

INVESTIGATING THE PROBLEMS OF RURAL POPULATION EMPLOYMENT IN THE REPUBLIC OF ARMENIA AND WAYS OF SOLVING THEM

G. Gharibyan, V. Kostoglou, A. Beglaryan

Introduction

The problem of employment is considered among the most important social-economical problems in any country. Employment inseparably links people with their working activity such as production, services, distribution and consumption of materials. Accordingly, employment is a general economical category, which is typical for all social and economical structures. The employment characteristics and the use of working potential of society, represent not only economical, but also governmental interest in the sphere of labor.

Economical reforms in Armenia at the end of the 20th century led to essential changes in country's rural life, which brought economic crisis. This crisis led to unemployment and poverty over the country. Agrarian structure has been changed and new forms of operating agriculture, the privately owned farms have been emerged. The main sources of agrarian production such as land, agricultural machinery and equipment, started being privately owned.

Besides to these difficulties, the country's economy has changed dramatically and showed some improvements. Year by year new companies, opened which bringing new workplaces and reducing unemployment (graph 1)

Graph 1. Structure of economically active population

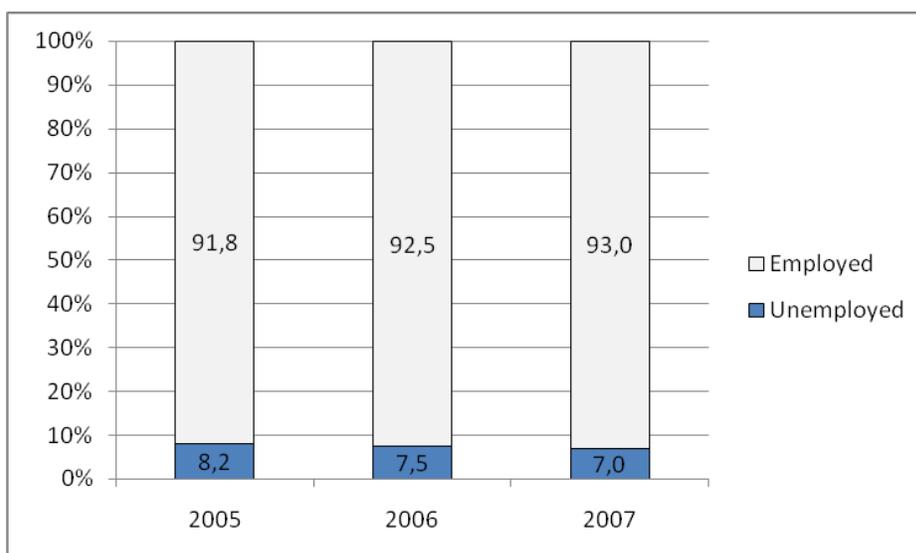


Table 1 below presents total labor resources, unemployed population, and economically non-active population in Armenia from 2005 to 2007. As it is shown, the total labor resources have grown, and the unemployment rate has been decreased.

Table 1. Total labour resources in Armenia (in thousands)

	2005	2006	2007
Total labour resources	2072.4	2114.9	2171.4
Distribution of labour resources	1195.8	1181.3	1184.3
Economically non-active population	876.6	933.6	987.2
Employed in economy	1097.8	1092.4	1101.5
Officially registered unemployed population	98.0	88.9	82.8

Employment characteristics in rural areas of Armenia

The rural population of Armenia was counted about 1.2 million in 2007. Among them in able to work age (from 15 to 64) were 730.800, i.e. about 63% of the rural population. From this number the economically active population was 55.9%, from which 48.3% were employed and 7.6% unemployed (Armenian Statistical Yearbook, 2007).

Today, agrarian production in Armenian villages is not any more the main source of employment. If in the beginning of 1990s more than half of all able to work rural population was engaged in agriculture, during the next ten years this portion was constantly reduced compared with 1990s, and nowadays working population is mainly engaged in working in banking sectors, providing several types of services, etc.

Rural areas in Armenia are presently in a systematic crisis, main manifestations of which are the following:

- agricultural crisis, low competitiveness of agricultural production and high costs of production;
- rural poverty and high rate of unemployment of rural population;
- waste of historical assimilated rural landscapes, reduction of land productivity, genetic potential of agricultural crops and animals.

Table 2. Total employed population by Armenian region from 2003 to 2006. (in thousands)

Regions	2003		2004		2005		2006	
	Total	% of total						
Aragatcotn	51.1	77.9	50.0	77.2	49.6	77.0	49.5	77.5
Ararat	80.2	70.8	77.0	71.0	81.9	70.4	84.2	72.6
Armavir	82.5	72.6	86.3	73.8	89.2	73.2	88.2	72.7
Gegharqunik	74.6	74.9	77.8	76.3	77.3	74.7	75.1	73.4
lori	50.2	51.6	50.9	53.4	50.0	53.3	49.1	52.9
Kotayk	45.9	49.9	37.6	44.2	32.0	40.0	30.9	39.4
Shirak	46.5	53.3	49.4	55.1	49.8	56.9	49.0	56.5
Syunik	21.7	42.7	22.9	46.1	23.2	45.1	22.8	45.0
Vayotc Dzor	18.0	65.9	17.6	65.7	18.0	64.8	18.6	68.9
Tavush	32.8	65.7	32.1	66.0	31.4	64.5	33.4	67.6
Total	503.5	45.5	501.6	46.4	502.3	45.8	500.7	45.8

Source: Armenian Statistical Yearbook, 2007

As it can be seen in above table, in year 2003-2006 the number of employed people in Syunik region has tendency to grow, nevertheless it has the lowest index with 22.900 people after Vayotc Dzor region. By percentage it nearly equals to republic's average – 45%, which stands, that more than half of employed people (~55%) are busy in nonagricultural sphere of activities.

It is accepted in literature to consider as a powerful source of non-formal employment in rural areas such rudiment of soviet system as a subsidiary small-holding (SSH). Besides non formal employment in SSH in rural areas, undoubtedly, non-formal employment of other spheres of economic activities are also present - fishery, hunting, gathering and realization of wild vegetation, renting premises, transport and market, housing and communal services. However this is not largely known, representing essentially less noticeable sources of income in rural economy as a whole.

Under-employment is widespread in rural areas.

Under-employment may be the result of seasonality or of the high number of farm household members. Official employment figures show a 9 % drop in rural employment between 1999 and 2003. In 2003, 509.000 people were recorded employed in the agriculture and forestry sector (about 560 thousand in 1999). Above average declines in employment were recorded in the more

mountainous districts of Kotayk Region (21.8 %), Aragotsotn (16.7%), Tavush and Vayots Dzor (13.5% and 13.9 %) (Armenian Statistical Yearbook, 2007). Actual employment in rural Armenia is probably in the neighborhood of 300.000 persons, mainly in primary production on farms, and to a far lesser extent, in the processing industries. According to the poverty assessment, participation in the labor market dropped mainly for the people between the ages of 26 to 50, while female participation decreased more than that of men. The informal labor market accounts for around 40% to 45% of employment, one of the highest informal employment rates in the CEE and the CIS countries. Subsistence agriculture accounts for almost half of total informal employment in rural areas.

The main problem for the transition type countries are becoming the reduction of the growing gap between incomes of urban and rural population and the reduction of rural poverty. It is necessary to implement all ways to overcome poverty: farming, employment in agriculture and nonagricultural activity.

Development of agriculture is very important for improving the well-being in poverty concentrated regions, which have good agricultural potential. To the regions without such a potential better perspective promise the deviation from agriculture and development of environmental services. But the support to agricultural production for personal needs remains essential for many years.

Alternative employment in rural areas

The alternative employment in rural areas is one of the necessary conditions as a rise of efficiency in agrarian sector, as well as the reduction of the phenomenon of rural poverty. Incomes of rural housekeeping from non-agrarian employment increase all over the world. Non agricultural sources keep about 40-45% share of income in rural areas of Latin America and countries southward of Sahara, 30-40% in South Asia and 40-50% in countries of Central and Eastern Europe.

In Armenia, there is also alternative employment in rural areas. There are some invariant types of employment, labor demand in which does not depend (at least, directly) on the situation of the agricultural labor market. Mainly working people engaged in providing of social services: medicine, education, as well as in government and municipal administration.

The rise of labor productivity in agrarian sector lead to reduction of demand for agricultural labor in general, to increase of demand for qualified manpower. That's why marginal workers must find for themselves alternative sources of income.

In contrast to other countries, predominate wage labor and not domestic labor is in the frame of private owned farm in rural areas of post-communist countries. If in the classic agrarian sector wage labor in another's farm is an alternative employment, situation of post-collective village is the opposite. By dealing with slump of wages in his/her agricultural enterprise or even with discharge, in most cases the worker is forced to keep subsidiary or commercial small-holding, producing the same agrarian production with lower productivity. Therefore, alternative employment in the present situation can not be defined as an off-farm employment.

These studies show, that apart from SSH rural population earn additionally by providing services to fellow-villagers-construction, ploughing kitchen-gardens, transporting, gathering and realization of wild vegetation (mushrooms, berries, herbs, roots), hunting and fishing, hiring out premises and accommodation. During last years becomes popular the rural tourism, which includes complex of services-hiring out accommodation, allocation of full and partial board and lodging, entertaining services (horse riding, baths, hunting, demonstration of ethnic traditions, etc.)

Thus, dynamic development of agrarian sector may contribute to the significant reduction of rural poverty. Agriculture indeed can serve as a main tool in the reduction of poverty. The Chinese example confirms that swift development of agrarian sector favors the reduction of rural poverty from 53% in 1981 to 8% in 2001. Inter-regional appraisals show, that the rise of the gross national product, based on agriculture, almost twice as much has an effective influence on poverty reduction, than rise based on other sectors of economy. Table 3 below shows Armenian GDP by sectors.

Table 3. Armenian GDP by sectors

Years	Agriculture (%)	Industry (%)	Services (%)
2003	23.4	35.1	41.5
2004	23.7	34.9	41.4
2005	23.9	34.3	41.8
2006	17.7	42.0	40.3
2007	17.2	36.4	46.4

Source: World fact book - Armenia,

It is obvious that the share of the agriculture sector is declining. But on the other hand the share of service sector is steadily increasing. This agricultural decrease share is mainly related to the facts that other sectors are growing during these years which was made agricultural sector to have a smaller share in total GDP. Increase in shares of industry and service sectors within GDP was mainly due to rising investments made mainly in these sectors. Besides, agriculture is considered to be very risky sector in Armenia, thus there is currently almost no investment in this sector.

Employment and rural opportunities

The increases in production or new investments are no longer automatically associated with the creation of new jobs. Small and medium enterprises (SME) are the main source of new jobs, while large enterprises have been losing or maintaining their existing share of employment. This fact can be explained, because of the technological improvement over Armenia. New technology, machines and equipment were brought and installed in large enterprises, which cause reduction of employment. That is why, rural population is involved mainly in small and medium enterprises' activities. This is primarily due to new communication technologies, the capacity of SMEs to cooperate and a more quality oriented demand for products and services; urban areas are seeing a significant change in their labor market structure and their economies are no longer creating jobs. Losses are mostly in the industrial manufacturing sector while gains are mainly in the service sector; the balance however is often negative. The most important is, that rural areas are no longer "drained" of their human resources, as in the past, and so they have to provide job opportunities.

The orientation towards the diversification of rural activities in all sectors of the local economy implicitly abandons the old idea that all rural areas should specialize in agricultural production while urban areas do the same in the other sectors of the economy.

Rural areas are responding dynamically in some cases, exploring new paths and developing new forms of exchange and integration with external markets. This in turn may affect the population mobility, the convenience of maintaining farming activities, the rural incomes, the identity and attractiveness of the area. The mix of activities present the characteristics of the local labor market; for instance, the type and nature of the required skills, the opportunities for men and women, the combination of part-time activities, self-employment and waged employment, the availability of local and external labor, the security and duration of work, its legal and fiscal aspects, etc. All these characteristics may turn out to be positive or negative for the development of rural areas.

The implementation of the LEADER program

The LEADER program has proved to be extremely effective in the field of employment. This is especially the case when we consider the failure or the limits of the traditional forms of direct intervention (subsidies, public jobs, training not adapted to the local context which strengthens emigration) in disadvantaged rural areas that are about to lose their resources and competitiveness. The LEADER way to employment offers a new perspective on the issue of unemployment because

it emphasizes the creation of activities adapted to the area and its endogenous resources. Jobs created by LEADER have different characteristics from the types of employment encountered in cities: rural areas offer few full-time regular jobs and therefore particular attention should be paid to multi-skilled training and work, composite activities, synergies and complementary aspects between activities, time-sharing, distance working, and part-time, seasonal and irregular arrangements.

The ideas and approach introduced by LEADER have had very interesting employment effects. The ex-post evaluation of the program has shown that 25.000 new jobs were created in the LEADER areas, which means slightly over 100 jobs for every local action group on average. The increase in employment has favoured both the diversification of existing activities (especially in rural tourism and agricultural marketing measures) as well as the creation of new enterprises and self-employment opportunities (more frequent in small and medium enterprises, crafts and services).

This approach can be helpful for all countries, which need improvements in their economic system, as well as in their rural sector. This approach is not used in Armenian economic system, but it will be very helpful for developing new workplaces, improving overall standards of living and reducing poverty in both, rural and urban areas.

Conclusion

Rural public authorities, in partnership with collective interest representatives, should study and provide solutions to the most common problems, such as social security, health and safety at work, unemployment benefits, fiscal payments, social insurance, legal status and professional identity etc. The challenge in defining new "occupational identities", based on exercising complementary and diverse activities, is the delivery of professional, multi-skilled training that takes into account the different possible combinations of activities as well as the entrepreneurship and collective dimension of numerous rural activities.

Today, the problem of employment development of Armenia's rural sector, is the absence of legal and normative bases, which is useful for creating effective working conditions, solving different rural social problems, protecting enterprises.

The improvement of employment of rural population, it is important to implement activities, which will help to investigate all problems related to unemployment and solve them as soon as possible. For this purpose, it is necessary to list several factors such as economical, financial, social, structural, political, demographical, legal, and other factors, which will be reasonable indicators for solving unemployment problem and increasing employment levels in Armenia.

References

1. E. Serova, D. Zvyagintsev “Alternative employment in rural areas” Magazine "Russian World", 2006, №4, p. 3-34
2. E. Saraceno “Creating jobs in rural areas”, Leader magazine n°20 - spring 1999
3. A. Beglaryan “Economical and statistical evaluation of rural population employment in Synik marz” Magazine "Agrogitutyun", 2008, July - August, #7-8, p.315
4. Armenia’s Rural Economy – From Transition to Development, August 2006 World Bank - from the World Wide Web <http://www.worldbank.org>.
5. Armenian Statistical Yearbook, 2007 National Statistical Service of the Republic of Armenia. Yerevan. from the World Wide Web <http://www.armstat.am>.

Grigor, Aleksander, Gharibyan, Yerevan State University, Professor, Doctor of Economics.
Address: Yerevan State University, Department of Economics, 1 Alek Manukyan, Yerevan, Armenia.
Phone: +37.410.544370 (work).

Vassilis, John, Kostoglou, Alexander Technological Educational Institute of Thessaloniki, Greece, Associate professor, BSc, MSc, PhD.
Address: Alexander TEI of Thessaloniki, Department of Informatics, P.O. Box 141, 57400, Thessaloniki, Greece.
Phone/fax: +30.2310.791294 (work)
E-mail: vkostogl@it.teithe.gr

Aleksey, Aleksander, Beglaryan, Armenian State Agrarian University, PhD student Erasmus Mundus Program, BSc, MSc .
Address: 49/4 Komitas ave.051, Yerevan, Armenia
Phone: +37.410.232420 (home), +30.6997.725626 (mobile)
E-mail: alexeyarm@mail.ru