migrants going there increased from 88% (2002–04) to 93% (2005–06), and comprised 50% of all migrants from Armenia during the period 2001–09; it rose by about 24.1% in 2010 to reach 74.1%. A total of 40% of migrants went to Moscow;47 98.2% of all migrants to Russia are considered seasonal labourers. Migrants from Armenia comprise 13.7% of all migrants residing in the Russian Federation (Figure 6).

**Figure 6. Origins of labour migrants residing in the Russian Federation in 2010**


The high percentage of Armenian migrants to the Russian Federation is attributable to several ‘pull’ factors, such as the visa-free travel framework, the relatively easy migration regime, the existence of a community of about 2 million Armenians, the absence of any language barriers, the perception of a common culture, the existence of

47Ibid.
vacancies in the construction and home renovation sector, and the lenient requirements on labour force qualification.

Tables 4 and 5 below provide some insight into the reasons for travel and the 2010 destinations of household members aged 15 and above who migrated after January 1, 2007. Of all migrants to the RF, 90.1% reported employment as the reason for migration, 86.2% the search for a job, 89.9% the lack of employment, and 92.4% the current economic crisis.

The number of migrants from Armenia to Russia is four times higher than the number leaving for Europe or other countries.\(^{48}\) To some extent this increase is due to the economic crisis in the EU member states. During 2004–08, the percentage of migrants seeking employment in European countries fell from 47.5 to 3.9%; however, in the same period, the number of migrants to European countries for employment reasons tripled (from 29.1% in 2004 to 78.3% in 2008). During the same period, the number of migrants to European countries for education purposes fell by 5%.

As for the reasons behind migration to the EU states, migrants aged 15 and above reported employment as the decisive factor. According to the figures for 2008, as shown in Table 5, 12.7% of the migrants in the EU reported visits to friends, relatives, and family as the reason for their trip. To add, all eight participants to the Focus Group, held in the framework of this research, mentioned unemployment and absence of appropriate job as the main reason for them left Armenia for Europe.\(^{49}\)

**Table 4. Migrant household members of age 15 and above by destination and reason for migration, 2004-08 (percent)**

<table>
<thead>
<tr>
<th>Destinations:</th>
<th>Russian Federation</th>
<th>Other CIS countries</th>
<th>European countries</th>
<th>USA and Canada</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of migrant household members aged 15 and above</td>
<td>2004</td>
<td>53.3</td>
<td>3.0</td>
<td>3.3</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>52.6</td>
<td>2.4</td>
<td>3.4</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>53.0</td>
<td>3.1</td>
<td>4.5</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>53.8</td>
<td>2.0</td>
<td>4.2</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>57.0</td>
<td>2.3</td>
<td>2.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Job search</td>
<td>2004</td>
<td>32.4</td>
<td>16.9</td>
<td>47.5</td>
<td>29.1</td>
</tr>
</tbody>
</table>

\(^{48}\)Demographic Handbook of Armenia 2011, NSS, 2011.

\(^{49}\)See Appendix II
As shown in Table 5 below, in 2010, 3.9% of the Armenian emigrants went to EU countries, 1.4% for employment reasons, 6.9% to search for a job, 3.5% due to having no employment and only 0.9% due to the current economic crisis.

<table>
<thead>
<tr>
<th>Primary Reason for Migration</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Russian Federation</td>
</tr>
<tr>
<td>1. Employment</td>
<td>90.1</td>
</tr>
<tr>
<td>2. Job search</td>
<td>86.2</td>
</tr>
<tr>
<td>3. Lack of employment</td>
<td>89.9</td>
</tr>
<tr>
<td>4. Current economic crisis</td>
<td>92.4</td>
</tr>
<tr>
<td>5. Seasonal labour</td>
<td>98.2</td>
</tr>
<tr>
<td>6. Staying is pointless</td>
<td>96.6</td>
</tr>
<tr>
<td>7. Family reason</td>
<td>76.3</td>
</tr>
<tr>
<td>8. Visiting friends/relatives</td>
<td>59.0</td>
</tr>
<tr>
<td>9. Holiday</td>
<td>64</td>
</tr>
<tr>
<td>10. Other</td>
<td>18.6</td>
</tr>
</tbody>
</table>

| Total                       | 74.1         | 4.1               | 3.9             | 1.8            | 12.1  |

Source: 2010 Household Living Standards Survey.
Note: *Reasons for Migration and Destinations as of 2010 (%)
persons moving abroad every year. There is small-scale permanent external migration, involving about 8,000–10,000 persons who move abroad every year.

Clearly, the scale, timing, structure and models of labour migration during different stages of historical development have changed. Where the Soviet period up to the 1990s was characterized by seasonal labour migration and the main destination of labour migrants from Armenia were the former Soviet republics, after the fall of the Soviet Union migrants turned to the EU countries. A total of 1/3 of Armenia’s population left the country and permanently settled abroad. The seasonality of migration was disrupted and a new category of labour migrants – long-time migrants – emerged.

It is noteworthy that the domestic migration situation has not changed considerably, despite the strong economic growth of the 2000s. Domestic migration flows remain insignificant and contain virtually no element of labour migration.

The analysis also showed that the RF is the main destination country for labour migrants, while the share of migrants going to the EU countries remains very small. In the future, if Russia continues to have the same strong pull factors for labour migrants and ease of access to its labour market, employment in the EU countries may become a very unlikely eventuality in their plans.

Other significant factors that may affect the choice of destination include a revision of emigration policies of destination countries on the basis of the lessons learned from the crisis, as well as a deeper partnership between the EU and the Eastern Partnership states. Another key external factor worth mentioning here is the level of unemployment in the EU countries.

The conclusion regarding the prospects of Armenia’s migration situation is that, in the absence of clear trends, the only certainty for the years ahead is that the global financial crisis will have a decisive impact on the shape and changes of both the external and internal migration flows in Armenia and the rest of the world.

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5. Labour Migration Profile

In this Chapter we review several migration-related issues, such as rates of labour migration, social and demographic characteristics of labour migrants, as well as migration motives, duration of stay abroad, and the skills and professional background of migrant workers. The discussion also touches upon the marital status and family relationship of migrants, status abroad and incomes, as well as the future intentions of labour migrants.

5.1. Migration Rates and Socio-Demographic Characteristics

Rate: Approximately 15% of Armenian households have in recent times been involved in labour migration.51 In the overwhelming majority of cases (four-fifths or 80.6 percent), just 1 member of the family had left to go work abroad; 15.5% of the families had 2 labour migrants while the number of families with 3 migrants (1.8 percent) is statistically insignificant. The actual labour migration rate, i.e., the percentage of the population involved in labour migration, stood at 3.4% and the absolute number of labour migrants hovered between 96,000 and 122,000 or 3.0-3.8% of Armenia’s de jure population.

Age and sex breakdown:52 In Armenia’s population as a whole, 52% are women and 48% are men; migrants are, in principle, more likely to be female than the population as a whole. However, the single largest migrant group is married men aged 21–50. The percentage of women migrants dropped from 14.1% in 2002–04 to 6.5% in 2005–06. Extrapolation of the data to the general population gave estimates for the absolute number of male and female migrants: 96,000–121,000 males and 6,000–8,000 females. This means labour migration of at least 13.1% of the economically active men and a maximum of 1.7% of the economically active women in the period of 2005–06. More recent data, for 2009, confirm this finding. 78% of migrants abroad were men and 22% women.53 The vast majority (91.7%) of household members

http://www.mindiaspora.am/res/Migracian_Hayastanum/Migration%20(2)-eng.pdf

52 There are big discrepancies concerning the gender composition of migrants. According to the Armenia Demographic Compilation published by the NSS in 2002, 2006, and 2011, quoted in the Tables Compulsory ENPI, female migrants outnumbered male migrants and comprised about 60% of the emigrant pool.

53 Out of eight migrants, participants to Focus Group, five were men, and 3 women. See Appendix II
currently abroad was between the ages of 15 and 59; this group comprised 93.9% of male migrants still abroad and 83.5% of female migrants. The average age of men currently abroad was 36 and the average age of women was 31; 28.1% of those abroad were never married while 67.5% were married.\textsuperscript{54}

Such a disproportion between men and women is conditioned by many factors, primarily by the national mentality, which still perceives women as homemakers while men solely assume the responsibility to provide for the family. The 2005 survey indicated that the overwhelming majority of the Armenian population (78%) views migration of women in a negative light. On the other hand, the 2007 survey showed that the decreased share of women in labour migration could be attributed to the improvements in the Armenian labour market, which led to a significant increase in the employment rate of women.

The number of migrants in the age groups 0–19 and 20–24 declined during the period 1995–2010. In 1995, 28.4% of migrants fell in the 0-19 age group while in 2010 this figure was 18.6; the figures for the 20-24 age group were 12.7% of migrants in 1995 and 11.5% in 2010. In the same period, the number of persons in the 25–29 and 40–59 age groups increased from 29.5% and 18.9% respectively in 1995 to 33.8% and 26.2% in 2010.

**Educational breakdown:** Migrants are drawn from every level of education, but blue-collar workers dominate the current migration flows. In 2009, of total labour migrants, 58.4% had completed secondary general education, 17% had completed secondary specialized education, 11% of migrants had completed some form of VET while 9.8% had completed higher education. A different picture emerges for migrants to the EU countries and USA, where higher education is more prevalent. Not surprisingly, the educational background of migrants that participated in the Focus Group was consistent: seven out of eight had completed university education, and one a vocational education.\textsuperscript{55}

Among the general population aged 18 and older, the percentage of the population that has completed higher education is twice as high (19.8%, according to the 2011 census), and the


\textsuperscript{55}See: Appendix II. The results of Focus Group Discussions.
share of the population that has completed secondary professional education is also higher than among the migrants (19.7%). At the national level, 21.8% of the population completed VET and 21% have higher education.\(^{56}\) This difference in the skill of migrants and non-migrants is related to differences in local demand for labour; people with higher education are in greater demand in the local market than lower skilled workers.

As far as the educational attainment is concerned, different surveys show that over half (53%) of the migrants who looked for a job abroad in 2005–07 had professional education (vocational or tertiary). At the same time, the migration activity of persons with tertiary education was found to be low compared with that of individuals with lower levels of education: the survey reported labour migration of 7% among university graduates and close to 11% among those with vocational and secondary education. The share of migrants with general education fluctuated from 8.6% to 5.7% in 2010 and 2011, and about 80% of these migrants were men. The average percentage share of migrants with secondary education (general, preliminary vocational, vocational, and incomplete higher) over the 10-year period (2001–11) was around 79%; 83% of them were men. The share of migrants with tertiary (higher and post-graduate) education was about 15% in the last decade. Men accounted for the vast majority (75%) of the migrants with this level of education.

The breakdown by education has changed over time. The share of migrants with only basic education was the smallest; most of the migrants in this group were children of migrants, and most of these children were attending elementary school abroad.

In the period 2005–06, two differences in terms of regional specifics of migration activity were evident. In Yerevan the percentage of households involved in labour migration dropped from 10.5% to 7.3%, and the actual migration rate was almost cut in half. On the other hand, the share of the rural population in labour migration increased. This change is probably reflected in the improvement of economic and living conditions in Yerevan compared to the rest of the country.

**Status abroad and incomes:** Only 30% of the migrants working abroad were employed legally, while 13.3% admitted working illegally; 56.7% of the respondents did not answer the question

about their status. Similar to return migrants, about 56.6% of respondents in migrant households did not answer the question about the earnings of migrants abroad or admitted that they were not informed about this matter; 1.2% practically did not have any earnings from migration. Migrants who earned USD 400–699 per month accounted for the largest share of the remaining 42.2%. Migrants who had average monthly earnings of USD 150–399 or USD 700–900 also comprised significant shares of all migrants (9.5% and 9.1% respectively). Migrants earning USD 1,000–1,999 and USD 2,000–10,000 accounted for 3.8% and 0.7% respectively. Migrants earning USD 400–699 accounted for the largest share of those employed in industry (22.2%) and construction (25.5%); 81.7% of the migrants who were abroad had provided financial assistance to their households during their migration period, while 18.3% had not, because (1) they did not earn enough to send money home; (2) assistance to their domestic household was not necessary; or (3) they did not want to assist their family; 85.6% of them sent the money through the banking system, 12.7% sent it through friends and relatives, and 1.7% used other means to transfer money back home.  

5.2. Survey of Returnees

According to the Report of the Sample Survey of Domestic and External Migration published by the UNFPA and the NSS in 2008, a total of 86,397 persons stayed outside Armenia for more than 3 months and returned to the country during 2002–07; men comprised 62.3% of these long stayers.

Age and sex breakdown: Among migrants who returned home after a stay abroad, most were in the 20–29 age group, followed by the 30–39 and 40–49 age groups; 65.7% of returnees were in the active employment age group (20–49 years). As to their marital status, 70.6% of returning migrants were married and living with their spouse, 26.7% had never been married, 2% were divorced, and 0.7% widowed. Often women who travel abroad to visit their husbands or other relatives, view their trip also as an opportunity to earn some extra money during their stay.  

58 Sample Survey of External and Internal Migration of Armenia, UNFPA, NSS RA, Yerevan, 2008, pp. 41-42.  
Educational breakdown: Persons with a general secondary education accounted for the largest share (41.9%) of returnees, followed by persons with vocational education (24.8%) and those with higher education (21.1%).

Professional background: Most migrants – 65.4% – were skilled workers or servicemen; 26.5% were self-employed (including in agriculture), and 8.0% were employers. 72% of return migrants were engaged in construction work and trade after they returned to Armenia; 10% worked in industry; 5.3% in transportation; 6.0% in services; 6.7% in other areas. In the destination countries, the work status of migrants who eventually returned home was as follows: 51.5% were workers hired in the private sector; 5.1% were workers hired in the state sector; 3.8% were self-employed; 7.7% did not have a job; and 31.9% did not like or were unable to work.

Motives of migration: The main motives for migration were connected to employment problems in Armenia, be it the lack of jobs in general, the lack of jobs that pay sufficiently to make a decent living, or the absence of profession-specific jobs. People aged 21–30 and middle-aged migrants above 51 paid most attention to the issue of remuneration and migrated because they could not find a job in Armenia; people aged 30–50 migrated to obtain higher salaries.

Migrants also pointed out that they were not optimistic about the development prospects in Armenia. One of the reasons for migration is the old tradition of boys going abroad after their military service to earn money so they can get married. Young people also mentioned the absence of cultural and social activities in their community as an additional reason for migration.

60 Labour Migration from Armenia 2002–05, p. 41.
63 In some villages, from which many men have been leaving to work abroad over a long period of time, labour migration has become a traditional way of providing for families. The young men do not make a serious effort to find a job in Armenia; they just leave their home village, as their fathers or uncles had done before them, in the hope of living in a more cultural and socially vibrant environment (such as a town). They put their skills and abilities in different fields to the test, both in Yerevan and marz (province) centers. But further down the road, if the job search fails, migration to other countries, mainly Russia, becomes an alternative.
Another factor informing the decision to leave Armenia and work abroad is the need to make investments or shoulder additional costs. These may include the cost of educating children – hiring a tutor, covering their university fees or the need to support children who moved to another town in Armenia in order to further their education – wedding expenses, the purchase or renovation of a flat/house, start-up expenses for a business, etc.

The duration of their stay abroad was conditioned by the season. Seasonal migrants left in the spring and returned in late autumn. The average duration was 5–11 months. The duration fluctuated and depended on the destination; for instance, migrants to the RF stayed 9 months on average, migrants to the EU stayed 6.5 months on average, and migrants to the United States stayed 2 months on average.

Migrants found a job immediately or within 30 days with support of their friends or relatives in the destination countries. The majority of migrants worked in the construction, trade, and hospitality (food service) sectors. A large number of migrants received a salary ranging from USD 250 to USD 500; other migrants received salaries of less than USD 250 or more than USD 500. The average wage increased from USD 410 to USD 640 a month from 2005–07.

The study of return migrants showed that every fourth migrant periodically returned. Those migrants were not young people; the young were more likely to stay in the destination country permanently. The decision to return periodically was not conditioned by their education level and had the following distribution by occupation: 18% of Humanitarian and social sciences, 11% of Engineering and construction, 11% in Education, and 9% in Health and Medicine.

**Reasons for returning:** The main reason for returning was to re-join their family in Armenia. They could not manage without their loved ones and so had to return to Armenia. 40% of return migrants felt that they had gained valuable work experience abroad that increased their competitiveness in the Armenian labour market; it was indeed easier for them to find a job in Armenia.

**Future intentions:** The same survey provides some understanding of the future intentions and plans of migrants: 18% of those abroad said they would not return, more than half said they

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65 See Appendix II
would ‘probably not return’, one third had ‘already settled down’, and the others were going to ‘move the family, too’. 21.7% of the migrants were uncertain about their return. The main reasons for migrants currently abroad to decide to return were that they had completed the purpose of their travel or their employment abroad was over (43%), and that they missed their homeland and relatives (29.1%). The same motivations were expressed during the Focus Group discussions with the migrants.

5.3. Migration and Demographic Trends in Armenia

The aforementioned prevalence of able-bodied men of reproductive age in emigration flows has distorted the demographic balance in a number of areas, leading to an abrupt decline in the birth rate (from about 80,000 births in 1990, the birth rate fell about 2.5 times by 2001–02, and started slowly recovering only in 2003). Not only has the number of marriages fallen but the number of divorces has also risen (the divorce-to-marriage ratio rose from 11.8% in 2003 to 16.1% in 2007). Due to the higher divorce rate, the number of children without parental care is growing, triggering an increase in the prevalence of social orphanhood among children whose parents are alive. Moreover, the share elderly in need of special care, including abandoned elderly and persons with disabilities, has increased significantly (the share of persons above the working age in Armenia’s population has reached 12%).

The general consequence of these phenomena is that the country’s population growth rate shrunk about fivefold in 2004 relative to 1990.

Conclusion

From our analysis it is clear that in the context of the general development of the Armenian labour migration over the last few years the main reasons for migrating have to some extent changed. Although in an overwhelming majority of cases, the migrants were still driven by the employment problems they faced in Armenia (93.5%), the general argument that ‘there was no job in Armenia’ was no longer supported by the majority of migrants (46.5 %). Almost an equal number of migrants (43.0%) have stressed that the jobs in Armenia do not pay enough. Thus, labour migrants’ intentions in remitting are clearly evident.

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67 See Appendix II
69 Ibid, p.28
The vast majority of migrants are of active employment age and migrants with secondary (secondary, preliminary vocational, vocational, and incomplete higher) education, followed by those with tertiary (higher and post-graduate) education. These figures on education are consistent with the features of the educational systems that were reviewed in Chapter 2. While they could suggest the possibility of a ‘brain drain’, they probably reflect the inability of the educational system in Armenia to adapt to the requirements of the domestic job market.

6. Remittances

Armenia receives large inflows of remittances – it is among the top 20 remittance receivers in the world as a share of GDP. This chapter assesses the importance of remittances for the economy in terms of its macroeconomic and microeconomic impacts. It focuses on the interconnections of migration and remittances and their role in economic development. The role of financial institutions in providing financial products to remittances senders and receivers is also reviewed.

6.1. Migration, Remittances and Growth in Armenia

Migration has links to development strategies through remittances. For Armenia remittances are a crucial source of national income and foreign exchange. In addition, remittances form a more reliable source of income than other, more volatile capital flows such as foreign direct investment. Remittances far outweigh the amount of
Migration accompanied by remittances is therefore an important way for Armenia to cope with unemployment and foreign debt. According to World Bank calculations based on balance of payments data, remittances from migrants in 2011 amounted to USD 1.25 billion, equivalent to approximately 13% of GDP. This put Armenia in the world’s top 20 countries in terms of the share of remittances in GDP. Remittances benefit nearly 40% of Armenia’s population, and the ratio of remittances to income in individual cases is highest when there is unemployment in a household, ranging from 50% among those who are fully employed (25% of all households) to 75% for those with four or more people unemployed (5% of all households). The amount received in general increases over time, from USD 1,300 to nearly USD 2,000 for the household that have been receiving remittances for more than 5 years.

The figures for 2011 represent a sharp recovery from 2009–10, when remittances fell substantially as a result of the global economic crisis and the resulting slump in economic activity in Russia in sectors where Armenian migrants are concentrated. This was the main cause of the 14.1% contraction in the GDP of Armenia in 2009. Despite the slow recovery of 2.1% in 2010, the level, depth, and severity of poverty exacerbated in Armenia during 2008–10. A further increase in the dollar value of remittances is expected for 2012.

National Bank of Armenia data show that about 80% of remittances originate in the Russian Federation, followed by the United States (about 5 percent). The share from the EU (Germany, Spain, and the United Kingdom) is small; for instance, the shares of non-commercial remittances to households through the commercial banks of Armenia from Germany, Spain, and the United Kingdom were 0.8 percent, 0.6 percent, and 0.4% respectively in 2010. Overall, the size of remittance flows, in view of the preponderance of migration to the Russian Federation, appears to be dominated by trends in Russian GDP (fig. 5, from IMF, Remittances in Armenia: Dynamic Patterns and Drivers, 2012).

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70 Studies further show that a USD 1 remittance may generate USD 2–3 or more of new income in migrant-sending areas.
71 Remittance Transfers to Armenia. Preliminary Survey Data Analysis. USAID 2008.
72 Armenia Social Profile and Poverty, NSS, Yerevan, 2010, p. 34
5.1. Remittances and Household Impacts

Remittance flows accrue to about 40% of households, and represent about two-thirds of all income earned in migrant households; remittances are primarily used for expenditures on daily needs, leaving little income for long-term investment in assets. Remittance receivers consider these transfers a stable source of income for their livelihood: the expectation among recipients that flows are likely to continue for at least 3 more years is significant and as high as 75%.

The high dependence on remittances in migrant households makes these families less vulnerable to poverty overall, but potentially more vulnerable to external shocks, as shown in 2008–09. Pensioners and agricultural households were particularly dependent on remittances, which comprised 53.4% of their incomes. 1/3 of rural inhabitants viewed the transfers received from migrants as the second most vital source of family income. Only 12% of households in Armenia with migrant family members abroad are engaged in any kind of business activity. Investment in longer-term sustainable economic activities is limited.

Savings and investments by remittance-recipient households, in fact, account for a small percentage of the remittance amounts. 80% of the households that receive remittances spent

73 See: http://www.crrc.am/store/files/db_fellows/mg/article2.pdf
between 80% and 100% of their remittances on current consumption needs. Only about 8% of remittances are saved for targeted reasons: for future consumption, investment, or education; and savings for special events (such as a wedding and furnishings for a house or apartment).  

5.2. **Remittances and Financial Development**

The seemingly small amounts saved for future consumption and future events show that there may be an unmet opportunity to introduce new financial mechanisms to leverage the funds that might otherwise remain ‘under the mattress’ before being spent.

This is in sharp contrast to the important and growing role of financial institutions in channelling remittances. Informal transfers are now relatively insignificant, and most flows are supported by banks. More than USD 800 million in remittances (USD 1 billion by some other sources) was transferred directly through banks in 2011.

However, most people who receive remittances do not use banks as the primary vehicle for their savings. In fact, while 9 percent of the migrants’ households manage to save up to 20% of their income, these savings are almost never kept in banks; 97% of households with savings don’t deposit any of them in the banking sector. The formal financial sector thus is unable to use this income as loanable funds, thereby expanding local investment. A high proportion of the population (85 percent) reports that it cannot save any portion of its income. Almost three quarters of households are not even aware of the availability of saving products and their specific terms and conditions.

Families avoided keeping their money in banks, especially when savings did not exceed USD 1,000; only 15–20% of respondents kept money in banks. The dependence on money transfers is more than 50% for 1/3 of respondents.

On the other hand, only half of Armenian banks rely on remittance payment history to lend or attract deposits. Some banks view remittances as an unstable and risky source of funds and do not consider income from remittances a justification for future lending, although others do look at

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74 A 2008 study that looked at the sharp increase in remittances in 2006 showed that households had a higher propensity to invest or acquire land or other real estate as remittances grew, cf. *Remittances and Development*. Alpha Plus Consulting for ILO. 2008.
remittances as additional source of funds, used to justify small loans, consumer loans, mortgages, and other personal, not-corporate loans. In comparison to the remittance-backed lending process, the remittance-backed deposit process is not as popular among the population because households spend remittances on daily consumption and save very little of this source of income.

Anelik, a private bank with the leading share of Russia-Armenia remittances, has expressed an interest in tailoring financial products for migrants and their families and promoting such products. However, many financial institutions are not ready to make improvements in the financial tools for migrants and their families and have not studied international credit practices and opportunities. These financial institutions are not eager to consider the money from transfers when they provide collective liability loans.\textsuperscript{75}

Other issues that limit the impact of remittances on the development of financial sector institutions and instruments include:

1. **Accessibility**: Some financial organisations do not have a wide network in the regions, especially in the rural areas, to provide services to emigrants; the money transfer services are more prominently present than financial institutions in rural areas.
2. **Lack of trust**: People avoid declaring that they receive money from abroad.
3. **Lack of awareness** of particular financial products that may be of interest.
4. **Demographic situation in rural areas**: Young people have moved abroad to work; only the older people have remained, and they are less eager to use financial tools than the young.

**Conclusions**

Remittances have profoundly affected the economic outcomes of Armenia in the past 15 years or so. On the macroeconomic side, remittances are the largest (and wholly private) inflow of foreign exchange for the country, and as such they have supported the external accounts and the country’s growth through their effects on consumption. The economic crisis of 2008–09 showed, however, that remittances can actually amplify the impact of external shocks. In the

\textsuperscript{75}Cash Transfers and Economic Development (July2008) implemented by Alphaplus Consulting Company.
case of Armenia, the extreme dependence on remittances from the Russian Federation, and the concentration of migrants in industries that were hardest hit (such as construction), led to the sharp decline of 2009 and the consequent substantial drop in GDP. There is little that public policy can do in cases such as these, except perhaps attempt to aim social assistance mechanisms at the most externally-exposed households.

Remittances have also affected the dynamics of household economics. 40% of households depend on remittances, and there is evidence that poverty has been alleviated by their presence. Remittance-receiving households save more but still invest less than households not receiving remittances. Remittances have a strong and reliable impact on households and can, therefore, give a stimulus to education and health care. However, a rather large portion of the migrants’ savings is saved abroad, pointing to areas for improvement in the financial services domain.

In fact, unlike the case in other countries that have experienced large migration flows to the former Soviet Union, financial markets in Armenia do not seem to have capitalized on the opportunities provided by large remittance flows. While a large portion of remittances is channelled through formal financial intermediaries, the lack of financial products targeted on migrants has resulted in reluctance by the population to use Armenian banks. In this sense, opportunities are lost for channelling resources to investments through intermediation.
7. Migration Policies and Institutions in Armenia

This Chapter provides an analysis of migration policies in Armenia and of the institutions responsible for their implementation. We also discuss NGO activities as concerns cooperation with governmental bodies on migration issues. Particular attention is paid to the Armenian Diaspora, its activities and experience in regard to its involvement in migration programs.

7.1. Legislative Framework of Migration Policy

In the past, labour migration from Armenia was largely unregulated and unorganized, often resulting in frequent violations of migrants’ rights, inadequate payment for work, lack of decent work conditions and the inability to maximize the benefits of labour emigration. The domestic legislation is deficient in regulating and supporting the emigration of Armenian citizens.

To remedy these shortcomings, the Migration Agency of the Ministry of Territorial Administration of the RA presented a draft Law on the Organization of Overseas Employment with a view to managing labour migration flows and protecting the rights of migrants, to prevent cheating by citizens for labour emigration purposes or their smuggling to foreign states, as well as to create a legal foundation for the regulation of labour emigration to the benefit of the labour emigrants. The draft policy of state regulation of migration in Armenia was approved by the RA Government in accordance with protocol N51 on December 30, 2010. The draft policy includes the assessment of the migration situation in the RA, the goals and principles of the policy of state regulation of migration, its main problems and the key directions for their solution.

Subsequently, in accordance with N1593 protocol decision (November 10, 2011) of the Armenian government, the ‘2012-2016 Action Plan for Implementation of the State Policy on Migration Regulation in the RA’ was approved. The Action Plan lists 14 main issues and the steps involved in their implementation, expected results, appropriate actions, deadlines and performance monitoring indicators.

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The Action Plan provides that ‘the authorities of the RA have declared European integration as a development priority for the RA and have embarked, jointly with the EU, on the European Neighbourhood Initiative, which has already entered into a qualitatively new stage of the Eastern Partnership Program, under which Armenia has undertaken to bring its migration regulation system into line with the European system in terms of legislation and the institutional framework’.

The primary objective of Armenia’s migration policy moving forward is the expansion and deepening of cooperation with the EU in relation to migration flows from Armenia, especially by joining the Mobility Partnership, establishing cooperation with the EU’s FRONTEX and other relevant structures, and using the format of the Armenia-EU Justice, Liberty, and Security (JLS) subcommittee.

The Plan’s main issues are intended to ensure conformity of the legislation of the RA with the legislation of the EU and the best institutional structures of the UN state members. For instance, changes to be made include the introduction of ID cards and electronic passports to increase the level of security of identity documents and to facilitate the free movement of Armenian citizens. Moreover, the Plan aims to better protect the rights and interests of citizens of the RA leaving the country for overseas employment, better manage internal migration, and address the integration issues of returnees.

In order to develop policies that enhance the positive impact of migration on the country ‘A Skills Register for Attracting Qualified Armenian Migrants/Diaspora to Occupations in Armenia facing Shortages and to Facilitate the Reintegration of Returnees’ is being created on the basis of the www.employment.am website of the State Employment Service Agency at the RA Ministry of Labour and Social Issues. This Skills Register will enable Armenians living abroad to get

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78 The program was implemented in the framework of the EU-funded project of the ILO for the period 2007–10 "Towards Sustainable Partnership for Effective Governance of Labour Migration in the Russian Federation, the Caucasus and Central Asia".
information on employment opportunities and occupations facing a shortage of manpower in Armenia and apply online.

The framework for the legal protection of Armenian citizens abroad includes the agreements on readmission of persons residing abroad without legal permission. As of 2012, Armenia has signed readmission agreements with Denmark, Lithuania, Switzerland, Germany, Bulgaria, Sweden, the Benelux states, Norway, the Czech Republic, the Russian Federation, Belarus, and Georgia.

However, to regulate and promote external migration of the population of Armenia, a Law on the Organization of Labour Emigration should be adopted without delay in order to facilitate the management of the migration flows and the protection of the rights of migrants. Many states have labour attachés in their diplomatic missions abroad. It would be important for the RA, too, to create such diplomatic positions; these officers would work to expand the labour quota in certain countries and protect the rights of Armenian labour migrants abroad.

Although it is primarily a country of origin, the RA has still not ratified a number of international treaties on the protection of migrants, such as the UN Convention on the International Convention on the Protection of All Migrant Workers and Their Families, which was adopted back on 13 December 1990, as well as regional conventions, especially the European Convention on the Legal Status of Migrant Workers.

However, Armenia, among other CIS countries, signed on March 6, 1998, in Moscow, the ‘Agreement on cooperation between CIS Member States in combating illegal migration’. This agreement stipulates that the parties shall collaborate in the development of mechanisms for the regulation of migration, foreigners’ registration, and the expulsion of illegal migrants. The parties have also committed to harmonizing their national legislation and to exchanging information related to irregular migration.

7.2. Administrative Framework of Armenia’s Labour Migration

The administrative responsibility for migration issues, typically complicated in many advanced countries, is particularly complex in the case of Armenia. The authority to oversee migration management issues is either poorly defined or confused by unclear division of responsibilities
and overlapping policy mandates between different state bodies. Several actors often claim to have implementing power over various migration issues, which lead to bureaucratic infighting and ineffectiveness.

Perhaps the greatest confusion lies between the Ministry of Labour and Social Issues (MLSI), that according to its charter has the task to “develop and implement state regulation on labour, develop and implement employment policy for the population and develop policies on the internal and external flow of labour”, i.e. dealing with labour migration issues, and the State Migration Agency of the Ministry of Territorial Administration of RA (MTA), which claims responsibility over “the development, implementation, and coordination of state policy on (labour) migration/re-emigration and refugee matters”. The Law on Employment and Social Protection in Case of Unemployment reiterates the MLSI’s responsibility for the regulation of overseas employment, while there is no Migration Policy Department or similar policy-making body at the MTA, thus leaving it unclear which department or entity of the MTA is responsible for developing and implementing state policies.79

Similar ‘mandate conflicts’ exist with regard to the activities of other agencies that have been assigned responsibilities for the implementation of the migration policy. For instance, responsibility for visa issuance is divided between the Ministry of Foreign Affairs and the Police the Visa and Passport Department (OVIR) of Police (Former Ministry of Internal Affairs).80

As was emphasized by representatives of various agencies, responsible for the Armenia’s migration policy during the Focus Group discussions, held in the framework of this project, the current situation with elaboration and implementation of migration policy is not satisfactory, and there is a need for devising clear legislation, ensuring proper democratic oversight, and defining and delineating lines of command and authority. As it was stressed out, ‘development of a comprehensive migration policy and successful management of migration is complex task and requires close cooperation and coordination of almost the entire Ministerial Cabinet. The

80 Their overlapping authority is obvious in the Law on Foreigners, Part 3 of Article 10, which states: ‘The Republic of Armenia entry visas shall be issued by diplomatic or consular missions of the Republic of Armenia in foreign countries; at the state border of the Republic of Armenia or, if necessary, in the territory of the Republic of Armenia, entry visas shall be issued by a designated state agency with authority in the Republic of Armenia police sector, or a designated state agency with authority in foreign affairs’.
Migration Policy of Armenia has to be developed jointly by several Ministries, despite the fact that formally the obligation to develop a unitary migration policy is put on MTA.81

At the same time, it cannot be emphasized enough that the continued and active participation of all major stakeholders of the migration program, including the Ministries of Labour, Foreign Affairs, Interior, Justice, and Immigration, is critical for the successful implementation of migration policy by Armenia. The active participation and assistance from the part of receiving countries, particularly EU, is essential for the success of overseas employment program.

The management of the migration process must be conceptualized as a combination of activities of designated agencies in sending and receiving countries – Armenia – EU – and in close and continuing interaction with several independent organizations,82 despite the fact that—unlike the migrants from the Focus groups, who welcomed the topic at agenda with much enthusiasm—the governmental officials were very sceptic about the EU’s migration policy, and had no precise notion about the consequences of EU migration policy liberalization. The policy-makers did not express a firm viewpoint on these issues, pointing out that it is unclear what actions Armenia would take if the EU puts quotas in place.

### 7.3. NGOs and Migration

Within the scope of employment promotion and necessary regulation of migration, a ‘National collective agreement’ was signed in 2009 (for a period of 3 years, until June 2012) between three social partners (the Republican Union of Entrepreneurs of Armenia (RUEA), the Confederation of Trade Unions (CTU) and the government). All parties agreed that the joint effort should be aimed at the resolution of problems such as occupational health and safety, labour, salary and standards of living, as well as labour market and employment. The latter includes provisions for youth and women’s employment promotion, efficient employment of competitive people, career orientation, ensuring productive activity of non-state employment service organizations, efficient mechanisms for internal and external migration, and protection of the rights of migrant workers.

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81 See: Appendix II. The Results of Focus Group Discussions.
In regard to this Agreement, the application of ILO N189 recommendation on ‘Creating workplaces in SMEs’ – which clarifies the roles of employers, workers and the government within the scope of SME development, improvement in entrepreneurial culture, the legal field, and so forth – is considered a major employment promotion mechanism.

### 7.4. The Armenian Diaspora: an Important Factor of Development

Through the centuries the migration of the Armenians was spread across the world, establishing communities in more than 60 countries. The largest among them are in the Middle East (Syria, Lebanon, Iran, Egypt etc) and Western Europe (mainly France and Greece), and the bulk of the diaspora Armenians reside in Russia and the United States.

Unprecedented inter-Diaspora migration and consistent financial support of the Armenian communities of the Western countries, primarily the United States to diaspora communities in other regions, particularly, Middle East contributed to the formation and current state of Armenian Diaspora (Spyurk)\(^{83}\), estimating at 8 to 10 million that is much larger than Armenia’s current population of 3.2 million.

The Armenian Diaspora strongly influences economic and human development in the RA. Numerous Diaspora Armenians take an active part in the economic, political and social life of Armenia. Diaspora is one of the main generators of foreign investment (although it is widely acknowledged that there would be even more scope for expansion if the investment climate were sufficiently competitive and attractive). According to some estimates, fourteen major organizations provided some 630 million United States dollars in assistance to Armenia in the decade following the disastrous earthquake of 1988 and Armenia’s independence in 1991.\(^{84}\)

This assistance has been extended by organizations, including the AGBU, Lincy Foundation, Fund for Armenian Relief, Armenian Relief Society, Hayastan All-Armenian Fund, Aznavour pour

\(^{83}\)Formally, the common approach makes distinction between the so-called ‘old’ and ‘new’ Diaspora. The ‘old’ Diaspora refers to all Armenians who left their country before the break-up of the Soviet Union; the ‘new’ Diaspora refers to those Armenians who settled abroad after 1991. It should be pointed out that many ancestors of the ‘old’ Diaspora Armenians are Western Armenians who come from today’s Turkey, Syria, and Lebanon, while ‘new’ Diaspora Armenians come from post-Soviet Armenia, i.e., Eastern Armenia. At the same time, the Armenian communities of the former Soviet Union are referred as ‘inner diaspora’.

\(^{84}\)See: Hratch Tchilingirian. Diaspora Humanitarian Assistance to Armenia in the Last Decade. Report, presented at the first Armenia-Diaspora conference in September 1999 [http://groong.usc.edu/ADconf/199909/reports/humanitarian.html](http://groong.usc.edu/ADconf/199909/reports/humanitarian.html)
l’Armenie, the Union of Armenians of Russia, Union of Armenian Physicians of France, Canadian Armenian Council of Commerce and by many individual benefactors.  

Diaspora activities encompass a broad range of initiatives of targeted economic and emergency assistance, building of education, health, and large communication infrastructure, capacity-building and cultural development projects, establishing joint ventures and restarting industrial enterprises. It brought many international brands (Marriott, HSBC, KPMG, Coca-Cola, Synopsis) to Armenia and created branches of multinational corporations in the country. The Diaspora also works with the public sector and civil society, contributing to their capacity building.

As Armenian migrants have accumulated rather significant savings abroad and have great potential in terms of knowledge and contacts, there is a rather high propensity to invest in non-productive assets such as real estate and efforts should be made to channel their resources as efficiently as possible to support Armenia’s development.

The motivation and efforts of the Diaspora itself, coupled with the general public perceptions in Armenia of the Diaspora as the primary push factor for country’s development, as well Armenia’s diaspora policy, delegated to the newly established Ministry for Diaspora Affairs is there to better coordinate and mobilise Diaspora potential and activities.

Besides the economic and humanitarian benefits, the presence of a large Armenian Diaspora and its lobbying activities also shape migration from the republic. For instance, to some extent the current status of Russia as the main destination country for Armenian migrants is the result of Russian-Armenians efforts in passing into law several pro-Armenia legal acts, granting citizens of Armenia a status similar to that of Russian citizens, simplifying trade transactions between the two states, and allowing citizens of Armenia and Russia to travel visa-free between the two states.

Box 2. Diaspora’s Experience and Possible Efforts for Migrants Re-Integration

There are examples of the Armenian Diaspora facilitating both employment of Armenians abroad, and repatriation of irregular Armenian migrants. Thus, Union of Armenians of Russia (which has the biggest Armenian community with some two millions of Armenians) organised the operation of employment service/agency, which supports the members of the Union in finding a job.

In the regard of the discussed issue in this paper the experience of the French Armenian Development Foundation that facilitating the repatriation of irregular Armenian migrants currently living in France\textsuperscript{86} deserves our attention. While providing migrants wishing to return with orientation and training to support their inclusion into the local labour market and society upon their return to Armenia, FADF acts in close partner cooperation with Armenian Association of Social Assistance (AAAS) and the French National Agency for the Reception of Foreigners and Migration (OFII) and continues to support integration of returnees by addressing their needs in Armenia in cooperation with State Migration Service of Armenia, assisting in finding jobs, starting entrepreneurial activities (provided with the necessary equipment, materials and counselling).

In the absence of formulated policies or mechanisms to facilitate the return of skilled migrants on a temporary or long term basis in Armenia, such experiences make sense in terms of effective return policies for migrants whose return to Armenia can have a greater impact on development than their stay abroad and the transfer of resources from abroad, i.e. money, technologies, and entrepreneurial knowledge and skills.

7.5. Recommendations for Policy Measures

As Armenia proceeds with new initiatives to tap the overseas employment market and mobilize their Diaspora, the experience of number of countries, such as Germany, Russia, Kazakhstan, and particularly India and the Philippines, two countries with fairly well established policies, might be usefully drawn upon. The Philippines has also been more successful in institutional development, and is now held out as successful model for managing labour migration. India, for its part, has been able to mobilize its Diaspora quite effectively. Both countries get substantial amounts annually by way of remittances. However, the inflow from remittances has become less critical for India since its exports of services has been able to substantially finance its trade deficit while remittances continue to provide balance of payments support in the Philippines. With stronger economic growth, India itself is facing skill shortages and reduced unemployment that is not the case in the Philippines. These perspectives will be kept in view while tracking the lessons from the two countries.

\textsuperscript{86} The project, called ‘Return to Source’ is co-financed by the European Refugee Fund.
Armenia’s Efforts

A key strategic objective is to ensure the development of the Armenian migrant’s human potential, which enhance the their individual success, thus providing more stable financial support to their relatives in Armenia, and applying their competitive international expertise, and utilize their ties and new qualities of cultural and social capital back to Armenia.

For Armenia, the main institutional recommendation in the area of labour migration and return is to designate a lead ministry for its governance, and then establish an inter-ministerial commission for coordination. To this end, proper coordination of the activities of administrative structures dealing with migration issues and regulation of the activities of agencies that recruit Armenian citizens for employment abroad is important. Secondly, more resources need to be allocated for the lead ministry to properly carry out its mandate. This is not unreasonable considering labour migrants produce the largest financial inflow of remittances to Armenia. More resources need to be invested by the government into support services to protect the labour and human rights of migrant workers by means of both international treaties and non-treaty mechanisms, for instance by the efforts of newly adopted services of Labour Attachées. As argued by the Focus Group participants, ‘employment agreements with the EU should be concluded to allow regular labour migration to and from the EU countries and the inclusion of Armenian migrants in the migration schemes, which would provide safeguards for the protection of their rights’.87 Thirdly, with the support of international donors, Diaspora and the private sector, mechanisms should be developed to provide opportunities for returnees and migrants to contribute their skills, experiences, knowledge and expertise. That needs developing an education system that is internationally competitive education system and providing people before migrating with access to a high-quality professional training in order to enhance their possibilities for movement across jobs prior to emigration to Europe. Besides, it is necessary to ensure adequate conditions for labour emigrants to reunite with their families in Armenia.

Despite the crisis, there is demand for labour abroad and Armenian labour migrants can be engaged in lawful programs of international circular labour migration in accordance with legal employment contracts. To this end, it is vital to continue the Armenian Government’s efforts to organise temporary circular labour migration by obtaining for Armenian labourers labour quotas and employment without labour permits, which is currently already the case in some EU

87 See: Appendix II. Results of Focus Group Discussions
countries in order to organize temporary labour migration. This assumption is proved by the outcomes of Focus Group discussions.88

There is a vital need in institutional and operational capacity building of Armenian state actors in charge of migration management, in order to promote legal migration and prevent illegal migration. Several governmental actions to be implemented for successful migration management were pointed out by Armenian official themselves in the course of the interviews, strongly arguing in favour of ‘improvement in the statistical data, development of cooperation with other countries and improvement of internal and external migration control, to obtain sufficient information on migration outflows in Armenia’.

**EU Countries’ Efforts**

While elaborating its future migration policy, the EU should take into consideration the assumption that providing the opportunity of free movement and the visa facilitation regime will prevent the visa holder migrants from searching the ways to stay abroad forever and make undoubtedly higher the propensity of their return and to stay permanently in Armenia. This notion is supported by the Focus Group conclusions.

Legal access to job opportunities in the EU countries upon changes in migration policies will make it possible to obtain the jobs by migrants according to their professional background. Thus the EU labour market will be fuelled with much more qualified labour force. In turn, better access of Armenian migrants to EU countries’ labour markets would foster an increase in the volume and value of remittances inflow to Armenia.

As reflected in the Focus Group discussions, migrants welcome the potential change and simplification of the EU migration policy in the regard of ‘possible elimination of existing difficulties in obtaining visas and travelling to the EU countries’. Even those who do not intend to travel to Europe for employment commend the changing of the EU policy, as soon as ‘it would facilitate the exercise of the people’s right to free movement and employment’. Moreover, what is even more interesting, in the far-reaching perspective migrants validate ‘the opportunity for their children to migrate and did not preclude their participation, either.’

88 Ibid.
Some recommendations for the EU migration policy derive from the results of Focus group discussion in the regard of migration preferences and the impact of the potential changes in the EU migration policy on migrant behaviour. The arguments for and against this perspective is strictly balanced. In view of their age and family circumstances, four of the eight participants precluded their future migration and possible employment in the EU, having no interest in the visa facilitation process, while the other four were firmly determined to migrate and work there.  

There is no precise notion about the consequences of EU migration policy liberalization as concerns the access and the integration of labour or permanent migrants from Armenia into European societies. At present EU countries do not accept unhealthy people and even deport them. It is also unclear what actions Armenia would take if the EU puts quotas in place.

**Joint EU- Armenia Efforts**

The responses from the interviews with state officials, responsible for the migration policy in Armenia reflects the vital need of joint efforts ‘for getting known within the European experience, to verify a huge amount of data, particularly during the border control process, arrival in the EU, or departure of a citizen’.

As a joint EU-Armenia effort the migration and communication activities related to the legal migration opportunities and possible dangers of illegal migration to Europe among migrants, potential migrants, returnees and the Armenian Diaspora in the host country should be implemented. Secondly, reintegration assistance and support to Armenian returnees through funding of vocational training and income generating activities is needed. And widespread informative efforts among Armenian Diaspora representatives to foster their involvement in the local development of migration affected region are necessary.

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89 See: Annex II. The Results of the Focus Group Discussions.
8. An Agenda to Improve the Costs and Benefits of Migration

The analysis of the past few chapters of emigration and labour market trends, socio-demographic characteristics of migrants by destination, data on remittances, human capital potential and labour market deficiencies shows that, in Armenia like elsewhere, migration is a very complex phenomenon that defies simple classification in terms of ‘good or bad’. Migration is a phenomenon that occurs because of a variety of factors, domestic and external; costs and benefits cover a multiplicity of dimensions, which cannot all easily be measured, and certainly not with the same metric.

In this section, therefore, rather than attempting to issue a single ‘score’ on the positives and negatives of migration, we summarize the main issues that should be on the policy-makers’ horizon with a view to maximizing the benefits of labour migration flows, particularly with respect to Armenia and the EU. We look in particular at these areas:

- Impact of remittances
- Protection of migrants abroad, and mitigation of social consequences at home
- ‘Brain gain’ and ‘Brain drain’ issues

8.1. Improving the Development Impact of Remittances

As discussed in Chapter 5, remittances have made a positive contribution to growth and investment in physical and human capital in Armenia. At some 13% of GDP, they are an important part of the population’s disposable income, and a major factor in keeping some of the poorest households out of poverty. There is evidence that they have contributed to improving living standards, education and health care, and in some cases, small and medium-sized businesses and agricultural activities as well. Remittance receiving households have a higher rate of saving, and spend more on education, health and other goods and services, despite some evidence that remittance flows might discourage labour supply. It is not clear whether the life expectancy indicator could have been maintained in Armenia in the last decade without migration and the associated remittances.
On the other hand, our analysis shows that there are several areas of policy concern. The issue of the costs of transfers is on the global migration and development agenda, and we do not need to belabour on it in this paper. Clearly, even relatively minor reductions in the costs of transferring resources from abroad to Armenia can have noticeable impacts on beneficiaries. Armenia should continue to push for more liberal and competitive arrangements with regard to remittance transfers. The EU should also pursue its existing initiatives to address the costs of remittances.

With respect to the volume and utilization of remittances in Armenia, there are of course limits to what direct policies can accomplish, and we do not advocate interventionist measures by government. Remittances are after all entirely private and are unrequited transfers, and the decisions on their use are made by households on the basis of the same considerations that are used to decide between consumption and savings, for instance. However, a number of policy-relevant areas are indeed within the policy-maker’s agenda.

Remittances, once thought to be counter-cyclical sources of foreign exchange, proved very much pro-cyclical in the 2008-2009 crisis, which admittedly was a peculiar one, as it was uniquely linked to the Russian Federation recession, which hit the real estate sector particularly hard. The obvious recipe for Armenia to avoid such potential problems in the future would be to diversify the sources of remittances — hence the importance of the talks with the EU on better access for Armenian migrants.

There are also more general issues of macroeconomic management (which go beyond the scope of this paper), such as an optimal borrowing strategy for the government in view of the uncertainty surrounding such a large earner of foreign exchange; and policies regarding the effects of sudden increases in remittance inflows (such as the ones experienced in the mid-2000s) on the exchange rate — optimal responses calling for sterilization which might not be possible under the present state of development of financial markets.

This latter issue calls attention to the problem raised in Chapter 5, namely the apparent inability of Armenian banks to leverage the large remittance flows to develop new financial products attractive to remittance recipients, which could lead to financial sector deepening, and hence to better avenues for financing of productive investments. Once again, a solution to this problem
transcends pure migration issues, and goes to the core of financial intermediation regulation and the structure of governance in the financial sector. But certainly the government (and the donor community) would want to take a close look at whether specific regulatory provisions may hamper the development of financial markets in directions that other countries have already been able to exploit with regard to the use of remittances.

8.2. Protection of Migrants’ Rights and Harmonizing Social Costs and Benefits

Many surveys and (and our own focus groups)\textsuperscript{90} have shown that expenses related to health care, education, old age, and special occasions are the main purposes for which households save money. The analysis presented earlier illustrates that an increase in remittances leads to higher education expenses, and the impact of remittances on education expenses is the third strongest among all the expense components. Thus, remittances act as an important stimulus for education and health care for Armenian households.

The households-receiving remittances and those not receiving any have behaved in roughly the same manner while using the remittances for education and health care. Remittance-receiving households had a slightly greater propensity to save for health care expenses, while there was almost no difference in savings for tuition, because Armenian households traditionally consider education a priority regardless of circumstances. In any event, remittances from abroad can be an additional stimulus for education spending.

It is noteworthy that many of the young people that are educated abroad and return to Armenia later intend to leave Armenia again due to the insufficient appreciation of their qualification here. Once these people emigrate from Armenia, the chances of their return to Armenia become much smaller, which means that young people that left Armenia for education and became competitive are more likely than others to turn into permanent migrants. In other words, though the current standards of the education system are generally adequate for ensuring universal literacy and achieving higher quantitative indicators, they cannot prevent student migration, which may grow over the years. Armenia has much to do in not only the education system, but also the policies on student migration.

\textsuperscript{90} See: Appendix II to this paper
Unlike the situation with the education system, health concerns do not appear to be a main cause of emigration, because the current system allows the basic health needs of the population to be met. Only 2.4% of migrants left Armenia for treatment purposes and health needs are met either at the expense of other basic needs or by borrowing money.

On the other hand, migration causes serious threats to the health of Armenian migrants. Many surveys show that Armenian migrants (particularly when in undocumented status) are exposed to high risks, and so are the families left behind by those who migrate. Material prosperity is often achieved by the labour emigrants’ overstretching their vital forces: heavy physical work for 6–8 continuous months virtually without any days off has negative consequences for the labourers’ health. In addition to the long-term negative health effects, over-exhaustion and the inadequacy of technical safety conditions frequently result in workplace accidents, which may end up in disability or even death. As discussed, most labour migrants work in the Russian Federation, where enforcement of labour safety standards is often lax. But this situation is also not infrequent with migrants to other parts of the world, including the EU.

Migration can also exacerbate health problems (importation and spreading of infectious diseases – including sexually-transmitted diseases – morbidity rates for diseases like tuberculosis, STIs and the like) and the likelihood of contracting HIV. Propensity towards high-risk behaviours (migrants frequently use the services of commercial sex workers, failing to use condoms or start using drugs as a means of mitigating the pressures of their reality’s difficulties).

An agenda to address issues of protection of migrants’ rights should start from their recognition as a more vulnerable group. Special attention should be paid to protecting their rights through bilateral agreements with destination countries on labour migration, including clear provisions on the protection of labour migrants, the establishments of special accommodation centres for foreigners, the designation of labour attachés in Armenian embassies, the acquisition of employment quotas and the protection of Armenian labour migrants’ rights abroad. Being primarily a migration-generating country, Armenia should join the international treaties on the protection of the rights of migrant workers.

Social-psychological costs are also reflected in the destabilization of families and marriages. The prolonged absence of the family fathers affects family cohesion and exacerbates problems by
undermining marriage and family stability, the relations between generations, and the children’s upbringing. (There are cases of creating a second family in the destination place, living in two ‘seasonal’ families or divorcing and moving to a second family). The role of Armenian social services, of support NGOs and of Diaspora organizations can make a difference in alleviating these features. This is also an area in which the government and the donor community, already engaged in public education campaigns, can increase their efforts to reach to the most vulnerable groups of the population.

But even though state migration policy, adopted in January 2012 aims at enhancing the economic benefits of migration for the country, and the Armenian government is trying to have a more efficient use of capital of the Diaspora in the development of the Armenian economy, migration of Armenian citizens and their work abroad remain mostly irregular and initiated by themselves, with uncoordinated and weak assistance from the Government.

Specifically, the social security and health care system, child care and other benefits do not have a special treatment of the migrants’ family members left behind. Armenia tries to coordinate the social insurance systems with the governments of at least the main destination countries in order to improve social protection of migrants. However, progress with regard to the negotiation and implementation of labour and social security agreements is only underway slowly.

To some extent this gap is filled by the activities of international and local non-governmental organisations. For instance, the ‘Armenian Caritas’ BNGO with the support of the government of Liechtenstein and ‘Austrian Caritas’ through 2010-2013 implements ‘Migration and Development’ project that provides necessary social assistance, and an opportunity to start a small business for voluntarily returnees from the European Union countries.

The project supports the reintegration process of voluntary returnees (RA citizens, who have lived a minimum of one year in any country of EU and applied to Caritas office within one year after return) through providing assistance in economic stability (system of income generation) and social protection, helps returnees to gather the necessary information for their reintegration process, organises job fairs, provides accommodation, counselling, educational support. It also

91 Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe Executive Summary. Armenia, April 2012
provides information on risks of illegal migration to potential migrants and preparation work before migration.\textsuperscript{93}

In addition, a special Diaspora Mentor fund within Armenian Caritas structure, as well as the contact-developing outreaches with Diaspora representatives in European countries has been created to provide continuous coordinated economic development and migration management actions in Armenia.

8.3. Brain drain/brain waste: a Domestic Agenda

The high unemployment rates in Armenia suggest that the migrants, who were unemployed in Armenia, are not a net loss to the Armenian economy. This might change over time, as certain industries which develop in Armenia might start lacking specialists that have migrated abroad. So far, with the exception of the construction sector, it does not seem that the absence of skilled workers in Armenia leads to lower quality and/or quantity of output.

Chapters 2 and 3 discussed in detail the difficult and complex issues related to migration of nominally skilled labourers, and the evidence that this might entail ‘brain drain’ (or ‘brain waste’). There is little doubt that in the early 1990s Armenia lost a substantial amount of highly skilled specialists in several advanced industries. This was the reflection of the deindustrialization of Armenia following the collapse of the Soviet Union division-of-labour arrangements. However, the bright side is that the Armenian Diaspora was strengthened, and has since been making positive contributions to Armenia’s economic and social life. The more complex problem, however, concerns the relationship between the current inadequacies of the educational system and the resulting incentives for graduates of different levels of education to emigrate, in the absence of suitable job opportunities in Armenia.

As seen in Chapter 2, the reluctance of educational institutions to adjust their curricula to meet labour market requirements is a major factor in explaining the high youth unemployment, and in providing an incentive for labour migration. Students are educated for jobs for which there are little opportunities in Armenia, and when migrating, particularly to the Russian Federation, will find occupations that underutilize their nominal skills. This calls for increased efforts on the

\textsuperscript{93} Through this programme measures are taken to prevent “Brain drain” among 720 graduate students, 150 returnees are successfully reintegrated into the society out of which 35 returnee families gained economic stability. 45 returnees have opportunities to convey and localise their know-how skills in Armenia.
domestic education reform agenda, but also perhaps for new thinking with regard to migratory possibilities to the EU. Greater involvement of countries interested in specific qualifications of Armenian migrants could provide inputs into directions for reform of VET. More formalized programs for circular migration assignments could also provide opportunities for migrants, host countries and Armenia to benefit from the sharing of skills in areas where they can be properly utilized.

Conclusions

Migration has substantially influenced the occupational and professional structure of the labour force in Armenia. The migration of excess labour force helped to relieve some of the pressures, provided livelihoods to many migrants, and generated substantial remittances. Yet, Armenian migration is not yet clearly embedded in the ‘virtuous migration cycle’, in which workers who would have been unemployed at home find jobs abroad, send home remittances that in addition to reducing poverty are invested to accelerate economic and job growth, and return with new skills and technologies that lead to development of new industries and jobs.

This study provides a series of suggestions that could be helpful to Armenia and its EU partners in moving towards the ‘virtuous cycle’, and make migration into a powerful force of development and modernization for the country.
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Annex

Annex I. Summary of Relevant Studies

There are many different perceptions of the nature, direction, scale, and impact of migration flows on Armenia. These perceptions are reflected not only in public opinion on migration, its causes, and consequences but also in the conduct of state institutions and officials empowered to regulate migration. The official data on migration do not coincide with the migration data obtained from other surveys. For instance, according to the National Statistical Service (NSS), 17,300 people emigrated from Armenia during 2005–06, while the joint survey by the OSCE Office in Yerevan and Advanced Social Technologies (AST) estimated that 29,000–35,000 people emigrated during the same period. Clearly, the difference is not small; the OSCE-AST estimate is almost double the NSS estimate. Because of these large inconsistencies between state statistics and other quantitative data from independent research, various data are used in this paper to portray the trends and to provide an analysis of migration. While preparing this report we prefer to rely on the analysis of qualitative data from in-depth interviews or focus groups conducted with migrants.

The literature used for this paper can be grouped into the following:

(a) Statistical data, annual reports, and descriptions of national annual and population census reports;

(b) Data from nationwide household surveys conducted by Armenia’s NSS and other local and international organizations;

(c) Research studies, reports, and academic articles of scholars and local and international organizations on labour migration (International Labour Organization (ILO), the World Bank, the United States Agency for International Development (USAID), the State Migration Service (SMS), Caucasus Research Resource Centre Armenia (CRRC Armenia), Republican Union of Employers of Armenia (RUEA) and others) in Armenia, the CIS, and the EU-Armenia context.

94 The literature we studied and the list of references are presented in List of References.
(d) Migration policy documents; policy concept papers and action plans adopted by the Government of the Republic of Armenia (RA), including study reports and strategies, laws and other documents adopted since 2000.

(e) The results of two Focus Group discussions and interviews, conducted with the participation of key state and non-state officials from the State Migration Service, the State Employment Service Agency, NSS, the Ministry of Labour and Social Issues, and the Central Bank of Armenia, representatives of international donor organizations, social partners, NGOs, and return migrants.  

To serve the research goal of the current paper, the literature under the review is classified in accordance with the issues discussed in each publication:

Trends, perspectives and the level of immigration and labour migration, the causes of migration, employment in the destination country, length of stay in the destination country, statistics on return migration

2. The Armenia Demographic Compilation. NSSS. 1990–2011
5. The 2000–10 international passenger transportation data of the State Migration Service of RA
8. Labour Emigration from Armenia during 2002–05: Household Survey’, OSCE/Advanced Social Technologies’ NGO
10. Survey of Migrants Returning to Armenia during 2002–08

95 The results of Focus Group research can be found in Annex 2.

State regulation of migration processes in Armenia, the jurisdiction of various state agencies and structures in the regulation of migration, policy frameworks of migration management system (including visa, residence status and work permit issues), irregular and undocumented migration, employment strategy.

1. Migration and Development, ILO. 2008
2. Employment state strategy of Armenia. ILO. (2009–14)

Educational issues, educational system of Armenia, education reform.

2. Draft policy on the education program of Armenia for 2011–14

Youth policy, youth unemployment, VET system social cooperation in the vocational education system.


Labour market, supply and demand, labour productivity, labour market institutions and policies, projecting/forecasting labour force demand, employment and unemployment

1. Review of approaches to measuring the need for migrant workers and labour migration planning: Russian Federation and international experience, implemented by the Subregional Office for Eastern Europe and Central Asia, International Labour Office – Moscow, 2009.
3. Study of labour in rural districts (December 2008), implemented by Ameria CJSC by the order of Ministry of Labour and Social Issues
4. Employers’ Sample Study (October 2008) implemented by the Ministry of Labour and Social Issues
5. Actual Unemployment Rate in Armenia (household survey analysis) (February 2010) implemented by State Employment Service Agency

Remittances

1. Cash transfers and economic development (July 2008), implemented by Alphaplus Consulting Company and supported by the International Labour Organization

Armenian Diaspora

1. Migration and Development. ILO. 2008

Armenia - EU partnership on Migration

2. Joint declaration on a mobility partnership between the European Union and Armenia, signed on 29 April 2011
Annex II. Results of Focus Group Discussions

Two Focus Group discussions were held in the framework of this research. The first one took place on March 17, 2012. Eight persons (three women and five men) participated in the focus group. The average age of the women was 45 and that of the men 46. Seven of the participants had completed a university education, and one a vocational education. Between 1992 and 2010, they had travelled to the following EU countries: 3 of the returning migrants had been to Germany, 2 to Spain, 1 to Switzerland, 1 to the Czech Republic, and 1 to the Russian Federation. All of them were married; 6 of the focus group participants had travelled to the EU countries together with their families.

The discussion topic was welcomed with much enthusiasm because everyone agreed that, up until now, travelling to the EU countries has been associated with serious difficulties, and that potential change and simplification of the EU’s migration policy would facilitate the exercise of the people’s right to free movement. Everyone commended the EU for this policy and said that, in their opinion, it would make it easier to travel to the EU for employment. The focus group participants spoke about the difficulties they had experience in relation to travelling to the EU.

The focus group discussion helped to better understand migration preferences and the impact of the potential changes in the EU’s migration policy on migrant behaviour. In view of their age and family circumstances, four of the eight participants precluded their future possible employment in the EU, while the other four were firmly determined to work there. Those who did not want to travel to the EU for employment said that changing the EU’s policy would be important for their children and did not preclude their participation, either. There were arguments for and against this perspective.
My age is not favourable for migrating and working in the EU, but I am in favour of free movement and work. **FG participant, with higher education, female, aged 70**

If the visa facilitation regime will be adopted by the EU I migrate to obtain a job and then return. It is necessary to give the labour force the right and opportunity for free movement. This will prevent the visa holder migrants from searching the ways to stay abroad forever, as they know that they have minimal chances to get visa again after their return home. If I am sure that I will have an opportunity to visit once again the country of my migration, then I prefer to stay permanently in Armenia, but visit EU countries to get some jobs as well. I wouldn’t like to leave my country. **FG participant, with higher education, male, aged 51**

No, I won’t migrate. I have a family, children and it is difficult for me to adapt to a new culture. **FG participant, with higher education, female, aged 40**

If I get job in the EU legally, then I would like to migrate and work according to my professional background. **FG participant, with higher education, male, aged 27**

I used to work in the RF for many years, and had no problems concerning my work. I have no any plans to migrate for a job to the EU, and I have no interest in the visa facilitation process. **FG participant, with higher education, male, aged 61**

The focus group discussion led to a number of key conclusions and recommendations. Here are some of the recommendations and opinions of the focus group participants regarding how they would like to see migration policy change in the EU:

- All the participants agreed that the EU’s migration policy should facilitate continuous mobility of people, the exercise of a person’s right to move freely, and employment rights; it should also protect their interests in the EU;

- Some participants said that it would be important to be able to obtain employment without labour permits, which is currently already the case in some EU countries;

- Participants emphasized the importance of obtaining labour quotas for Armenian workers in order to organize temporary labour migration; and

- Participants said that employment agreements with the EU should be concluded to allow regular labour migration to and from the EU countries and the inclusion of Armenian migrants in the migration schemes, which would provide safeguards for the protection of their rights.

**Analysis of possible responses to changes in migration policies in the EU**

The second Focus group discussion took place on April 4, 2012 with participation of representatives of the main state bodies related to migration and employment in Armenia: the Migration agency (1 person), the National Statistical Service (3 persons), the MLSI (2 persons), the State Employment Agency (1 person), the Central Bank of the RA (1 person), the main
social partners – Republican Union of Employers of Armenia (3 persons), Confederation of Trade Unions (1 person) as well as experts from the ILO migration program’s national ex-coordinator, the International Center for Human Development (1 person).

For the analysis of possible responses to changes in migration policies in the EU, a similar questioning appeared in this focus group discussion. Representatives of the Migration agency, Ministry of Labour and Social Issues, ‘State Employment Service Agency’, National Statistical Service, and Central Bank were present at the discussion.

The policy changes with European countries and the EU on the scope of the EU’s Eastern Partnership project was discussed in the focus group; we also examined the framework of the ‘Action plan for 2012–2016 on migration state regulation policy concept’. Based on the responses, it was clear that it is too soon for these questions to be raised. It will be more acceptable to delay until we get known within the European experience.

There is no precise notion about the consequences of EU migration policy liberalization. At present EU countries do not accept unhealthy people and even deport them. It is also unclear what actions Armenia would take if the EU puts quotas in place. The participants of the focus group did not express a certain viewpoint on these issues. At the same time, for the improvement in the statistical data, the development of cooperation with other countries and the improvement of internal and external migration control, it was clarified that there is not sufficient information. There is a need to verify a huge amount of data, particularly during the border control process, arrival in the EU, or departure of a citizen.

The Central Bank of Armenia has already initiated negotiations with similar banks in the EU countries. Still no concrete achievements have developed.