

## CONTEMPORARY ISSUES RELATED TO YOUTH EMPLOYMENT: ARMENIA'S CASE

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**Introduction.** Our major goal is to reveal the obstacles for the youth employment in Armenia and develop feasible recommendations to the policy makers to improve the possibilities and conditions for young people to utilize their competitive advantages. In accordance with the main terms for productive work and in order to support young entrepreneurs in Armenia number of experts conducted research to study current social and economic conditions where Armenian young people are struggling to find themselves in various branches of economy and business. These factors, in turn, compel to look at existing risks and opportunities, human and other resources and to analyze some success stories in countries with similar or closer levels of economic development and institutional progress. The outcome of our study might be useful for those government structures and decision makers who deal with youth issues in Armenia. It may also be considered for some international organizations concentrating on projects related to youth employment and the "brain drain" problems in developing countries.

**Scientific novelty.** Our study leads to a number of conclusions serving theoretical foundation for practical and efficient solutions of existing problems. Particularly, the linkage between the non-financial and financial services is established and justified. Practical recommendations are worked out aimed to the following: how to improve the linkage between the financial and non-financial services providers. We believe that the government need to encourage not only the cooperation, but also set up a chain of structures(private and public), and each of them will carry their part of responsibility for the final outcome -- more favorable conditions to conduct micro and small business in Armenia. We suggest a set of criteria to choose competitive advantages for each community and set a priority list of competitive advantages for each community where investments are most welcome;

**Methodology.** Conducted study is based on preliminary research related to the youth employment. We have arranged series of meetings for exchanging ideas on possible solutions, logistics, coordination of activities and methods of work, planned, participated and organized group discussions, made subject - related presentations during the collection and analysis of relevant data. We attempted to use methods of collecting empirical data, as well as the data published and provided by the national

service of statistics. Among the various methods used in this study we preferred those tools that are frequently used by the academic circles examining the youth problems, including youth unemployment causes and consequences. Methods of comparative analysis is used particularly to compare different levels of unemployment and other economic indicators related to economic growth, competitiveness, as well as other methods used in economic analysis. Finally we visited all ten marzes of Armenia to study the conditions facilitating or creating obstacles for your employment and entrepreneurship.

**Literature review.** Youth employment issues are not new. They are of major practical and academic concern for nearly all governments and progressive minded people, as well as academic circles. While some experts concentrate on youth education and its role in achieving sustainable development [Al-Braizat, 2016, 356–367], on youth and the economic cycle [Bell et al., 2011, 241–267], demographic and education effects on unemployment [Biagi et al., 2008, 1076–1101], others pay more attention on transition of youth from education to the labour market [Braziene et al., 2012, 112, 214–244], promoting young people’s full participation in education, employment and society [European Commission, 2007], youth unemployment in the OECD: demographic shifts, labour market institutions, and macroeconomic shocks [Jimeno et al., 2002, 155], as well as on investment in education and US economic growth [Jorgenson et al., 1992, 94, 51–70]. We believe all mentioned issues deserve keen attention, however, to better comprehend the youth problems, we need to take into consideration also such patterns of youth unemployment as peculiarities and commonalities of youth employment in developing and developed nations, the short, medium and long-term effects of youth unemployment, rural youth networks, educational policies and youth unemployment, the school-to-work transition, education and investment in human capital and many others.

**Analysis.** On phase one preliminary research and analysis were conducted based on personal observations and interviews. On phase two several main findings were gathered from a series of group discussions. Finally, new data was collected and analyzed from personal observations made during the field trips to Aragatsotn, Ararat, Armavir, Gegharkunik, Syunik, Vayots Dzor, Tavush, Kotayk, Lori and Shirak marzes. Our main focus includes the target groups, external factors, supporting government priorities, the role of the education, PR and outreach, the quality of non-financial sector, as well as issues related to the legislation and others.

**Target group.** What age group shall be considered as a target group for providing qualified financial and non-financial services and productive youth employment:

Participants agreed on 18-30 years old (some suggested up to 35 considering population aging trend in Armenia)

- Who and how had succeeded in business (with or without loans, other financial, non-financial services, other assistance): conduct a survey;

External factors

- How to categorize the customers of financial and non-financial services: unemployed, employed, self-employed;

- Does the quality of financial and non-financial services depend on any external factor?

- Favorable investment environment, banking system, interest rates (some participants suggest that the interest does not matter as much as other terms of the loan, such as grace period for principle payment or duration of the loan based on the type of loan);

*Supporting government priorities.* How to support the priorities set by the government through the linkage between financial and non-financial service providers: For example, propose tax advantages to those young women/young family businesses who will invest in such priority industries indicated in government program as pharmaceutical, wine / brandy, machinery, particularly in rural and small urban areas in Lori and Shirak marzes; Government need to encourage fruitful cooperation between private, public sectors and civil society to strengthen the linkage between financial and non-financial service providers;

*Role of education system.* What is the role of education system in supporting productive youth employment through non-financial services:

- Job fairs need to be organized systematically in universities, involving private and public sectors

- On job trainings are extremely useful to prepare young professionals for future work

- For certain professions allow teachers to teach courses only those who are successful in business

- Arrangement of field practices for 2-4 weeks during high school/university studies

- Establish departments sponsored by companies of particular industries to educate young professionals (e.g. Synopsis – Armenia chair in YSU)

- Strengthen the network of technical colleges to educate middle level specialists to run new technologies;

*PR, Outreach.* How to learn about success stories of existing linkages between financial and non-financial service providers, particularly, initiated by SME DNC and others: more PR and advertising best practices and benchmarks; aside from SME DNC, UCOs, there is also MFI sector in Armenia which is one of the most advanced in the world, regulated by the CBA, complying not only with the regulatory requirements of our country but also operating very much in tune with world best practices, serving over

100,000 clients, over 50% in rural areas, over 50% female clients, over 50% with non-collateralized loans with an outstanding portfolio of several billions of drams.

*Quality of non-financial services.* How to improve the quality of non-financial services: provide licenses to those individuals and companies who meet professional requirements; examine and spread the best practices models of linkages between the non-financial and financial services in other regions of Armenia;

*Coordination.* To map the programs already implemented (or still in the progress) by the State, local and international organizations in the field of women and SME development; to use data (especially statistics) how many women work and where; not to lean only on the statistics provided by the Statistics Service and international organizations; to request data from Marzpetarans (Marz centers); that data reflects a real/better picture in the marz, according to the participants;

*Strategy.* To design the project in a strategic way to change the mentality of people, their stereotypical attitude towards the entrepreneurship; to encourage young people to turn from service-based jobs to pro-active entrepreneurial activities;

*Quotas.* To help developing quotas for young people from the regions to study at different educational institutions (in the capital and other big cities) with the purpose to return and fill in the labor gap in their marzes;

*Health.* To create a mechanism (special medical insurance??) for those young women working in the toxic conditions (in particular in the areas of chemical industry) to secure their reproductive health;

*Vulnerable communities.* To target the poorest regions of the country instead of going to the marzes where donors and investors are already present: the participants highlighted the priority to go the poorest regions with high rate of poverty and migration to help people building opportunities from zero;

*Agglomerations.* To select small towns surrounded by a number villages, to create connections between the town and villages through entrepreneurial co-assistance projects;

*Traditions and customs.* To explore what existed in the marz before: to revive the artisan culture which used to take place decades ago; to promote folk culture in the work of the entrepreneur-to-be young people for better marketing;

*Localize.* To analyze the needs of the marz; to initiate community needs based project; to develop those fields of industry, agriculture or service in the marz, which could become self-sustainable in the future;

*Incentives.* To give an impetus to those business projects which would be beneficial not only to the individuals starting the business, but also to the whole community living around those projects.

Our final step concludes the activities in rural communities and suggests:

- Establishing a business, especially in the manufacturing sector, can be very risky (particularly in Shirak)
- Most of the new businesses emerge in the trade and service sector
- It is important to explore and recognize what the competitive advantages are for every particular target locality
  - o For instance, for Shirak it may clearly be the agricultural sector. Some other industries, such as production of construction materials or shoe manufacturing may also be worth of close consideration
- Free economic zones have been advocated for by the local business people (in Shirak, in particular)
- The lack of appropriate young labor force is wide recognized (both in Lori and Shirak). For instance, in Shirak, the same peers of young graduates who have established new businesses in the region complain about the new graduates not returning to hometowns and staying in Yerevan. In the same Shirak region, some of discussants mentioned about the situation with the labor force further aggravating (just a year ago, it was perhaps easier to recruit new young staff).
- Technopark in Gyumri may somewhat claim a best practice, due to primarily its record of support in the inception and maintenance of new businesses. In particular, it extends office space and provides necessary training to proactive and idea-resourceful young entrepreneurs. Another good practice by Technopark is their commitment to recognize the best of the best in their field through the award system and special support provision to winners of business idea contests.
- The conventional sequence of flow of young and talented human resource from small town to a regional center, and only then to the capital city of Yerevan is distorted in the case of Shirak. In particular, young people from Artik and Maralik detour Gyumri and migrate to Yerevan straightforward.
- The competitiveness of locally produced, especially high-tech, items remains an issue. There is the good example of a young and growing company (and a Technopark spin-off) producing ceiling hangers for LCDs. While the quality of the product may even be exceeding that of some of Chinese equivalents, the price discrimination may be quite an oppressing factor for the local producer.
  - o Technopark may further explore opportunities to assist with market entries for their existing and potential spin-off, as well as marketing technologies and sales, for newcomers to relevant industries in particular.

Gender aspect has been downgraded by most of the discussants, while also recognized that there is no special discrimination associated with gender (although for waged labor force the level of salaries of women is often lower than that of men).

**Conclusion.** Thus, there is major lack of trust in the local economic settings and societies at large in both regions. For instance, it has been pointed out by several

discussants in Gyumri that many established and successful Shirak-born entrepreneurs residing outside of Armenia are very reluctant in making investments in the region (despite their willingness to maintain positive ties with their homeland). There is profound lack of appropriate counseling to new businesses, especially in Lori (as opposed to the practices by Technopark in the IT field). Family businesses do exist (and tend to emerge in greater numbers), however, perhaps in Lori at a more profound scale, than in Shirak. Is there a justified need for the existence of SME DNC, particularly at a regional level (since there is no a clearly proven record of success)? Perhaps, no need to complicate the system with an unnecessary layer of bureaucracy, instead new businesses need to have direct access to private non-financial institutions for the provision of training. Some of the good-will initiatives by enterprises, such as introductory tours to business sites by schoolchildren, may be well organized and coordinated by the SME DNC. Some of the young entrepreneurs advocated for looser relationship with public institutions and thus greater freedom and chances for success. At the same time though, in Lori entrepreneurs admitted that the municipality has the potential and has even served at times as an intermediary between the employers and potential workers. The industrial capacity is often unevenly distributed across the smaller urban areas in the regions. For instance, the 90% of the gross regional product in Lori is contributed by the town of Alaverdi. It has been widely admitted by many entrepreneurs, especially in Lori, that creating a full manufacturing/marketing cycle, from semi-finished to a final product may be an exceptional opportunity for enterprise development and employment provision. SME DNC appears not to have special programs for youth, although high need for that exists in regions in particular. Entrepreneurship has been viewed by many young people too as a risky enterprise and thus is preferred less than the stability and security (albeit at an expense of financial attractiveness) associated with jobs in the public (or social) sector. Preferential treatment (especially tax breaks) is a must for youth-led businesses

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## **Tatul MANASERYAN**

### **Contemporary issues related to youth employment: Armenia's case**

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Certain issues are related to youth unemployment and entrepreneurship. In particular, we pay special attention to an adequate, beneficiary-friendly environment for youth as a key target: develop a “testing playground” for would-be young entrepreneurs to experiment with their business ideas and “learn by doing;” establish effective linkages between the “concepts” put forward and social (real-life) experiences of individual target beneficiaries; encourage and support institutional arrangements for young people to start applying and realizing their new business ideas; encourage proactive knowledge sharing and exchange of thoughts/views by and for youth. Positive proclivity of youth to develop entrepreneurial activity includes the following: raise the level of effective awareness on best practices in the field of youth entrepreneurship through real-life contacts and knowledge sharing; provide as many responses as possible (in the most detailed way) on the question of “how to act” and “what to do” (vs. “what to escape” and “how”) while engaging in entrepreneurial activity; closely collaborate with the SME DNC, especially in the area of benchmark activities in the country; encourage, organize, and technically support news exchange and knowledge dissemination from practicing and successful entrepreneurs to youth who undertake the first steps in their business endeavors.