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Armenia Country Study

Yerevan 2009

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EXECUTIVE SUMMARY

Research Overview

The effective governance of labour migration entails making migration work better for development, enhancing possible benefits such as financial flows, technology transfer and entrepreneurship, and mitigating negative consequences such as loss of skilled human resources. While there have been studies concerning Armenia on labour migration and remittances, this was the first study in the framework of migration and development.

The study looks at four interrelated issues: a) labour migration and return, b) emigration of skilled human resources, c) response of the Armenian education system to signals from local and global labour markets and d) Armenian policies and international best practices for enhancing the development potential of migration. The subject of remittances to Armenia and how its development impact can possibly be enhanced through mobilisation of savings and investment is examined in a complementary study concurrently commissioned by ILO.

The findings and conclusions of the research are based on primary and secondary data. The primary data was collected through focus groups, structured and semi-structured interviews with returnees, major Armenian employers, young graduates, representatives of education system, Diaspora organizations, and key players in the Armenian migration field. The findings of previous researches on Armenian migration, and official statistics on the Armenian labour market, external migration processes, and education, were used as secondary sources.

Main findings

Labour migration and return

The latest data acquired through the Returnee Survey 2008, commissioned by the OSCE Office in Yerevan, confirmed that in the period between 2002 and 2007 labor migrants dominated the external migration flows from Armenia. In the specified period of time, labor migrants constituted 94% of all migrants, while only 3% left Armenia with a purpose to permanently reside abroad, and 2% had an intention to study abroad. This is to say that the situation has significantly changed since the beginning of 90's when, due to the economic and social dislocation, between 800,000 and 1,000,000 people have permanently emigrated from Armenia and joined the sizeable Armenian Diaspora in Russia, Ukraine, USA and countries of Western and Eastern Europe.

Annually, about 60,000 labor migrants go to seek jobs in Russia, mainly in the construction industry. As a matter of rule, these migrants return to Armenia to visit their families at least once a year. They do not wish to relocate their families to Russia to settle there permanently. At the same time, they do not want to return to Armenia permanently, because they cannot find decent employment that would pay sufficiently to sustain their families. Should they however be able to find such an employment, they would be ready to return to Armenia permanently.

As for the returnees, since 2002 about 55,000 migrants have returned to Armenia and decided not to leave for abroad, at least in 2008. The biggest group among the permanent returnees are temporary labor migrants who decided to discontinue their engagement in labor migration. A smaller group of returnees are those who migrated in 1990s "permanently" but have moved back to Armenia since 2002.

The study revealed that in general, the competitiveness of returnees in the domestic labour market, as well as their average monthly salary is increased if compared with regular employees. However, while returnees have a positive influence on the hiring company in terms of skills and technology transfer, their contribution to the origin country in terms of investment, job creation and business development appears to be limited. This should alert policy-makers on exploring possible ways to enhance the development potential of return.

Emigration of skilled human resources

The results show that for many professional groups there is a mismatch between the supply and demand of the labor force in Armenia. More often than not, the Armenian labor market simply cannot absorb the labor which is available at the labor market. At times it seems there are too many specialists in a given professional group (such as Economics and Management, or Humanities and Social Sciences). Very often, however, the qualifications of graduates of Soviet education institutions are no longer needed by the employers, and young graduates of Armenian secondary specialized and tertiary education are equally not equipped by the necessary set of skills.

Currently, the most demanded specialists in the Armenian labor market are construction specialists and programmers. The employers of construction and IT industries are most worried about the recruitment of skilled labour. In the case of IT specialists, the problem seems to narrow down to an insufficient quantity of highly skilled specialists trained in Armenia. Whereas the construction industry suffers most from the emigration of skilled labour to Russia.

Regarding the impact of outmigration in general, and that of skilled workers in particular, on Armenia's development, it can be concluded that the impact is most likely mixed. The high unemployment data in Armenia suggest that the migrants, who were unemployed in Armenia, are not a net loss to the Armenian economy, though this may change over time. For example, as certain industries develop in Armenia, they may 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.

It is recognized that migration of excess labor force helped to relieve some of the pressures. Yet, Armenian migration is not clearly embedded in the "virtuous migration circle" in which workers who would have been unemployed at home find jobs abroad, send home remittances that reduce poverty, and are invested to accelerate economic and job growth, and return with new skills and technologies that lead to development of new industries and jobs.

The response of the Armenian education system to signals from local and global labour markets

The research shows that, in spite of plans to further develop and reform Armenia's professional education system in such a way as to align it as closely as possible with the international standards, both public and private vocational and tertiary education institutions have still not adequately responded to the needs of not only the international, but even the local labor market in terms of quantitative criteria, structure, or qualitative features (including the teaching of foreign languages and the delivery of IT skills). To a certain extent, it is due to the scarcity of financial resources, problems in the legal framework, the outdated and depleted facilities and laboratories, and finally, faculty shortages and qualification issues.

Armenian policies and international best practices of enhancing the development potential of migration

No policies or mechanisms have been formulated in Armenia so far to attract investment, skills and technology transfer from migrants, or to facilitate the return of skilled migrants on a temporary or long term basis. With regards to labour migration, in contrast with the past, there seem to be an important external factor, namely the European Neighborhood Initiative that could positively influence the elaboration of Armenian migration policies. As Armenia develops (in the framework of the European Neighbourhood Policy) a National Action Plan on Migration and Refugee Issues, this could reinvigorate the discussion on migration policy settings in Armenia, and mitigate some of the tensions between various actors. It could put migration and development more strongly on the development agenda.

Compared to countries in the region, or even globally, policies and mechanisms to mobilize diaspora support for development in Armenia, is relatively advanced. This is as much, if not more, as a result of the motivation and efforts of the diaspora itself. The establishment of the new Ministry for Diaspora Affairs should lead to better coordination of diaspora initiatives.

Governments such as those of Germany, Russia and Kazakhstan have policies to encourage/facilitate return and settlement of compatriots. The Philippines has programmes for the reintegration of labour migrants funded by receipts from a Migrant Welfare Fund. Both the governments of India and the Philippines have mechanisms for the temporary return and placement of scientific personnel. The return of qualified programmes has been implemented globally by the International Organization for Migration (IOM) for a number of years facilitating both long term and short term return. This has been done in respect of Africa, and in post conflict zones (Iraq and Afghanistan). Taiwan has had one of the most comprehensive reverse brain drain programmes, and its 1990 census indicated that around 50,000 highly skilled expatriates returned to Taiwan during the 1985-90 period (Hugo, 2003).

Recommendations

The main recommendation of the study in the area of labour migration and return in terms of the institutional framework is to designate a lead ministry for its governance and then establish an inter-ministerial commission for coordination.

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 that the country sees. More resources need to be invested by the government into support services to protect the labour and human rights of migrant workers abroad.

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 and expertise.

As Armenia consciously reaches out to its diaspora, it is good to have a typology that outlines conceptually the various types of resources, and the means to tap them. Diaspora investment can be soft, (in the form of knowledge resources) and/or hard, (in the form of financial resources). The latter, in turn, can cover remittances or private transfers, portfolio or financial investment, sectoral or targeted business investment and/or director general business investment. The quest to mobilize diaspora resources requires measures to stimulate all these types of investments.

As the required and available knowledge covers a wide spectrum, several tracks along which the knowledge- sharing and transfer can be facilitated can be identified.

The first track of knowledge resources concerns the resources to be leveraged under a vocational training programme (VETP). Components like training and reskilling, capacity-building in SMEs, finishing schools, entrepreneurship development, etc. are ideally suited for diaspora participation and investment. The business model can allow both the diaspora's own personal expertise and outsourced expertise put together/managed by the diaspora. The latter option will bring in diaspora entrepreneurship as well.

A second track can be developed on the assumption that the Armenian diaspora is well placed in academics circles, and can get increasingly involved in collaborative R&D projects in their home countries. To achieve this, the authorities concerned can launch a Brain Bank Scheme (BBS) to provide for on-line registration and give it great publicity. BBS could seek proposals for collaborative R&D from the diaspora as per their interests and priorities. The essential point is that through such ventures spawned by the diaspora, Armenia can hope to become a recognized R&D centre in the region. Members of the diaspora academic community can also be co-opted as members of advisory panels.

The financial resources of the diaspora materialize through one of three modes. The first is through remittances. Remittances are in the nature of private transfers, and are accounted for as such in Balance of Payments (BoP) accounting. The second is through what is commonly called portfolio investment, mainly in equity and debt instruments traded on the stock exchange. The third is direct investment in starting new businesses. In the context of mobilizing the Armenian diaspora, all these three modes are important.

Portfolio investment refers normally to investments in equity and debt instruments through the capital market. The narrow breadth and depth of the local stock market is a limiting factor. The absence of a vibrant Mutual Fund (MF) industry is another possible constraint. A possible way out is to step up the range of products offered to diaspora investors. The diaspora is a significant force whose savings can and need to be tapped. "Personal Wealth/ Investment Management" services can be offered to them more aggressively. Trading in regional/overseas securities and MFs can be encouraged.

Investments in bank deposits are another means of resource flows from the diaspora, driven by interest rate differentials and expectations on interest and exchange rate movements. If these are not carefully calibrated, there is possibility of arbitrage and speculation. Given their medium-term BoP outlook, Armenia can take a call on whether they want to make a play for a steady flow of diaspora deposits to buttress their current account and if so, at what incremental cost. One practical way to test the waters is to advise banks to come up with attractive pilot schemes with competitive returns net of inflation and depreciation to attract the diaspora.

The Armenian diaspora is heterogeneous, comprising the old and the new diasporas. The strategy to attract investments from the diaspora should be refined to offer differentiated options to distinct segments of the diaspora. The contacts of the diaspora could also be used to project Armenia as a regional investment destination for R&D, contract research, outsourcing, etc. This calls for a concerted marketing drive that can highlight the comparative advantages of Armenia. Obviously, such a campaign has to be led by the Government agencies.

INTRODUCTION

A survey of external migration processes in Armenia for 1991-1998 estimated net emigration during the period at 760-780,000 persons (Ministry of Statistics/TACIS 1999). This amounts to almost 20% of the population at independence (in 1991). Net emigration has however sharply fallen since the peak in 1992-94. A survey by OSCE for the period 2002-2005 found that almost 90% of labour migrants surveyed went to Russia. Over 40% had Moscow as the destination. In addition to labour migrants, there is a large Diaspora of Armenian origin particularly in the USA, France and Lebanon.

Armenian migrants make an enormous contribution to the economies of host and origin countries. The amount of remittances sent home by migrants from Armenia through official channels is over US\$ 1 billion million or 19% of GDP in 2006 (World Bank). The UN High-level Dialogue on International Migration and Development in September 2006, and Global Forum on Migration and Development a year later, have recognized the nexus between migration and development. The effective governance of labour migration entails making migration work better for development, enhancing possible benefits such as financial flows, technology transfer and entrepreneurship and mitigating negative consequences such as loss of skilled human resources.

While there have been studies concerning Armenia on labour migration and remittances, this is the first study in the framework of migration and development.

From a study of migration statistics, secondary sources, a returnee survey commissioned by OSCE and case studies, the research describes the characteristics of external migration, including the volume of labour emigration, its nature (temporary, seasonal or permanent), the countries of destination, the profile of labour migrants, occupations in countries of destination; incidence of temporary or permanent return, profile of returnees and contribution in terms of job creation and technology transfer.

Furthermore, the research examines the demand and supply of skilled workforce in Armenia, and reflects on the causes and consequences of emigration of skilled human resources. The research also looks at the changes that have taken place in the Armenian education system in terms of quantity and quality of education offered, international accreditation and certification, language skills, private sector response and allocation of resources by the State.

The research reviews the current policies to attract investment, savings, technology transfer from migrants, and policies for the return of qualified, makes a typology of Diaspora initiatives, as well as containing a description of effective practices that have been developed internationally, particularly in Asia. The concluding chapter of the report offers recommendations for meaningful policy measures aimed at enhancing the development impact of migration and mitigating adverse consequences. The subject of remittances to Armenia and how its development impact can possibly be enhanced through mobilisation of savings and investment is examined in a complementary study concurrently commissioned by ILO.

CHAPTER 1: TRENDS AND PATTERNS IN EMIGRATION AND RETURN

1.1. GENERAL OVERVIEW OF EXTERNAL MIGRATION FLOWS

This chapter draws on the findings of three nationwide surveys – Labour Migration from Armenia in 2002-2005, Labour Migration from Armenia in 2005-2007 and Returnee Survey 2008 (covering the period between 2002 and 2007), which were implemented by AST with the financial support of the OSCE Office in Yerevan. Additional primary data was collected for this report through focus groups with returnees and semi-structured interviews with employers.¹

The types of migration flows identified were labour migration, permanent migration, migration of students, and migration for other purposes (such as visiting relatives or seeking medical assistance). Permanent migration, labour migration and student migration are discussed in more detailed below.

KEY DEFINITIONS: For the purpose of the surveys, *“labour migrants”* were defined as persons who left Armenia with a purpose to find employment abroad in a given timeframe (i.e. 2002 – 2004 or 2005 – 2006) and stayed abroad for at least three months, irrespective of whether they found employment or not. A *“permanent migrant”* was defined as a person who has left Armenia with the purpose to establish permanent residency abroad, irrespective of whether he/she has succeeded or not to do so. A *“student migrant”* is a person who has gone abroad to study, this does not include persons who went abroad for a short-term training. The group of *“returnees”* is defined as temporary or permanent migrants who left Armenia to live, work or study abroad and have returned to Armenia between 2002 and 2007. The term *“permanent returnees”* refers to those returnees who came back to Armenia and were not planning to leave in 2008, while the term *“temporary returnees”* refers to those who had plans to leave again.

The latest data acquired through the Returnee Survey 2008 confirmed that in the period between 2002 and 2007 labour migrants dominated the external migration flows from Armenia. In the specified period of time, labour migrants constituted 94% of all migrants, while only 3% left Armenia with a purpose to permanently reside abroad and 2% had an intention to study abroad.

This is to say that the situation has significantly changed since the beginning of 90’s when, due to the economic and social dislocation, between 800,000 and 1,000,000 people have permanently emigrated from Armenia and joined the sizeable Armenian Diaspora in Russia, Ukraine, USA and countries of Western and Eastern Europe.

A more detailed analysis of permanent emigration would require a separate in-depth survey focused solely on this type of migration. However, the findings of Labour Migration Surveys allow for some conclusions about the attitudes of population in Armenia towards permanent migration. Several correlations were made, out of which two were important: (1) between attitudes and presence/absence of migrants in the families and (2) between the attitudes and education. Families that were involved in labour migration mostly regarded permanent migration as a positive

¹ The methodology and findings of the Employers’ Survey are covered in more detail in Chapter 2.

phenomenon in contrast to those that did not participate in migration. This finding might actually suggest that the respondents would not object if their family members who left the country to work abroad temporarily, would have eventually stayed in the host country permanently. Interestingly, the attitude of persons with no formal education and those with post-graduate education differs a lot. While only one-third of those with no formal education regard permanent migration as a positive phenomenon, an overwhelming majority of persons with post-graduate education exhibits a positive attitude. Even though this information *prima facie* may seem useful only for statistical purposes, it may actually alert the policy-makers of possible developments in the area of permanent emigration and brain-drain.

Returnee Survey 2008 allowed for the comparison of the destination countries of permanent migrants, labour migrants and student migrants. The Russian Federation was the most popular destination for all migrants. Among labour migrants, 96% travelled to Russia. Russia is also clearly the main destination for permanent migrants, 71% of them have settled there. The situation is more mixed with student migration: more than half of student migrants (56%) go to study to Russia, but 26% go to the European Union.

Table 1.1 Countries of destination

Types of migrants	Russia	Ukraine	Other CIS	USA	Europe	Other
Permanent migrants	71,0	9,1	5,9	4,6	8,1	1,3
Labour migrants	96,2	2,0	0,3	0,5	0,6	0,6
Student migrants	56,4	0,6	0,0	7,3	26,3	9,5

Source: AST/OSCE Returnee Survey 2008; time period: 2002-2007

1.2. LABOUR MIGRATION

1.2.1. Labour Migration Rates and Destinations

Between 2005 and 2006, approximately 14.5% of Armenian households were involved in labour migration. In the overwhelming majority of cases (four-fifths), one member of the family had left to work abroad; the rest of the families had mainly two labour migrants while the number of families with three migrants is statistically insignificant. The actual labour migration rate, i.e. percentage of population involved in labour migration, stood at 3.4% and the absolute number of labour migrants between 96,000 and 122,000.

The Russian Federation is by far the most popular country of destination for Armenian labour migrants. The percentage of migrants who worked in Russia has increased from 88% between 2002 and 2004 to 93% in the 2005 and 2006. Moreover, with the Returnee Survey 2008 data on year 2007, the ratio of labour migrants to Russia for the whole period of 2002-2007 reached 96%. The main reasons why the overwhelming majority of the migrants chose to go to Russia, was the presence of friends and relatives, and the fact that the job search seemed easier in comparison to other countries. Other reasons include knowledge of the destination country language, low barriers for entering the country, absence of visa

requirements and a large Armenian Diaspora. With the overwhelming majority of Armenian labour migrants looking for jobs in Russia, mapping the labour migration flow meant reformulating the key question of “to which country” to “where in Russia”. The surveys reported that most of the migrants looked for jobs in Moscow. Other popular destinations in Russia are St. Petersburg, Tumen, Chelyabinsk and Rostov.

As previously mentioned, the overwhelming majority of labour migrants found (or have been trying to find) jobs in Russia while the biggest share of the remaining migrants opted for the EU countries with France being the most frequently named destination, followed by Germany, Greece, Denmark, Spain, Poland, Belgium and Bulgaria. Similarly to Russia, the presence of the Armenian Diaspora is one of the reasons behind the choice of France. Approximately every third labour migrant that did not choose to work in Russia decided to migrate to the USA. These results were rather predictable given that the studies used covered only those migrants who live(d) and work(ed) abroad for a certain period of time. The map of labour migration would look different if the “chelnoks” (individual traders conducting short-term visits to foreign countries to import and export goods) were included: e.g. the proportion of migrants to Turkey and Iran in the overall migrant population would definitely be significant.

1.2.2. Social-demographic profile of the labour migrants

The overwhelming majority of the Armenian labour migrants are married men of ages 21-50. The percentage of women migrants dropped from 14.1% in 2002-2004 to 6.5% in 2005-2006. Extrapolation of the data to the general population allowed estimating 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 2005-2006.

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

As far as the educational attainment is concerned, more than half (53%) of the migrants who looked for jobs abroad in 2005-2007 had professional education (vocational or tertiary). At the same time, the migration activity of persons with tertiary education was found to be low in comparison to those with lower levels of education: the survey reported labour migration of 7% of university graduates and close to 11% of those with vocational and secondary education. The comparatively low migration activity of persons with tertiary education may well be explained by the higher demand for them in the domestic labour market.

The survey covering the period from 2005 to 2006 recorded two remarkable differences in terms of regional specifics of migration activity: (1) in Yerevan the percentage of households involved in labour migration has dropped from 10.5% to 7.3%, and the actual migration rate was almost cut in half and (2) an increased involvement of the rural population in labour migration. As a result, the migration activity of the urban and rural population is almost the same. This relatively sudden change merits some explanation, and is probably reflected in the improvement of economic and living conditions in Yerevan as compared to the rest of the country.

1.2.3. Motivation to Migrate

The research showed that the main reasons behind the decision to migrate were connected with employment problems in Armenia, be it the lack of jobs in general, lack of jobs that pay sufficiently for a decent living, or the absence of profession-specific jobs. It is interesting to note that while middle-aged migrants paid most attention to the issue of remuneration, the majority of those aged 21-30, and 51 and above, decided to leave because they were unable to find a job in Armenia. This outcome might be explained by the fact that it is generally easier for the secondary-aged population to find a job. A bigger demand for middle-aged people in the labour market is natural, since the young do not bring enough work experience, and the elders may not possess the skills required by the current market. This is why the secondary-aged population is concerned not only with finding a job, but with finding a “good” job. In this sense, it is also reasonable that migrants with higher and post-graduate education have higher expectations from their jobs than the rest, and state as the main reason for leaving Armenia that they were not paid enough. The majority of those with lower levels of education claimed they could not find jobs in Armenia at all. Other reasons include the absence of development perspectives in Armenia, obstacles to doing business, an undesirable moral and psychological atmosphere, and an unstable geopolitical situation.

The absence of jobs in Armenia, regardless of whether we speak about stable jobs, well-paid jobs or any jobs, deservedly takes the spotlight in the discussion about the reasons for labour migration. However, some other reasons may account too for the Armenian migration activity. One of them is the tradition of “khopan” (Armenian folk term for leaving to work abroad). Surveys showed that in some villages, from which many men have been continuously leaving to work abroad over a long period of time, labour migration has become a traditional way of providing for families. Many young men from these villages leave to work abroad after they have completed their military service. At this point in time they have to think about how to earn money for their future family. These young men do not make serious efforts to find a job in Armenia; they just leave, as their fathers or uncles did before them.

Another stimulus for labour migration, though not very widespread, was mentioned mainly by young men. They wish to leave their home village and live in a more cultural and socially vibrant environment (such as a town). They often try to settle in marz centers or Yerevan. There are many active people amongst them, who put their skills and abilities, in different fields, to the test, both in Yerevan and marz centers. A number of them, at a later date, come to the conclusion that neither in Yerevan nor in marz centers will they be able to find a job that would enable them to make ends meet, and hence leaving for Russia becomes an alternative.

Another factor informing the decision to leave Armenia and work abroad is the need to make investments or to shoulder additional costs. For example, these would be the cost of educating children - hiring a tutor, covering the university fees or the need to support children who moved to another town within Armenia in order to further their education, wedding expenses, the purchase or renovation of a flat/house, start-up expenses for own business etc. It is interesting to know that every fourth migrant was planning to earn money to repair the family house, while every fifth aimed to pay for education of children, or procure durable products such as furniture, household appliances, and the like. These are heavy financial burdens at home and the income from work in Armenia is often enough only for basic everyday expenses, but insufficient to cover these additional expenses. Often women who travel abroad to visit their husbands or other relatives, see their trip also as an opportunity to earn some extra money during their stay.

1.2.4. Organization of Migration

The 2002 – 2005 survey detected that only a minority of migrants had made concrete arrangements regarding the nature of their work, the remuneration, and the housing conditions prior to arriving in the host country. Every second migrant did not have any idea about the salary he/she would receive; every third did not know what type of job would be awaiting him/her, while every fourth migrant did not make even the basic housing arrangements. By and large, the migrants have organized their trips without any assistance from a third party and only every third migrant received some assistance from friends and/or relatives in the host country. Local and foreign companies as well as individual intermediaries participated in the organization of migration in a very few cases. In the cases where some assistance was provided, it mostly included job search help, assistance with accommodation and food, covering of travel expenses or money loans to tide the migrants over during the first few months in the host country. Some migrants were given assistance in obtaining entry visas where required. As for the financing of the trip, a significant portion of the migrants were able to cover the expenses from their household budgets. However, in the majority of cases, the migrants had to take out a loan or were even forced to sell their property. In very few cases the cost of the trip was covered by the future employer.

According to the 2005 - 2007 survey, the majority of migrants have planned and made the necessary arrangements for their trips in advance. Most of the migrants found the job prior to leaving Armenia, and the majority of this group reached, at the same time, certain agreements regarding the job such as job description, salary and working conditions. The motivation of the migrants to secure a job and clarify the terms before leaving for another country is most probably determined by previous migration experiences - both personal and that of others. Another possible explanation is the increase in the percentage of migrants whose trips were organized through intermediaries. In most cases the trips were arranged by the friends and relatives of the migrant in the host country, while approximately one-fifth of migrants used either the services of private intermediaries abroad or private intermediaries in Armenia. Also the percentage of migrants who used the services of local and foreign recruitment agencies increased, albeit only slightly. The majority of intermediaries promised to assist the migrants with the job search. The remaining intermediaries promised to cover the travel costs, make accommodation arrangements, or loaned funds to the migrants for travel related expenses. The overwhelming majority of the respondents claimed that the intermediaries had fulfilled their commitments in full or at least in part.

1.2.5. Length of Stay Abroad

A significant number of migrants did not plan the duration of their stay abroad. Those, who did, were on average planning to stay for eight months. Only a small number of the migrants were planning to stay in the country for less than three months or longer than a year.

Many surveys on external migration processes have pointed out the seasonality of emigration and remigration flows. The majority of (seasonal) migrants have a tendency to leave the country either in the beginning or in the end of spring and return to Armenia by the end of autumn/beginning of winter. As for the duration of the trip, the majority of migrants stayed abroad between 5 and 11 months. Consequently, the mean actual duration of the trip was nine months, which is in fact somewhat longer than the average duration initially planned by the migrants. Moreover, while only every tenth migrant was originally planning a long-term trip, every fifth migrant had actually spent more than a year in the host country. At the same time, only one-third of the migrants who originally planned to return to

Armenia in less than three months did eventually come back to Armenia within the specified period of time.

It is worth noting that the duration of the trip depends on the destination country. The average duration of the stay in Russia was nine months, whereas in the EU the average duration of the stay was six and a half months while in the USA the length of the stay was only two months. The influence of the length of the stay on family relations merits a mention since in the majority of cases where migrants' families considered migration a positive contribution to the atmosphere within the family, the migrants had usually spent less than 8 months abroad. In contrast, the mean duration of the trips of those migrants whose families were concerned about the negative psychological consequences of the separation is 10.5 months.

1.2.6. Occupation in the Destination Country

The majority of migrants (close to two-thirds) were provided with information regarding the job opportunities by their friends and relatives living in the host country. This is consistent with the fact that the migrants are most likely to leave for the countries where their relatives are already residing. Where this was not the case, the migrants searched for a job on their own after they arrived in the destination country. Very few of them used the services of local employment agencies or obtained information about job vacancies from the mass media. The majority of migrants started working almost immediately, or within 30 days of arriving in the host country, and every tenth migrant needed 1-3 months to find a job. A very small, bordering on insignificant, number of migrants were unable to find a job.

Before engaging in labour migration the majority of employed migrants had permanent jobs. In contrast, the type of employment of the migrants in the host countries was mostly temporary in nature. The most frequent sphere of employment of the Armenian labour migrants is construction: two-thirds of them are engaged in this field. Next, though six times smaller in proportion, are trade and public food. As for the position of the migrants, close to three-quarters of them were employed as workers, which is double the percentage of workers among those that were formerly employed in Armenia. Consequently, the proportion of the migrants holding the positions of managers, white collars and self-employed is much lower.

The mean duration of the migrants' working day is 10.5 hours. The majority of migrants were/are working full-time (8-10 hours) or in 12-hour shifts, while the remaining migrants worked either part-time or claimed to work more than 12 hours a day. Less than half of the labour migrants had regular days off. Each fourth migrant did not have any days off. The most probable explanation for the absence, or lack of, leave days, as well as for the extended working day is that only very few of the labour migrants had a written agreement (employment contract) with their employers in the host country. In the overwhelming majority of cases relations with the employers were based solely on verbal agreements. This is the main reason why in every third case the employers failed to comply with the initial agreement or fulfilled its terms only in part. Moreover, for some migrants the labour relations were not regulated at all (not even via a verbal agreement).

Another possible explanation for the absence of regular off duty days and leave is the fact that migrants are mostly concerned with how much they will earn. In the field of construction, they are paid based on work performed. This is the reason why migrants employed in the construction industry often prefer to work long hours, including weekends. At the same time, despite the risk the migrants (and also the employers) were taking when entering into labour relations without a proper legal basis, it seems that

both sides were in most cases rather satisfied with the outcome. The great majority of the migrants were satisfied with the extent to which the employer had adhered to the terms of initial agreement (be it written or verbal). It can be assumed that the employers preferred informal labour relations because that helped them avoid paying taxes.

In the area of remuneration, the survey covering the period from 2002 to 2005, indicated that the majority of migrants earned between 250 and 500 USD a month, while the remaining migrants were making either less than 250 USD or more than 500 USD. According to this survey the mean monthly income of the migrants in the host country was 410 USD with minimum and maximum of 100 and 1500 USD respectively. Although in gross terms the average income was four times higher than what the migrants used to earn in Armenia, it is apparently not much higher in net terms. If we consider the short duration of the trips, it seems that with a monthly income of 400-500 USD the migrants would only be able to pay off their debts (if any) and cover the direct migration related expenses, such as travel costs and living costs in the host countries (which even in Russia are higher than in Armenia). This finding could indeed put the economic efficiency of the labour migration in doubt unless the migrants' reported incomes were not intentionally underreported.

The 2005-2007 survey recorded a significant change in the sphere of remuneration of migrants. Namely the survey reported a more than 50% increase of the average monthly income (from 410 USD in 2005 to 643 USD in 2007). More than half of those who worked abroad in 2005-2006 earned between 400 and 800 USD a month. Given the mean monthly income of 643 USD and the mean duration of the trip (8 months), an average migrant should have received a total income of about 5140 USD. However, this considerable income increase merits a caveat i.e. it is important to mention that considering the depreciation of the US dollar over the last two years, the significant increase of the absolute figures does not mean that the real incomes of migrants have grown as much. Their average monthly income has de facto risen by only 16% - from 193,000 AMD (equal to 410 USD at the beginning of 2005) to 224,000 AMD (equal to 643 USD at the beginning of 2007). Considering the increase of prices in Armenia, even this 16% rise in real income is hardly enough to make any difference in the lives of the migrants' families back in Armenia. In this context, it was not at all surprising that the average income the migrants said they needed to earn in Armenia in order not to migrate abroad was 200,000 AMD (or about 570 USD). In 2005, it was 340 USD.

1.3. RETURN

1.3.1. Return Statistics²

The survey allowed for the estimation of the total number of people involved in external migration processes in the period of 2002-2007 at 230,000 \pm 15,000, or 9.8% \pm 0.6% of the Armenia's de jure population (ages 16 and above).³

About 38% of the migrants (or approximately 90,000 people) left Armenia before 1 January, 2002.⁴ Each third of these migrants (32%) left Armenia with a purpose to establish permanent residence abroad, while the others planned temporary migration (mostly work and study). About 8% of the

² All data in this section refers to AST/OSCE Returnee Survey 2008, unless specified otherwise

³ This group includes migrants, who have left Armenia with a purpose to establish temporary or permanent residence abroad and does not cover those who conducted short-term business, tourist other visits.

⁴ Reasonably, the survey could not cover the vast number of families, which left Armenia during early 90's. The estimated 90,000 migrants come from households, where at least one member still stays in Armenia.

temporary migrants, however, decided to permanently settle in the destination country, and therefore the percent of permanent migrants within this group reached 40%.

The ratio of permanent migrants is significantly lower among those migrants who left Armenia after 2002. Only 4% of them left the country with an initial purpose to permanently reside in the destination country. The percent of permanent migrants in this group, however, reaches 21%, since each fifth migrant who did not plan to permanently settle abroad considered this opportunity later on.

The return rates and the absolute number of returnees are estimated in Table 1.2 below.

Table 1.2 Incidences of temporary and permanent return

Group	Have not returned to Armenia		Returned at least once in 2002-2007		Do not plan leaving in 2008	
	Percent	Absolute number	Percent	Absolute number	Percent	Absolute number
Migrants who left Armenia before 2002	36%	32,000	64%	58,000	26%	23,000
Migrants who left in 2002-2007	19%	26,000	81%	114,000	23%	32,000
Total	25%	58,000	75%	172,000	24%	55,000

Source: AST/OSCE Returnee Survey 2008

In other words, each fourth Armenian migrant can fall into the category of “permanent returnees”, assuming that the incidences of permanent return are counted based on the number of migrants who do not plan leaving Armenia (at least) in 2008. Longer term projections seem irrelevant, since the respondents could not possibly be certain about migration intentions they might have in the more distant future.

1.3.2. Social-demographic profile of the returnees

Tables 1.3 and 1.4 (see next page) compare the social-demographic profiles of the permanent migrants, temporary and permanent returnees.

Table 1.3 Social-demographic profiles of the migrants and returnees

Group	Gender		Mean age	Place of residence in Armenia		
	Men	Women		Yerevan	Other urban settlements	Rural settlements
Permanent migrants	72%	28%	35	31%	30%	39%
Temporary returnees	85%	15%	38	19%	37%	44%
Permanent returnees	72%	28%	41	34%	36%	30%
All migrants	79%	21%	38	26%	35%	39%

Source: AST/OSCE Returnee Survey 2008; time period: 2002-2007

The data leads to several important conclusions. Firstly, it can be noted that although the gender breakdown of permanent emigrants and permanent returnees is the same, those migrants that chose to permanently reside abroad are younger than those who decided to return to Armenia. This suggests that most of the migrants make the decision to permanently emigrate at an earlier age, while the decision to return to Armenia is usually made at a later stage, possibly after several years of temporary labour migration.

Secondly, the survey recorded that the rural population is not only the most active in temporary labour migration but in permanent migration. Their decision to stay abroad was most probably conditioned by lack of opportunities for decent living through small-scale farming.

The fact that Yerevan hosts half as many temporary returnees than other regions of Armenia can be explained by the labour migration activity which is much lower in Yerevan than in smaller towns and villages, as discussed earlier in this chapter.

Furthermore, the survey brought up an interesting finding that the percentage of persons with professional education is almost equal in the groups of permanent migrants, temporary and permanent returnees (see Table 1.4 on the next page). This is to say that the level of education does not seem to influence the migrants' decisions to return, and also that there is no explicit tendency for people with higher levels of education to permanently emigrate from Armenia. In fact, as Chapter 2 will demonstrate, highly skilled labour (persons with tertiary education in particular) shows lower migration activity, which is mostly conditioned by bigger access of skilled labour to the domestic labour market.

Although the level of education was found to have no effect on migration and return patterns, a remarkable finding was that the professional breakdown of permanent migrants, temporary and permanent returnees differed significantly. While economists of various profiles had the biggest shares in the groups of permanent migrants and temporary returnees, very few of them considered the opportunity to return to Armenia permanently. In contrast, the health and education specialists were quite active in permanent migration and permanent return, but showed very low temporary return rates. These findings can be explained by the specifics of supply and demand of labour force in Armenia, as well as migration patterns of various professional groups. The significant surplus of economists in the Armenian labour market makes it difficult for them to find employment, and hence many economists are looking for job opportunities overseas. Health and education specialists, on the other hand, rarely engage in temporary labour migration (see Chapter 2 for more details).

Table 1.4 Social-demographic profiles of the migrants and returnees (continued)

Group	Country of temporary or permanent residence	Percent having professional education	Main professional group(s)
Permanent migrants	Russia (77%) USA (5%) Ukraine (3%) Other Europe (10%) Other CIS (3%) Other (2%)	40%	Economics (13%) Architecture and Construction (12%) Education (12%) Medicine (12%) Arts and Culture (9%) Natural Sciences (7%)

Temporary returnees	Russia (94%) USA (1%) Ukraine (2%) Other CIS (1%) Other FSU (1%) Other (1%)	39%	Economics (17%) Architecture and Construction (15%) Humanities and Social Sciences (10%) Natural Sciences (7%)
Permanent returnees	Russia (85%) USA (2%) Ukraine (4%) Other Europe (3%) Other CIS (3%) Other (3%)	40%	Humanities and Social Sciences (18%) Architecture and Construction (11%) Education (11%) Mechanical Engineering (11%) Medicine (9%)
All migrants	Russia (87%) Ukraine (5%) USA (3%) Other Europe (8%) Other CIS (4%) Other (3%)	39%	Economics (13%) Architecture and Construction (13%) Humanities and Social Sciences (11%) Mechanical Engineering (9%) Education (8%) Medicine (8%)

Source: AST/OSCE Returnee Survey 2008; time period: 2002-2007

1.3.3. Motivation to return

The quantitative survey of returnees addressed the push and pull factors for migration and return.⁵ As previous researches have pointed out, the push factors from Armenia are predominantly economic. The decision to migrate was most frequently determined by low wages in Armenia, urgent need for money and lack of access to financial resources, no or few jobs for people with certain professional backgrounds. The intention to leave Armenia was sometimes supported by the unpredictability of the future and weak social protection system. Relatives or friends living in the destination country, and hence relative easiness of finding employment, were the most influential factors in terms of choosing that specific country. Another pull factor was the knowledge of the language. Both factors seem to be typical for migrants leaving for Russia.

When it came to motivation to return, homesickness and family living in Armenia played the most significant role. The focus groups with returnees reiterated the findings of the quantitative survey and showed that the key motive to return to Armenia was that the migrants could not live any longer without their families and either did not have the opportunity or did not want to take them to the host country.

The decision to return is strengthened in cases when employment opportunity becomes available in Armenia. Most of those who have found a job in Armenia, either found it through friends and relatives when still abroad, or returned for a short time to try to find a job. One of the returnees who found a job

⁵ Quantitative data in this and consequent sections of this chapter is based on the responses of 75 permanent returnees.

in Armenia commented during the focus group that he *“used to earn more in Russia, but here I am at home with my family, I feel safe and I do not have to rent an apartment.”*

The difference in lifestyle and social values in Armenia and abroad (mostly in Russia) is another factor that contributes to return.

However, many of the focus group participants believed that migrants who decided to return were either those few lucky ones who managed to find a good job in Armenia, or those who did not succeed abroad, have problems with the law, are already too old to work or have health problems. *“Once you go and earn enough to ensure normal living conditions for your family, it is very difficult to return. First you want to provide for their basic needs, then you want to purchase some house appliances, then you want to renovate your apartment, it goes on and on (...) when you get used to decent living standards it is very difficult to return.”* This helps explaining why permanent return is much rarely encountered than temporary return.

1.3.4. Experience and skills acquired abroad

Two thirds of the returnees assess their migration experience as rather useful or very useful in terms of acquiring or enhancing knowledge and skills. More than half of them found it useful in terms of enhancing language skills, each third returnee stated he or she improved job-related knowledge and skills, while the others benefited from the migration experience in terms of know-how in modern technologies and soft-skills.

Although half of the returnees stated that their migration experience had no effect on their competitiveness in the Armenian labour market, about 40% of the returnees claimed that it actually increased their chances to find good employment. Most of them believed that the experience acquired abroad made it easier to meet the requirements of the employers, and, having returned to Armenia they could aim for higher remuneration. This finding was supported during the interviews with employers, who confirmed that the specialists who previously studied or worked abroad would usually take managerial positions and be offered higher wages.

The positive impact of migration experience on competitiveness of the returnees in the domestic labour market is further sustained when comparisons are drawn between their employment status and incomes before migration and after return. The percentage of employed persons has risen from 46% to 53%, and the average monthly incomes have actually doubled (from 31,000 AMD to 64,000 AMD).

On the other hand, the focus group participants argued that one of the biggest problems they faced when they returned to Armenia was that employers did not want to hire people over the age of 40, whereas *“no one cares how old are you abroad. The only thing they [the employers abroad] care about is how well you do your job”*.⁶ This would point out to age discrimination, which is in fact prohibited by the law, but is often practiced by the employers due to big surplus of labour force in the Armenian labour market. This allows assuming that permanent returnees (whose mean age was found to be 41) may face more and more problems with finding jobs in Armenia, if the situation in the labour market remains unchanged.

⁶ See Annex 1 to Chapter 1 for full report on the results of focus groups with returnees

1.3.5. Contribution of the returnees in terms of investments, job creation, business development, technology and skills transfer

Regarding the contribution of returnees to development in Armenia, the research suggests a mixed picture. It is significant, that the nationwide representative survey on returnees did not reveal a single case of business investment and business development, or job creation by returnees. This is not to rule out that there are no such cases, but they would be infrequent.

Although the majority of the returnees assessed their migration experiences as very good or rather good in terms of economic efficiency, further findings suggested that the money earned abroad was mostly used to provide for the basic needs of the families back in Armenia, and to cover the migrants' travel and living costs abroad. Some returnees have used the financial resources to acquire durable products or renovate the house in Armenia, and few have paid for the education of the children or acquired real estate in Armenia. Moreover, only six permanent returnees said they managed to generate some savings. Four of them were planning to start their own business in Armenia in 2008.

As far as the transfer of skills and technologies is concerned, the employers who had returnees on staff claimed that the education and work experience gained in foreign countries had positive influence on their business. General feedback of the employers was that the returnees would usually share their experience and knowledge with their colleagues, which has been especially useful in terms of innovations.

1.4. CONCLUSIONS

The data on migration from Armenia show that there are no massive migration flows of permanent migrants. This marks a different trend, when compared to the migration flows of 1990s, where permanent migration seemed to feature more prominently.

Currently, the most important migration flow is of temporary labour migrants. Annually, about 60,000 labour migrants go to seek jobs in Russia, mainly in the construction industry. As a matter of rule, these migrants return to Armenia to visit their families at least once a year. They do not wish to relocate their families to Russia to settle there permanently. At the same time, they do not want to return to Armenia permanently, because they cannot find decent employment there that would pay well enough to sustain their families. However, if they were able to find such employment, they would be ready to return to Armenia permanently.

As for the returnees, since 2002 about 55,000 migrants have returned to Armenia and decided not to leave for abroad, at least not in 2008. The largest group among the permanent returnees consists of temporary labour migrants who decided to discontinue their engagement in labour migration. A smaller group of returnees are those who migrated in 1990s "permanently" but have moved back to Armenia since 2002. The study revealed that in general, competitiveness of returnees in the domestic labour market, as well as their average monthly salary is increased if compared with regular employees. However, while returnees have a positive influence on the hiring company in terms of skills and technology transfer, their contribution to the origin country in terms of investment, job creation and business development appears limited. This should alert policy-makers on exploring possible ways to enhance the development potential of return.

CHAPTER 2: EMIGRATION OF SKILLED HUMAN RESOURCES

In the 1990s, the discussion about the nexus between migration and development was revived. In this context, the migration of skilled workers started to feature prominently in the policy-relevant side of the discussion about migration. In general, as Skeldon points out, there is a tendency to view the skilled outmigration as negative, and retention and return of the skilled labour as positive. Within the debate on the brain drain, three topics seem to be of particular importance: migration of scientific and IT workers, migration of health workers and that of students.⁷

It is recognized, that the link between migration and development is uncertain or unsettled. On one hand, economically motivated migration can set in motion a virtuous circle which results in a convergence in economic conditions and opportunities between sending and receiving countries. This scenario takes place when workers who would have been unemployed at home find jobs abroad, send home remittances that reduce poverty and are invested to accelerate economic and job growth, and return with new skills and technologies that lead to development of new industries and jobs. However, economically motivated migration can also result in a vicious circle, which unfolds when certain professionals, such as, medical and health care personnel, teachers or engineers, accept jobs abroad, and the sectors in the home economy lack the required professional skills - which results in lowering the quality and quantity of production and services. In this scenario, remittances, if any, fuel inflation as they are spent on consumption rather than in job-creating development.⁸

Yet, there is little consensus on how to best manage the migration-development link in a way that distributes the benefits of migration more widely, especially among migrant sending countries.⁹ The lack of consensus often reflects the diverging underlying interests of sending and receiving countries. The sending countries want to maximize remittances: the countries which are both sending and receiving (for example, the Russian Federation, Lithuania) are interested in remittances and protection, but also in the control and integration of foreigners. The receiving countries are interested mainly in control and integration.¹⁰ Ultimately then, “the question is whether (...) migration will speed or slow the convergence and end migration as desired by governments in the south and north.”¹¹

In the context of Armenia, the question is whether migration from Armenia contributes (in the long run) to the creation of jobs in Armenia and development, or whether migration from Armenia rather compromises Armenian development. This chapter looks into the Armenian labour market supply and demand with the aim to provide policy-relevant insights useful for answering this question.

2.1. LABOUR DEMAND

The scope of this research did not extend to collecting quantitative data on labour demand from a representative sample of employers. Instead, semi-structured interviews were conducted with human resources managers of 64 major companies representing the following sectors: construction, IT,

⁷ Skeldon, Ron (2005) Globalization, Skilled Migration and Poverty Alleviation: Brain Drains in Context, University of Sussex, Development Research Centre on Migration, Globalisation and Poverty, Working Paper 15, p. 5 – 7.

⁸ Martin, Philip L (2004) Migration and development: Toward sustainable solutions, ILO Decent Work Research Programme, DP 153/2004, p. 7.

⁹ Ibid, p. vii

¹⁰ Ibid, p. 26

¹¹ Ibid, p. 27.

communications, banking, business consulting, hotels and restaurants, manufacturing and commerce.¹² These sectors were pointed out by the experts from the State Employment Service (SES) as those in which labour shortages are most frequently encountered. The SES experts stated that according to the data collected from their 51 territorial offices labour shortages are especially acute in construction and IT sectors. In other sectors, such as banking and services, there are labour shortages in specific 'new' professions, i.e. those that were not trained in the Soviet times, for example accountants, customer service specialists and marketing specialists.

In Armenia, unlike some other sending countries, there does not seem to be a shortage of professionals in health and education. In fact, as a result of reforms in these two sectors, a number of professional staff are not currently employed. Returnee Survey 2008 reported that the unemployment rate for health care staff stands at 32%, and for education at 25%. This suggests that these professionals are available at the local labour market, though as reported by the SES, occasionally it may be difficult to fill vacancies and retain staff in remote rural areas. These sectors were therefore not covered by the Employers Survey.

Most of the surveyed companies had over 10 years of experience in their respective field, and represented medium and large businesses. The focus on medium and large companies is deliberate, because these companies are more likely to be in need of employees, and thus may provide a better insight into the issue of labour supply and demand. The surveyed companies employed an average of 244 workers at the time of the interview (March 2008), of which an average of 64 (26%) were hired after 2002. 21% of the employees were young specialists, who graduated after 2002. Young specialists accounted for 4% of the top managers and 14% of the medium level managers.

The analysis of the labour demand showed that in companies from the IT sector, as well as construction and commerce, the demand for skilled labour is high. According to the survey results, the specialists most in demand are programmers, banking clerks and customer service specialists, as well as construction specialists of various qualifications (welders, layers/builders, and concrete makers).

The most popular qualification requirements from the prospective employees included higher education and knowledge of at least one foreign language. It is interesting that many employers voiced preference for male workers. This is understandable in construction, where hard physical work is often required; however, such tendencies were also observed in IT and manufacturing. This can be most likely explained by continuing patriarchal attitudes that portray the man as breadwinner, while woman is supposed to stay at home and take care of children.

As far as personal characteristics are concerned, employers prefer workers with a high sense of responsibility, who were attentive, accurate and had a desire to learn. Not all of the employers prioritized the candidates' previous professional experience. Some of them preferred to get young specialists and familiarize them with the job specifics and work ethics on-the-spot. There were even companies that hired only people with no work experience, in order to *"avoid unwanted experiences accumulated in another company which could influence the core staff."*

The surveyed companies received on average about 50 applications for an open position. The banking sector had the highest number of submitted applications (reaching 500 for some positions). The entire process of searching and hiring an employee took 1 -6 months, with an average of 1.5 months. This figure significantly varies among sectors and specializations. For instance, hiring a construction worker takes about 1 week, while to hire a construction specialist with narrow specialization can take up to 6

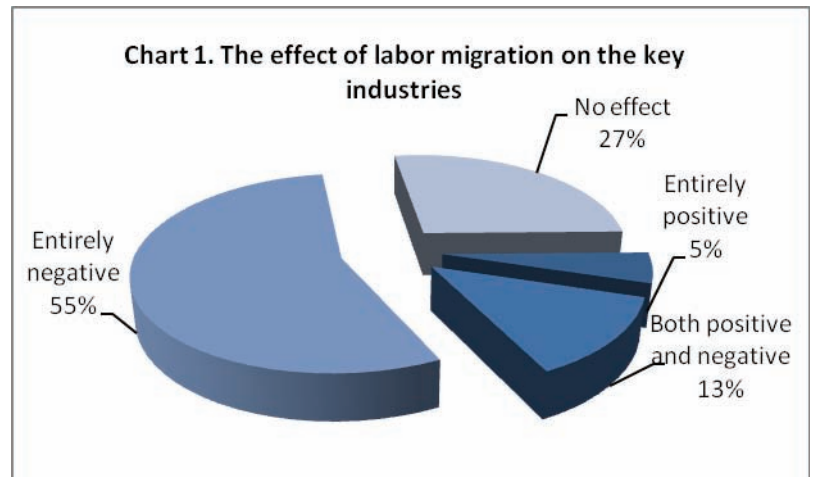
¹² See Annex 1 to Chapter 2 for the list of surveyed companies

months. The majority of employers said they eventually manage to find employees, however the hired specialists do not always fully correspond to the initially designed job requirements.

Companies search for employees both via formal and informal channels. Searching for employees through internet databases has become increasingly common. However, cases of hiring employees by informal methods still exist, especially in construction. Some companies, particularly those from the IT sector, hire last-year students as interns and then keep the best of them.

According to the surveyed companies, the problems related to hiring employees are common for every company in the particular sector and do not refer only to their company.

In 43% of the surveyed companies there are employees who were educated abroad, and 51% of the companies employ people with work experience in foreign countries. Employees are educated in Russia, Western Europe, and USA. The breakdown among these countries is almost equal. In cases of work experience abroad, employees have experience from Russia, Europe, US, and also from Iran, Saudi Arabia, and China. Employers place a premium on work experience gained abroad,



they believe that this experience is beneficial for their business. The respondents claim that employees with experience from abroad are more accurate in their work, and their experience is especially useful in terms of innovation. These employees, after participating in trainings abroad, usually share experience and knowledge with their co-workers. Specialists who previously studied or worked abroad usually assume managerial positions.

Most of the surveyed companies had cases when their employees migrated from Armenia to work abroad. These mainly happened in the IT and construction sectors. Construction workers mainly migrated to Russia, and IT specialists left for Western Europe and USA. According to the respondents, the main reasons for labour migration were higher salaries and more favorable working conditions abroad.

The surveyed companies were asked to assess the effect of labour emigration on their line of business. Chart 1 illustrates the breakdown of responses.

The banking sector was the least affected by labour emigration. The respondents explained this by the fact that the number of applicants for their job openings is very high and they have not felt the outflow of specialists. This is quite natural, since as discussed above, the economists, among whom banks are recruiting, have the highest share in the total labour force of Armenia and each third of them is unemployed.

However, the majority of the respondents believe that emigration of skilled human resources from Armenia was and still is a grave issue, which can seriously harm the sectors of strategic importance to Armenia, such as the IT. Working conditions, and especially the remuneration, offered by the Armenian companies are not competitive in the international labour market, while the rapidly developing Russian economy can easily absorb the skilled labour from Armenia.

On one hand, some of the respondents think that the recent economic growth, and tendencies of salary increases may actually contribute to the return of the skilled labour. However, the majority of the employers are rather skeptical of such a possibility, since the economic situation in Armenia, the business environment and democratic developments are still at a poor level as compared to the countries that attract the Armenian labour force.

Almost all respondents believe that the return of the skilled labour would have a positive effect on both their companies and on the entire sector in which they are active. They believe that the economy of Armenia needs the application of best international practices, and in this respect specialists returning from abroad can seriously foster economic development and increase the quality of labour force in Armenia.

2.2. GENERAL OVERVIEW OF LABOUR RESOURCES. ECONOMIC ACTIVITY AND EMPLOYMENT IN ARMENIA¹³

Armenia in Figures: 2007 published by the National Statistical Service of Armenia (NSS) estimates the total labour resources of Armenia at 2,115,000 (or 65.6% of Armenia's de jure population).¹⁴ Although the official unemployment rate - ratio of the unemployed registered with the State Employment Service of Armenia (SES) stands at 7.5%, numerous household surveys, including those conducted by the NSS showed that the actual unemployment rate is much higher. The data on economic activity and employment of the population acquired by AST through the Returnee Survey'2008 is in line with the latest Labour Force Survey conducted by the NSS in 2007. Both surveys suggest that roughly 30% of Armenia's economically active population is unemployed. The table below presents the breakdown of the labour resources by economic activity and employment.

Table 2.1 Economic activity and employment (age group 16-70)

Economic activity	AST Survey	NSS Survey¹⁵
Economically active population (<i>% of Labour Resources</i>)	60.5	60.6
Employment Rate (<i>% of Labour Resources</i>)	41.4	43.8
Unemployment Rate (<i>% of Economically Active population</i>)	31.5	27.8
Economically non-active population (<i>% of Labour Resources</i>)	39.5	39.4

The gender and age specifics of economic activity are summarized in Table 2.2 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, 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 of ages 16-24 fail to find jobs in Armenia.

¹³ Since this section covers the economic activity and employment of skilled labour in Armenia, those specialists that are currently abroad are included in the group of economically non-active population. The employment of these specialists abroad is discussed in "Migration activity" sections.

¹⁴ Armenia in Figures: 2007, NSS, p. 25

¹⁵ Labour Force of Armenia 2001-2006, NSS, p. 13

Table 2.2 Economic activity by gender and age

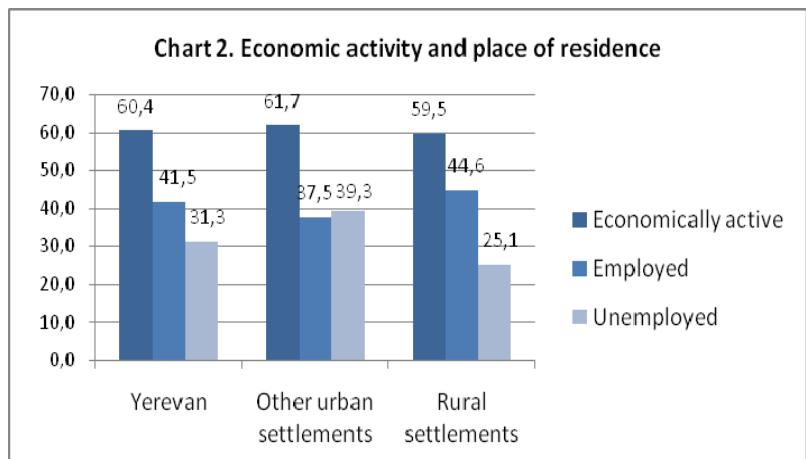
Age	Economically active			Employed			Unemployed		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
16-24	36,1	27,8	31,6	20,7	11,1	15,5	42,6	60,2	51,0
25-34	87,1	53,6	69,2	64,2	31,3	46,6	26,3	41,5	32,6
35-44	91,5	68,5	78,8	72,3	41,3	55,2	21,1	39,7	30,0
45-54	90,1	67,4	77,2	71,5	42,4	54,9	20,7	37,2	28,9
55-64	76,8	55,4	64,9	60,1	39,5	48,6	21,7	28,7	25,0
65-70	27,1	10,3	17,6	27,1	10,3	17,6	0,0	0,0	0,0 ¹⁶
Total	72,2	51,0	60,5	54,6	30,8	41,5	24,4	39,6	31,5

The analysis of the newly acquired data further validates the findings of our previous surveys in terms of positive correlation between the level of education and the employment rate. Table 3 shows that the highly skilled labour has bigger access to the labour market as compared to less skilled or unskilled labour.

Table 2.3 Economic activity and education

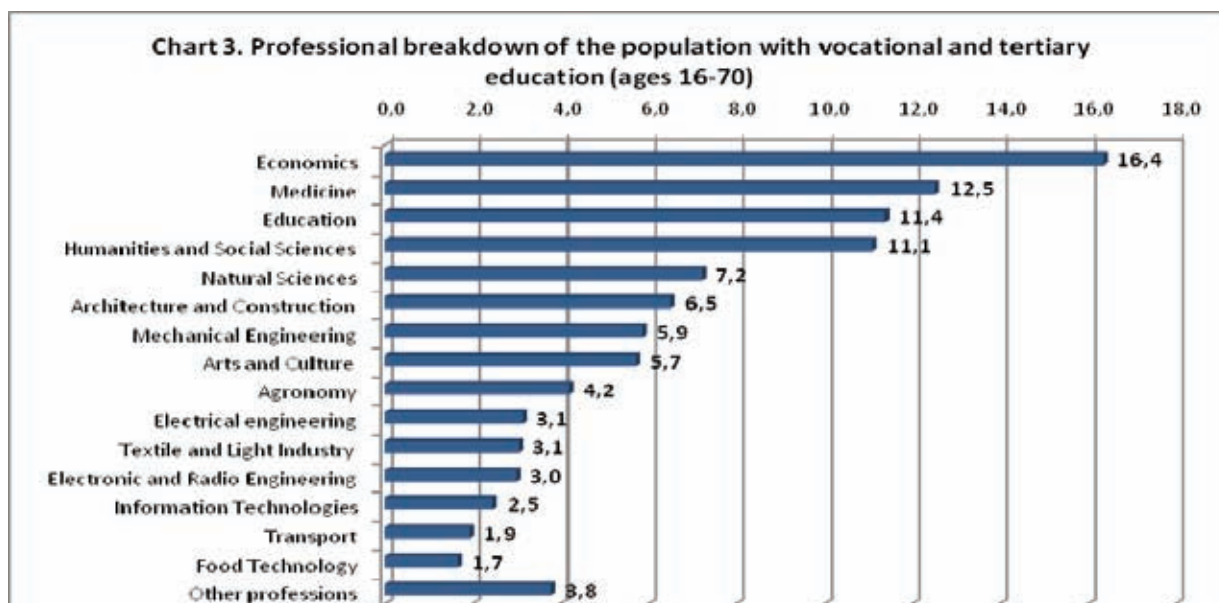
Education	Total	Economically active	Employed	Unemployed
No formal education	0,5	17,1	14,3	16,7
Incomplete secondary	7,4	40,8	27,2	33,5
Complete secondary	49,0	52,7	33,6	36,3
Vocational	21,8	68,6	45,8	33,3
Higher	21,0	77,7	60,3	22,4
Post-graduate	0,3	92,0	88,0	4,3
Total	100,0	60,5	41,5	31,5

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.



¹⁶ According to the Armenian legislation, working age population includes people under the age of 63. Nevertheless, we have covered the employment statistics in the age group of 63-70 so that our data could be compared with the NSS Labour Force Survey.

More than 65% of the employed population is engaged in the private sector (65.7%); roughly half of them are self-employed (31.5%). State sector provides workplaces for every third employed (33.3%). The remaining 1% works for NGOs and INGOs.



2.3. SKILLED LABOUR: FACTS AND FIGURES¹⁷

The total number of people with vocational and higher education (ages 16-70) is estimated at 900,000 ± 25,000.¹⁸ In 2006-2007 the state has spent around 2,8 billion AMD (approx. 9 million USD) on vocational education and around 5,3 billion AMD (approx. 17 million USD) on tertiary education. Considering the total number of students under state financing (roughly 11,000 students in vocational education institutions and 20,000 in higher education institutions), the annual per capita state spending on students of both vocational and tertiary institutions was around 250,000 AMD (approx. 800 USD).

Chart 3 illustrates the breakdown of the skilled labour by broad professional groups.

The profiles of each group, including demographic characteristics, economic activity, employment in Armenia, and their external migration activity are discussed below.

2.3.1. Economics

General profile

Extrapolated total number	147,000 ± 12,000
Gender breakdown	29% men, 71% women
Mean age	43
Graduation year:	
1991 and earlier	65%
1992-2001	17%
2002-2007	18%
Education	62% vocational, 38% tertiary
Most common specializations:	

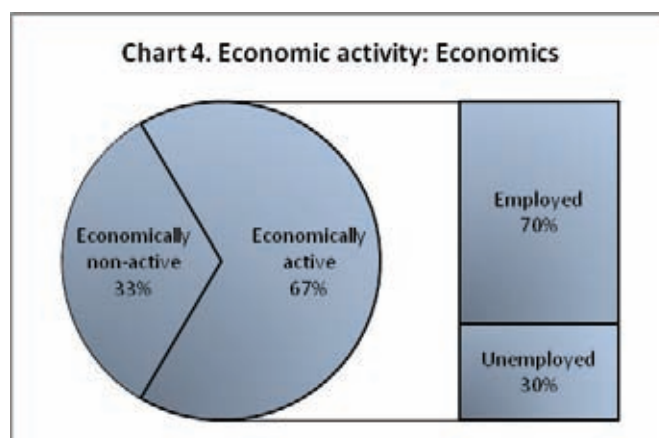
¹⁷ All data in this section refers to AST/OSCE Returnee Survey 2008, unless specified otherwise

¹⁸ All extrapolations in this chapter are based on the estimated de jure population of Armenia, ages 16-70, by the beginning of 2007 (2,375,000 people) as reported by the NSS in Armenia in Figures: 2007

Vocational education	Accounting, Commerce
Tertiary education	Theoretical Economics, Management, Accounting, Finance & Audit

Representing the biggest professional group, almost every third economically active economist fails to find a job in Armenia.

The majority of the employed economists are working in the private sector. The economists are most frequently engaged in the spheres of trade (22%), agriculture (14%), public administration (13%), manufacturing (7%), and financial intermediation (6%). Their mean net monthly salary, as reported during the interviews, is 67,000 AMD (approx. 220 USD). With limited access to professional employment, over 20% of the economists are employed as skilled or unskilled blue-collared workers.



The group of economists differs from all other professional groups in terms of the employment rate of young graduates. Although in all other professional groups the unemployment rate is highest among graduates of 2002-2007, economics is the sphere where young graduates seem to be more competitive. The unemployment rate of economists who graduated in 2002-2007 is 29% against 31% among those who graduated earlier. The competitive advantage of young economists is most likely their specialization; many of them being specialized in Management, Accounting and Finance rather than Theoretical Economics, in which many earlier graduates were trained.

On the other hand, young economists, irrespective of their specialization, argued during the focus groups that the education they got in Armenian higher education institutions was very general and theoretical and that they lacked the practical skills, which were essential when looking for employment. It would be logical to expect this problem to be mitigated by internships which are mandatory in the Armenian higher education system. But these internships were only one month long and very often were not organized properly, therefore brought almost no added value. *“The university sends you to some company for an internship and then it turns out that the company does not even know they should have interns”, “both in state institutions and in private companies no one usually wants to spend time on interns and they just use us for doing some mechanical work, like photocopying documents.”* The focus groups showed that there is lack of involvement of the private sector in the education of economists. As one of the focus group participants has put it *“the companies do not understand that if they do not participate in the educational process, do not provide us with up to date information on current trends and technologies, they will not be able to involve qualified young staff. They should accept interns, involve them seriously in their works, and teach them”*.

At the same time, the majority of young economists were rather optimistic about their career opportunities in Armenia. They were quite self-confident and believed it was quite easy for their generation to find jobs. *“If you are working on yourself, trying to improve your knowledge all the time, know how to “sell” yourself, then it is easy to find a job. It is the elder generation who has problems with that. The professions they have are not in demand today”*.

However, young economists believe that when recruiting employees, the companies pay attention to the work experience rather than the education of the applicants. Therefore it is difficult for young graduates to enter the labour market and, as they said, unpaid internships, which they arrange out of their own initiative while still studying in the university, are a way to reach out to the employers.

Migration activity: Economists

Note: This section covers the rates, destination countries and occupations of temporary and permanent migrants within the professional groups. The period covered is 2002-2007. Only those migrants who stayed in the destination countries for more than 3 months are examined. The rates and absolute numbers of migrants are very rough estimations.

Migration rate	5.7%
Estimated absolute number	8,000
Countries of destination	Russia (91%), Canada (3%)
Chief purpose of the trip(s):	
<i>Permanent residence</i>	7%
<i>Education</i>	1%
<i>Employment</i>	90%
Employment in the destination country	86% employed
Main sphere(s) of employment	Construction (78%), Manufacturing (12%)
Mean monthly income of the employed	740 USD

Although the economists seem to face difficulties in finding employment in Armenia, not many of them consider migration as a way out. This is most probably influenced by the fact that the economists have few opportunities to get professional employment abroad, and they do not possess the skills required for the jobs available in the main destination country (i.e. construction industry in Russia).

Regarding the migration intentions of recent graduates in the field of Economics, the overwhelming majority of focus group participants stated that they see their future in Armenia. Almost all of them would like to study or attend trainings abroad; some would like to work abroad for several years, but to return to Armenia later and to use the experience gained abroad in Armenia. *“I do not see myself abroad; this is my house, and nothing will get better here if everyone leaves”, “I have a job, I earn enough to live a normal life here; I don’t want to live somewhere else just to earn a bit more”, “I see my future here, I am planning to start my own business in Armenia, and I believe I will succeed”*. As to the desired countries of destination, most of those who would like to study or work abroad would choose Western Europe, Japan or China and the United States.

2.3.2. Medical Professions

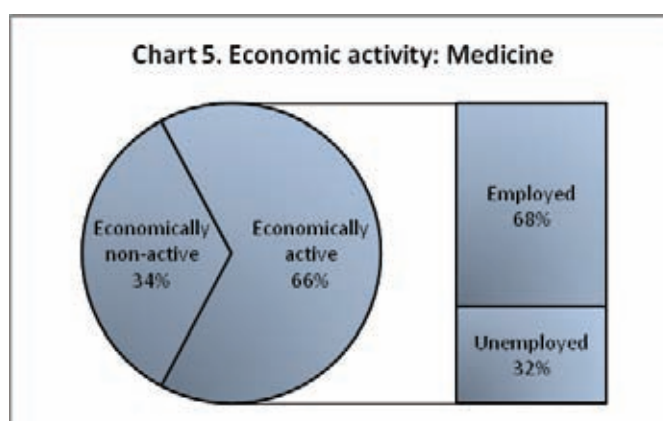
General profile

Extrapolated total number	111,000 ± 11,000
Gender breakdown	14% men, 86% women
Mean age	37

Graduation year:	
<i>1991 and earlier</i>	41%
<i>1992-2001</i>	31%
<i>2002-2007</i>	28%
Education	76% vocational, 24% tertiary
Most common specializations:	
<i>Vocational education</i>	Nursery, Obstetrics, Therapy, Dental Mechanics
<i>Tertiary education</i>	Therapy, Stomatology

Unemployment is an issue for over 20,000 specialists in this professional group. Unlike the young economists, recent graduates with various medical specializations face much bigger problems with finding jobs than those who graduated before 2002 (43% against 31%).

Two thirds of the employed specialists with a medical background work in the sphere of healthcare (67%), and most of them are employed in the state sector (61%). Each third specialist is not working by profession and is engaged in trade, agriculture, services or construction. The mean net monthly income of health specialists is 52,000 AMD (approx. 170 USD). Note: doctors may definitely be drawing a higher informal income (and this may be the case for all other professional groups), however the survey did not look into measuring it.



Migration activity: Medical Professions

Migration rate	3.4% (lowest among all professional groups)
Estimated absolute number	4,000
Main countries of destination	Russia (67%), Ukraine (14%), France (10%)
Chief purpose of the trip(s):	
<i>Permanent residence</i>	19%
<i>Education</i>	10%
<i>Employment</i>	43%
Employment in the destination country	67% employed
Main sphere(s) of employment	Construction (33%), Trade (33%)
Mean monthly income of the employed	590 USD

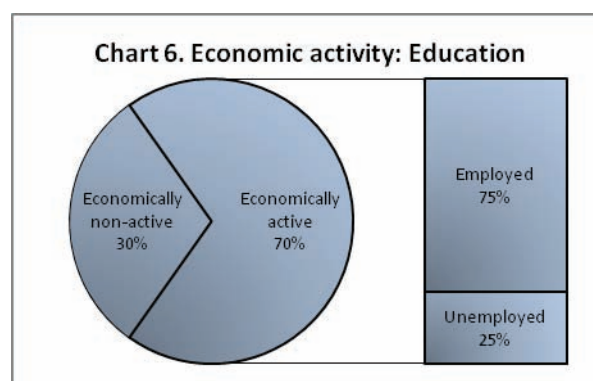
2.3.3. Education Professions

General profile

Extrapolated total number	102,000 ± 10,000
Gender breakdown	13% men, 87% women
Mean age	42
Graduation year:	
1991 and earlier	54%
1992-2001	21%
2002-2007	25%
Education	34% vocational, 66% tertiary
Most common specializations:	
Vocational education	Teaching in Elementary School, Pre-school Education
Tertiary education	Professional Education, Pedagogy and Psychology

Unlike the economists and health workers, the majority of the pedagogues have a higher education, which generally makes them more competitive in the labour market. Nevertheless, the young graduates with a pedagogical background have very limited access to the Armenian labour market; their unemployment rate is more than twice those who graduated before 2002 (47% against 20%).

The majority of the pedagogues are employed by public or private education institutions (64%). Some are engaged in public administration, while others earn their income from trade and agriculture. The mean net monthly salary of pedagogues is 56,000 AMD (approx. 180 USD).



Migration activity: Education Professions

Migration rate	4.1%
Estimated absolute number	4,000
Main countries of destination	Russia (94%)
Chief purpose of the trip(s):	
Permanent residence	10%
Education	0%
Employment	87%
Employment in the destination country	80% employed
Main sphere(s) of employment	Construction (40%), Trade (36%), Education (12%)
Mean monthly income of the employed	560 USD

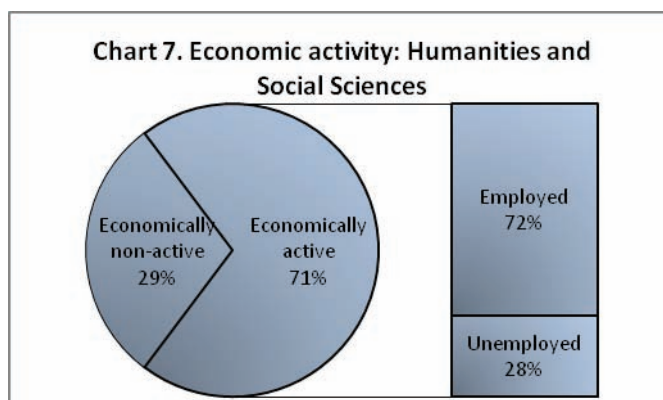
2.3.4. Humanities and Social Sciences

General profile

Extrapolated total number	99,000 ± 10,000
Gender breakdown	40% men, 51% women
Mean age	38
Graduation year:	
1991 and earlier	36%
1992-2001	29%
2002-2007	35%
Education	4% vocational, 96% tertiary
Most common specializations:	Law
Vocational education	Law, Armenian Language and Literature, History, Journalism, International Relations
Tertiary education	

Amongst all the professions, Humanities and Social Sciences rank first by the number of young graduates. However, it seems that their choice of studies was not determined by the increased demand of the Armenian labour market, since more than 35% of young scientists cannot find jobs.

Most of the employed specialists of this professional group are working in the sphere of education (36%) and public administration (13%). 8% are providing professional services and only 1% is engaged in science. Others are mostly employed in trade, manufacturing and agriculture. The mean net monthly salary of the Humanities and Social Sciences specialists is 79,000 AMD (approx. 250 USD).



Migration activity: Humanities and Social Sciences

Migration rate	7.5%
Estimated absolute number	7,000
Main countries of destination	Russia (81%), USA (10%)
Chief purpose of the trip(s):	
Permanent residence	1%
Education	12%
Employment	75%
Employment in the destination country	77% employed
Main sphere(s) of employment	Trade (45%), Construction (23%), Transport (10%)
Mean monthly income of the employed	940 USD

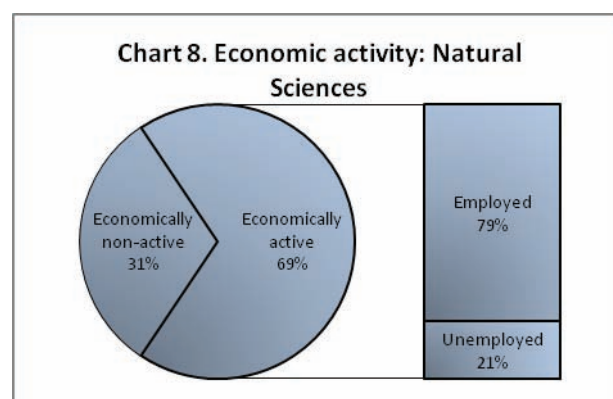
2.3.5. Natural Sciences

General profile

Extrapolated total number	64,000 ± 8,000
Gender breakdown	44% men, 56% women
Mean age	47
Graduation year:	
1991 and earlier	77%
1992-2001	12%
2002-2007	11%
Education	26% vocational, 74% tertiary
Most common specializations:	
Vocational education	Organic Chemistry Technologies
Tertiary education	Physics, Mathematics, Mechanics, Chemistry, Biology

If Humanities and Social Sciences have become increasingly attractive for the entrants of higher education institutions, the number of graduates with a background in Natural Sciences has significantly declined over years. Only 4% of the graduates of 2002-2007 have a major in Natural Sciences. However, the unemployment rate of young graduates in this professional group is much lower than in the case of Humanities and Social Sciences (18% against 35%).

More than half of the specialists in this group, on the other hand, are engaged in various non-professional spheres ranging from trade and agriculture to transport and services. Each fourth natural scientist is employed in education (26%), 14% in manufacturing and industry, and each tenth in science (10%). The mean net monthly salary of the natural scientists is 83,000 AMD (approx. 270 USD).



Migration activity: Natural Sciences

Migration rate	4.3%
Estimated absolute number	3,000
Main countries of destination	Russia (67%), Germany (17%), France (10%)
Chief purpose of the trip(s):	
Permanent residence	3%
Education	20%
Employment	70%
Employment in the destination country	73% employed
Main sphere(s) of employment	Construction (41%), Manufacturing (36%)
Mean monthly income of the employed	810 USD

2.3.6. Architecture and Construction

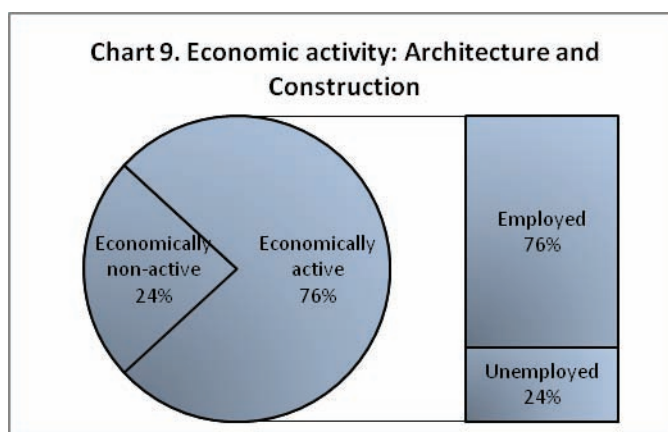
General profile

Extrapolated total number	59,000 ± 8,000
Gender breakdown	86% men, 14% women
Mean age	47
Graduation year:	
1991 and earlier	80%
1992-2001	14%
2002-2007	6%
Education	50% vocational, 50% tertiary
Most common specializations:	
Vocational education	Construction and exploitation of buildings, Architecture, Road construction and maintenance, Building maintenance and repair,
Tertiary education	Construction, Production of construction components and structures, Building design, Architecture and Design

The unemployment rate of specialists in this professional group is lower than the country average. However, despite the rapid development of the construction industry in Armenia over the last few years and the increasing demand for skilled workforce, only 2% of the recent graduates of vocational and tertiary education institutions have a background in Architecture and Construction. The likely reason why very few graduates of secondary schools have chosen to get a professional education in this area is that most of the young specialists started their professional education back in 1996-2002 when the large-scale construction projects were not yet launched.

Most of the specialists in this professional group are either engaged in the private sector or are self-employed in the spheres of construction, agriculture, manufacturing and industry, trade, public administration and transport. Their mean net monthly income is 87,000 AMD (approx. 280 USD).

Similar to young economists, the recent graduates of Architecture and Construction who participated in the focus group discussions stated that good students have good employment opportunities in the local market. Some of the students start their career when still studying; they get invitations from their professors or local companies. Some companies send their representatives to attend the final exams, and suggest the best students to join their company as interns. After several months of trainings and probation the most promising students get permanent jobs.



Migration activity: Architecture and Construction

Migration rate	15.2%
Estimated absolute number	9,000
Main countries of destination	Russia (88%)
Chief purpose of the trip(s):	
<i>Permanent residence</i>	6%
<i>Education</i>	2%
<i>Employment</i>	92%
Employment in the destination country	97% employed
Main sphere(s) of employment	Construction (60%), Trade (16%), Transport (10%)
Mean monthly income of the employed	870 USD

The relatively high migration rate of architecture and construction specialists is obviously conditioned by the high demand for a skilled workforce in the Russian construction industry, and the opportunity to earn much higher incomes than working in the Armenian construction sector.

Almost all young specialists of construction related professions who were invited to the focus groups expressed the desire to study or participate in job-related trainings abroad. This particularly relates to architects and interior designers, who feel that Armenia is far behind in terms of development in their fields. *“The world is working now with different methods, technologies and materials. We did not develop since 1980s. We are absolutely noncompetitive in the international market”*. These young people feel themselves isolated and believe it is essential to have international experience and meet specialists from other countries. *“Foreign universities invite famous architects and designers to hold lectures and master classes for their students. It is very important to be aware of current trends and technologies. This is the only way for development”*.

Many of these young graduates would also like to work abroad. Two push factors have been identified throughout the focus groups. Firstly, the graduates are not satisfied with the level of incomes in their industry in Armenia. Besides the fact that the remuneration suffices only for daily expenses, the job itself is not stable (it depends on whether the employers have ongoing contracts).

Another problem that was also pointed out by the returnees specializing in construction, is that the rights of internal migrants – construction workers who come from different regions of Armenian to work in Yerevan – are not protected. *“Construction specialists from marzes come to work to Yerevan. They work for a couple of weeks, then the management tells them they are not satisfied with the quality of their work, sends them back without making any payments and invites yet another brigade”*.

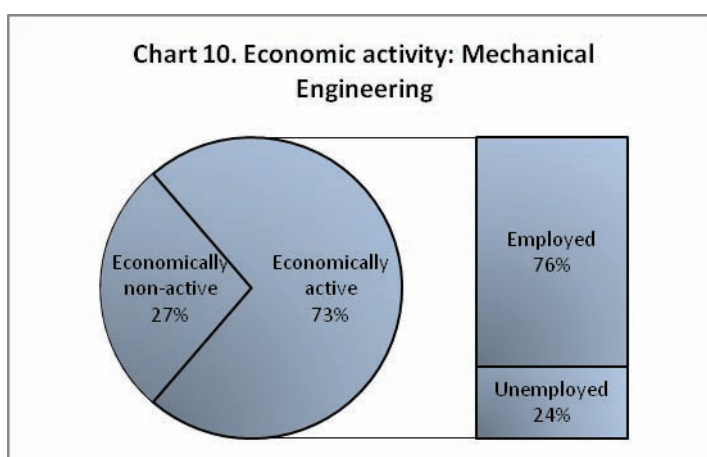
However, almost all of the young professionals would like to return and live in Armenia. *“If not the financial problems, Armenia is the best country to live in”, “we would all like our children to grow up here”*.

2.3.7. Mechanical Engineering

General profile

Extrapolated total number	52,000 ± 7,000
Gender breakdown	84% men, 16% women
Mean age	48
Graduation year:	
1991 and earlier	82%
1992-2001	13%
2002-2007	5%
Education	72% vocational, 28% tertiary
Most common specializations:	
Vocational education	Mechanical Engineering Technology, Welding production, Motor-car and tractor construction
Tertiary education	Technological vehicles and equipment

Similar to other engineering professions, Mechanical Engineering attracted less and less high school graduates after the Armenia's independence and subsequent collapse of the heavy industry, which is yet not fully recovered. As a result, many of the skilled mechanical engineers now earn their income through self employment in agriculture (15%) and trade (13%). Professional spheres of employment include construction (17%), manufacturing and industry (15%), transport (10%), and public administration (8%). The mean net monthly salary of mechanical engineers is 63,000 AMD (approx. 200 USD).



Migration activity: Mechanical Engineering

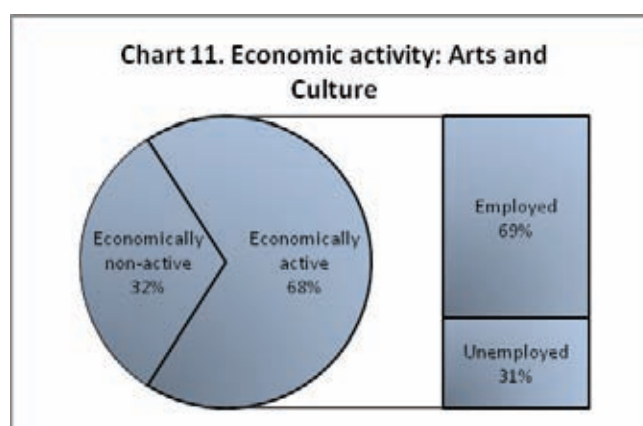
Migration rate	8.4%
Estimated absolute number	4,000
Main countries of destination	Russia (100%)
Chief purpose of the trip(s):	
Permanent residence	0%
Education	0%
Employment	100%
Employment in the destination country	100% employed
Main sphere(s) of employment	Construction (67%), Trade (21%)
Mean monthly income of the employed	520 USD

2.3.8. Arts and Culture

General profile

Extrapolated total number	52,000 ± 7,000
Gender breakdown	36% men, 64% women
Mean age	40
Graduation year:	
<i>1991 and earlier</i>	54%
<i>1992-2001</i>	28%
<i>2002-2007</i>	18%
Education	72% vocational, 28% tertiary
Most common specializations:	Applied decorative and folk arts, Instrumental arts, Librarianship
<i>Vocational education</i>	Music, Theater and cinema direction
<i>Tertiary education</i>	

In this professional group, as well, the graduates of 2002-2007 have less access to the labour market than those who acquired a professional education earlier. The unemployment rate of the recent graduates is as high as 47% against 29% among those who graduated before 2002. The majority of the employed specialists with an Arts and Culture background are employed in the state sector (58%). Most of them are either teaching or practicing their arts and crafts (64%). Others engage in various spheres, such as services, trade and mass media. The mean net monthly salary of the specialists in this field is 54,000 AMD (approx. 175 USD).



Migration activity: Arts and Culture

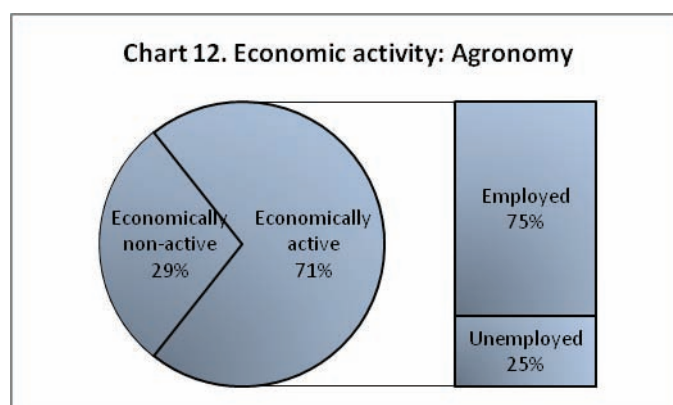
Migration rate	9.2%
Estimated absolute number	5,000
Main countries of destination	Russia (96%)
Chief purpose of the trip(s):	
<i>Permanent residence</i>	0%
<i>Education</i>	0%
<i>Employment</i>	96%
Employment in the destination country	88% employed
Main sphere(s) of employment	Construction (46%), Transport (27%), Mass Media (18%)
Mean monthly income of the employed	490 USD

2.3.9. Agronomy

General profile

Extrapolated total number	38,000 ± 6,000
Gender breakdown	77% men, 23% women
Mean age	46
Graduation year:	
1991 and earlier	69%
1992-2001	16%
2002-2007	15%
Education	26% vocational, 74% tertiary
Most common specializations:	
Vocational education	Agronomy
Tertiary education	Agronomy, Veterinary, Animal Husbandry

Besides the group of economists, this professional group is the only one where the recent graduates seem to face fewer problems with employment. The unemployment rate of agronomists who graduated in 2002-2007 is 18% against 31% among those who graduated in 1991 or earlier. This group is also quite diverse in terms of spheres of employment. The agronomists often engage in public administration (15%; highest percentage among all professional groups), agriculture (14%), education (12%), manufacturing (11%) and trade (10%).



Almost half of them work in the state sector (47%), while the others are either employed in the private sector or are self-employed. Their mean net monthly income is 78,000 AMD (approx. 250 USD).

Migration activity: Agronomy

Migration rate	8.8%
Estimated absolute number	3,000
Main countries of destination	Russia (87%), Germany (6%), Belorussia (6%)
Chief purpose of the trip(s):	
Permanent residence	0%
Education	6%
Employment	94%
Employment in the destination country	94% employed
Main sphere(s) of employment	Construction (80%), Trade (13%)
Mean monthly income of the employed	650 USD

2.3.10. Electrical Engineering

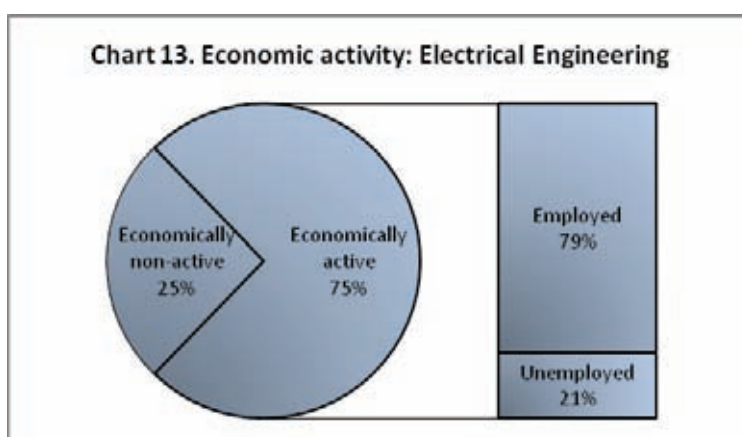
General profile

Extrapolated total number	28,000 ± 6,000
Gender breakdown	69% men, 31% women
Mean age	49
Graduation year:	
1991 and earlier	79%
1992-2001	18%
2002-2007	3%
Education	44% vocational, 56% tertiary
Most common specializations:	
Vocational education	Technical exploitation of electrical equipment, Electric power plants, networks and systems
Tertiary education	Electrical engineering, Electrical mechanics and electrical technologies, Electrical power industry

Electrical Engineering is yet another “aging” professional group. With less than 1% of 2002-2007 graduates having specialized in Electrical Engineering it ranks last among professions chosen by the recent graduates.

Most of the electrical engineers are employed in the private sector and are engaged in public utilities (23%), manufacturing (17%), trade (17%) or specialized services (8%). The mean net

monthly salary of these specialists is 83,000 AMD (approx. 270 USD), the highest among all engineers.



Migration activity: Electrical Engineering

Migration rate	9.8%
Estimated absolute number	3,000
Main countries of destination	Russia (100%)
Chief purpose of the trip(s):	
Permanent residence	9%
Education	0%
Employment	91%
Employment in the destination country	91% employed
Main sphere(s) of employment	Construction (60%), Services (20%), Manufacturing (15%)
Mean monthly income of the employed	570 USD

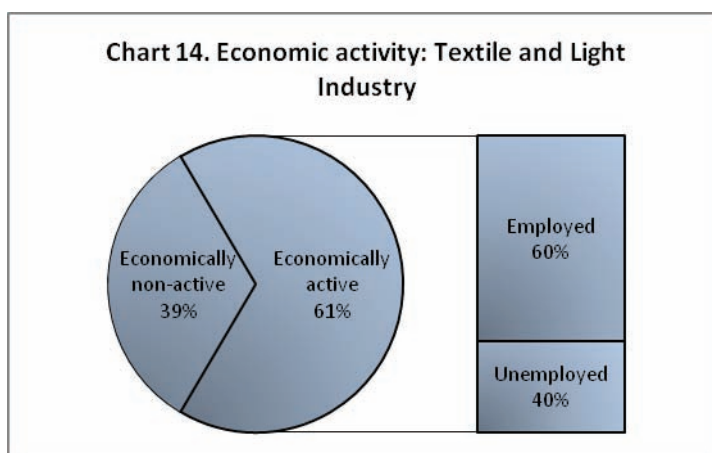
2.3.11. Textile and Light Industry

General profile

Extrapolated total number	28,000 ± 6,000
Gender breakdown	22% men, 78% women
Mean age	47
Graduation year:	
1991 and earlier	78%
1992-2001	18%
2002-2007	4%
Education	83% vocational, 17% tertiary
Most common specializations:	
Vocational education	Technology of Clothing Production
Tertiary education	Textile and Light Industry Technologies

This group falls into the category of professions with the lowest rates of economic activity and the highest unemployment rates. Moreover, only 11% of the employed specialists with a background in Textile and Light Industry are employed in manufacturing, whereas about 20% are engaged in trade.

With a mean net monthly salary of 47,000 AMD (approx. 150 USD), these specialists are also among the most poorly paid.



Migration activity: Textile and Light Industry

Migration rate	5.1%
Estimated absolute number	1,000
Main countries of destination	Russia (89%)
Chief purpose of the trip(s):	
Permanent residence	0%
Education	0%
Employment	89%
Employment in the destination country	87% employed
Main sphere(s) of employment	Construction (71%)
Mean monthly income of the employed	390 USD

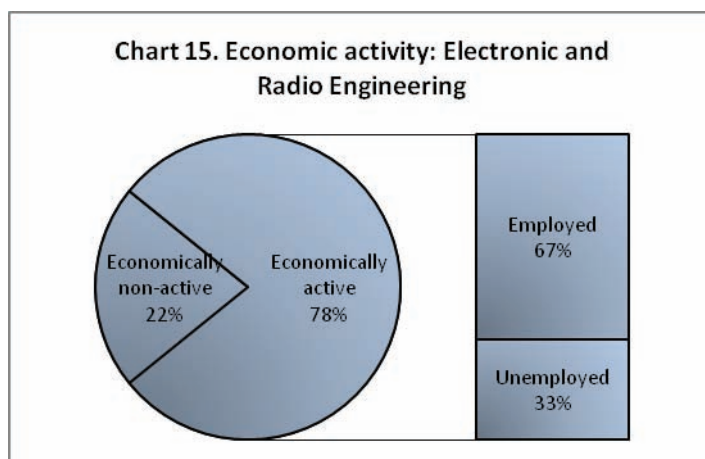
2.3.12. Electronic and Radio Engineering

General profile

Extrapolated total number	26,000 ± 5,000
Gender breakdown	62% men, 38% women
Mean age	46
Graduation year:	
1991 and earlier	83%
1992-2001	8%
2002-2007	9%
Education	61% vocational, 39% tertiary
Most common specializations:	
Vocational education	Production of radio technologies, Postal communication, repair and maintenance of radio-electronic equipment
Tertiary education	Radio engineering and communication, Electronic engineering

Except for a higher unemployment rate, the electronic and radio engineers do not differ much from mechanical engineers and electrical engineers.

Most of the electronic and radio engineers are employed in the private sector in the sphere of communications (18%) or manufacturing (12%). Alternatives to professional employment are still agriculture (20%) and trade (10%). The mean net monthly income of these specialists is 81,000 AMD (approx. 260 USD).



Migration activity: Electronic and Radio Engineering

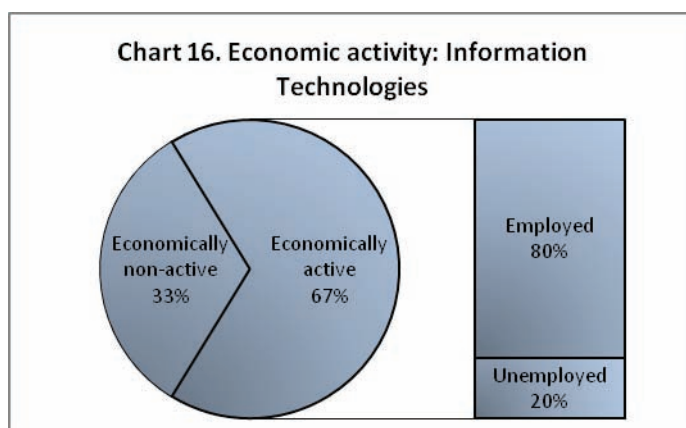
Migration rate	12.4%
Estimated absolute number	3,000
Main countries of destination	Russia (91%)
Chief purpose of the trip(s):	
Permanent residence	0%
Education	0%
Employment	94%
Employment in the destination country	93% employed
Main sphere(s) of employment	Construction (84%), Trade (9%)
Mean monthly income of the employed	760 USD

2.3.13. Information Technologies

General profile

Extrapolated total number	21,000 ± 5,000
Gender breakdown	37% men, 63% women
Mean age	41
Graduation year:	
1991 and earlier	53%
1992-2001	26%
2002-2007	21%
Education	30% vocational, 70% tertiary
Most common specializations:	
Vocational education	Computers, Computing Complexes, Systems and Networks
Tertiary education	Informatics and Applied Mathematics, Informatics and Computing Equipment

With only 2.5% of the skilled labour belonging to this professional group, Information Technologies rank 13 by the number of specialists in Armenia. Although the government is increasingly paying attention to the development of the sphere, only 2.7% of the 2002-2007 graduates have acquired professional education in IT. As a result, there are roughly 8 times less recent graduates in IT than in Humanities and Social Sciences, where their unemployment rate is 35% and 2 times less than in Arts and Culture, where more than 45% of the recent graduates lack jobs. On the other hand, young specialists of Information Technologies also face the unemployment problem: 30% of them cannot find jobs in Armenia. From the first glance, this is quite surprising, because our interviews with the SES and the employers showed that there is a lack of skilled labour in the IT sphere. We have therefore tried to address this issue in the qualitative part of our research, namely during the focus groups with recent graduates in the IT field and the semi-structured interviews with key players in the Armenian IT industry.



The small absolute number of the employed IT specialists in our sample (only 43 respondents) does not allow for well-grounded judgments regarding their income and spheres of employment. As per the basic breakdown of responses most of the IT specialists are employed in the spheres of education, trade, communication, financial intermediation and science and their mean net monthly salary is 127,000 AMD (approx. 410 USD), highest among all professional groups.

In the area of Information Technologies the private sector is involved in the educational process more than in any other sphere in Armenia. Several companies have created their laboratories in the universities and as one of the recent graduates who participated in the focus groups put it “*they make a junior specialist out of a third year student in six months*”. The young IT specialists stated that a graduate, who has really been studying, can definitely find a job. It is difficult to start, but if one is ready

to have several months of unpaid probation period and trainings, then he will find a job for sure. Most of the focus group participants have started working when still students. *“An IT specialist of a certain level can find a job any moment in Yerevan, but the situation is completely different in the regions”, “Any IT company needs good specialists at any time”.*

The focus group participants are mainly satisfied with the salary they get at the moment, though, of course, would not mind earning more. Most of them also consider the opportunities to learn and to grow to be more important than the salary. The graduates also claimed that people working in IT sector almost always have a choice and can join another company if they do not like something about their current job.

However, there are also things that employees of IT sector are dissatisfied with. The most important problem for them is the small opportunity for growth, as the Armenian IT companies mainly work for foreign companies. *“They just get the order and write whatever is needed in a certain period of time, but they do not develop something of their own”.* In such conditions *“maximum you can achieve is to become a project manager with a bit higher salary”.*

Migration activity: Information Technologies

Migration rate	3.8%
Estimated absolute number	Less than 1,000
Main countries of destination	Russia (71%), USA (14%)
Chief purpose of the trip(s):	
<i>Permanent residence</i>	14%
<i>Education</i>	0%
<i>Employment</i>	86%
Employment in the destination country	86% employed
Main sphere(s) of employment	Construction (83%), Professional Services (17%)
Mean monthly income of the employed	2,500 USD (only one migrant reported his income)

The migration activity of the IT specialists is very low, especially when taking into consideration the persisting demand for IT specialists in the developed economies. In the light of the insights provided by the focus group participants and by the employers, it seems that qualified IT specialists can find a well-paid job in Armenia easily. Those IT specialists who migrate abroad then would be either highly qualified specialists who can find a well-paid job in the IT sector (17% of the migrants with IT background), or, more often, those IT specialists, who in fact do not possess the set of skills required by both domestic and international IT sectors, and hence have to look for alternative ways of earning income.

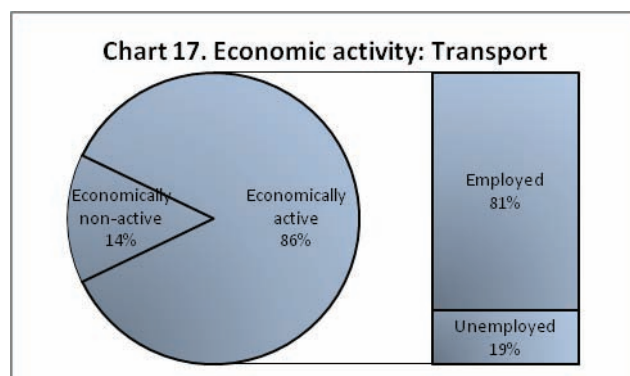
Another reason, why IT specialists stay in Armenia, is that unlike other sectors such as construction and care services, IT services are not localized, i.e. they can be outsourced. Indeed, there are many IT companies in Armenia who work for international clients and this has been also confirmed by the results of the focus groups.

2.3.14. Transport

General profile

Extrapolated total number	17,000 ± 4,000
Gender breakdown	97% men, 3% women
Mean age	42
Graduation year:	
<i>1991 and earlier</i>	66%
<i>1992-2001</i>	20%
<i>2002-2007</i>	14%
Education	76% vocational, 24% tertiary
Most common specializations:	
<i>Vocational education</i>	Utilization and Maintenance of Means of Transportation
<i>Tertiary education</i>	Construction and Management of Transportation Routes and Means

The unemployment rate of the skilled labour in the area of transport is lowest among all professional groups. This group also shows the highest economic activity. The overwhelming majority of the employed transport specialists is either engaged in the private sector or is self-employed (55% and 34% respectively), and works in the spheres of transport, agriculture, trade, construction and manufacturing. The mean net monthly income of these specialists is 69,000 AMD (approx. 220 USD).



Migration activity: Transport

Migration rate	15.9% (highest among all professional groups)
Estimated absolute number	3,000
Main countries of destination	Russia (100%)

Migration activity: Transport (continued)

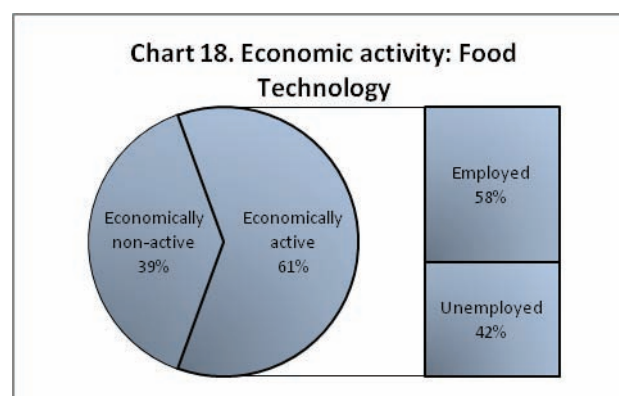
Chief purpose of the trip(s):	
<i>Permanent residence</i>	11%
<i>Education</i>	0%
<i>Employment</i>	89%
Employment in the destination country	100% employed
Main sphere(s) of employment	Construction (93%), Transport (7%)
Mean monthly income of the employed	680 USD

2.3.15. Food Technology

General profile

Extrapolated total number	14,000 ± 4,000
Gender breakdown	39% men, 61% women
Mean age	48
Graduation year:	
<i>1991 and earlier</i>	84%
<i>1992-2001</i>	8%
<i>2002-2007</i>	8%
Education	91% vocational, 9% tertiary
Most common specializations:	
<i>Vocational education</i>	Public Food Technology
<i>Tertiary education</i>	Food Technology

This group is very similar to the Textile and Light Industry professions in terms of economic activity and employment rates. Both groups are mostly comprised of women who acquired a vocational education before Armenia's independence. Their economic activity is rather low, while the unemployment rate is above 40%. Food technologists are employed in agriculture, manufacturing and trade and their mean net monthly salary is 50,000 AMD (approx. 160 USD).



Migration activity: Food Technology

Migration rate	3.7%
Estimated absolute number	Less than 1,000
Main countries of destination	Russia (100%)
Chief purpose of the trip(s):	
<i>Permanent residence</i>	33%
<i>Education</i>	0%
<i>Employment</i>	67%
Employment in the destination country	33% employed
Main sphere(s) of employment	Construction (100%)
Mean monthly income of the employed	No data

2.4. CONCLUSIONS

The results show that for many professional groups there is a mismatch between the supply and 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. Very often, however, the qualifications of graduates of Soviet education institutions is no longer needed by the employers and young graduates of Armenian secondary specialized and tertiary education are equally not equipped by the necessary set of skills.¹⁹

Regarding the impact of outmigration in general and that of skilled workers in particular on Armenia's development, we can conclude that the impact is most likely mixed.

The high unemployment data in Armenia suggest that the migrants who were unemployed in Armenia, are not a net loss to the Armenian economy, though this may change over time. For example, as certain industries develop in Armenia, they may 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.

There are no significant development or business projects initiated by recent migrants. This is not to say that the 'old' Armenia Diaspora does not finance business or development projects in Armenia and these will be discussed in more detail in the chapter on migration policies.

To summarise, it is recognized that 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 clearly embedded in the "virtuous migration circle" 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.

¹⁹ The perspectives of graduates, employers and the education system representatives on the quantity and quality of professional education in Armenia are discussed further in the report.

CHAPTER 3: Response of the Armenian Education System to Signals from the Local and Global Labour Markets

3.1 PROFESSIONAL EDUCATION IN ARMENIA

“Everyone has the right to education (...) The State should provide financial and other support to the institutions implementing professional education programs and their students in cases and by procedures stated by the law. The frames and principles for the autonomy of Higher Education Institutions should be defined by the law”

Constitution of the Republic of Armenia, Article 39

The educational processes in Armenia are regulated by the Constitution of RA, the Civil Code of RA, the Laws of RA “On Education”, “On Governmental and Commercial Organizations”, as well as other laws and legislative acts. Different levels of education are provided through different educational programs and the strategic goals are defined in corresponding concept notes. The professional education programs define the content of education for certain levels and directions, the volume of necessary knowledge, abilities and skills. These programs aim at developing qualified specialists of corresponding levels, developing their abilities and skills, as well as enlarging and enriching their knowledge, increasing the level of professionalism and, at the same time, maintaining the connection between the public and professional levels of education.

The following professional education programs are carried out in Armenia according to the Law of RA on Education:

- ❖ Basic Professional (crafts),
- ❖ Secondary Professional,
- ❖ Higher Professional,
- ❖ Post-graduate Professional.

Up until 1991 the professional education was totally free of charge in Armenia. Starting from 1992 the professional education institutions introduced the fee-based education model in parallel with the free of charge –“state order” education. The education fee was set autonomously by the institutions. The number of available places for the free of charge education in the State institutions is set by the Government every year, considering the volume of the budget provided by the State for professional education and, to some extent, the demand for the corresponding specialists. The places available for the paid education in different educational institutions and for different professions are set by the Ministry of Education and Science of RA, considering the capabilities, space and educational-technical conditions of the institutions, availability of educational programs and teachers/lecturers, etc.

3.1.1. Basic Professional Education (BPE) and Secondary Professional Education (SPE)²⁰

The BPE is regulated by the Law of RA “On Basic Professional Education and Secondary Professional Education” and is provided in the crafts schools, other professional education institutions, educational centers, and prisons. In the case of obtaining a corresponding license the BPE can also be carried out in the framework of personal professional education (training by a master). The procedure for this type of training is defined by the Government of RA.

The duration of the BPE is 1-3 years depending on the previous education of the student (basic or complete secondary) and the profession chosen. There are no private BPE educational institutions in RA.

After 1991 the BPE system went through significant changes:

- a) The share of services, commercial and food sector professions have increased and the number of students receiving education in industrial and construction professions has significantly decreased in response to structural changes in economy.
- b) Due to legislative changes, the professional-technical education centers were reorganized into 30 high schools (with crafts education) in 2000-2005, and then the BPE system was rehabilitated.

The BPE and SPE are interlinked systems dealing with training the craft workers and junior specialists. Increasing the efficiency and bringing education standards into compliance with the requirements of the labour market is the challenge faced by these two levels of professional education system. The establishment of multi-level professional education institutions – colleges, can be an important factor for facilitating the above mentioned process. This will allow large groups of the population who currently have limited access to post-school professional education in colleges and universities²¹ to receive a professional education, according to their personal abilities and market demands.

The BPE system solves two main issues:

- Social, including poverty reduction by means of providing the first profession and job.

providing the youth from small towns and villages with professional education, especially in the area of agriculture, to equip them with skills to make living (incl. to create a family, to start some profitable economic activity, etc.)

educating a huge mass of young people working as sellers, barmen, waiters/waitresses and hotel workers having no theoretical and practical professional preparation, to create the basis for carrier growth/income increase. Therefore, the most perspective areas to be included in the BPE system seemed to be commercial and services areas. Also, the priority of tourism development requires bringing the professional level of people occupied in services, including commerce, in compliance with international standards

- Economic – by providing the market with quality blue-collar workers.

More than 1/4 of the vacancies registered at the Employment Service by September 2005 required blue collar staff, like tailors, weavers, plumbers, drivers, metalworkers, etc., with over 85% of the demand centralized in Yerevan. At the same time, most of the unemployed do not meet the requirements for vacancies because of weak professional education.

²⁰ Unless specified otherwise, the statistical analysis is based on the data of the National Statistical Service of RA.

²¹ Forty and more percents of the school graduates (especially in the small towns and villages) enter the life without any profession

The “Action plan for 2005-2008 and the priorities for modernization of the professional education and training in RA” supported by many normative documents regulating the BPE and SPE areas (decisions of RA Government, strategies, decisions of the Prime Minister of RA, decrees of the Ministry of Education and Science of RA) allowing for the development of the list of the BPE and SPE professions by durations, qualifications, education criteria, training bases; procedures to continue education in Higher Education institutions; the procedure for organization and implementation of state final exam, “The concept note and strategy for adult education”, etc.) is being implemented in RA.

International donors provided significant support for the professional education reforms, such as the following:

1. The European Educational Fund has established The Armenian National Observatory in October 1998. It supported the professional education reforms in the republic by means of data collection, analysis and distribution, establishment of a national and international network, training delivery, provision of consulting services on the policy for professional education and training, labour market needs assessment.
2. The international program called “Trans-regional cooperation for professional education” has been launched in the RA in 2001. It was funded by GTZ. The main objective of the program is the cooperation in the fields of professional education, including lecturer trainings, between Armenia, Georgia, Kazakhstan, Kyrgyzia, Uzbekistan and Azerbaijan.
3. The program called “Support for the development of an integrated system for professional education and training” was launched in Armenia in January 2004. It was funded by TACIS. The objective of the program was to support the Government of RA through the Ministry of Education and Science to develop the professional education system and to bring it into compliance with the requirements of the labour market.
4. “Support for the establishment of The National Center for the Development of Professional Education and Training in Armenia” program was implemented in 2006-2007. The objective of the program was to submit corresponding suggestions concerning the necessity of establishment of The National Center for Development of Professional Education and Training.
5. The “Education for Armenia’s Future” program of UNDP is in action starting from 2006. The main goal of the program is to support the reforms carried out in the area of BPE.

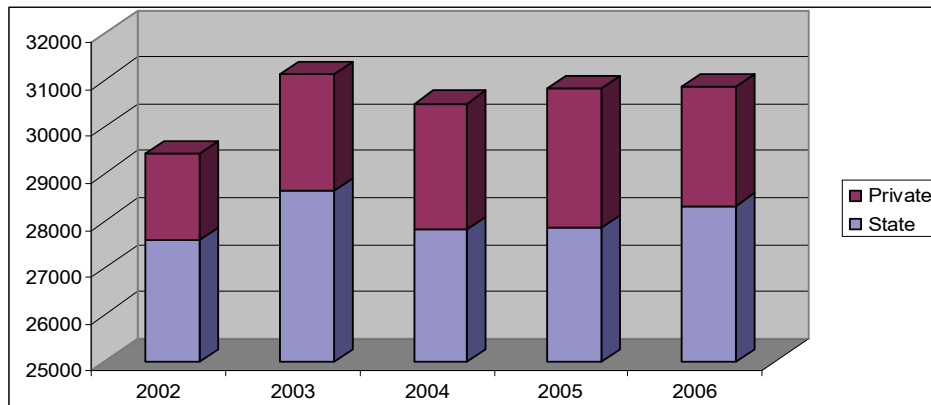
Basic Professional (crafts) Education

28 state basic professional education institutions (BPEI) operated in Armenia in the academic year 2006/2007. The number of students was 4095, including 25.9% of women. 96.4% of the students studied in the free of charge system, and 3.6% received paid education. Graduates of basic and complete secondary education were admitted to the BPEIs.

Secondary Professional Education

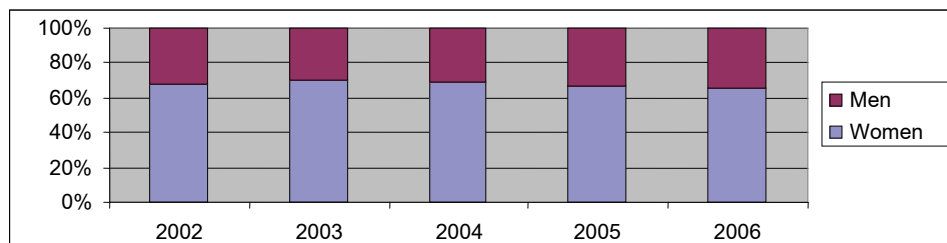
In 2002-2006, the number of students in 108 secondary professional education institutions (SPEI) of Armenia (including 83 state and 25 private institutions) increased by almost 5% - from 29.4 thousands to 30.9 thousands, mainly due to the progressive development of the private SPEIs (about 39% increase).

Chart 3.1. Changes in the numbers of SPEI students in RA



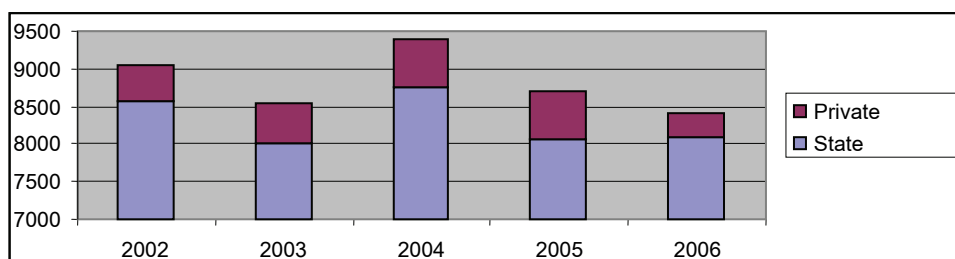
Still, overwhelming majority (91.7%) of the total number of SPEI students studied in state institutions in 2006).

Chart 3.2. Distribution of SPEI students by gender



The majority of SPEI students are women. This is especially visible in private SPEIs, where 3 out of 4 students are women. For the State SPEIs this number is 2 out of 3.

Chart 3.3. Changes in numbers of the SPEI graduates:



Although the changes in numbers of graduates of both State and Private SPEIs did not have definite direction in the recent years, the number of SPEI graduates in 2006 was somewhat lower than in 2002, showing a decrease of about 7% (5.6% State, almost 32% Private).

Chart 3.4. Distribution of the SPEI students by professions

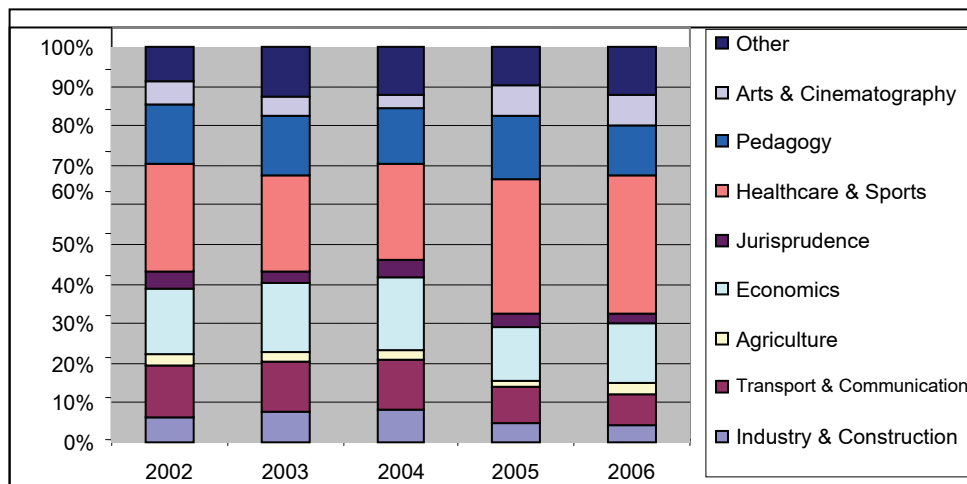


Chart 3.4 gives an idea about structural changes in the broad groups of professions taught in SPEIs, in particular:

A little representation and tendency for decrease (14.9% of all students in 2006, 22.1% of all students in 2002) for so called industrial professions like “Industry and Construction”, “Transportation and Communications”, and “Agriculture”,

The biggest representation of three professional groups: “Pedagogy”, “Economics”, and “Healthcare and Sports” (13%, 15% and over 35% respectively, or more than 63% of the total number of students). In contrast with pedagogy and economics, there is a continuous increase in the number of health and sport specialists – almost 8 percentage points during 2002-2006.

In private SPEIs “Healthcare and Sport” specialists (3 and more out of 4 students would be taking these studies) largely dominate in numbers over students in other professions.

Graduates’ distribution by profession groups, in general, follows the patterns described for the total number of students.

The fact that 3 out of 4 students of state SPEIs are involved in paid education system, and only one is educated free of charge deserves special attention.

3.1.2. Higher and Post-Graduate Professional Education

Both State and Private HEIs are regulated by the same legislative norms: the laws of RA “About Education”, “About Higher and Post-Graduate professional education”. These laws grant the HEIs a significant academic freedom. Irrespectively from their organizational-juridical type, HEIs approve the educational plans and programs, and present them to the authorized governmental educational body or its’ subsidiary. The Private HEI can start their activities only upon acquiring a corresponding license.

The reforms of the professional education in RA are carried out in the framework of “2006-2010 strategic program of measures to meet the requirements of Bologna Declaration in the RA higher education system ”, adopted by government in 2006. In particular, it is planned to move away from the current diploma specialist program/post-graduate studies to the three-level higher and post-graduate education: Bachelor’s, Master’s, Research or Doctoral studies.

The reforms will be applied in the following directions:

- Ensuring the growth tendencies in higher education efficiency (both internal and external),
- Strengthening the link with the labour market,
- Ensuring the availability of education for all groups of the population,
- Reforming the education management,
- Reforming the state funding system,
- Integration of the higher education into the European education system, and inclusion in the Bologna processes.

Several grant programs with foreign HEIs are carried out at the moment in the professional education institutions of the republic in frames of Bologna processes. These programs aim at improving personal mobility, implementing united scientific-educational developments, etc. Taking into account that the mobility possibilities for professors are much higher, it is especially important to ensure the mobility of students. This will ensure not only a show-case for the knowledge, but will help to create new social-cultural intellectual horizons, communication abilities and will ensure the future employment.

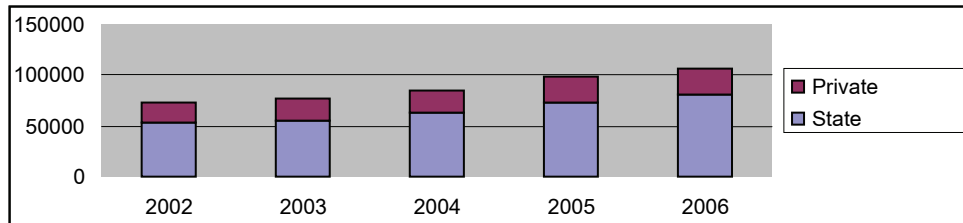
One of the important milestones is the mutual recognition of the graduation certificates. The fact that Armenia has joined the Lisbon Convention in 2005 had a positive effect on those processes. According to the Convention the reforms of HEIs and Post-Graduate education systems should include the following:

- Increasing access to higher education,
- Ensuring the addressed state support,
- Improvement of the management and funding systems for the state HEIs,
- Increasing internal efficiency of the state sector,
- Strengthening the links to the local and international labour markets,
- Ensuring implementation of the international standards, etc.

Higher Education Institutions

As shown in the Chart 3.5, the number of RA HEIs students, both state and private, had quite a high tendency for growth in 2002-2006.

Chart 3.5. Changes in RA HEIs students total numbers



It is interesting that the numbers of state HEIs students had the biggest growth – for 27.3 thousand or more than 50% against 6.2 thousand, or 1/3 increase for the private sector. As a result the percentage of private HEIs students decreased from 25.2% to 23.1%. The number of HEI students increased for 33.5 thousand or 46.4% in total.

The main quantitative data from the Armenian HEIs for 2006/2007 academic year is shown in Table 3.1. This data proves the leading position of the state system of higher education and does not need any additional comments. It is just necessary to mention in addition, that in 2006/2007 academic year only 24.5% of state HEI students have received free of charge education and 75.5% - paid education.

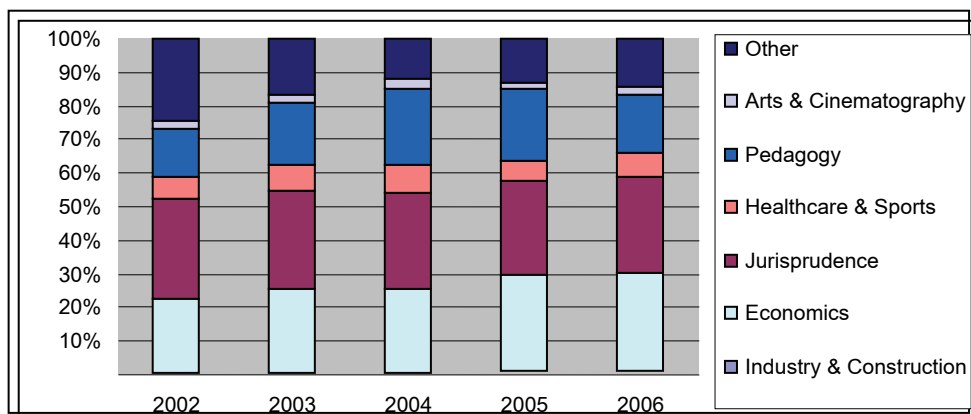
Table 3.1. The main quantitative data for RA HEIs in academic year 2006/2007

	Number of HEIs	Students entered	Including women %	Total students	Including women %	Graduates	Including women %
All HEIs	87(10)	25567	52.5	105830	55.0	15516	58.0
State HEIs	23(10)	19491	49.7	81383	52.4	11136	53.3
Percent		76.2		76.9		71.8	
Private HEIs	64	6076	61.3	24447	63.4	4380	70.1
Percent		23.8		23.1		28.2	

Women have a stable majority in the total number of HEI students – 54-55%. Moreover, in private HEIs 2/3 of the students have been women. The distribution of students by gender in the state HEIs is almost equal.

As clearly shown in Charts 3.6 and 3.7, the lists of professions taught, the distribution of students by professions and the structural changes that took place were significantly different in the state and private HEIs.

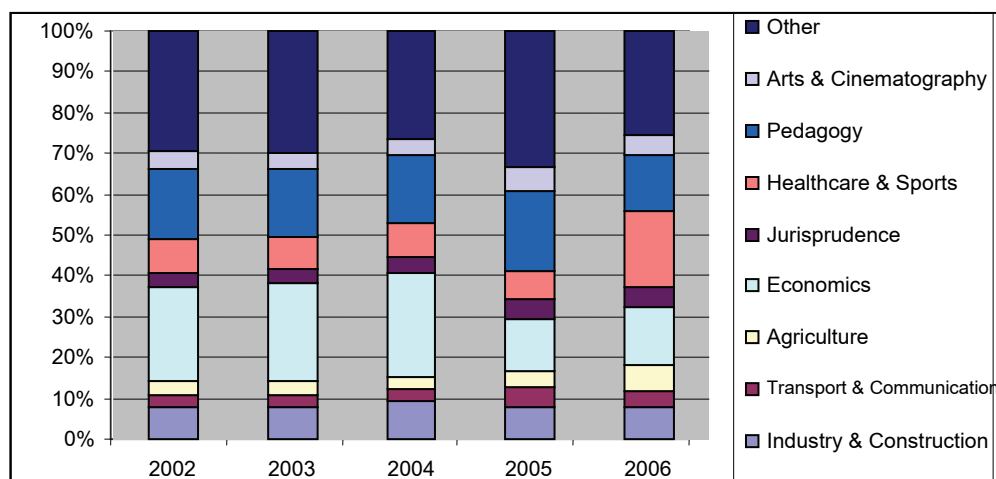
Chart 3.6. Distribution of the total number of students in RA Private HEIs by professions



Unlike the state HEIs, where the industrial professions “industry and construction”, “agriculture” and “transportation and communications” have a clear growth tendency for 3.7 percentage points in 2002-2006, in the private HEIs they are practically absent.

Instead, the “Jurisprudence” profession is the stable leader in the private HEIs: 3 out of 10 students. In the state HEIs there are only 4-5% of “Jurisprudence” students.

Chart 3.7. Distribution of the total number of students in RA State HEIs by professions



Starting with an approximately similar shares of “Economics” students – 22-23% in 2002, the state HEIs have decreased it to 15% by 2006, and the private HEIs have increased the share up to almost 29%.

Thus, 2 out of 10 students of the state HEIs study Jurisprudence or Economics, while in, private HEIs 6 out of 10 students specialize in these subjects.

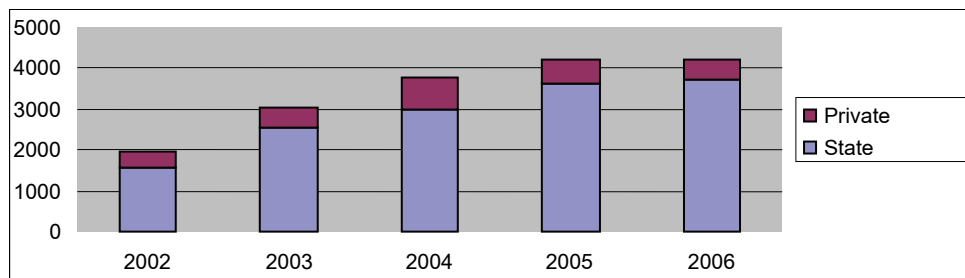
All these give a basis to state that a certain policy for the formation and change of the list of professions in the state HEIs is carried out (the question is how effective and directed is that policy?), but the private HEIs almost fully depend on the commercial demand in the education market (in the Armenian reality this demand is formed based more on some irrational ideas, than on the labour market situation).

The profiles/trends for the number of graduates in the HEI system, both state and private, are qualitatively the same as for the total number of students.

Talking about the quantitative differences, it is worth mentioning that the total number of private HEI graduates had higher increasing temp in 2002-2006 than the graduates number of the state HEIs – 51% and 45% accordingly.

Unlike the SPEIs, the HEIs involve a significant and growing number of foreign students. Thus, if there were 1966 foreign students, or 2.7% of the total number of students in 2002, then by 2006 the number has increased more than twice and reached 4239 students or 4% (see Chart 3.8.), most of them studying in state HEIs and coming primarily from 5 countries: Russia, Georgia, Iran, Syria (where large Armenian communities are present) and India.

Chart 3.8. Changes in total number for foreign students of RA HEIs



Masters degree studies

In 2006, 15 HEIs and 2 scientific organizations delivered Masters degree studies - 2826 available places total, out of which 2419 or about 86% were fee based. There was a rapid increase in the total numbers of students and graduates: 2.2 and 2.3 times accordingly during 2002-2006 (Charts 3.9 and 3.10).

Chart 3.9. The total number of Master's degree students in RA by professional groups

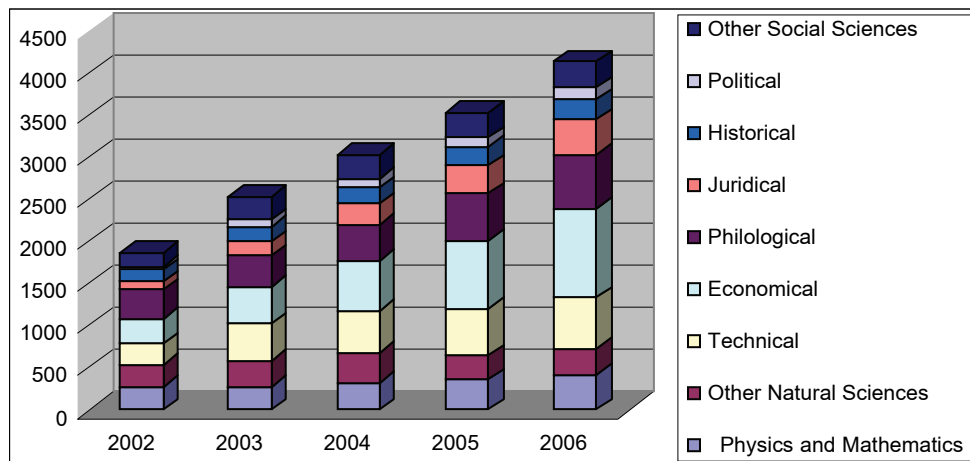
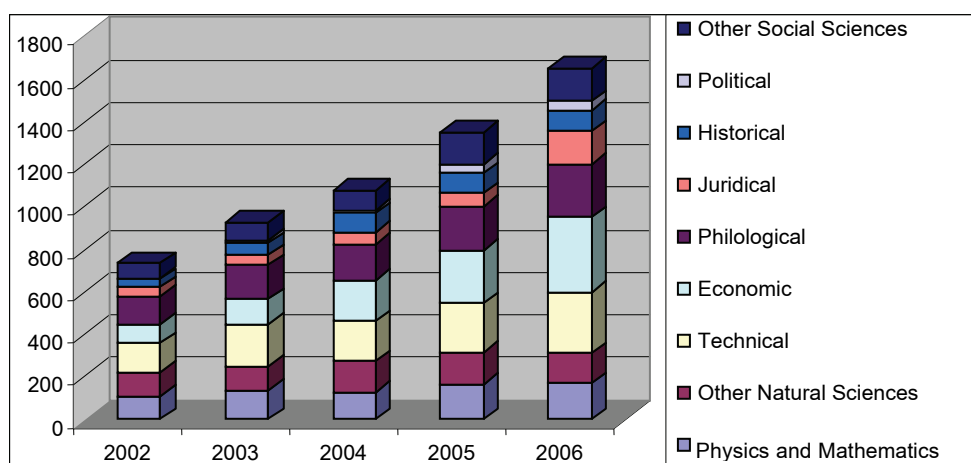


Chart 3.10. The total number of Master's degree graduates in RA by professional groups



The data allows stating the qualitative similarity in their structure of distribution by professions and the structural changes.

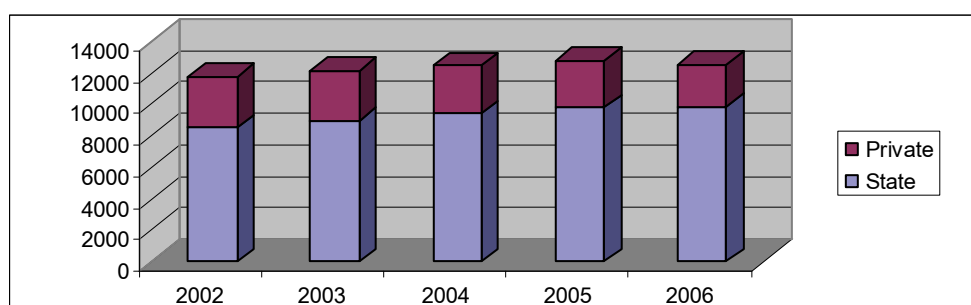
Women are also in the majority in the total number of Master's degree students. The percentage of women grew from 52% in 2002 to 58% in 2005-2006. Domination of women in numbers is partly explained by the obligatory military service for men.

The involvement of foreign students in the Masters Degree studies is insignificant: 88 students in 2005-2006, that is only 2.1% of total.

The teaching staff in the higher education system of RA

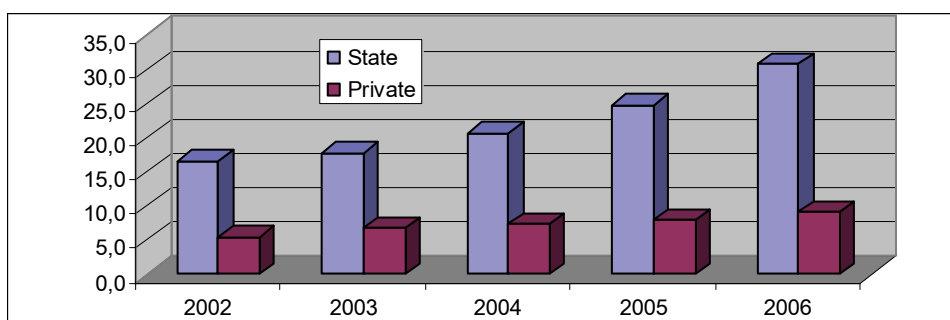
The increase in the number of professors/lecturers has been quite modest as compared to the growth of the number of students. (6.2 percentage points against 48 percentage points accordingly in 2002 – 2006) (see Chart 3.11).

Chart 3.11. Changes in professor/lecturer staff in HEIs of RA (in absolute numbers).



It is interesting that the average increase of 6.2% is a cumulative result of the 16% increase in state HEIs and 19% decrease in private HEIs.

Chart 3.12. The level of student load for the professors/lecturers of the HEIs in RA (average number of students per 1 professor)



It is natural that such a significant difference in growth rates should have affected the load rate of professors and lecturers. Load rate increased much faster in state sector (see Chart 3.12), threatening the quality of education.

As for the distribution of the professors/lecturers by gender, it was quite stable during the time and was almost similar in state and private sectors. There is some, not significant majority of men – 53-55% of total.

PHD and Doctoral studies

In 2006, 70 scientific-educational institutions (14 HEIs, 37 institutes of National Academy of Sciences, 19 other scientific organizations) had PHD studies and 8 scientific-educational institutions (including 4 HEIs) had Doctoral studies in Armenia.

PHD studies. The total number of PHD students increased by 17% compared to 2002 and was 1509 in 2006. Around 53% of them study in-class and the others practice distance learning. The ratio of paid and free education is around 15 to 85%. 445 people have entered PHD studies in 2006 (out of which 40.9% were women), and 431 people have graduated (out of which 30% were women). The representation of foreigners in the total number of students is quite high, and it has a tendency for growth. So, if in 2002 there were only 49 foreigners in PHD studies or 3.8 percents of total, then in 2006 already 98 or 6.5%. Besides the above mentioned, more 1431 people, out of which 929 or 65% of women, were contenders for the PHD degree.

Doctoral studies. The total number of people in Doctoral studies in 2006 was 59, which is above the same numbers of 2002 for around 90% or 31 persons. The Doctoral studies are mainly free of charge; only 2 Doctorates are fee based. The number of people that entered and graduated in 2006 is accordingly 15 and 8 persons.

3.2. SURVEY OF EXPERTS OF ARMENIAN PROFESSIONAL EDUCATION

3.2.1 The aim and methodology of the survey

The aim of this component of the survey was to come up with a qualitative assessment in terms of changes that have taken place in the education system in terms of:

- quantity and quality of education offered
- international accreditation and certification
- language skills
- private sector response-
- allocation of resources by State

The study aimed also at analyzing the correlation between the education system and external migration processes.

The data was collected during face-to-face semi-structured interviews with the experts. About one quarter of the questions in the questionnaire were open-ended questions, which are typical for in-depth interviews. Hence, the survey was a combination of expert survey and in-depth interview.

3.2.2. The number and structure of respondents

The survey involved 66 experts (see Table 3.2). They represented 16 HEIs (8 state and 8 private), 13 SPEIs (11 state and 2 private), RA MES, and 5 NGOs and other bodies. Around 14% of the experts were rectors (directors) of educational institutions, more than 40% were pro-rectors (deputy directors) and heads of educational divisions, and around 18% represented the headquarters of RA MES.

Table 3.2. Distribution of the experts who participated in the survey

Bodies	Total bodies (units)	Total experts (persons)	Including			
			Rector	Pro-rector	Head of educational division	Other
State HEI	8	13	-	3	2	8
Private HEI	8	14	-	6	3	5
State SPEI	11	19	8	4	6	1
Private SPEI	2	3	1	2	-	-
RA MES	1	12	-	-	-	12
NGO and other	5	5	-	-	-	5
Total	34	66	9	17	10	30

3.2.3. Analysis of survey results

1. Expert assessment of the factors influencing the main quantitative and structural features of the RA professional education system

Summarizing the expert estimates, it appears that currently the quantity of students, the professions lists, and the distribution of students by professions in both state and private HEIs and SPEIs in Armenia is affected more by the factors providing direct inflow of financial resources, such as the state funding and the solvent demand in the local education market, rather than the real demand of the local labour market.

Of course, theoretically, the above mentioned factors should be conditioned to some extent by the local labour market demand, but in reality it does not always happen. In case of state funding the obstacle is the deficit of resources on one hand, and on the other hand, the fact that the state educational expenditures are not only directed to the satisfaction of demand for professional staff, but also to the solution of some political and social issues. The mismatches and controversies in requirements can happen in this case. As for the demand for professional education in Armenia, the structural level is the most important one here. This means that the professional structure of the demand has some irrational content, because it is based not only on the real demand of the labour market, but on the fact that currently some professions are respected and highly rated in the public opinion. It is obvious, that all the above mentioned, as well as the low level of so called “external” influences, will affect the results of activities of professional education system.

2. The expert assessment of the grounds for current quantitative and structural features of the Armenian professional education system, the present issues and possible solutions

The data from interviews speaks for the fact that the current quantitative and structural features of the professional education system are not well substantiated. The experts believe that, for all types of institutions, the quantity of students and the structure of professions have, in the best case scenario, a little higher than “satisfactory” grounds. State HEIs are seen as having better grounds than private SPEIs, with other types of institutions ranging between these two.

The biggest group of problems mentioned by the experts (23 out of 55 or almost 42%), did not have a direct link to any of the suggested answers or had a complex content and was included in the “others” group.

Table 3.3. **Distribution of issues mentioned by the experts by concerns** (total number of responses)²²

Issues	Total responses	Including experts representing the corresponding bodies			
		State HEI	Private HEI	SPEI	Other
Total issues mentioned	55	17	14	3	21
By concerns:					
Involvement of students	9	3	2	0	4
List of professions	10	1	6	1	2
Structure of professions	5	1	1	0	3
Educational-technical base	8	4	2	0	2
Other	23	8	3	2	10

Within “other” responses the link between “education” and “labour market” has been mentioned most frequently – 6 times in total. In particular, the poor impact of the labour market demand on the system, and the actual absence of the “*employer-educational institution*” links, etc., have been pointed out as an existing and important issue in terms of the possible negative consequences. Other responses mentioned such issues as: insufficient educational-methodical questions, modern methods of training delivery, revision and conformity of the criterion system; insufficient qualifications, and shifting of professors and pedagogic staff; insufficiencies in the professional orientation of the youth, and the fact that “the largest number of young people and parents, while making the professional choice, consider the factor of “respect” and “financial income” rather than the realities of the labour market”. This is partially conditioned by the insufficient professional orientation mechanism, and disturbances in the values system of the society. The so called financial-organizational issues like “state and “*...internal...*” funding principles, insufficient level of salaries” were mentioned. Some experts mentioned issues like the “lack of education accessibility”, “absence of changes in numbers of students and graduates”.

Out of all the opinions it is worth mentioning the following : “*there is an overproduction of specialists*”, “*the number of graduates/specialists is significantly over the needs*”, “*the state HEIs accept limited numbers of students due to the absence of corresponding conditions*” (an appraisal by representative of a private HEIs), “*the private HEIs accept practically everyone, there is a need for normalization of the examination-based admission principle*” (an appraisal by representative of a state HEIs), “*...the real demand of the labour market is not considered at the time of admission...*”, etc.

The responses concerning the lists and structure of professions emphasize the “*poor grounding*” of the list included in the system, the gap in demand within the labour market – “*there are some unnecessary professions and lack of professions seconded by the demand of the labour market*”. One unique opinion is that “*there is a marked lack of specific specializations*”. It was mentioned that “*The list of professions*

²² The data of the Table allows to state the poor activity of the experts representing SPEIs for this question. It is difficult to understand as all the experts were given the possibility to express their opinion on the general issues of the system and the issues in this section of the system are similarly critical.

and its structure is based on the demand of the education market, rather than the existing demand in the labour market, which is a consequence of inertia or fashion”.

Finally, the “educational-technical base” issue has been mentioned 8 times (almost 15% of total) meaning mainly the aged and outdated educational-technical and laboratory bases.

The solutions suggested by the experts (see Table 3.4) were often linked to more than one subject.

Practically 1 out of 10 suggestions directly concerned the student involvement issue. The content of suggestions is generally to *“produce less specialists, but for them to be more competitive and qualified”*, through a *“deeper appraisal of the labour market demand”*, *“full correlation between the number of students and the capacities of the institutions”*, *“consideration of the requirements for the social function of involvement and even prioritizing them to some extent”*.

Table 3.4. **Distribution of solutions given by the experts by concerns** (total number solutions)

Solutions	Total responses	Including experts representing the corresponding bodies			
		State HEI	Private HEI	SPEI	Others
Total solutions	59	16	15	3	25
By concerns					
Involvement of students	6	0	2	0	4
List and structure of professions	22	5	7	2	8
Educational-technical base	9	4	2	0	3
Others	22	7	4	1	10
Including:					
Complex direction	16	4	3	1	8
Staff related	6	3	1	0	2

The content of all suggestions is more or less the same: “it is critically necessary to renew and complete the educational-technical base, to modernize it and to bring it to conformity...” The experts mentioned the State Budget as a financial source to carry out those changes, which can be hardly considered realistic, taking into account the capacity of the State Budget.

There are 22 suggestions, (or 37% of total), for the list and structure of professions. This significant group can be clearly divided into 2 parts: the ones that definitively concern the list of professions – 8 suggestions, and the ones equally concerning both the list and structure of professions – 14. The meaning in the first part is: *“it is necessary to revise the list of professions and bring it to a strict compliance with the current requirements”*, *“to involve concrete specializations”*, *“to make optimizations in the professional departments of HEI, to develop and introduce new specializations”*. Furthermore, it was suggested *“to carry out research on the labour market and its economic development perspectives, to review the list and structure of professions, to bring them into compliance with the requirements of the labour market based on the results of the research”*. At this point some experts give a special emphasis to the idea, that the changes can only be of maximum effectiveness if the direct and real involvement of the business/employers is ensured.

Other solutions concerned pedagogic staff: *“To ensure the formation of pedagogical staff with a corresponding qualification, taking into account the state education criteria”*, *“To ensure the natural*

shifting of the staff and to rejuvenate the professors/lecturers and pedagogic personnel"; there was a suggestion of a general nature concerning the clarification, regulation and improvement of the student/professor relations system.

There were also "complex suggestions", although comprehensive (in some cases concerning even all activities of the system), but lacking the necessary distinctness, which devalues their importance and practical significance. For example: "to work out a correct policy", "to modernize the educational programs, to improve and enrich the educational-material base of the educational institutions, to carry out a re-qualification of the lecturing personnel", "to make it result-oriented", etc. At the same time there are more concrete suggestions here. In particular, 3 experts give an importance to the solution of issues like: the revision of educational programs and their compliance with the current conditions. The following suggestions are also interesting and important: *"To foster the development of an affordable student loan system", "to improve the rewarding mechanisms for increasing the quality of education"*.

3. The legislative/juridical environment and the professional education system

the collective opinion of the experts states that the current legislative/juridical environment is not significantly unfavourable, at the same time being not fully favourable, for all types of institutions and in all means. It has been evaluated as a little less favourable for the private institutions.

The experts did not show a special activeness while answering open questions about the present legislative/juridical issues and the priority actions for their solution. There were 66 responses in total – 35 about the issues, and 31 about the solutions.

The responses about the issues were concerned with the legislative/juridical issues for student involvement, and the formation of the list and structure of the professions. It is interesting to state some contradiction in the opinions of the experts. Thus, one of them states that: "the issues of the involvement of students and the employment of graduates are not clear and systemized". Another one states: "the involvement of students should have maximum flexibility, the institutions should have bigger autonomy in this issue". The third expert sees the necessity of juridical regulation of the issue, as he states: "the level of preparedness of the applicants from the cities and villages are different due to some objective reasons, but the requirements for admission are the same". There are 9 responses concerning the quality of education saying that the current legislative/juridical base does not significantly favour the increase in the quality of education. Particularly, "there is no system of united standards and goal-oriented results"; "the existing norms are not implemented"; "some students have to pass their military service before the graduation, which disturbs their full-fledged education", "the admission application allows for the priority specialization, but the applicant enters a related, or sometimes, totally different specialization, which cannot guarantee a high quality of education".

The next group of issues establishes the fact that the legislative/juridical environment is not so favourable for the sufficient educational-technical base of the system on the one hand, and on the other hand that the inequality of conditions in different types of institutions defined by some statements of the legislation, do not favour the natural development of the whole system in general, and the separate institutions in particular. The first one is seconded by the following evaluations: "the law on procurement is incomplete for acquiring the educational-technical base", "the legislative environment is not favourable to the private institutions in terms of provision of the educational-technical base, the taxes are high", "the new textbooks for HEIs are not taxed, the ones for SPEIs are taxed".

The solutions proposed by the experts included the following:

Involvement of students: the Armenian State Agrarian University (ASAU) suggests “to allow the ASAU to carry out the admission of graduates of the partnering regional (marz) high schools.” Representatives of private HEIs suggest “to renounce the principle of admission to a related specialization”, “to clarify, concretize and regulate the list of professions to a full extent” following the needs of the labour market.

Quality of education: “In frames of a credit system the student can define his/her level of workload together with the supervisor/lecturer or chair, and the education fees should be different based on that”.

Educational-technical base: “improvement of the legislative environment, ensuring equal competitive conditions, revision of the unjustified privileges” (by an expert representing a private HEI), “we should have the same legislative environment for both types of the institutions, there should be no difference” (by an expert representing a private SPEI), “To introduce united standards, the RA Ministry of Education and Science should carry out a transparent monitoring of HEIs correspondence” (by an expert representing “other” institution), “the centralized exams should be obligatory also for the private HEIs” (by an expert representing “other” institution).

So-called “complex” proposals (more than 45%): There were some general proposals, such as: “improvement of the education field-related legislation”. The others are of more specific nature: “to restore the military departments in the HEIs, which will increase the education quality by providing a possibility of a uninterrupted education”, “to clarify the accreditation and licensing process”, “to soften the social payments system by changing the corresponding laws, which will allow the involvement of high quality specialists in the educational process by a per-hour remuneration”. The following suggestion made by an expert representing “other” institutions is very interesting: “it is necessary to establish a fund mainly for long-term crediting of the educational institutions and programs”

4. The relevance and quality of the professional education

It can conditionally be stated that, in the opinion of the experts (summarized in the Table 3.5.), the maximum conformity of the professional education system graduates, with the requirements of the local market, is just about 65% in the state HEI. In case of the state SPEIs it goes down to 62%, in cases of private HEIs and SPEIs - less than 50% and just 40%, accordingly. In terms of conformity with the requirements of the international labour market the situation is worse: state HEIs – around 50%, state SPEIs – just around 47%, private HEIs – 45% and private SPEIs – approximately the same 40%.

Table 3.5. **The expert appraisals of conformity of the qualifications of RA professional education system graduates with the requirements of the internal and external labour markets**²³

	Average marks for the conformity level (points)			
	State		Private	
	HEIs	SPEIs	HEIs	SPEIs
Local labour market	3.24	3.10	2.48	2.03
International labour market	2.48	2.34	2.25	2.03

²³ Full conformity - 5, minimum conformity - 1

Talking of the impact of complex factors which affect the education quality in terms of inconformity of the qualification of graduates to the requirements of the labour market, experts attach greater importance to the staffing factor, while definitely stating the significant negative impact of financial factor, educational-technical base and methodological/program factor.

The “Practical preparation” was mentioned most frequently as the 1st component with the biggest inconformity to both local and international labour markets requirements for all the types of educational institutions. In case of the international labour market there is serious competition between this factor and the “Knowledge of foreign languages” factor (3 out of 10 experts mentioned the last factor as the 1st inconformity component for the international labour market, compared to less than a one out of 10 for the local labour market. It should be also mentioned, that in the case of state HEIs the remaining components for both local and international markets were mentioned by only a small group of experts.

As to the second most important component, the most frequently mentioned components were as follows:

“Knowledge of Information Technologies” for the local labour market,

“Knowledge of foreign languages” for the international labour market.

Table 3.6. Distribution of the priority actions mentioned by the experts by concerns (number of mentioning).

Priority actions	Total responses	Including experts representing the corresponding bodies			
		State HEI	Private HEI	SPEI	Others
Total mentioned priority actions	112	19	17	48	28
By concerns:					
Research of the labour market, establishment of the link between the employer and the education system	30	7	4	6	13
Staff	16	0	2	12	2
Educational programs and education quality	26	5	3	14	4
Practical preparation	12	3	2	3	4
Educational-technical base/information technologies	28	4	6	13	5

Here also the mentioned components are in a significantly close competition: for the local labour market – the “Practical preparation” (20-29% of total responses), for the international labour market – the “Knowledge of information technologies” (26-35% of total responses).

The experts pointed out the priority actions, which can ensure the maximum conformity of the graduates’ preparation with the requirements of the labour market (see Table 3.6). Most of the responses were in the theme of “research of the labour market, establishment of the link between the employer and the education system”. In particular, the experts propose: “to involve the employers in the attestation processes”, “to involve the employers (or their representatives) in the trainings as observers”, “to invite them to deliver lectures” and even that “the real and potential consumers of the

professional staff somehow participate in the development of educational programs, organization of the educational process, final attestation and qualification processes of the knowledge, abilities and skills of the graduates”.

The possible positive impact of such an approach towards the improvement of the education system, increase in education quality, conformity of the education quality with the requirements of the labour market is not in doubt, but its methods of implementation are less clear (considering the fact that the experts themselves kept silence about it).

In the opinion of the experts the quality of teaching staff can have a significant role in bringing the level of preparation of graduates in conformity with the requirements of the labour market. Suggested measures included the establishment and implementation of an operational system for professional perfection and retraining, and the improvement of material and social conditions of teaching staff.

The third biggest group of actions concerned the improvements of the educational programs and plans, and bringing the preparation level of the graduates to maximum conformity with the requirements of the labour market, including improvements in knowledge of the foreign languages: “This together with the increase in information technology education quality will favour the increase of competitiveness in the international labour market for the graduates”, “an in-depth training of the foreign languages is necessary, which will provide a possibility to get acquainted with the professional literature published abroad”. Other suggestions have more general content: “to improve the education plans and programs according to the Bologna process”, “to increase the quality of education emphasizing the self-preparedness of the student”, “organization of additional courses, perfection of mechanisms for assessment of knowledge and skills”, etc. The increase in the level of the practical preparation of the students has a big potential for solving the issue. But the content of their proposals is not very specific.

Finally, the important role of the educational-technical base/information technologies complex factor was mentioned: “improvement, enrichment, modernization, acquisition, renewal, conformity with the requirements of the labour market”; “the use of information technologies in the educational process should be significantly increased, establishment of an on-line network among the different educational institutions can have an important role, it will favour the exchange of both data and experience”.

The levels of conformity of the qualities provided by the RA professional education system to the international standards are, according to the experts, in the best case scenario a little bit higher than average. The results of the state institutions, especially the state HEIs, are comparably highly graded. But even those rates in percental expression mean just the following levels of conformity: “theoretical knowledge” – 68%, “information technologies” – 62%, “foreign languages” – around 60%, “practical skills” – around 57%. We should mention for comparison that the corresponding values for the private SPEIs are as follows: 58%, 40%, 40% and 43%.

5. Professional education system and external migration

The summarized results of the experts’ responses on the connection between the activities of RA professional education system and the external migration processes are presented in Table 3.7.

The experts think that only 3 points can be given to the link between the activities of the professional education system and the external migration processes. The impact of the professional education system activities on the external migration processes is evaluated as slightly lower – 3.3, compared with the 3.05 points for the opposite

The majority of experts spoke about the reasons and consequences of the interaction, rather than the expressions themselves.

Table 3.7. The expert appraisal of the interaction level between RA professional education system and external migration processes (points) ²⁴

	Average marks of all the experts	Including experts representing the corresponding bodies			
		State HEI	Private HEI	SPEI	Others
The impact of external migration on the activity of the education system	3,05	2,69	3,71	2,68	3,25
The impact of education system activity on the external migration	3,30	3,15	3,79	3,24	3,06

The experts who mentioned the expressions of direct and indirect connections have mainly mentioned the following expressions:

“There is some insignificant flow of students from abroad, which thus has a significant input in the formation of student quantities for some institutions”,

“Some students stop their education and go abroad, which somehow, in some way affects the activity of the system”,

“Usually the students with the highest level are involved in the emigration process. They go abroad through different international programs and frequently do not return, or they emigrate again when they do not find an appropriate job upon their return. The direct and indirect consequences of this are absolutely negative and affect also the educational system”,

“The most prepared and skilled part of the teaching staff is involved in the emigration processes most frequently, which has an adequately negative effect on the quality of education”.

It is interesting that some of the experts who accept the fact of interaction between the activity of the education system and external migration processes, and in particular some outflow of students, also think that: “all these do not have a significantly negative effect on the system”. One of them is even confident that: “they supplement each other and in some cases even favour each other”.

More interestingly, some experts while speaking about the outflow of students, state that it is significantly conditioned by the insufficient level of Armenian education: “The uncertainty of receiving a quality education in Armenia makes a lot of people leave for an education abroad”, “The Armenian HEIs are not capable of providing a corresponding teaching staff and educational-technical base for some of the specializations”.

But the majority of the experts find the social and economic factors the most important of all reasons for the outflow of students and teaching staff. Besides the insufficient social-economic conditions, they specially emphasize the negative role of the realities of the labour market, the inconformity between the numbers, professional structure of professional education system graduates and the labour market demand. “The migration is conditioned by the social-economic situation but not the bad quality of education”, “there is a problem of finding a vacancy that corresponds to the education received”, “the demand in the labour market does not correspond to the supply of young specialists, the graduates of the system are not able to work with their specialization”, etc.

²⁴ Strong - 1, significant - 2, to some extent - 3, weak - 4, no impact - 5:

While not covered in the survey of experts, the quality of education/training is clearly an area that has an impact on the kind of jobs and remuneration that migrants receive in countries of destination. Recognition of qualifications is another area of the education-migration nexus that may be an obstacle to international labour mobility.

6. Questions for the educational institutions experts only

According to the overall opinion of the experts (see Table 3.8.) in all the three types of educational institutions little positive changes have taken place in the recent 5 years (maximum mark – 2.43 points for the changes in financial conditions of the private HEIs). This entails significant negative deviation from international standards in the “financial situation”, “provision of IT skills” and “educational-technical base” along with “training of foreign languages” . “Theoretical preparation” and “completion of the teaching staff” were found “mostly corresponding” to the international standards (expressed by mark 4) and in case of SPEIs “list and volume of the subjects”, “qualification of the teaching staff” even overcome mark 4.

All this allows assuming that the experts representing SPEIs have a less self-critical approach than the experts representing state and especially private HEIs.

Table 3.8. **The expert appraisal of changes in educational institutions in the recent 5 years (average point)²⁵**

Concerns	State HEI	Private HEI	SPEI
Financial situation	1,92	2,43	2,00
Educational-technical base	1,69	2,14	1,90
Theoretical preparation	1,85	1,93	1,73
List and volume of subjects	1,62	1,93	1,82
Practical preparation	2,23	2,14	1,55
Foreign languages training	1,62	2,00	1,86
Provision of IT skills	1,46	2,14	1,68
Completion of the teaching staff	2,15	2,07	1,77
Qualification of the teaching staff	1,92	2,07	1,59

Consideration should be given to the fact that the experts representing SPEIs have a less self-critical approach than the experts representing state and especially private HEIs.

Accreditation and certification (Table 3.9): Only the experts representing private institutions have answered the question “The accredited specializations in your Institution”, because all the specializations in state institutions are considered to be accredited. The answers which are summarized

²⁵ Significant improvement - 1, some improvement - 2, no change - 3, some worsening - 4, significant worsening - 5:

in Table 3.20 allow for the fact that all specializations in the private SPEIs included in the survey are accredited by RA MES. Around 85% of private HEIs' specializations are also accredited by that ministry. This is an outcome of the recent 5 years processes (3 out of 7 accredited specializations in SPEIs and 35 out of 45 in HEIs have been accredited in this period).

Table 3.9. **The accredited specializations in the private institutions included in the survey**

	HEI	SPEI
The total number of specializations in the academic year 2007/2008	53	7
Out of which accredited	45	7
Out of which accredited during recent 5 years	35	3

The experts from the educational institutions were also asked to mention the countries that recognize the graduation certificates of their institutions.

The most frequently mentioned countries were: the United States of America and the Russian Federation, followed by Greece, Germany, Georgia, Italy, and Ireland. Similarly, USA and Russia were most mentioned by experts as the countries where the graduation certificates/obtained knowledge have been used. Other countries mentioned more than once were France, Germany, Austria, Australia, Italy, The Netherlands and England.

It should be mentioned that the fact of recognition of the graduation certificates in foreign countries is certain only for 3 Armenian HEIs. Those are the institutions established through inter-governmental cooperation and thus actually accredited in the corresponding countries: "American University of Armenia", "French University of Armenia", "Russian-Armenian (Slavonik) University".

Besides providing the list of countries, experts made the following remarks:

...they continued their studies...

...a request for information about the diplomas was sent from these countries...

...they are recognized on the private level...

...they were able to work with their specialization...

...there are few separate cases...

The statement of one of the experts is especially interesting:

...They are recognized everywhere, as there are no facts about the opposite...

Student migration: Only 22 experts spoke about the involvement of their students in external migration (5 from state and 5 from private HEIs, 10 from SPEIs).

While speaking about some typical cases and flows and their reasoning, the experts pointed out such reasons as: "the desire to continue the personal education, to get deeper into the specialization", "marriage and other family circumstances", etc., and at the same time emphasized on:

In case of outflow: The phenomenon of the forced family emigration - mainly to Russia and partially to Europe – conditioned by the social-economic situation,

In case of inflow: Immigration of some groups of students (first of all the children of the current and past citizens of RA living and/or working abroad, people from the old diaspora of the CIS area and the communities in Middle East) conditioned by the availability of education (first of all financially) and other factors (social-psychological, cultural, and according to some experts, the high quality of education).

The majority of the experts representing both state and private HEIs and SPEIs think that due to the given phenomenon “the rating of the institution in both local and international arenas increases”, “a positive socio-cultural interaction takes place”, “the financial situation [of receiving institution] is improving”, “awareness about the institutions is increasing”, etc. Others either believe that the phenomenon in its current frames does not have any significant positive or negative impact or thinks that the consequences are definitely negative. They mention the state financial means wasted for the education of the leaving students on the one hand, and the decrease in the off-budget means of their institutions on the other hand.

Finally, evaluating the consequences of the phenomenon for the students involved in it, the majority of experts actually stick to the idea expressed by one of them in concern of the outflow: “if it is accompanied by the continuation of the education, then it is definitely positive, but if there is an interruption of education due to the problems with language, finances, etc., then it is definitely negative”. Of course they collectively evaluate the fact of inflow of the students from abroad to their institutions as positive for the students. They mention the quality and availability of the educational services that they provide as arguments for their evaluation.

According to the experts, the external migration activity (including the migration for education and training) for the teaching staff of the institutions represented by the experts was not significantly high for the past 5 years. In comparison with the state HEIs which had particular cases of migration flow (in around 2/3 of them) and both “inflow and outflow”, the other groups of institutions (around 1 out of 5 private HEIs and 1 out of 4 SPEIs) had a flow of the first type only.

In the opinion of half of the experts the external migration flow of the teaching staff of their institutions, concerning both departures and arrivals, definitely does not have systematic nature.

The other half state the fact that the flow is somehow systemized (“trainings abroad, supervised by the rector with the aim to improve qualification”, “participation in frames of different programs, with qualification upgrading reasons”, etc.

The experts separate only two complex factors: “social and family circumstances” concerning both inflow and outflow cases (2-3 cases of arrivals of previous Armenia-based and diaspora specialists), and “professional necessities – retraining, perfection, experience exchange” concerning mainly the outflow.

As for the consequences of the external migration of the teaching staff, the experts think that they are mostly positive (first of all in terms of temporary departures of the teaching staff) for both institutions and persons: “they favour the increase of specialists’ qualification and the quality of education”, “they provide possibilities to interact with progressive experience and to apply it”. We should mention that there was one critical opinion concerning this issue: “the corresponding programs are not developed using professional approaches and are not implemented with a sufficient efficiency”.

3.3 Feedback From Employers And Recent Graduates To The Armenian Education System

The employers and the recent graduates tend to agree that the Armenian education system fails to provide the graduates with the necessary set of skills to enter the labour market successfully. The key issues pointed out by the employers and graduates were (1) no or insufficient focus on practical skills, which sometimes results in labour market entrants not being capable to perform even basic job-related tasks without an additional training; (2) outdated teaching materials and methods; and (3) rather general curricula that do not allow for narrower specialization.

The most common verbalization of the criticism from the graduates was *“too much theory, old books, old methods.”* Young specialists in the IT sector, for example, complained that they had to study programming languages that are not used for many years already. Graduates of economic faculties claimed that they had to study from old books, and had no idea about the current trends in the international market. They further argued that they studied *“a little bit of finance, a little bit of marketing, a little bit of management, and therefore did not become good specialists in anything”*. Many construction specialists asserted that it is virtually impossible for them to engage in any professional activity, unless on-the-job training is provided by the employer.

With all the shortcomings, however, most of the graduates who participated in the focus groups confirmed that the education system has been capable of providing them with the necessary theoretical knowledge, which helped them develop practical skills on the job.

CHAPTER 4: REVIEW OF CURRENT ARMENIAN POLICIES TO ATTRACT INVESTMENTS, SAVINGS AND SKILLS, AND TECHNOLOGIES TRANSFER FROM MIGRANTS: AS WELL AS POLICIES FOR RETURN OF THE QUALIFIED AND POLICIES IN SELECTED COUNTRIES OF ORIGIN

The following chapter aims at answering the question: which state policies are there in Armenia to retain skilled labour and to attract skills, technologies or the return of skilled labour from abroad? Furthermore, it maps the main diaspora initiatives in relation to migration and development and provides a comparative picture with two countries of origin (India and the Philippines).

To answer the first question, the AST research team performed desk research on (1) policy documents and legislation on retention and attraction of skilled labour, (2) reviews of migration and labour legislation. It also conducted semi-structured interviews with key informants from the main governmental bodies responsible for labour migration (Ministry of Territorial Administration/Migration Agency, Ministry of Labour and Social Issues, the State Employment Agency, Ministry of Foreign Affairs), social partners (Confederation of Trade Unions, Employers' Association), civil society representatives and private employment agencies. The team also requested specific information on the retention and attraction of skilled labour from selected Armenian diaspora organizations.

The desktop research did not reveal any documents pertaining to skilled migration. This outcome has been subsequently confirmed by all the interviews. Many respondents from the state authorities did not see the reason why Armenia should retain or attract skilled labour migrants. That said, there are some policies to attract returnees, but they seem to be limited mainly to the provision of information.²⁶ As a result, the AST research team concluded that as of April 2008, there was no specific state policy to retain skilled labour, and to attract the return of skilled labour from abroad.

4.1 KEY ACTORS IN THE ARMENIAN LABOUR MIGRATION FIELD

The principal agencies that participate in Armenia in policy and administrative decision-making on international migration issues, or are responsible for those issues as part of their mandate, are:

- ❖ The Ministry of Labour and Social Issues (MLSI) (Department of Labour and Employment): labour migration;²⁷
- ❖ The Ministry of Territorial Administration (MTA): Developing migration management policy and coordinating its implementation, developing state policy on labour migration and its organization;²⁸

²⁶ MTA MA: "We have another policy (not for skilled labour migrants) for those, who are interested in re-emigration. We facilitate the return of Armenians to the country through providing information support on any topic."

²⁷ RA State Bulletin 11.12.02./54(229) Article 1282, Government Decision No 1823-N of 14 November 2002, Annex 1, whose Point 8 has been edited by Decision N 301-N of 09 March 2006.

²⁸ RA State Bulletin 17.06.05./38(410), Article 712. Government Decision Nr. 633 of 19 May 2005. Annex 1: Charter of the Ministry of Territorial Administration, Point 7.

- ❖ The Migration Agency (currently within the structure of the Ministry of Territorial Administration (MTA) based on Governmental Decision N 633-N of 19 May 2005): design and implementation of projects aimed at management of migration and refugees issues;²⁹

Other agencies who have been assigned responsibilities for the implementation of the migration policy (or its' parts) are: the Ministry of Foreign Affairs (Legal Department, Consular Department, Migration Desk, responsible for visa and passport issuance, relations with Armenians abroad); Border Guards (part of National Security Service, reporting to the Prime Minister responsible for border management and control; the Visa and Passport Department (OVIR)³⁰ within the structure of the Police reporting to the Prime Minister and responsible for irregular migration, visa issuance at the borders, registration of foreigners on the territory, issuance of exit stamps for RA citizens); and the Office of the President (responsible for granting of citizenship).

The interviews with key informants suggest that the Armenian migration policies continue to be to an extent guided by the government policy paper named '*Concept on the State regulation of the population migration in the Republic of Armenia*', adopted by the government in June 2004.³¹ The Concept paper states among the goals of the state policy "regulation and purposeful control over the phenomenon of labour emigration; realization of state protection of rights and legal interests of labour emigrants; civilized integration to international job market", "balanced and controllable re-emigration process", "elaboration and execution of programs aimed at limiting the size of emigration flows and decreasing the number of permanently leaving persons in the structure of emigration flows." It notes six main spheres of migration regulation, and it is noteworthy that labour migration is not listed among these.³²

According to this policy document, the Department for Migration and Refugees was authorized to prepare an action plan for the implementation of the terms of the concept paper. However, based on a Government decision from May 2005, the Department for Migration and Refugees ceased to exist as an independent government agency and its staff was re-allocated to the Migration Agency of the MTA. Following these changes, it seems there is no one entity or mechanism authorized or capable of effective coordination of migration policies. The actual responsibilities continue to be divided among a number of actors.

²⁹ Ibid., Government Decision Nr. 633 of 19 May, 2005. Annex 2, Point 2: Divisions of the Staff of the Ministry of Territorial Administration; Annex 3: Charter of the Migration Agency at the Ministry of Territorial Administration, Part III, Functions of the Agency.

³⁰ OVIR is a Russian abbreviation that stands for "*Otdel viz i registracii*", ie Visa and Registration Department.

³¹ The concept was developed by the Department of Migration and Refugees by the Government of the RA. This Department used to be an independent Government agency and it was transformed into the Migration Agency under the Ministry of Territorial Administration as of May 2005. The concept paper consists of three chapters: (1) 'Provisions of the Republic of Armenia State Migration Policy', stating the principles of the state migration policy, major tasks and the mechanisms and directions for their implementation; (2) Legislative support to State Regulation of Migration, listing necessary changes to legislative framework regulating migration are envisaged and (3) 'Administrative system of State Regulation of Migration', indicating which state entities deal with migration, what activities they carry out and how they coordinate and cooperation.

³² The six main areas are: 1. In foreign countries activities with persons intending to enter the RA (immigrants, re-emigrants and repatriates); 2. Control over entry border-crossing; 3. Control within the country; 4. Activities for settlement and assistance to refugees, other categories of forced migrants, as well as internal migrants; 5. Procedures relating to RA citizenship; 6. Exit control and consular services (procedures of passport issuance, permit of exit, issues relating regulation of overseas employment activity, in certain cases deportation of foreigners, as well as provision of consular services to RA citizens overseas).

The MTA's charter indicates that MTA is the designated body to implement the RA policy on migration, labour migration, refugees' and returnees' matters.³³ The Migration Agency of the MTA, is according to its Charter responsible for the development and implementation of the government programs on on re-emigration (return) of the population emigrated from the RA. At the same time, there is no Migration Policy Department or a 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.

According to the Ministry of Labour and Social Issues charter, the Ministry should develop and implement state regulation on labour, develop and implement employment policy for the population and develop respective policy on the internal and external flow of labour force. Also, the Law on Employment and Social Protection in Case of Unemployment reiterates the MLSI's responsibility for the regulation of overseas employment.³⁴

Noting these overlaps in responsibilities, the 2004-2007 OSCE assessment of migration legislation concluded that *"in practice, the substantive division of responsibilities between agencies remains unclear. Several actors often claim to have implementing power over various migration issues, which can lead to bureaucratic infighting and ineffectiveness."*³⁵

Importantly, all respondents, including representatives of MLSI and MTA (MA) confirmed that a clear division of responsibilities among various government agencies is absent, and agreed that the current situation is not satisfactory.

MTA also clearly acknowledged that development of a comprehensive migration policy is a complex task. *"The Migration Policy of Armenia has to be developed jointly by several Ministries. Though this obligation is put on MTA, and it has to develop a unitary migration policy, it is a rather difficult task since other Ministries, which also function in the sphere of migration, develop their policies themselves. They are not happy when other entities, such as MTA, propose certain policy directions in the spheres of their activities. Many countries have similar issues since migration process embraces many entities."*

In the opinion of MTA (MA), *"Ideally, the coordinating body on migration issues should be in MTA, since our Ministry does what in other countries Ministry of Interior is responsible for the migration policy development."*

The lack of a coherent state policy on labour migration was expressed by other societal actors (Confederation of Trade Unions and the Employers' representative).

Against this background, the state authorities have not yet conceptualized the issue of retention and return of skilled migrants. Though some parts of the 2004 Concept paper on migration policy may suggest that the state is concerned about the issue, the de facto lack of formulation of policies on labour migration in general, and on the retention and return of skilled migrants in particular, suggests that these are not of a sufficiently high priority to command necessary resources for policy formulation and implementation. As the representative of the MTA put it: *"There is not a policy on the retention of skilled labour migrants. In order to have one, we first need to have a policy on prevention of socio-economic and moral-psychological conditions - we need to multiply job places and highly increase*

³³ Government Decision Nr. 633 of 19 May, 2005, Annex: Charter of the Ministry of Territorial Administration, Point 7.

³⁴ Law on Employment and Social Protection in Case of Unemployment, Art. 14 and 15, Part 2.

³⁵ Assessment of the Migration Policies in the Republic of Armenia, OSCE, 2007. Available at: http://www.osce.org/documents/oy/2007/07/25415_en.pdf, accessed on 15 May 2008, p 17.

wages paid. That is a societal issue. To attract skilled migrants is a narrower task. There can be one but we do not have any policy on attraction.”

Indeed, narrowly focused and very specialized policies on retention and return of skilled migrants would be a logical extension of coherent labour migration and employment policies. Yet, considering the lack of coherence in the labour migration policy setting and implementation, it seems there is no pie to put the cherry, i.e. the specialized policies for retention and return of skilled migrants, on.

4.2 ARMENIAN DIASPORA IN THE CONTEXT OF MIGRATION & DEVELOPMENT

Armenian Diaspora and its organizations are considered an important factor in the development and migration dynamics of Armenia.³⁶ The appointment of the first Minister for Diaspora Affairs on 27 June 2008, following the decision to establish a Ministry of Diaspora announced in early 2008, testified the importance the Government of Armenia attaches to relations with the Diaspora. Previously, Armenia's relations with the Diaspora have been coordinated by a Department within the Ministry of Foreign Affairs. Both Armenian Diaspora and the state authorities in Armenia acknowledge that exchanges between Diaspora and Armenians in Armenia can be a powerful tool for social transformation and that they can positively contribute to Armenia's development.

Diaspora in host countries and advancement of Armenian interests

Armenian Diaspora organizations work actively with Diaspora Armenian abroad, assisting them in the respective countries of residence with various issues and importantly running educational and cultural programs, mainly aiming at preserving the Armenian national identity and traditions. An important aspect of Diaspora activities continue to be fundraising for various activities in Armenia and in Nagorno Karabakh. As one of the representatives of Armenian Diaspora organizations said, every Armenian organization in the Diaspora has one common goal and runs activities that are good for people in Armenia and in Diaspora: “that might be through developing culture or sports clubs, supporting schools in the Diaspora, through political and church activities, strengthening youth organizations, social events, football, and many different things, but the overall goal is ultimately to have a strong Armenian nation”. Numerous Diaspora Armenians take an active part in the economic, political and social life of Armenia, and the presence of a large Armenian Diaspora shapes migration from Armenia.

An important aspect of the Armenian Diaspora activities is lobbying governments in the countries of Diaspora residence to advance Armenian interests. In this area, the US-based organizations are especially important, overshadowing to a degree the lobbying activities of the Diaspora in France or Russia. The most important lobbying Diaspora organization is the Armenian Assembly of America (AAA). Founded in 1972, AAA aims at representing the interest of the Armenian Americans as citizens of the US. Today AAA is lobbying for three main things: Firstly, it lobbies for more US assistance for Armenia. “All those projects that are being implemented by USAID are getting funded thanks to the work of Armenian lobby” said the AAA representative. AAA acknowledged that it is increasingly difficult to lobby for such high levels of assistance (during the 1990s Armenia was the second largest recipient of US assistance per capita) and that funds allocated tend to decrease from year to year reflecting the

³⁶ Aleksandr V. Gevorkyan & David A. Grigorian: Armenia and Its Diaspora: Is there a scope for a stronger link? *The Armenian Forum*, 2003, Vol 3, No. 2, pp 1–35.

shifts in the US policy. Secondly, AAA lobbies for US assistance for Nagorno Karabakh. Thirdly, AAA lobbies against US military assistance to Azerbaijan.

Diaspora work in Armenia

The Armenian Diaspora initiatives encompass a broad range of initiatives from cultural, to developmental and large infrastructural projects worth several percent of Armenia's GDP.

Currently, the spectrum of initiatives funded or implemented by Armenian Diaspora organizations ranges from support to vulnerable groups to building of infrastructure for education, health, work on environmental issues³⁷ and large communication infrastructure programs. The scope of activities funded or implemented in Armenia by the Armenian Diaspora has changed since 1990s. Initially, Armenian Diaspora initiatives focused on emergency assistance. Emergency assistance started to come to Armenia in 1988, after the devastating earthquake in Gyumri and Shirak. It included mainly food, clothing, medicine and medical equipment. *"When the earthquake took place, it was still Soviet Armenia. Armenians around the world mobilized to provide assistance, and in America we worked with the US government, with the Soviet Armenian government and Moscow, to bring and allow the shipment of equipments, goods, clothing, medical supply and etc to Armenia"* recalled the AAA representative. The support of Diaspora soon included vulnerable groups affected by the conflict over Nagorno Karabakh, which led to a large displacement of Armenians from Azerbaijan. Back then, for example, the Armenian Relief Society, for instance, distributed food to schools and hospitals of the earthquake zone and supplied food and clothing to the families of soldiers who were killed in Karabakh war. ARS has also provided kerosene heaters, mobile generators to people in the earthquake zone and in Karabakh. They also supported the army - providing food and clothing during 1993-1995.

While in the 1990s the organizations working both in Armenia and abroad were running projects mainly aiming at providing immediate (emergency) and infrastructure rehabilitation assistance, in the second half of the 1990s many Diaspora organizations have started to implement more projects that are aiming at development and capacity building. During the 1990s, ARS started to include more development projects, such as infrastructure (schools, hospitals, kindergartens) rehabilitation in the earthquake zone, while it continues until now to run a meal support programs for children in special care centers and boarding school. For example, today the French Armenian Development Foundation (FADF), the aim of which is to contribute to sustainable development of Armenia mainly in the social field, does not provide humanitarian aid any longer but works with people with hearing disorders, develops different projects for people with other types of disabilities, and cooperates with local NGOs. The Diaspora also works with the public sector and civil society, contributing to their capacity building. This process started already in early 1990s, when the first civil society organizations were established in Armenia. So for example, AAA founded NGO training and resource centre, so that NGOs learn to work with donors.

There are initiatives facilitating short term internships of Diaspora Armenians in Armenia (AGBU and AAA). Also, since the late 2005, the French Armenian Development Foundation in cooperation with its partner organization AAAS in France implements a project aiming at facilitating repatriation of irregular Armenian migrants currently living in France.³⁸ The FADF and AAAS partner with the French National

³⁷ For example the Armenia Tree Project (ATP) of the AAA run since 1993.

³⁸ The project, called "Return to Source" is co-financed by the European Refugee Fund.

Agency for the Reception of Foreigners and Migration. In the framework of this project, AAAS and FADF receives (in France) migrants wishing to return, and provides them with orientation and training with the aim to support their inclusion into the local labour market and society upon their return to Armenia. In Armenia, the FADF continues to support integration of returnees by addressing their needs. Some of them are provided with the assistance in finding jobs, while others are supported in starting entrepreneurial activities (they are provided with the necessary equipment, materials and counseling).

Another important diaspora organization, the Lincy Foundation, founded by Armenian-American philanthropist Kirk Kerkorian, offers targeted economic as well as humanitarian and cultural development assistance to Armenia. It provides grants for capital expenditure, including renovation projects in Yerevan; restoration of several historical and cultural institutions; design and construction of a network of roads within Armenia; and reconstruction of housing in the earthquake zone.

The Armenian Diaspora also facilitates employment of Armenians abroad. This aspect has been specifically mentioned by the Union of Armenians in Russia (which has the biggest Armenian community with some two millions of Armenians). Its employment service functions to a large extent like an ordinary employment agency and supports the members of the Union in finding a job.

Interestingly, the institution of 'hometown' associations, one of the typical features of the Mexican Diaspora involvement, is practically non-existent among Armenian Diaspora. This is most likely due to the fact that Armenian Diaspora members have often no personal or heritage links to specific places in today's Armenia.³⁹ There are some single cases of wealthy businessmen investing in a specific village or district because they have ties with them: for example Ara Abrahamyan – the president of the Union of Armenians of Russia, has built a church in his native village Malishka.

4.3 STATE POLICIES ON MIGRATION AND DIASPORA INITIATIVES – TENTATIVE CONCLUSIONS

Compared to countries in the region or even globally, policies and mechanisms to mobilize diaspora support for development in Armenia, is relatively advanced. This is as much if not more as a result of the motivation and efforts of the diaspora itself. The establishment of the new Ministry for Diaspora Affairs should lead to better coordination of diaspora initiatives. With regard to labour migration, in contrast with the past, there seems to be an important external factor, namely the European Neighborhood Initiative that could positively influence the elaboration of Armenian migration policies. As Armenia develops in the framework of the European Neighbourhood Policy a National Action Plan on Migration and Refugee Issues, this could reinvigorate the discussion on migration policy settings in Armenia, and mitigate some of the tensions between various actors. It could also lead to more coordination and thus synergies with the Diaspora initiatives as well, and put migration and development more strongly on the development agenda.

In terms of international experience, the administration of labour migration is usually governed by an Emigration Act or Decree. Implementation of the relevant legislation is usually the responsibility of the Ministry of Labour, but in some cases a separate Ministry has been created for overseas affairs. Within

³⁹ In general, Armenians make a distinction between so called 'old' and 'new' Diaspora. As 'old' Diaspora would be today described all Armenians who have left before the break-up of the Soviet Union; 'new' Diaspora are considered those Armenians who have settled abroad since 1991. Importantly, many ancestors of the 'old' Diaspora Armenian are Western Armenians and come from today's Turkey and Lebanon, while 'new' Diaspora Armenians come from post-Soviet Armenia, i.e. Eastern Armenia.

the Ministry, most advanced labour-sending countries have a foreign employment bureau, or its equivalent, responsible for protection, welfare and promotion. In the case of the Philippines, there are three entities, one for protection and promotion functions (POEA), a second for welfare and adjudication functions (Overseas Workers Welfare Administration or OWWA), and a third for skills development, training and certification. In addition to a foreign employment bureau, some countries have a public sector arm for recruitment (Bangladesh, Pakistan).

Two other ministries also engaged in the labour migration process are the Ministry of Home Affairs or of the Interior for passport issuance and immigration, and the Ministry of Foreign Affairs (MFA) for promotion and interstate cooperation.

Managing migration successfully requires close cooperation and coordination of almost the entire Ministerial Cabinet. It cannot be emphasized strongly enough that the continued and active participation of all major stakeholders of the migration programme, including the Ministries of Labour, Foreign Affairs, Interior, Justice, and Immigration, is critical for ensuring the successful implementation of an overseas employment programme. Cooperation and coordination among agencies does not come automatically, but must be nurtured throughout the process with the creation of a positive environment, establishment of mechanisms, and of regular and consistent interaction. Management of the migration process must be conceptualized as a combination of several independent organizations in close and continuing interaction with a designated agency (OSCE-IOM-ILO Labour Migration Handbook, 2006).

4.4 INTERNATIONAL LABOUR MIGRATION AND DIASPORA POLICIES IN SELECT COUNTRIES OF ORIGIN

As they go ahead with new initiatives to tap the overseas employment market and mobilize their diaspora, newly independent states like Armenia can possibly learn from international experience. For this purpose the experience of India and the Philippines, two countries with fairly well established policies, might be usefully drawn upon.

Though they are broadly from Asia, the experience of India and the Philippines in international migration are somewhat different. Their more recent wave of labour migration to the Gulf countries started around the same time, following the initial oil boom of the late 1970s. However, the two countries have thereafter moved along different trajectories. The Philippines has dominated the market for seafarers, diversified its destination base away from the Gulf to other regions and moved up the value chain in placing caregivers and nurses. Indian labour, on the other hand, continues to rely on the Gulf as its major destination but India's share of skilled migration has gone up. 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.

India

Post-independence migration from India has not been driven or supported by any policy. Though the Emigration Act of 1922 was replaced by the Act of 1983 largely at the instance of the Supreme Court, no attempt was made to articulate a policy governing international migration. With the creation of the Ministry of Overseas Indian Affairs (MOIA) as an independent Ministry in 2004 and the assignment to MOIA of the work relating to international migration, formulation of a policy on international migration and revamping the legislative framework has begun to receive attention.

Under MOIA, the Protector General of Emigrants (PGE) enforces the Emigration Act, 1983. He is supported by eight Protectors of Emigrants located across India, to whom some of his powers are delegated. Recruiting agencies duly registered with the PGE can recruit persons for overseas employment. Registration is granted after assessing the financial soundness, experience, etc. of the agency. There are over 4000 registered agents of whom about half are professionally active. Before granting emigration clearance, the PGE verifies documents like the demand letter, power of attorney, model/actual contract, etc. In this process, PGE gets the support of Indian missions abroad.

Overseas Indians are either Persons of Indian Origin (PIO) if they have adopted the citizenship of the host countries or Non-Resident Indians (NRI) if they retain the Indian passports. Together they constitute the Indian diaspora. The size of the Indian diaspora is estimated at 25 million. While this is the stock, there is no reliable data on the flow figures. Under the Emigration Act, only less skilled workers who have not completed high school, and intending to go to one of 18 specific countries, need to obtain clearance. Even under this liberal regime, over 800,000 persons had obtained emigration clearances in 2007. All of them may be presumed to have migrated for overseas employment. The number of skilled emigrants is again not known. It has been estimated through secondary data to be of over 100,000. Thus, including those who do not require emigration clearance, nearly a million Indians go abroad every year for employment.

In recent years, MOIA has taken a number of initiatives to improve the quality of the Indian emigration regime. Pre-departure orientation has been revamped. Awareness campaigns developed by professional agencies have been launched. MOIA has concluded bilateral agreements with a number of important receiving countries like Kuwait, UAE and Malaysia. Skill upgrading programmes have been taken up with the strong involvement of private industry. Job seekers take out compulsory insurance that covers the family/heir in the event of death/permanent disability. An Overseas Indian Facilitation Centre (OIFC) to support investments in India has been set up as a non-profit partnership of MOIA with the Confederation of Indian Industry (CII). More on-site welfare measures are to be delivered through overseas Indian centres being set up shortly. Social security agreements have been concluded with a number of countries like Belgium and Holland, and are under negotiation with Germany and France. In spite of all this, and given the large numbers of less skilled workers involved, complaints of substitution of contracts, non- or delayed payment of wages, poor living conditions, etc. have only increased.

India has been able to engage its diaspora successfully, particularly after the setting up of MOIA. The diaspora has become a strong partner, particularly in the growing influence of India as a “soft power”. A number of new initiatives such as granting of Overseas Citizenship of India, the Overseas Indian Facilitation Centre, etc. have been taken. As per World Bank estimates, India was the highest recipient of remittances in 2007 at \$ 24.5 billion, ahead of Mexico and China. However, the value of the relationship with the diaspora goes beyond these numbers.

Some of the specific programmes developed in India with regards to enhancing the development impact of migration, include:

Skills Development

In India, the federal Ministry of Labour and Employment has taken up a World Bank-assisted scheme to upgrade 400 Industrial Training Institutes (ITI) as Centres of Excellence. Another scheme to similarly upgrade 1396 Government ITI through Public-private Partnership (PPP) has also been launched. Under the scheme, each ITI is granted an interest free loan of Rs. 25 million (US \$ 600,000) to improve its infrastructure. The government has also adopted a new strategic Modular Employable Skills (MES) framework for the skills development of workers in the unorganized sector. The investment of the Ministry on training and skills development has gone up ten-fold to top US \$ 250 million during 2007-08. The Confederation of Indian Industry (CII) is leading the effort in launching a number of initiatives of the industry aimed ambitiously at making India the skills capital of the world. A short note on the Skills Development Initiative of the CII is in Annex --.

Financial products to attract remittances

Currently India is the country receiving the largest amount of remittances. Non-Resident Indian (NRI) deposits were established in 1970 and have become one of the main ways of attracting savings by Indian migrants. A series of incentives were provided: higher interest rates, exchange rate guarantees, repatriation facilities, and exemption of wealth and income tax on savings and on interest. The incentives were created mainly to augment foreign exchange reserves and, once this was achieved, many were withdrawn during the 1990s (Varma and Sasikumar, 2005). NRI accounts have proved attractive largely to migrants belonging to the professional and skilled categories.

In recent years, one of the most important initiatives for attracting savings from Indian migrants has been floating specialized bonds for development purposes. Two such bonds, Resurgent India Bonds (1998) and the Indian Millennium Deposits (2000) raised US\$4.2 billion and US\$5.51 billion respectively (Varma and Sasikumar, 2005).

The Philippines

The evolution of Philippines as a major labour exporter in Asia and worldwide began in the 1970s, based on various factors. On the demand or “push” side, the population had outpaced economic growth, unemployment was high and there were severe balance of payments problems. Foreign Direct Investment (FDI) was low and development assistance was tapering off. The major supply or “pull” factor was that the oil-rich Gulf countries needed workers for construction projects. With demand and supply factors converging, the Philippines was ripe for large-scale labour migration.

The government saw an opportunity to export workers left unemployed by the stagnant economy, and established a system to regulate and encourage labour outflows under the Labour Code of the Philippines in 1974. Continued demand for workers in the Gulf, and the opening of new labour markets, especially in East and Southeast Asia, have fueled further migration. The annual flow of overseas Filipino (OFWs) has now crossed the million mark. The Philippine Overseas Employment Administration (POEA) processes workers' contracts and pre-deployment checks, as well as licenses, and regulates and monitors private recruitment agencies. The Overseas Workers Welfare

Administration (OWWA) provides assistance to migrants and their families. All requirements up until the point of departure are handled by POEA, while OWWA assumes responsibility for the workers' welfare abroad. The Commission on Filipinos Overseas (CFO) provides programs and services to permanent emigrants.

The placement branch of the POEA handles only a fraction all OFWs placed with foreign employers. The private sector, with over 1000 licensed recruitment and manning agencies, has played a greater role since 1976. They charge migrant workers "placement fees" for services provided while manning agencies are not to charge any placement fees as these are to be paid by the principal or employer.

Among the countries of origin in Asia, the Philippines offers a fairly comprehensive package of programs and services covering all phases of migration from pre-departure to on-site services to return and reintegration. These programs demonstrate the government's efforts to balance the marketing of workers with protection. Some of these initiatives, such as the pre-departure orientation seminars for departing workers, and the deployment of labour attachés and welfare officers to countries with large OFW populations, are good practices that other countries of origin have also implemented.

The development of a legal and institutional framework to promote migrant workers' protection is also an important factor. The Philippines was the first among the countries of origin in Asia to craft a law that aims "to establish a higher standard of protection and promotion of the welfare of migrant workers, their families and overseas Filipinos in distress." Although there had been discussions about a Magna Carta for migrant workers for some time, it was not until 1995 that the Migrant Workers and Overseas Filipinos Act (also known as Republic Act or RA 8042) was finally passed. RA 8042 has been a qualified success. In addition to government initiatives, the efforts of NGOs, church-based organizations, and migrants' organizations, as well as transnational and international efforts directed at promoting and protecting migrants' rights, help provide an "antidote" to the dangers of migration.

Among the countries of origin in Asia, the Philippines is also a leader in introducing several migration-related laws, including the Anti-Trafficking in Persons Act of 2003, the Overseas Absentee Voting Act of 2003, and the Citizenship Retention and Reacquisition Act of 2003, which allows for dual citizenship. It has ratified the UN Convention on the Rights of All Migrant Workers and Their Families, and the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children.

While the Philippines has become well known for its labour migration policies and mechanisms, it also has in place a policy and mechanisms with regards to people of Filipino origin who are citizens of another country. The Commission on Filipinos Overseas (CFO) chaired by the Secretary of the Department of Foreign Affairs and on whose board representatives of concerned Departments sit is mandated to:

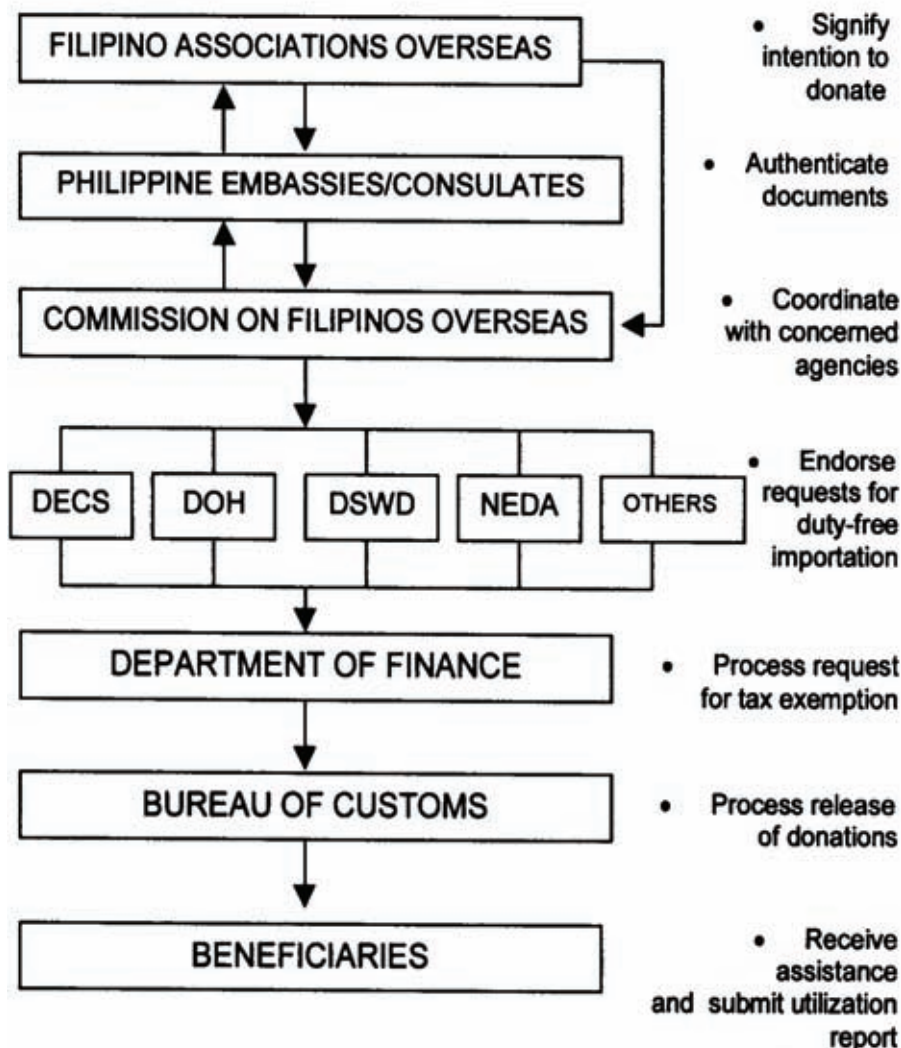
- Provide advice and assistance to the president and the congress of Philippines in the formulation of policies concerning or affecting Filipinos overseas;

- Develop and implement programmes to promote the interests and well-being of Filipinos overseas;

- Serve as a forum for preserving and enhancing the social, economic, and cultural ties of Filipinos overseas with the Philippines; and

- Provide liaison services to Filipinos overseas with appropriate government and private agencies in the transaction of business and similar ventures in the Philippines.

LINKAPIL COORDINATION PROCEDURES



Source: Handbook for Filipino Overseas, CFO, 2002

Three schemes are of particular interest. First, is the Link for Philippine Development Program (LINKAPIL). It was developed in 1988 to mobilize overseas Filipinos as partners in national development efforts. Between 1990-2002, over 1.1 billion pesos was received in donations for humanitarian assistance (24%), health (58%), education (14%), livelihoods (3%) and small scale infrastructure (1%). Seminar-workshops on innovative teaching methods were conducted by US based teachers and foreign based Filipino professionals, who shared their expertise in different areas. The LINKAPIL programme relies on cooperative linkages among Filipinos overseas, the national government, local government units, non-government organizations, and the private sector to enable the transfer of resources and skills from overseas to beneficiaries in the Philippines (Handbook for Filipino Overseas, CFO, 2002).

Secondly, the Balik Scientist Program allows foreign based science and technology experts of Filipino descent to return or reside in the Philippines, and share their expertise in order to accelerate the scientific, agro-industrial and economic development of the country. Incentives are provided by the Department of Science and Technology for short-term experts (at least one month), long term experts (at least two years) and for post doctoral research. Third, the Philippine Retirement Authority (PRA)

offers a retirement program for former Filipinos and qualifying foreigners that provides benefits related to tax/duties and immigration.

The CFO also produces a Handbook for Filipino Overseas which is a very useful and concise guide for the diaspora on laws and regulations affecting them, immigration policies and programs and services of government agencies.

Conclusions and Recommendations for Meaningful Policy Measures Aimed at Enhancing the Development Impact of Migration and Mitigating Adverse Consequences

LABOUR MIGRATION AND RETURN

The data on migration from Armenia show that there are no massive migration flows of permanent migrants. This marks a different trend, when compared to the migration flows of 1990s, where permanent migration seemed to feature more prominently.

Currently, the most important migration flow is of temporary labour migrants. Annually, about 60,000 labour migrants go to seek jobs in Russia, mainly in the construction industry. As a rule, these migrants return to Armenia to visit their families at least once a year. They do not wish to relocate their families to Russia to settle there permanently. At the same time, they do not want to return to Armenia permanently, because they cannot find decent employment there that would pay sufficiently to sustain their families. Should they however be able to find such an employment, they would be ready to return to Armenia permanently.

As for the returnees, since 2002 about 55,000 migrants have returned to Armenia and decided not to leave for abroad (at least not in 2008). The biggest share among the permanent returnees belongs to temporary labour migrants who decided to discontinue their engagement in labour migration. A smaller group of returnees are those who migrated in 1990s “permanently” but have moved back to Armenia since 2002. The study revealed that in general, competitiveness of returnees in the domestic labour market, as well as their average monthly salary is increased if compared with regular employees. However, while returnees have a positive influence on the hiring company in terms of skills and technology transfer, their contribution to the origin country in terms of investment, job creation and business development appears to be limited. This should alert policy-makers on exploring possible ways to enhance the development potential of return.

No policies or mechanisms have been formulated in Armenia so far to facilitate the return of skilled migrants on a temporary or long term basis. Governments such as those of Germany, Russia and Kazakhstan have policies to encourage/facilitate the return and settlement of compatriots. The Philippines has programmes for the reintegration of labour migrants funded by receipts from a Migrant Welfare Fund. Both the governments of India and the Philippines have mechanisms for the temporary return and placement of scientific personnel. Return of qualified programmes have been implemented globally by the International Organization for Migration (IOM) for a number of years facilitating both long term and short term return. This has been done with respect to Africa and in post conflict zones (Iraq and Afghanistan). Taiwan has had one of the most comprehensive reverse brain drain programmes, and its 1990 census indicated that around 50,000 highly skilled expatriates returned to Taiwan during the 1985-90 period (Hugo, 2003).

For Armenia, the main recommendation of the study 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. 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

that the country sees. More resources need to be invested by the government into support services to protect the labour and human rights of migrant workers. 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 and expertise.

EMIGRATION OF SKILLED HUMAN RESOURCES

The results show that for many professional groups there is a mismatch between the supply and 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. Very often, however, the qualifications of graduates of Soviet education institutions is no longer needed by the employers and young graduates of Armenian secondary specialized and tertiary education are equally not equipped by the necessary set of skills.⁴⁰

For the period from 2002, as regards the impact of outmigration in general, and that of skilled workers in particular, on Armenia's development, we can conclude that the impact is most likely mixed.

The high unemployment data in Armenia suggest that the migrants who were unemployed in Armenia, are not a net loss to the Armenian economy, though this may change over time. For example, as certain industries develop in Armenia, they may 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.

To summarise, it is recognized that 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 clearly embedded in the "virtuous migration circle" 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.

Skilled migration or the "brain drain", in particular, has come under strong criticism on the grounds that it can have a cumulative negative effect on fragile economies. There is also an ethical dimension as the poorer sending countries bear the costs of educating the potential migrants, while the receiving countries reap the benefits. The issue can also be seen as one of "brain overflow". Viewed from this perspective, emigration reduces the supply-demand gap for skilled workers in developing countries and ensures optimal allocation of unused human resources.

Clearly, however, when there is a skill shortage or when skills are difficult to replace, the cost is high for the sending country. This is the case in Africa, for example, which, as a region, may have lost one-third of its highly skilled personnel in recent decades. The problem appears to be less serious in Armenia. The research did not indicate skills shortages in the areas of health care and education.

⁴⁰ The perspectives of graduates, employers and the education system representatives on the quantity and quality of professional education in Armenia are discussed further in the report.

RESPONSE OF THE EDUCATION SYSTEM TO SIGNALS FROM THE LOCAL, REGIONAL AND GLOBAL LABOUR MARKET

While there has been a reform in the education system driven by harmonization with European standards (Bologna Declaration), and an increase in the number of private institutions for secondary as well as higher education, according to feedback received from employers and recent graduates, the quality of education is not of sufficiently high quality. The key informants' survey also found that the “professional qualifications” of graduates do not comply with the requirements of the internal and external labour market. Therefore there does not appear to be a strong response to labour market demands regionally or globally. This means both that global labour market opportunities will be under-used by Armenian nationals as well as a lower potential for “brain-drain”.

ENGAGING THE DIASPORA AS DEVELOPMENT PARTNERS

Compared to countries in the region or even globally, policies and mechanisms to mobilize diaspora support for development in Armenia, is relatively advanced. This is as much, if not more, as a result of the motivation and efforts of the diaspora itself. The establishment of the new Ministry for Diaspora Affairs should lead to better coordination of diaspora initiatives.

Armenia has recently decided on a new law redefining the Government structure to include a new Ministry for Diaspora Affairs (MDA). The new Ministry is expected to be operational from 1st October 2008. While this may, at one level, be a bureaucratic reorganization exercise, its importance in the context of actively engaging with the diaspora cannot be overemphasized. In the lead up to the operationalisation of MDA, all work relating to diaspora matters should be properly delineated and allocated to MDA. MDA should also interpret its mandate creatively, and become a Ministry for new ideas and initiatives on behalf of the diaspora. The Ministry should also take a lead in developing a common agenda with the diaspora in terms of key development priorities and concrete projects.

Every diaspora is a repository of various resources – of skills, know-how, finances, contacts, ideas, etc. In the course of the interaction between the home country and its diaspora, such resources get utilized, haltingly and exploratively to begin with, but with greater mutual confidence later as the interaction deepens and its quality improves. As Armenia further reaches out to its diaspora consciously, it is good to have a typology that outlines conceptually the various types of resources and the means to tap them.

Diaspora investment can be soft, in the form of knowledge resources, and/ or hard, in the form of financial resources. The latter in turn can cover remittances or private transfers, portfolio or financial investment, sectoral or targeted business investment and/or direct or general business investment. The quest to mobilize diaspora resources requires measures to stimulate all these types of investments. Some of these measures are identified and articulated hereafter.

In developing these measures, it is more convenient to look at knowledge and financial resources separately.

Knowledge Resources

The knowledge resources of the diaspora is the sum total of its collective skills, abilities, scientific and technical know-how, professional expertise, business acumen, etc. Much of this knowledge is transferable through formal, structured means. However, success in the transfer and the assimilation of the knowledge depends on the degree of preparedness of both parties. As the knowledge available and required covers a wide spectrum, it is proposed to identify several tracks along which the knowledge sharing and transfer can be facilitated.

Knowledge Resources: Track 1

These are resources to be leveraged under a vocational training programme (VETP). Components like training and re-skilling, capacity-building in SMEs, finishing schools, entrepreneurship development, etc. are ideally suited for diaspora participation and investment. The business model can allow both the diaspora's own personal expertise and outsourced expertise put together/managed by the diaspora. The latter option will bring in diaspora entrepreneurship as well.

The guidelines of VETP should be broadened to allow the diaspora to be inducted as partners responsible for the deliverables of the projects. Wide publicity and information dissemination can enable the diaspora to understand the fundamental importance of VETP to the economic transformation of Armenia. They can then be enlisted as both strategic and contracting partners. They can propose projects for funding with clear commitment on deliverables.

Innovative projects to use their infrastructure to overcome capacity constraints can also be encouraged.

The scope of VETP must cover enhancement of the employability of fresh entrants to the job market.

Knowledge Resources – Track 2

A second track can be developed on the assumption that the Armenian diaspora is academically well placed to get increasingly involved in collaborative R&D projects in their home countries. To achieve this, the authorities concerned can launch a Brain Bank Scheme (BBS) to provide for on-line registration and give it great publicity. BBS could seek proposals for collaborative R&D from the diaspora as per their interests and priorities. The essential point is that through such ventures spawned by the diaspora, Armenia can hope to become a recognized R&D centre in the region. Members of the diaspora academic community can also be co-opted as members of advisory panels.

In this context, the “Collaborative Project with Scientists & Technologists of Indian Origin (CP-STIO)” of the Department of Science & Technology (DST) of the Government of India (GoI) is worth looking at. CP-STIO aims to enhance institutional and human capacities in S&T in India, implement R&D projects, enhance technology entrepreneurship and mentor young talent. DST pays for international travel, honorarium and living allowance of the STIO up to a maximum of 12 weeks stay. The Indian host institution takes care of accommodation and local transport. Details can be accessed on the DST website <http://dst.gov.in>

Financial Resources

Financial resources of the diaspora materialize through one of three modes. The first is through remittances. Remittances are in the nature of private transfers and are accounted for as such in Balance of Payments (BoP) accounting. The second is through what is commonly called portfolio investment, mainly in equity and debt instruments traded on the stock exchange. The third is direct investment in starting new businesses. In the context of mobilizing the Armenian diaspora, all these three modes are important and are discussed below.

Portfolio Investment

Portfolio investment refers normally to investments in equity and debt instruments through the capital market. The narrow breadth and depth of the local stock market is a limiting factor. The absence of a vibrant Mutual Fund (MF) industry is another possible constraint. A possible way out is to step up the range of products offered to diaspora investors. The diaspora is a significant force whose savings can and needs to be tapped. “Personal Wealth/ Investment Management” services can be offered to them more aggressively. Trading in regional/overseas securities and MFs can be encouraged. In the early growth phase of the capital markets in India during the eighties, it is the diaspora led by Non-Resident Indians (NRIs) who provided market depth and sophistication.

Bank Deposits

Investments in bank deposits are another means of resource flows from the diaspora, driven by interest rate differentials, and expectations on interest and exchange rate movements. If these are not carefully calibrated, there is the possibility of arbitrage and speculation. Given their medium-term BoP outlook, Armenia can take a call on whether they want to make a play for a steady flow of diaspora deposits to buttress their current account and if so, at what incremental cost.

One practical way to test the waters is to advise banks to come up with attractive pilot schemes with competitive returns net of inflation and depreciation to attract the diaspora. An investment bank can study the feasibility of a substantial bond issue targeted at the diaspora on the lines of the Resurgent India Bonds issued by the State Bank of India in 2000. Subject to feasibility and based on the evaluation of the pilot schemes, preparations for a launch in 2009 could be contemplated.

Direct Investment

Historically, the diaspora played a significant role in attracting Foreign Direct Investment (FDI) into Armenia during the transition period. The diaspora investment during 1998-2004 is estimated at US \$ 275 million, which is 25% of the total FDI that came into Armenia during this period. However, Armenia lags behind countries like Azerbaijan, Estonia and Georgia in terms of per capita FDI or the ratio of FDI to GDP. Besides, this volume of FDI from the diaspora may be inadequate for the next phase of national development.

The unwillingness of the diaspora to bring large FDI into manufacture and service industries may also be related to the difficulties of starting and sustaining businesses in Armenia. More than the foreigners, diasporas all over the world tend to be critical of bureaucratic hassles and corruption in their home countries. There is therefore a need to review the entire procedure for setting up new industries in Armenia and streamline the approval process not only for the diaspora but also for all investors.

The Armenian diaspora is heterogeneous, comprising the old and the new diasporas. The strategy to attract investments from the diaspora should be refined to offer differentiated options to distinct segments of the diaspora. The contacts of the diaspora could also be used to project Armenia as a regional investment destination for R&D, contract research, outsourcing, etc. This calls for a concerted marketing drive that can highlight the comparative advantages of Armenia. Obviously, such a campaign has to be led by the Government agencies.

ANNEXES

ANNEX 1 TO CHAPTER 1: FOCUS GROUPS WITH RETURNEES

The overwhelming majority of the focus group participants were construction specialists, or had different professions but used to work in the area of construction abroad. The main reasons for migration were the unemployment and financial problems they faced in Armenia after the collapse of the USSR. However, the discussions in Gyumri showed that labour migration was quite popular there since late 60s and many people used to leave for seasonal works since then: *“Of course we had jobs in Gyumri, but a lot of people used to go; it was a chance to earn good money and solve a lot of problems we were facing then. We used to do construction works in different countries of the former USSR”*.

The elder generation of migrants state they started thinking of working abroad in early 90s: *“Children were growing up and our expenses rose evidently; education expenses, etc”*. Part of the younger generation of labour migrants left the country with their parents when still underage, and started working in the host country later. Another group of young people started looking for ways of leaving the country after unfruitful attempts of finding a job, which would cover the minimal needs of their families.

Speaking about seasonal migration, the focus group participants state that previously in almost all cases the migration process was initiated and organized by relatives and friends in the host country. However, currently this situation has changed: the migration process is more organized, though mainly by individuals and not legal entities. Of course, this is applicable mainly for migrants working in the area of construction in Russian Federation. *“There are people who act as mediators between the employer and the potential working migrants. They gather a group of qualified people who want to work abroad and organize the whole process”*. These people solve the legal and housing issues of the migrants. Sometimes they even pay the transportation expenses; of course the migrants have to pay back later.

However, even the organized seasonal works do not guarantee that the rights of the migrants will be protected. Very often no labour contracts are signed, and sometimes the migrants are not paid or are not paid in full: *“There were 150 Armenians in our brigade and only 10-15 of them got the whole amount agreed beforehand. Sometimes we were just striking for 2-3 weeks, and after that they paid us part of the money”*. Nevertheless, the returnees state that usually they earn at least four times more than they might earn doing the same job in Yerevan: *“The work is seasonal, thus you have to earn enough to sustain also the winter months”*. All of the seasonal migrants agreed that money they usually earned was enough to ensure normal life for their families. They also stated they would never leave their homes if there was a chance to earn the same amount or a bit less in their home town.

Only a few of seasonal migrants are construction specialists. Most of them have learnt in the process of work: *“A friend or relative helps and shows you how to do this or that work, and later you learn in the process of work and start doing more and more responsible and qualified work”*.

Other migrants, who used to live and work in the host countries for several years, mainly organized their small business – trade, bakery, car repair and washing service, etc, or worked at small enterprises of other Armenians. Those whose businesses have been successful stated they could develop it up to some level, *“trying to increase it more might be even dangerous for your life. The local “mafia” will just not let you evolve”*.

Speaking about safety in general, the migrants state that it is dangerous mainly in Moscow and Moscow region and St. Petersburg. Here the main danger are the nationalists: *"Skinheads might just kill someone with a Caucasian outlook in the street and no one will try to do anything", "Once I entered the subway right after I received my salary, and I saw four young people with shaved heads approaching me. I only managed to give the money to a kid and asked him to take it to my place. The rest I don't remember clearly. I woke up in the hospital with five knife wounds. The police came, but I told them I haven't seen the faces of the offenders. It might make the situation even worse; they might find me later again"*.

However, the police itself cause problems for the migrants quite often: *"They might stop you at street any moment, demand your documents, take you to the police station, keep there for several hours, take all your money and then set you free. The main rule is "Never argue with them", it will make the situation worse and the policeman might just tear your registration documents or even your passport"*. Other Russian cities and regions, and other republics of the former USSR are mainly safe, though the locals might express their negative attitude from time to time.

The focus group discussion gave the opportunity to talk not only with the representatives of the main migration stream but also to get acquainted with a case, when a unique specialist leaves the country. One of the Yerevan focus group participants was a sportsman who is an "Honored Coach" of the Republic of Armenia and USSR, and used to be the coach of the national cycle sport team of Armenia for 26 years. Cycle sport is one of the most expensive types of sport, and of course the young Republic of Armenia could not afford it after the collapse of the USSR: *"The average professional bicycle costs around 5.000 Euros, and of course our federation could not afford even one of those. I got an invitation to coach the national cycle team of Iran in 1996 and accepted it. Since then I have been coaching the teams of Iran, Philippines and Hong-Kong"*. However, having successful career abroad and offers of quite interesting contracts from several countries, he decided to return to Armenia as friends told him that situation has changed here and now it is possible to organize a team and train young Armenian sportsmen again. *"Now I have to do everything on my own with almost no support from the state. The budget allocated for our federation cannot even cover the essential technical needs for the trainings, not speaking about participation to international competitions. We got some support from the international Olympic committee as a developing country and I have found some sponsors abroad. The local businessmen yet are not developed enough to understand that it might be profitable for them in terms of advertisement to support the sport"*. The honored coach considers the most important thing to be the feeling of self-realization and being prized. However, despite all the problems and difficulties, he states he will never leave Armenia: *"There is something that always brings you back, especially people of my age"*.

The main reason of other focus group participants for returning to Armenia was the employment opportunities here. Most of those who have found a job in Armenia, either found it through friends and relatives when still abroad, or returned for a short time to try to find a job. Those who succeeded are mainly satisfied with the job: *"I used to earn more in Russia, but here I am home with my family, I feel safe and I do not have to rent an apartment, etc"*. Of course this mainly refers to Yerevan migrants.

Another reason that brings the working migrants back to their homes, are their families. These groups of migrants could not live any longer without their families and also did not have the opportunity to take them to the host countries. However, some of those who had taken their families too, preferred to return as they *"would not like children to grow up in Russia: alcoholism, drugs – it is not safe for them. Besides this, children attend Russian schools and do not have the opportunity of learning to read and write in their native language"*.

A motivation for returning to Armenia for young men is the willingness to marry an Armenian girl. However, this reason does not keep them in Armenia for long: they get married and leave again with their young wives. Nevertheless, one of the focus group participants managed to find a job during his short stay and decided to stay with his newly formed family in Yerevan.

However, the focus group participants, especially those of Gyumri, state that migrants who decide to return are either those few lucky ones who managed to find a good job in Armenia, or those who did not succeed abroad, have problems with the law, are already too old to work or have problems with the health: *“Once you go and earn enough to ensure normal living conditions for your family, it is very difficult to return. First you want to ensure their minimal needs, then you want to purchase some house appliance, then you want to redecorate your old apartment, etc”*. Besides the financial side of the issue, the returnees state that once they get used to better living conditions, even in simple things in their daily life, it is very difficult to return to a lower development level.

Gyumri focus group participants state there is almost no chance to find a permanent job in Gyumri, which would ensure normal living for their families. They have to try to find a job in Yerevan, but usually the employers here do not pay enough to cover their expenses in Yerevan – renting an apartment, etc, and save enough money to send home. Besides this, discussion participants from Gyumri complain of the negative attitude of Yerevan inhabitants towards people who have come from marzes: *“They might not say anything directly, but you feel you are someone of second class for them – not clever enough, not educated enough, etc”*. *“The Yerevan employees work till 6 PM, but the employers might make us work till late at night”*. Speaking about construction, the discussion participants tell of cases when the employers take a brigade from marz, the brigade works for several weeks, then the employers say they do not like the quality of their work, fire them without paying anything, and invite another brigade, which, most probably, will appear in the same situation several weeks later.

The focus group participants named also other problems and obstacles that they face in Armenia. The biggest problem is corruption. The returnees have to deal with it right in the airport: *“You bring presents for your family and they stop you in the airport, say you have no right to import this or that, or that you might have brought it for sale and demand money. You just have to pay them to go home”*. From one hand the returnees feel themselves safer in Armenia: *“no nationalists, no police asking for your passport, etc”*. But from the other hand the former migrants state they still have the feeling of being unprotected: *“There are written laws, but there are also others that are not written down, but are stronger”*.

Those of the returnees who have tried to start business here state they are facing a vast number of obstacles: *“tax inspectorate, sanitary station and a number of other bodies might appear any moment and make you give them bribe; otherwise they will make you pay penalties which might just turn you bankrupt”*. Besides the officials, the small business representatives have to deal also with their more powerful competitors.

Discussing what would they like to be changed in Armenian reality, for making the country into a more favorable and attractive place for the migrants, the focus group participants named the biggest and most serious problem once again to be the corruption. *“Everything will change if the people see that there is justice and there are bodies they can turn to when their rights are broken”*. At the same time the discussion participants stated that any Armenian follows the rules and laws when abroad, but breaks them in his own country, and that first of all this mindset should be changed.

The focus group participants would especially like the rights of the employees to be better protected. One of the biggest problems in this area for them is the fact that the employers do not want to hire people over 40: *“No one cares how old are you abroad. The only thing they care about is that you can do your job”*. The returnees would also like the employers to create more favorable conditions for the employees: *“They gain huge profits, but they do not want to spend some of it for creating a bit better conditions for the employees – a room where they could have rest, lunch, take a shower, for those working in construction”*. People of this area would also like to have insurance as accidents happen quite often here: *“Anything might happen when working on the construction. If something happens and you cannot work for some time, then of course you are not paid and will not be able even to cover your medical expenses”*.

The focus group participants of Gyumri feel that there is a lack of attention towards inhabitants of marzes. They do not like the fact that everything is concentrated in Yerevan: *“Of course it is the capital city and it should develop, but the gap is too big. Almost no investments are made here”*.

As a way out of the situation they see long term loans with low interest rates for starting their own small businesses. However, when trying to answer how exactly they would use the loan and what kind of business they would like to start, people are lost, and cannot imagine how and where to invest the money.

ANNEX 2 TO CHAPTER 1: CASE STUDIES

CASE STUDY 1: WHEN RETURN IS AN EMOTIONAL DECISION

I used to do “gold business” in Armenia: I was buying gold, ordering jewelry and then selling it. But soon the business became unprofitable and I decided to leave for Russia in 2000.

Before leaving for Russia Aghvan⁴¹ was buying gold, ordering jewelry to a goldsmith and then selling the gold-ware at one of the Yerevan gold markets. The business was quite profitable at first, thus attracted many people, and soon the competition decreased the profit margin. At a certain moment Aghvan felt the business almost did not pay.

Aghvan had a friend who lived and worked with his family in Russia. During their phone conversations he would often suggest Aghvan to move to Russia and was promising to help him in finding a job and settling there. So when the business went down, Aghvan decided to follow his friend's advice and move to Russia.

My friend told me I would definitely find a job there and he was right: it took me 20 days to get a job in one of the construction companies in Moscow. I was working as a foreman.

During his first period in Russia Aghvan used to live at his friend's apartment and later, when he found a job, he rented an apartment with five other migrants. Aghvan's friend helped him to get a job in the same construction company he was working for. Thanks to the friend's recommendations the company hired Aghvan as a foreman.

In the company Aghvan worked on a number of construction projects, mainly doing interior decoration. Except his responsibilities as a foreman, Aghvan was also doing other works: mainly installing electrical equipment.

As a foreman Aghvan was leading a working group of 200 people of different nationalities. He was making agreements (illegal) with the police and migration service beforehand, so they do not "bother" his workers, who were mainly illegal migrants from Caucasian and Asian countries.

Soon Aghvan started to get personal construction orders, but the company supported him, so he could sign contracts in the name of the company.

I had to return to Armenia in 2007 as my father was all alone here. If not that, I would never come back, as it is very hard to live and work here.

Aghvan's mother died in 2001. His father was alone here, and used to visit Aghvan in Russia quite often. But during his last visit he told Aghvan he will not come again as he could not get used to the foreign country. Aghvan had to return to Armenia himself, as he did not want to leave his father alone.

In November 2007 Aghvan was already in Armenia. He decided to start the same business here. So he registered his own construction company, which, however, has not realized any projects so far.

I had to deal with a number of problems and obstacles when back to Armenia. Those were mainly caused by the internal political instability and working culture of Armenia.

⁴¹ Aghvan Badalyan, 43 year old man with vocational technical and higher agricultural education. Currently lives in Yerevan.

The first obstacle that Aghvan met here was connected with the internal political situation of the country. After starting his construction company Aghvan received more than ten big orders (reconstruction of factories, office buildings, etc.). But he cannot start working so far as the customers are waiting for internal political situation to get at least a bit more stable, to calculate their risks before making investments.

The second problem Aghvan is facing is connected with the business culture of Armenia and customer-contractor relationships. Aghvan says he had the chance of working with a big number of customers in Russia but none of them has ever been capricious and disrespectful: *“They always knew how to work and how to demand high quality work. They used to discuss all the details and expected results beforehand, thus unexpected circumstances happened quite rarely. However, if they wanted something to be redone, they paid for the additional work”*. But the situation is completely different in Armenia. Aghvan believes that the customers here are sure they can change anything at any moment just because they pay: *“Here the customer never tells you what exactly he wants. There are cases when the customer says he does not like something after it is already done and demands to destroy it and do it in a different way, without any additional payment”*.

Aghvan states that the work of Armenian construction specialists is highly prized in Russia. He has friends who have “golden hands” and quite often, the customers followed their advices even regarding some details of the design. Aghvan told the story of one of those men, who had decided to return to Armenia. The man found a job here quite soon but could not get used to the working conditions and business culture: *“he left the project unfinished and left for Russia again”*.

Aghvan can see another serious problem too: here the construction companies are paid much less than for the same work in Russia. Aghvan is sure this is caused by the fact that the customers

do not want to work legally and pay taxes. Thus the contractors either have to work illegally or receive much less profits.

It is not easy to live in Russia if you have dark skin. Once I was standing with friends in a street when around 40 skinheads attacked us. One of my friends even got knife wounds. Nevertheless, I would prefer staying in Russia.

Aghvan states he has faced problems in Russia as well, as almost all of the migrants did. But it was easier for him to solve those problems than the ones he is facing here. Here Aghvan cannot get used to the Armenian reality, to interpersonal relations, to the fact that many people here have much lower living standards. He cannot get used even to the traffic.

Aghvan liked not only how the business is organized in Russia, but also how people lived and treated each other. He liked that Russians do not interfere into someone else’s personal life: *“They might just ask how are you doing, but never interfere into your life”*.

Aghvan says he knows people who were deported, but even in this case they found a way to return to Russia: they changed their names and left for Russia again with new passports.

At the moment Aghvan is doing nothing but waiting. It is almost 7 months as he is back to Armenia but he has earned nothing so far. The money he had saved and brought with him from Russia is enough for living some more months. But if nothing changes during those months, if the internal political situation does not get more stable and Aghvan’s company does not start working, he will have to leave again. But if the situation gets better and the business develops, he is planning also to start production of *construction blocks*: *“But if the business does not pay enough I will have to leave as it is not possible to work for some company and survive with a salary of 60,000 AMD per month”*.

CASE STUDY 2: WHEN YOU FEEL YOURSELF ABROAD AS GOOD AS IN YOUR HOMELAND

I could not stand the pressing darkness of Armenia in 90s anymore and decided to leave the country. Except the willingness to get out of the darkness I also wanted to test myself, to prove myself I could find my path alone, with no help.

The 1990s were “years of darkness” for Armenia. After the collapse of the Soviet Union, when Armenia’s independence came together with social-economic crisis, blockade and Karabakh war, people could hardly cover their basic needs. It was difficult even to find food and water. To heat the apartment in winter was another big issue. People used to live in darkness, with no other source of light but candles, for several weeks in a row. This is the situation that made Ara⁴² to leave Armenia in 1993. However, the “darkness of the 90s” was not his only motivation for leaving: Ara had also personal reasons. He wanted to test himself, to prove himself he could find his path with no help: without the personal connections of his well-known father.

Before leaving, Ara was studying in Yerevan Medical University. During the last 3 years of his study Ara used to work as a doctor in one of the Yerevan clinics. His father held a quite important post in the area of public health, so his connections have always been an important factor for Ara’s professional growth. Ara states he used to have a good job in Armenia, when he decided to leave. Though he was quite young (25 years old), his colleagues already considered him to be one of the 4 best specialists of Armenia in his specialization in neurology.

Nevertheless, Ara decided to leave abroad for self-assertion: he wanted to be independent, to be an individual without the personal authority, connections and protectionism of his father. Ara

was to try to find his path and sustain as a professional in a foreign country.

I chose Greece just because my grandmother was Greek. However, the fact that I am partly Greek never helped me there.

Ara had Armenian friends in Greece, who helped him during his first days there. He also had some financial resources when leaving, and could afford renting an apartment and taking classes of Greek. Ara did not speak Greek at all when he arrived, but this fact did not cause any serious problems as he spoke English. Six months later he could already speak Greek, and it took him 2 years to study the language perfectly.

As it usually happens with the Armenian migrants, one of Ara’s Armenian friends, who used to work as a doctor, helped him to find a job in a regional polyclinic.

During the first period I used to work as a general practitioner in a polyclinic, but soon got a job in a hospital in Thessaloniki.

The regional polyclinic, where Ara used to work, was belonged to Salonica hospital system. After working in the polyclinic for a while, he got a job in the hospital. For some time he worked as a general doctor and later as a psychiatrist and neurologist.

During the first period of his stay in Greece, Ara had only a verbal agreement with the hospital. But later, after proving the state institutions that he is partly Greek and getting a living and working permit, the hospital signed a contract with him.

I had quite serious professional success abroad. I gained Doctor’s degree there. And during the last years spent in Greece I

⁴² 40 year old man, who has a PhD degree in medical sciences and lives in Yerevan. The name mentioned in the text is fictitious.

opened my own clinic.

Ara had already gained PhD degree in Armenia, but decided to continue studying in Greece. After gaining the degree of a Candidate of Doctor of Medical Science in Armenia, he became a Doctor of Medical Science in Greece.

During the last years of his stay in Greece Ara founded his own neurological clinic. At that moment he was already a citizen of Greece: a fact that helped him to avoid many problems and obstacles when opening his clinic. In a year Ara's clinic already had a considerable number of patients.

At a certain moment I understood that I can consider my "mission" in Greece to be fulfilled. I had already passed the self-assertion path for sake of which I had left Armenia. Besides this, my parents wanted me to return and to continue our family business.

Ara's father had been managing their family business – import, sales and service of medical equipment, for more than 40 years. But during the last years he felt his age and health do not allow him to work and be as active as he was before. So he asked Ara to return and to continue his work. At that moment Ara had already sustained as a professional: *"I had already proved myself that I can succeed both in Armenia, where I had my father's support, and abroad, where I was alone"*. This meant he had reached his goal. Now he was in a situation when he had to choose between everything he had in Greece – friends, own business, etc, and his family, that lived in Armenia and was asking him to make his input in the family business.

In November 2006 Ara returned to Armenia. Although he had lived abroad for 13 years, however, it was not difficult for him to get used to living in Armenia again, as during those 13 years

he had been visiting the country twice a year. These short visits helped him to stay updated about the developments and changes that took place in Armenia.

In a month after my arrival to Armenia I started working in a neurological clinic, where I am co-owner. I also run our family business.

Ara's brother's wife (who is a dentist) was planning to open her stomatological clinic. She had started the process some years ago but did not bring it to the end. After Ara's arrival they decided to found the clinic together. Today their clinic is specializing in two areas: stomatology and neurology. Ara has started providing neurological and psychotherapeutic services only recently, but he believes the number of his patients will rise in six months.

At the same time Ara runs also their family business.

My life in Greece proved that I was right when choosing the country. The traditions and interpersonal relations of Greeks were quite close to me, and I was quite happy there. However, currently I see my future in Armenia.

The years spent in Greece are very important to Ara. Those years were a big investment both in his present and future. He highly prizes the professional experience gained when studying and working in Greece. Except the education and experience he also found good friends there. However, Ara is happy to be back to Armenia and to continue his work here.

Currently Ara is planning to live in Armenia, work in his clinic and to develop their family business. He also wants to get married and form his own family.

CASE STUDY 3: IT IS BETTER TO BE THE SECOND IN YOUR HOMELAND THAN THE FIRST ABROAD

I was interested in politics and I was moving against the main stream. I was expressing freely my opinions and one day some people came to my house and told me to leave the country. So I left for Europe.

The actor who preferred to use the pseudonym E.B.T. had left for Europe in 1998. Before leaving he used to work as an actor. E.B.T. preferred also not to talk about the reasons that made him to leave the country. However, he says he was active in political life of the country, and this caused a certain negative attitude towards him. The situation got worse when he prepared and released a radio program about the political reality of those days. E.B.T. says after that some people came to his house and made him to leave the country.

E.B.T. chose the destination country as it was situated in Europe and was interesting to him, and besides this, people there speak Slavonic language, which might make it easier for him to learn it. The first weeks in the host country E.B.T. lived in a hotel. The first thing he did was to get acquainted with the Armenians there. They should help him to extend his visa and to show a way of earning his living. The problem with the visa was solved quite easily: *"Money can solve any problem"* – says E.B.T. He did not have any problems when solving the housing problem either: he got acquainted with a woman who invited him to live in her apartment. During the first months in the host country, E.B.T., as most of the Armenian migrants, was trading to earn his living. He was gathering berries in the forests and selling those. He did not like what he was doing, but it ensured a constant income and soon he could afford renting an apartment. However, E.B.T. wanted to work in a theatre. When leaving Armenia, he took with him his works: the records of the performances and the movies where he

had played. The very first theatre, where he presented his works, suggested him to work as an actor if he manages to learn the language perfectly by the beginning of the new season. E.B.T. had only six months and he used that time very effectively. The management of the theatre gave him the opportunity of being present at all of their rehearsals and performances, and this helped him a lot in learning the language. Very soon the theatre management suggested E.B.T. to work as a director. The theatre management not only provided E.B.T. with an apartment and favorable living conditions, but also solved the legal issues with the working permit. The first performance staged by E.B.T. was one Shakespeare's works. Later he staged several other performances and organized two exhibitions of his paintings. E.B.T. states he has lived with full life of an artist in Europe: he never felt himself constraint because of being foreigner, he had all the opportunities provided by the theatre, just as the local actors and directors did. E.B.T. also says that people were very nice to him: *"first they were a bit cautious as I was an alien for them, but we made friends very soon"*. E.B.T. states that the art and sport are considered to be very important in the host country. So anyone working in those areas has all the opportunities and privileges there and E.B.T. has not been an exception.

In 2002 I got an invitation from Russia to star in a movie and left for Russia. Except starring in several movies I also staged a number of performances in theatre there.

After working for four years in Europe, E.B.T. left for Russia to star in a movie. It was not the first time he was working in Russia. He had graduated from one of Moscow cinematography universities, and besides this, he had starred in

several movies and played in a number of performances in Russia before.

During his stay in Russia, except starring in movies, E.B.T. also worked in a theatre, which is under the patronage of the Armenian Apostolic Church. He staged there a number of performances on historical and cultural topics. In some of the performances he acted not only as a director but also as an actor, script writer and stage decorator. E.B.T. did not have serious problems in Russia either, as he knew the language well and had many friends. Besides this, *"Russians know Armenians and their traditions quite well, thus the expectations of both Russians and Armenians are quite clear"*.

Soon my daughter, who was with me during all those years, fell in love with an Armenian man and they decided to get married and live in Armenia. So I decided to return too, as I did not want to leave my daughter alone.

In 2004 E.B.T. decided to return to Armenia. First it was quite difficult for him to get used to indifference of people towards their country, their city. But from the other side, many things have changed since he had left Armenia. Life had changed a lot since 90s, when people cared only about their personal problems. And now they were already more interested in cultural life, arts, etc. Now people attend theatres, movies are shot, new performances are staged. Nevertheless, Yerevan is a small city and the number of theatres is not big, and E.B.T. thinks that theatres are also somewhat monopolized. E.B.T. thinks this is the main reason why he works here only as an actor, while having a big experience of working as a director abroad. E.B.T. also believes that in Armenia the artists do not have enough space for self-realization, if they are not the representatives of the accepted ideology. E.B.T. explains this with the fact that the managers of theaters are trying to get financing from the government and not from the pleased audience. However, E.B.T. highly prizes his experience of a director, although he does not have the opportunity of using this experience in Armenia. He considers his

international experience to be very important and to have big impact on his professional activities.

There are a lot of things that I liked abroad much more than in Armenia. But I feel home in Armenia, this is mine and I don't want to leave again.

E.B.T. liked to live both in Europe and Russia: *"people live there, and in Armenia they only survive"*. What E.B.T. liked in Europe most of all is that *"people there take care of their city, their country as of their own house and they respect each other"*.

E.B.T. considers also very important that he had the opportunity of working abroad and developing professionally: *"maybe there are people who could earn enough money during those years to buy a whole factory, but I am happy I had the chance to work as an actor and director and to get pleasure of what I was doing"*.

Today E.B.T. wants to live in Armenia: *"Now I will not leave even if forced, otherwise it will look like someone has come to my house, plays with my toys and tells me to go away"*. E.B.T. says he is very stubborn and tenacious, and if there are conditions in his country which force him to leave, than he is ready to struggle against those, instead of running away.

Today E.B.T. is starring in several movies. He is planning to stay in Armenia together with his daughter and grandson and continue his work.

CASE STUDY 4: CONTINUING IN HOMELAND WHAT HAS BEEN STARTED ABROAD

My father and I had a shop in Yeghegnadzor. But our business was not successful and it ended up with huge debts. In 2000 we had to sell both the shop and our house and move to Sochi, where one of our friends used to live.

Emin Manvelyan⁴³ used to live in Yeghegnadzor city of Vayots Dzor Marz with his parents. Emin used to work with his father in their shop, but the business brought them nothing else but debts: one of their clients took a big amount of goods promising to pay later, but never paid. Emin and his father could not do anything as they had no contract or any other document signed with the deceitful client. To pay the debts back Emin and his family had to sell their shop and house and leave for Sochi. They chose Sochi, as Emin's father, who had held an important post and had good connections during the Soviet times, had a friend there. The friend, who was still holding a good post then, had Russian citizenship and used to live in Sochi for already 20 years, had agreed to host Emin's family and help them to settle there.

Emin and his family left for Sochi in 2000. They used to live in a small prefabricated house at a former construction site. Those houses used to serve as temporary home for people working at the construction site before. Now the construction site belonged to Emin's father's friend, who gave two of those houses to Emin's family. Later they redecorated the houses, constructed water supply and sewer systems, installed electricity.

Emin's mother started cultivating the small land plot at their house, which provided their family with vegetables.

However, Emin's family could live here only during the summer, and for winter they had to rent an apartment, as it was almost impossible to hit the soggy house.

I always worked with my father when in Sochi. We used to trade during the first years, then we started doing some construction works and several years later we organized a small production of stone railings.

After arriving in Sochi Emin and his father were trading for around two years: they used to buy fruits and vegetables in the market and sell those in a street close to their house. Then they had to look for another occupation as the city administration demanded to close their stall, as it was right on the street and spoiled the outlook, which is very important for a tourists' city.

So Emin and his father started to do reconstruction and redecoration works, which is very popular occupation among Armenian migrants in Russia. They were redecorating apartments, mainly putting tiles. But two years later they decided to change the occupation again; first because there was an opportunity to start their own small business, and besides this, both of them already had problems with their joints because of their work and the damp climate.

They decided to organize a small production of stone railings. Another friend of Emin's father suggested helping them as a gratitude for Emin's father's help many years ago. He suggested them teaching how to produce the railings and lending them money for renting a suitable building. Emin's father's friend was right: this was a quite profitable business which ensured a constant income for Emin's family.

Emin and his parents had a legal registration and working permit in Russia, but they decided to register one of the locals as the owner of their business, and they themselves were registered as

⁴³ Emin Manvelyan: 35 year old male with higher economic education, though he never had a job of his profession. Currently lives in Yerevan.

employees. This allowed them having some tax privileges.

In 2003 I came to Armenia as one of my relatives died. During my short stay I got acquainted with a woman who became my wife later. We moved to Sochi and lived together with my parents. My father and I were working on our small production and my wife was giving private lessons of foreign language and working in a souvenir shop.

Anna⁴⁴ - Emin's wife moved to Sochi after their wedding, to live with her husband's family. Soon Anna returned to Armenia to give birth to their twin babies. She had to come to Armenia for this, as the medical service was quite expensive for foreigners in Sochi. Besides this, her husband's house did not have the necessary conditions for ensuring good care for new born babies. Three months later Anna returned to Sochi together their son and daughter. For some time she was busy only with taking care of the kids, but when they grew up a bit Anna started working.

Emin learnt from one of the Armenians in Sochi, whose apartment he was redecorating, that he needed someone to work in his souvenir shop, and offered him to hire Anna. So, during the tourism season Anna was working in the souvenir shop, and the rest of the time she was busy with private tutoring. Anna liked working in the shop as she could meet people of different nationalities and cultures and each of that people brought something new and interesting into Anna's working day.

Soon the life in Sochi became too expensive and it got obvious we would never be able to buy an apartment. Besides this, our kids were growing up and we wanted them to be real Armenians with Armenian values. So we decided to return to Armenia.

When leaving for Sochi, Anna and Emin were not planning to return. They were saving money to buy an apartment. But at some moment the prices went up considerably and they understood they cannot afford buying an apartment. Anna and Emin are sure that the main reason for the prices to go up are the Olympic Games that are to be held in Sochi in 2012. They made a final decision of returning to Armenia when they realized that their children will not like to return to their homeland if grown up in Sochi. Anna says she knows several Armenian families were the parents want to return to Armenia, but their children, who have grown up in Sochi and got used to Russian life style, do not want to move to Armenia: *"I guess their children liked the "free" life style in Sochi. I had 12-13 year old students who used to smoke and drink, and did not want to study. We were not sure we could keep our kids away of such things; whatever we do, they can see it in streets and at school every day"*.

We returned to Yeghegnadzor in 2007. I invested part of the saved money in trade. Emin found a job in a shop of construction materials and later in a construction company.

First Anna came to Armenia together with her children and Emin's mother. She decided to trade with clothing together with her sister. They decided that Anna will invest the necessary amount, and her sister was to import clothing from Turkey and sell it in one of the Yerevan markets (Anna could not do this herself as she had to take care of children). Anna asked one of Emin's relatives, who had quite big experience in that area, to help her sister, to take her with him to Turkey. Soon Anna's sister learnt everything and their business was quite successful at first.

Several months later Emin also returned. He and his father had to stay in Sochi longer to finish the orders of their clients. After his arrival Emin found a job in a shop of construction materials thanks to his father's connections. As he found the job in Yerevan, Anna and children had to move to Yerevan too. They were living in an apartment

⁴⁴ Anna Arakelyan: 33 year old woman with higher linguistic education. Her only professional work has been private tutoring.

owned by Anna's uncle. But soon the shop was closed for reconstruction and Emin got a job in a construction company. He works as a worker there now.

Today we have different business plans. I have decided to trade not in Yerevan but in marzes, and Emin is planning to organize a small production again together with his father.

Anna says that the price they pay for renting a stall in the market is too high and they have almost no profit. So she has decided to travel through villages by car and sell the clothing there.

Emin wants to organize a small production of blocks together with his father. First of all that might be a quite profitable business, as the blocks will be of great demand in Yerevan, where the volume of construction works grows constantly. Besides this, they will be able to use the skills gained in Sochi.

Sochi was a nice place to live, but it was not suitable for us. People there were very nice to us, but still - we were foreigners there. Even today we have the chance of going back, but we don't want to.

Anna says life in Sochi was easy and joyful. She especially liked how the locals could make a real

fest out of a small event, sing, dance and have fun.

Though Anna and her family liked Sochi, but sometimes they felt they were alone, far from their relatives. Anna says they were celebrating the birthdays with very small number of guests, and were missing the *"real Armenian noisy celebrations with relatives, friends and neighbors, where people talk loud, say toasts, drink and dance"*.

However, Anna and Emin remember the years spent in Sochi with pleasure.

They have managed to save money not only to solve the problems they had in Armenia before leaving, but also to start a new life here. They had the chance of working and living with different people in Sochi, they had both happy and sad days. They could live there, but they wanted their children to grow up in Armenia.

Today Anna and Emin live in Yerevan with their children – Davit and Astghik. They are planning to buy a land plot and build a house where they can live with their big family – together with their children and Emin's parents.

ANNEX 1 TO CHAPTER 2: LIST OF COMPANIES INTERVIEWED

Company	
Construction	
1	Horizon 95
2	Asphaltagorc
3	MLL Industries
4	HAEK
5	Chilingaryan Design and Construction
6	Eurostan
7	Shen
8	AR&AR Design and Construction
9	ONIX
10	Spitak Tnak
11	BEKAS
12	Hayarshinveranorogum

Company	
13	Edifis/Tigran 4
14	Dorojnik
15	Yerevanshin Gam
Information Technologies	
1	Synopsys Armenia
2	Instigate
3	SmartTech
4	Khartia LLC
5	Sourcio LLC
6	CIT (Center for Information Technologies)
7	Intracom
8	Nork information technologies
9	Lycos
10	Virage Logic
11	Hieroglyph
Communication	
1	VivaCell
2	Armentel
Banking	
1	VTB
2	ProCredit
3	HSBC
4	Prometey
Commerce	
1	ZigZag
2	Star Divide
3	Aray
4	Mark International (Samsung)
5	Euroset RA
6	SAS
7	Karkomavto
8	ARGE business
9	Tagak Pharm (911)
10	Valti Motors (Skoda)
Hotels and Restaurants	
1	Ani Plaza
2	Yerevan Hotel
3	Arkayadzor
4	Sayat Nova Complex
5	Nor Dzoraberd
6	Bass Hotel
7	Congress Hotel
8	Aviatrans
9	Metropol
Business Consulting	
1	Grand Thornton Amyot
2	VGM Partners
3	Ameria
Manufacturing	
1	Champagne Wines Factory
2	Armenmotor
3	MAP

4	Erevan Brandy Factory
5	Ashtarak Kat
6	SIS Natural
7	Germuk Group
8	Noyan
9	Sigaronne
10	Yerevanshin

ANNEX 2 TO CHAPTER 2: FOCUS GROUPS WITH YOUNG GRADUATES

Young economists

The young economists participating in the focus group discussion, speaking about the education quality, state that the education they get in local higher education institutions is very general and theoretical: *“The university does not give you any practical knowledge: you have to gain it yourself”, “We study a little bit of finance, a little bit of marketing, a little bit of management, and therefore did not become good specialists of a single field”, “We study with old books and have no idea about the current trends of the international market”*. The young graduates say that those lecturers who give them up to date information and teach with modern methods either have some international experience or are the representatives of the private sector: *“They teach us with the role game method, which is very effective and interesting, or take us to their companies where we can see how everything works in real life”*. However, the participants believe that this problem is not caused just with the educational methods but also with the fact that *“some lecturers themselves know the subject only theoretically: it is hard to expect practical knowledge of modern trends in marketing from a lecturer who is over sixty”*.

It would be logical to expect this problem to be solved by the internships which are mandatory in the Armenian higher education system. But these internships are only one month long and most often are not organized properly, thus are almost of no value: *“The university sends you to some company for an internship and then it turns out that the company does not even know they should have interns”, “both in state institutions and in private companies usually no one wants to spend some of his time on interns and they just use us for doing some mechanical work, like photocopying documents, etc.”*. However, the young professionals accept that it is partly their fault too: *“most of the students do not consider the internship as one of the most important parts of their educational process, but as a period when they can have some rest and do just nothing”*.

Students are sure that not only the universities are responsible for ensuring practical knowledge of their students but also the private sector, as they also should take part in the educational process if interested in having qualified young specialists: *“The companies do not understand that if they do not participate in the educational process, do not provide us with up to date information on current trends and technologies, they will not be able to involve qualified young staff. They should accept interns, involve them seriously in their works, and teach them”*.

However, taking into account everything stated above, the graduates also accept that the university gives them the necessary basis, which helps taking the necessary course, and learning fast in the process of work.

Speaking about the competitiveness of the graduates in the labour market and the employment opportunities, we can say that those graduates who have started working when still students are more

competitive and have more chances of finding a job in their area. These graduates are quite self-confident and believe it is quite easy for their generation to find a job: *“if you are working on yourself, trying to improve your knowledge all the time, know how to “sell” yourself, then it is easy to find a job. It is the elder generation who has problems with that. The professions they have are not of demand today”*.

The discussion participants believe that those universities, which ensure proper internships for their students, also support them in finding a job after graduation. Some of the participants have got a permanent job in the companies they have been doing internship in: *“The companies do not want to hire graduates who have no experience at all. But during the internship you learn a lot, you gain some experience and also have the opportunity to show yourself, your potential, and most often the companies prefer to hire the interns and not someone they do not know at all”*.

All of the participants state the importance of gaining some working experience while studying in the university. Most of them are sure that it does not even matter if the work is in the area they are studying or not as *“you just have to start from somewhere”*. They think it is easier to start when still students as in most of the cases the families cover their expenses, so they can work even as volunteers: *“The companies might not want to hire students and pay them, but they almost never mind to have volunteers”*. However, the participants also state that usually it is easier to start when someone helps: when a relative or a friend recommends you to a company, as *“usually graduates are of the same value in the labour market: have the same knowledge and no or almost no experience”*.

The young graduates believe that when recruiting employees, the companies pay attention not on the educational background of the applicants, but to their work experience and to some other factors: *“No one ever asked me for my diploma or wanted to know anything about my marks, but they pay a great deal of attention on your communication and presentation skills. Today it is very important to know how to write a literate and attractive resume”*. The local universities usually do not provide their students with such trainings. However, the focus group participants do not consider this to be an obstacle, as only short training programs are needed for developing these skills and there is a number of other organizations, mainly NGOs, which provide such trainings.

Speaking about the willingness and opportunities of studying abroad, some of the discussion participants stated they would like to do MA or PhD abroad, and almost all of the focus group participants would like to have some trainings and seminars as only international experience can help to be aware of modern trends, to implement the foreign experience and new developments, as well as to broaden their worldview: *“Armenia is a bit isolated even geographically, and perhaps this is one of the reasons that brings to stereotypical way of thinking”*.

But the companies usually do not want to invest in their employees, do not provide them with opportunities and space for personal and professional growth. And this is one of the things that the young professionals would like to change in the private sector. The discussion participants state that only a few companies working in Armenia have effectively working Human Resource department, which implements employee evaluation, benefit and compensation systems, etc: *“In such companies one can start from a lower level job and grow in a short time, but if the company does not provide you with such an opportunity, and does not offer other benefits, then the young employees have no motivation of working in the same place and change the company as soon as they are offered a higher salary or a better position, which is bad for both the company and the employee”*.

The young professionals are also not satisfied with the formal and non formal relationships between the employer and the employees. They state that the employees' level of awareness of their rights is very

low: *"The RA labour code obviously protects the employee, but the employees know almost nothing about their rights and do not even want to know; they sign a labour contract without even reading it". "Very often the employer prefers not to sign any contract, but in this case the tasks and responsibilities of the employee are not stated anyhow, and quite often the employers just exploit their staff, especially the young employees, giving them more and more tasks".*

However, the focus group participants already see positive changes: young professionals are more aware of their rights and responsibilities than the elder generation, more and more companies offer benefit packages to their staff and create favorable working conditions for them.

When discussing salaries, young professionals, as expected, would prefer to have higher salaries than they have now. However, almost all of those participants who have permanent jobs state that they receive enough salary to cover their minimal needs and a bit more. *"Two years ago my salary was 50.000 AMD and I was satisfied, now I get 200.000 but would prefer to get 300.000 to cover all my needs".* The average net salary of the focus group participants is around 150.000 AMD. But all of them think that they will need at least 300.000-400.000 AMD to cover the needs of their family when they form it.

Nevertheless, the discussion participants also believe that the most important thing for a young graduate is not the salary but the opportunity to learn, to gain experience, to have professional growth: *"I would prefer to get a lower salary but to work in a company where I would have growth opportunities".*

Talking about where they see their future, the overwhelming majority of focus group participants stated they see it in Armenia. Almost all of them would like to study or attend trainings abroad; some of them would like to work abroad for several years, but to return to Armenia later and to implement the experience gained here. And only one of the participants would like to leave Armenia and to work and live abroad. The participants mainly explain their choice with their will to live where their families, relatives and friends are. Besides this, they believe that there are opportunities for studying and working in Armenia as well: *"I do not see myself abroad; this is my house, and nothing will get better here if everyone leaves", "I have a job, I earn enough to live a normal life here; I don't want to live somewhere else just to earn a bit more", "I see my future here, I am planning to start my own business in Armenia, and I believe I will succeed".*

Most of the participants would like to study or work for some years in Western Europe, Japan and China. Fewer people would prefer the United States.

When discussing the reasons why others leave the country, the participants stated that the main reason is unemployment. Except for the lack of working places, they think that the demand and the supply of the labour market do not meet: *"Every year the universities "produce" 4.000 economists for 300 working places".* Some professions are thought to be profitable or respected, so everyone wants to study it, without thinking if that is what he really wants: *"teenagers are not mature enough, to decide for themselves what they want to do; their parents decide for them. As a result, they graduate from the university without having any idea what to do next". "On one hand we have a huge number of economists who cannot find a job, but on the other hand the companies seek some professionals which the labour market cannot provide: turners for instance".* The labour market should be self-regulating the demand and the supply, but it does not, as the society has stereotypes about some professions and about higher education in general: *"people are ashamed of working as a waiter in Armenia, but it is ok for them to do the same job abroad".*

Another reason for the high level of migration mentioned by the focus group participants is the corruption and the feeling of being unprotected in Armenia: *“Some people prefer to work as a waiter or baby-sitter abroad but to ensure better and safer life for their children.”*, *“For sure there are important developments in Armenia, but the legal sphere is more important for me than the financial one”*. *“I earn enough now, but I know that I can count only on myself. If an accident happens or I get sick and cannot work for several months - I am lost: no insurance, no assistance from the government”*.

The discussion participants think it will be more efficient to work not on bringing back people who have already left, but on keeping in Armenia those who are still here: *“I don’t think we can offer those abroad better conditions in Armenia than they have there in near future.”*, *“There is a very small chance to bring them back, especially the skilled migrants, who have a good job and good living conditions there. Whatever we do here, they have bigger opportunities abroad”*. The participants think that only those people might come back who are already rich enough and do not have to think about money, or those who want to start their business in Armenia. And for keeping young professionals in Armenia the participants suggest the government run a complex program against corruption, and the private sector creates favorable working conditions, and suggesting salaries which would ensure at least medium living standard.

Young Specialists of Information Technologies

The young specialists of the IT sector are also not satisfied with the quality of their education. The situation here is nearly the same: too much theory, old books, old methods: *“We have been studying programming languages that are not used for many years already”*. However, the young specialists also admit that the universities give them the necessary basis, which helps them to learn necessary programming languages on their own in a short time: *“I got a job and it took me only three weeks to learn the language the company was working with”*, *“I work in the area of telecommunication. I had no theoretical knowledge in this area, but the university had given me the basis, which helped me in this area as well”*.

In the area of Information Technologies the private sector is involved in the educational process more than in any other sphere in Armenia. Several companies have created their laboratories in the universities and *“they make a junior specialist out of a third year student in six months”*.

The young IT specialists state that a graduate, who has really been studying, can definitely find a job. It is difficult to start, but if one is ready to have several months of unpaid probation period and trainings, then he will find a job for sure. Most of the focus group participants have started working when still students: *“An IT specialist of a certain level can find a job any moment in Yerevan, but the situation is completely different in marzes”*, *“Any IT company needs good specialists any time”*.

The focus group participants are mainly satisfied with the salary they get at the moment, though, of course, would not mind earning more. Most of them also consider the opportunities to learn and to grow to be more important than the salary. The discussion participants state that people working in IT sector almost always have a choice and can join another company if they do not like anything about their current job: *“though the conditions and the salaries are almost the same in all the companies”*.

However, there are also things that employees of IT sector are dissatisfied with. The most important problem for them is the small opportunity for growth, as the Armenian IT companies mainly work for foreign ones: *“They just get the order and write whatever is needed in a certain period of time, but they do not develop something of their own”*. In such conditions *“maximum you can achieve is to become a*

project manager with a bit higher salary". The IT specialists do not expect their salaries to get higher; just the opposite, they might get lower because of the high inflation rate.

The focus group participants split into two almost equal groups when talking about where they see their future. One group of participants would like to go abroad to study or to work for a while and then return to Armenia: *"IT specialists who have working experience abroad, and can implement the gained experience here are of great value and the companies are ready to pay very high salaries to them"*. The factors that make these participants want to return and live here are connected not with their career but private life, family and friends. A bit smaller group of participants would like to spend longer time abroad, as they see more opportunities for professional growth, better working and living conditions there. Most of the participants of this group say they will return to Armenia when they have enough money, power and business contacts to start their own company. Some participants already had the experience of working and living abroad but returned to Armenia as they *"love this country and don't want to live anywhere else"*.

Other reasons for leaving Armenia mentioned by the discussion participants are low living standards and being socially and legally unprotected. Some participants also stated they would not think of going abroad if they could afford solving their housing problems: *"I don't know where I should live when I get married; I cannot afford buying an apartment even if I get a loan from a bank. I know many young people who face the same problem"*.

The young specialists of IT sector would prefer to study or work in countries of Western Europe, USA and Canada.

The discussion participants suggest making investments for developing the science: *"IT companies came to Armenia only because of our scientific potential"*. There is no local market for IT products, so the local IT companies work for the foreign ones, and do not develop something of their own, *"but if we invest in science and create favorable conditions for young scientists, we will be able to create high quality products and sell them to 'Microsoft' for instance"*. In this case the young and talented specialists would not leave the country.

Young Specialists of Architecture and Construction

This group of young specialists included quite a big variety of specializations: architectures, interior designers, construction specialists, specialists of heating systems, water and gas supply, etc. Though, there is only one university in Armenia who prepares such specialists, and all of the focus group participants were graduates of the same university, however, their opinions about the quality of education split.

All of the participants agree that the practical part of the education is on a quite low level and *"it is difficult to find a job and start working if the employer does not provide practical trainings"*. But the opinions split when talking about the theoretical part of the education. The specialist of heating, gas and water supply systems admit that the education methods and literature they have been studying with is quite old, but they believe that university gave them the necessary basis, which helped them to gain practice quite fast.

Nevertheless, architectures and interior designers state that everything changes and develops very fast in their area, and old books and education methods become obsolete: *"The world is working now with different methods, technologies and materials. We did not develop since 1980s. We are absolutely noncompetitive in the international market"*. *"Architecture and design should have their philosophy,*

mood, psychology. Here the university professors do not even know where they should guide you and where they should give you space for imagination and fantasy". "In university we learn to solve quite serious engineering problems but are unaware of very simple practical things". These young people feel themselves isolated and believe it is essential for them having some international experience, meeting specialists from other countries: "Foreign universities invite famous architectures and designers to have some lectures and master classes for their students. It is very important to be aware of news, current trends and technologies. This is the only way for development".

However, the focus group participants state that good students have good employment opportunities in local market. Some of the students start their career when still studying; they get invitations from their professors or company representatives. Some company representatives attend the final exams, and suggest the best students joining their company. These students, of course, have several months of trainings and probation period.

Discussing the remuneration, it turns out, that employment yet does not ensure constant income for the young specialists of this field. Those working in construction companies or companies installing heating systems, etc, state that their work *"can be considered seasonal"*. The work of architectures and designers is not seasonal, but they work *"from project to project": "if the company has an order, than we have what to work on and are paid, but if not, it means no salary"*. This, of course, creates problems as these specialists do not earn enough to sustain the *"low season"*. The focus group participants consider this fact to be the main reason that makes the Armenian construction specialists prefer working abroad and not in Armenia, where the volume of construction works rises constantly during the last several years.

The discussion participants are mainly satisfied with their working conditions. However, the young architectures are facing problems with the clients quite often: *"The clients have their own picture of architecture and construction works, and sometimes want to ignore all the norms and safety rules to have the desired results in short period of time"*. *"You have to be also a psychologist to negotiate with the clients and not to be ashamed to say you are the author of this building"*.

All of the representatives of this profession stated they would definitely like to study abroad: *"We are isolated and it is the only way to get to know all the new technologies and methods the world is working with today"*. *"It is important not to go, study for some years and come back, but to be in constant contact with foreign institutions and specialists, to be updated"*. Though, almost everyone in this group stated he would like to return to Armenia, however, they also think they might not be able to implement what they have learnt abroad, as at the moment it is not possible to work with the new technologies and materials in Armenia, plus people themselves are not ready to it: *"they are not open to new ideas, they always care too much about what will the others say about it"*.

To solve these problems at least partly, the young specialists suggest inviting specialists of the younger generation, who are aware of new technologies and international trends, to teach in the university, as well as inviting foreign specialists from time to time to read some lectures or run master classes. They also suggest sending Armenian students abroad for some trainings, seminars, etc. The graduates would also like to have an internet portal where they could upload their works, have discussions with foreign young specialists, and where foreign and local customers could see their works.

The construction specialists and the specialists of gas and water supply, would also like to work abroad for some time, but their motivation is rather financial than educational. They say the money they earn here is enough to cover their daily expenses, but not enough to solve bigger problems, like the housing problem. They would also like to feel themselves here more protected: *"Construction specialists from*

marzes come to work to Yerevan. They work for a couple of weeks, then the management tells them they are not satisfied with the quality of their work, and sends them back without paying anything, and invites another brigade". "There should be professional unions to advocate our rights and interests". However, almost all of the young professionals would like to return and live in Armenia: *"If not the financial problems, Armenia is the best country to live in", "We would all like our children to grow up here".*

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