

**REPUBLIC OF ARMENIA EMPLOYMENT SERVICES AGENCY**

**HUMAN AND INSTITUTIONAL CAPACITY DEVELOPMENT  
NEEDS ASSESSMENT REPORT**

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## ACRONYMS

|            |  |
|------------|--|
| CS.....    | Civil Service                                      |
| CSC.....   | Civil Service Commission                           |
| CSS.....   | Civil Service System                               |
| ED.....    | Executive Director                                 |
| ESA.....   | Employment Service Agency                          |
| EU.....    | European Union                                     |
| GDP.....   | Gross Domestic Product                             |
| GOA.....   | Government of Armenia                              |
| GTZ.....   | German Technical Cooperation                       |
| HICD.....  | Human and Institutional Capacity Development       |
| HR.....    | Human Resources                                    |
| IT.....    | Information Technology                             |
| MIS.....   | Management Information System                      |
| MLSI.....  | Ministry of Labor and Social Issues                |
| NORQ.....  | “NORQ” Information-Analytical Center               |
| NGO.....   | Non-governmental Organization                      |
| NSS.....   | National Statistical Service                       |
| PRSP.....  | Poverty Reduction Strategic Program                |
| RA.....    | Republic of Armenia                                |
| RES.....   | Regional Employment Service                        |
| RO.....    | Regional Office                                    |
| SIDA.....  | Swedish International Development Agency           |
| SME.....   | Small and Medium Enterprises                       |
| SIF.....   | Social Insurance Fund                              |
| SSN.....   | Social Security Number                             |
| TACIS..... | European Technical Assistance Program              |
| USAID..... | United States Agency for International Development |
| WB .....   | World Bank   |
| WFP.....   | World Food Program                                 |

## EXECUTIVE SUMMARY

### I. BACKGROUND

Armenia is a country in transition from a centrally controlled economy in which public management substituted for market forces to one that allows goods and services to be provided through freely competed markets. When Armenia's centrally planned economy collapsed, a broad swath of the population lost their source of income. Likewise, the government lost its primary sources of income. Its transition, to date, has entailed trying to recapture income-earning opportunities for both Armenians and their government. International donor institutions have assisted in this process as have people of Armenian descent living in other countries around the world. Without this assistance, Armenia's recent history would have been much worse. In general, it appears that the worst of the transition process may be behind them, and Armenia is now looking to longer term prospects for growth and stability.

The current project addresses the role and function of Armenia's Employment Service Agency (ESA). This agency was constituted in 1997, and it is currently an agency of the Ministry of Labor and Social Issues. The ESA provides intermediation services in the employment market by:

- providing job training and counseling,
- helping to place people in jobs, and
- providing a coordinating role in special programs that provide income for workers laboring on public works projects.

In addition, the ESA is the executing agency for the state's unemployment benefit program and several other social safety net programs.

Given the centrality of jobs as the primary income opportunity for most Armenians, employment issues are obviously important to the nation's growth and stability. However, an employment agency can only intermediate between job seekers and job providers. They cannot, except in the case of limited and costly "make work" programs, provide the jobs themselves. With these considerations in mind, the mission team (Team) came to Armenia for three weeks in the Fall of 2004 to review conditions within the ESA and the context within which it operates.

### II. METHODOLOGY

The Team used a Human and Institutional Capacity Development (HICD) approach in its effort to understand existing mandates of the ESA and shortfalls in its performance of those mandates. This approach required extensive contact with ESA staff to ascertain the structure and function of the institution, the roles that it played in Armenia's labor market and their hopes and expectations for the future. Consequently, the Team met with the Executive Director, her management team and many of the staff regularly throughout the mission. The Team also visited several urban and several rural employment centers to view retail-level ESA service delivery. It also met with the heads of each of the five headquarters departments charged with coordinating, managing and tracking ESA programs and operations.

The work plans for the Directorates and the individuals were analyzed, as were the job descriptions. The equivalent of “desk audits” were performed for the senior level positions and for many of the other staff positions, in order to obtain an overview of:

- quality of staff,
- scope of work of each position,
- type of performance evaluation system used,
- classification system applied,
- and the availability of written policies and procedures.

The division of labor, work flows and delegation of authority were assessed, as were the flow of information, decision making processes followed and the structure of the Agency. In that many of the management systems are those of the government, the Civil Service Law was thoroughly examined and the Vice Chairman of the CSC and one of the Commissioners were interviewed.

In addition to its focus on the ESA structure and function, the Team also sought to gain a better understanding of the context within which the institution operates by meeting with donors, other government staff and officials and businessmen and other private sector people. In all of these meetings, the Team attempted to learn how people outside of ESA felt about its delivery of services and its prospects for improvement.

The report is structured around the HICD approach, comparing mandated performance with actual performance and analyzing the gaps according to both internal and external factors. This is drawn, largely, from the teams’ extensive review of the Agency in the context of its organizational structure, the skills and abilities of the workforce and management systems.

### **III. FINDINGS**

Over the past eight years, ESA and its parent Ministry, the Ministry of Labor and Social Issues (MLSI), have received significant assistance from the EU, USAID, SIDA, WFP, and GTZ in technical assistance and training, as well as material support. Currently, a World Bank project is getting under way which will provide targeted support for ESA including (i.) development of a management information system; (ii.) a series of programs to improve the employment processes in selected local employment services; (iii.) establishment of training, advisory and job rehabilitation center for disabled unemployed; and (iv.) establishment of a professional orientation center for youth on a pilot basis. It will also provide assistance to MLSI for the implementation of the labor code, once adopted. This ambitious set of activities is, however, very lightly budgeted.

Past and current donor assistance has doubtless helped ESA to be a more effective organization. Still, the Team identified several areas where additional assistance could further improve the performance of the institution. These are enumerated, below.

A principal finding, and one that tempers some of the other findings of the Team, is that many official statistics in Armenia are incomplete and/or inaccurate. With particular regard to the employment sector, the National Statistical Service (NSS) gets its figures from the ESA.

However, the figures that the ESA provides NSS only apply to employers and job seekers who have registered with ESA. This is a subset (of unknown percentage) of the total number of active businesses and job seekers. An additional problem in this regard is that anyone owning agricultural land is automatically presumed to be engaged in farming and, hence, employed. This quite likely skews employment figures. Finally, many firms choose to remain below the official radar by not registering with either ESA or other GOA institutions. This choice improves those firms' chances of avoiding some of their tax and, particularly, social insurance fund (SIF) payments. But it also skews business and employment statistics.

With respect to the ESA's performance, generally, the Team found that the agency has faithfully executed its several mandates within the limitations of money, technological, organizational and staff-related constraints. According to their own statistics, the agency has been responsible for placing around 5 percent of the unemployed workforce over the past four years. They have registered and provided mandated benefits to a declining number of unemployed persons, and they have executed training and other targeted programs aimed at reducing the number of people out of work.

The team identified six broad categories of ESA organization and structure that needed to be fulfilled in order for it to serve its mandate. These are:

1. Headquarters must provide regional offices with the means to undertake their responsibilities.
2. Regional offices have to register job seekers and job providers so that workers can be placed in available jobs and eligible workers can receive their legally mandated benefits.
3. Headquarters must develop and maintain an accurate picture of labor supply and demand and needs to use this information to target efforts to improve the functioning of the labor market.
4. Both headquarters and the regional offices have to fulfill their respective roles in developing and implementing programs that help people to find jobs and which help employers to find workers.
5. Headquarters needs to advocate within the government for policies and programs that reduce unemployment through job creation and better intermediation in the labor market.
6. Headquarters will improve the day-to-day management through institutional restructuring and strengthening.

From these categories, the Team went on to assess specific performance – both mandated and actual. The analysis of gaps between mandated and actual performance generated the following:

Facilities and material resources: This is a funding issue and one that needs to be resolved within the context of limited government resources and real returns on investment. To the extent that existing facilities limit regional offices' ability to place job seekers in stable employment, and if removing this constraint would improve intermediation in the labor market, then such investments might be justified. While it is beyond the scope of this mission to provide a definitive answer to this question, the Team believes that there are other constraints that are just as binding, if not more so, than the state of ESA's facilities. What seems most effective is to target major centers for improvements and to move down the list of regional offices from those.

Outreach to and registration of employers: As GOA information systems are improved and as sharing of information within and across GOA agencies increases, the costs to private employers of registering with ESA is likely to rise. If it does, this will dampen their propensity to register, making ESA's outreach more difficult. This impending problem can be limited by active advocacy on the part of ESA to restrict information sharing, or, by reducing the regulatory compliance costs of private businesses. The principal cost at issue, here, is required payments into the social insurance fund.

Communication and information management: NORQ has been working for the past year to develop better information systems for ESA. Such systems would help to address the gap between desired and extant information management. It is not clear whether the current limitations to implementing work done to date is solely due to a lack of funding for the requisite hardware or whether there are other constraints for bringing such systems on-line. Certainly the system that the Team observed at NORQ's offices was very data intensive. Other informants stated that it was also unstable, though the team was not able to corroborate this.

Cumbersome program management: Four different headquarters departments are involved in the design, monitoring, accounting and coordination of projects making comprehensive management of these activities difficult. There is, in fact, no single department within which all that the interested observer might wish to learn about a project can be obtained. This is not simply difficult for the visiting consultant; it also requires the executive director to receive information from all of these different departments in order to capture a complete picture of project and operational activities. Moreover, it makes it less likely that glaring statistical anomalies, such as a 25-fold increase in vocational education expenditure being matched by a 2.6 increase in the number of people trained<sup>1</sup> will receive the notice that it deserves.

The absence of a private sector orientation: The ESA could be a force for private sector job creation if it had a stronger capability to develop analyses of policy outcomes, based on welfare analysis. While the donors use economic models to determine how to allocate funds and what policies to promote, GOA and its agencies remain in a defensive posture, responding to those analyses, but not developing credible alternatives of their own. ESA would be an appropriate place to locate an improved public sector labor economics capability.

With respect to existing management issues, the Team found the upper level management in the ESA to be highly competent and motivated. The executive director seems uniquely qualified for her leadership role and headquarters department heads appeared to have a good grasp of their roles and capability to fulfill them. Many of them are internationally trained and/or educated. Most of the regional center directors with whom the Team met were qualified and motivated, but it is widely asserted that leadership is more variable at that level.

Of greater concern than senior staff capabilities, the Team found that there is considerable overlap and duplication in the organization of departments and the consequent roles of their directors. This overlap is compounded by the absence of clear and specific guidelines for the

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<sup>1</sup> This is the change in vocational expenditure from 2002 to 2003 and the change in number of people trained in those same years.

responsibilities of departments. The absence of effective flow of information and information management systems is also a concern that exacerbates these problems.

The team found a structure that does not lend to placing the ability for immediate action at the level needed, in the regional offices. The centralization of authority and sometimes centralized control just for the sake of control impedes the delegation of authority to the regions. To a lesser degree, this is also true with the Department Directors at headquarters.

The new Civil Service Law<sup>2</sup> has just recently been adopted and the government is still transitioning to it. However, some early indications are that the rules on hiring and letting go employees are overly restrictive and do not guarantee either efficiency or transparency in decision-making. The Executive Director has far less ability to choose her staff than is warranted for effective management. In order to circumvent these restrictions, the Executive Director must hire staff as consultants.

#### **IV. RECOMMENDATIONS**

The Team believes that there is an important role for ESA to play in helping Armenia to make the transition to a market economy with a robust, job-creating private sector. It seems likely that ESA will retain its dual role in providing some passive benefits for the unemployed and in helping to ensure labor market intermediation through job placement assistance and counseling. In both of these roles, it is essential that Armenia live within its means.

With respect to passive benefits, there has been a significant downgrading of these over the past four years and it is not clear that this process is completed. Certainly, within the employment sector, the data show a downward trend in public expenditure for unemployment benefits that has not yet leveled off. While some maintain that this has to do with increased employment, it seems more likely to the Team that it has to do with more restrictive policies for eligibility and lowered terms of benefit.

While this is difficult for the beneficiaries in the short term, unemployment benefits are funded by the SIF, which is funded, in turn, by charges against the salaries of employees. SIF charges are a central constraint to formalization of businesses in Armenia and are, thereby, a drag on job growth. In the medium term, private sector job growth and employment would be enhanced by a decrease in SIF charges on employees.

ESA has employed a three-pronged approach to job placement, involving, direct intermediation (gathering information about available labor supply and job openings and helping to make the match), training (both technical and job counseling), and subsidized employment (public works and other, donor-supported projects). Of these, the latter is the most expensive and, over the longer term, least sustainable.

With respect to job training, ESA is not a training institution and it is not clear that they should attempt to become one. They do, however, have much to contribute to the process of designing

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<sup>2</sup> RA Civil Service Law was adopted December 4, 2001 but through a series of amendments and additions was not implemented until November 2002.

and facilitating job training by virtue of their knowledge of labor demand and of available skills among the labor force. There is, therefore, a clear role for them in helping to direct and facilitate training programs and in advocating for greater capacity on the part of other institutions more closely associated with vocational education.

With respect to direct intermediation in the labor market, this is ESA's greatest strength and an area where they are likely to provide significant economic benefits as the Armenian economy develops. Their system of local offices with roots in their respective communities constitutes an infrastructure for job intermediation that can reduce employer costs in finding qualified workers and reduce job seekers' costs in finding a job.

In its recommendations for achievable objectives, the Team suggests the following as areas of future focus:

- i. Improve ESA's ability to intermediate in the job market through staff training and decentralization (Training to improve ESA's ability to measure labor market conditions to include targeted training in labor-market statistics and the development of proxies and extrapolation factors for total employment, workforce size, and job creation, among others to include leadership skills training);
- ii. Improve ESA's outreach to employers through confidentiality guarantees and better marketing;
- iii. Improve ESA's capacity to facilitate vocational training and job counseling;
- iv. Improve ESA's ability to address the targeted groups such as the unemployed youth through a Young Professionals Trainee Program and other groups through similar specialized programs;
- v. Improve ESA's accounting policies, procedures and financial controls;
- vi. Develop ESA's capacity for policy analysis;
- vii. Improve ESA's ability to market its services to job-seekers;
- viii. Improve ESA's measurement of labor market conditions;
- ix. Develop a more effective management team through specialized leadership skills workshops and training of the senior staff;
- x. Improve information flow within the ESA;
- xi. Improve the Day-to-Day management through effective structure and greater delegation of authority without impeding necessary management controls;
- xii. Improve ESA's ability to measure performance of individuals;
- xiii. Improve ESA's ability to link individual and Directorate performance with mandates and program successes (Results Based Management System).

## CHAPTER I. BACKGROUND

### 1. HISTORICAL CONTEXT

Following the collapse of the Soviet Union and Armenia's consequent independence, the economy underwent a series of shocks between 1991 and 1993 that reduced the nation's income, as measured by GDP, by an estimated 60 percent. With some economic restructuring and significant public and private foreign inflows, Armenia has rebounded from this economic disaster, enjoying, since 1995, sustained high economic growth rates. Over the past six years, GDP growth has averaged, on an annual basis, 8.8 percent.

While the macro statistics for the nation are very positive, this growth has not been supported by strong enterprise restructuring and massive entry of new private businesses.<sup>3</sup> Up to 2001, Armenia's economic growth had not begun to significantly restore the jobs lost during the collapse of the Soviet economy and it had done little to alleviate the poverty that had arisen during that earlier period. More recently, as economic growth has accelerated and as reforms have begun to be implemented, there are some signs that gains are being made against both poverty and unemployment. A serious problem in understanding these changes, however, is the lack of credible official statistics.

A recent news article<sup>4</sup> covering results from a National Statistical Service (NSS) household survey reports that the percentage of Armenians living below the poverty line fell from 50 percent in 2002 to 42.9 percent in 2003. Similarly, the number of poorest Armenians – those who earn less than 7,742 drams (about \$15) per month – decreased from 13.1 percent of the population in 2002 to 7.4 percent in 2003. These results, while encouraging if true, would obviate GOA's important Poverty Reduction Strategy (PRS) which, with extensive donor support, defines a range of activities aiming to bring the nation's share of "very poor" to below 8 percent of the population by 2012.

On the employment side, much of the data used by NSS originates with the RA Employment Service Agency (ESA). However, for NSS purposes, the entire set of persons owning agricultural land are accounted as being "employed" regardless of whether or not they are earning a living wage from their agricultural production. Given a (2002) non-state sector employed labor force of 816,100 persons, fully 60 percent of these are employed in agriculture and forestry. By simply assuming that this significant population is "employed", employment statistics are skewed upwards. Further complicating these statistics, much business activity in Armenia, including reporting about numbers and wages of employees, is under-reported. This likely skews employment figures downward.

Given the caveats, above, the World Bank<sup>5</sup> estimates that as of the end of 2003 the number of registered job seekers was 149,600 people, or 8.6 percent of the economically active population.

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<sup>3</sup> "Public Expenditure Review of Armenia", World Bank, 2003

<sup>4</sup> ARMENIA: REPORT SHOWS SIGNIFICANT DECLINE IN POVERTY Haroutiun Khachatryan: 11/09/04, Eurasianet Organization

<sup>5</sup> Armenia Social Protection Administration, World Bank Project Appraisal Document, May 10, 2004

About 120,000 of these job seekers qualified as “unemployed”.<sup>6</sup> The highest level of unemployment was registered in Syunik Marz, at 20.3 percent; in Shirak, at 20.6 percent, and in Lori, at 16.1 percent. In Yerevan, the registered unemployment rate was 7.8 percent. The labor force survey data from 2002 indicate that at age 16-70, 67.7 percent of economically active population was employed, and 32.3 percent were unemployed

These unemployment figures very likely understate the full extent of the problem. The earlier-referenced World Bank Public Expenditure Review provides a more accurate, if less precise, assessment of the labor market when they say that “unemployment in Armenia is rampant—it is not an idiosyncratic, insurable risk, related to the business cycle, but a systemic risk affecting a substantial part of the population.” This condition has clear implications for the role and activities of the ESA, though it should be noted at the outset that much of what makes it so is beyond the scope of that organization to effect. That is, employment opportunities and job growth in an economy are largely dependent on policies and conditions that are beyond the control of an employment agency. Such agencies can only seek to provide the most effective services possible, given existing policies and conditions.

## **2. ORGANIZATIONAL STRUCTURE OF THE MINISTRY OF LABOR AND SOCIAL ISSUES (MLSI)**

The Ministry of Labor and Social Issues was recently restructured under the provisions of RA government decree N 200 dated 06.03.2002, which combined parts of the Ministry of Social Protection with the Ministry of Labor and renamed the Ministry.

The Ministry is divided into six Departments, one under the First Deputy Minister, Four under Deputy Ministers and one under a Chief of Staff (see attached organizational chart). The Employ Service Agency is under the First Deputy Minister.

## **3. FORMULATION AND STRUCTURE OF THE EMPLOYMENT SERVICE AGENCY (ESA)**

### **3.1 ESA Formulation.**

Under the provisions of the RA governmental decree N 397 dated 15.09.1997 the Labor and Employment State Service was established in the Ministry of Social Protection. More recently, by the RA governmental decree N 200-N dated 06.03.2002, the Employment State Service under the Ministry of Social Protection and its Regional Offices were restructured into the RA Employment Service Agency under the Ministry of Social Protection having the status of a separate subdivision of the ministry. The concept paper of the agency was approved by the RA governmental decree N 1823-N dated 14.11.2002 according to which the agency provides the state regulation of employment, through implementation of employment projects in regional levels. This year, under the provisions of RA government decree N ..... dated 00.00.00 elements of the Ministry of Social Protection were transferred to the Ministry of Labor. One of

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<sup>6</sup> This will be described more fully, below, but it basically entails having worked and paid into the Social Insurance Fund for at least one year, and being currently without work and not having exhausted one’s unemployment benefits.

the elements of the Ministry of Social Protection that became a part of the new Ministry of Labor and Social Issues was the Employment Service Agency.

### **3.2 ESA Structure.**

The ESA has undergone several transformations during its eight years of existence. It is currently composed of a headquarters and 51 local offices, ten of which are in Yerevan. Professional staff are currently about 340 persons, with another 100 support (non-civil service) staff.

The ESA is led by an Executive Director or Head, Ms. Sona Harutuian. She directs the heads of five headquarters departments in addition, ultimately, to her regional field offices. In addition, the Deputy Director and four other individuals respond to the ED. The individual positions, then the departments, and then the regional centers are described below.

The Deputy Director, Ms. Nune Movhannisyanyan serves as the liaison with the Ministry of Labor and Social Issues legal staff. She is responsible for coordinating legislation issues, interpreting legislation; proposing and drafting needed changes in legislation; coordinating proposals or recommendations originating with others of ESA. She is also responsible for all internal policy interpretations within the ESA and drafting of new policies.

The most recent major tasks of this Office has been related to extensive work with the Ministry of Labor and Social Issues on the reforms in the Labor Law, which has recently been passed at the third Committee level in Parliament. She has also worked with the Executive Director and other professional staff of the Agency in drafting reforms of the Employment Law. These reforms, which are now working their way through the system, are perceived to reduce the impediments to meeting the mandates of the ESA.

Mr. Hovic Hovhannes, Consultant, is responsible for advising the Director, performing analysis such as the one on how to reduce staff. He coordinates the interest of the ESA in the development of the MIS system NORQ that is being developed under the directorship of Hayk Chobanyan of the Ministry of Labor and Social Issues of RA. He also coordinates inter-institutional issues and such things as projects with AID, World Bank, etc.

There is also an IT consultant, Emil Davdyan, who is responsible for management of the LAN system within the ESA. He also manages the database on the unemployed, job seekers, etc., of the.

There is also a one-person press unit, Ms. Varduhi Haroutyunyan. The Office is responsible for liaison with the Press and for writing articles to be published.

**3.2.1 Coordination of Regional Offices' Activities:** This office coordinates all activities between headquarters and the regional offices. It is a channel for instructions from the center and reporting and questions from the regions. In addition, the director is responsible for employee matters (such as attendance, personnel problems and legally mandated staff training). This office has a central role in communicating with the regional offices (through their office directors) and the regional coordinator reports directly to the ESA director.

**3.2.2 Department of Market Analysis and Development:** This office collects employment information from the regions, collates in standard formats and uses this for in-house descriptive statistics and provides it to the NSS for their labor statistics. In addition to information on employment (e.g., job-seekers registered, job-seekers placed, number of unemployed, etc) this department also collects information on employment programs implemented by each regional office.

**3.2.3 Department of Project Coordination:** This department coordinates program implementation including vocational training, public works, and financial assistance for small businesses. In addition to assisting in the organization of these programs this department also monitors and evaluates them. Department staff also talk with job seekers and deal with complaints. They provide clarification on regulations and legislation to regional offices.

**3.2.4 Department of Employment Consultation and Information:** This department collects information on job openings for the purpose of conveying this back to the regional centers. They attempt to fit international experience into local circumstances, cooperate with NGOs and are involved in the development of an information database. In addition, they handle temporary assignments such as distributions of the Social security cards.

**3.2.5 Department of Economics:** This department is, effectively, a finance and accounting office. They manage the entire range of financial accounting from operations budgets in headquarters and the regions, to project funding, to payment of unemployment benefits. They do not create budgets, but they collect reports from districts and manage the paperwork and cash flow side of the agency's activities.

**3.2.6 Regional Offices:** The regional offices vary in their organization, depending on their staff size and conditions in their locality, but all have staff whose primary role is to register job seekers and unemployed persons and who receive information about job openings from job providers. Each has a director, who organizes work within the office and liaises with headquarters. And, each has a responsible person for managing financial accounts for both operations and program funds. Larger offices, such as those in the district seats (Marz offices) have separate departments for such tasks as: registry of job seekers, job placement, labor market analysis, vocational training, and the provision of social guarantees (principally, unemployment benefits).

The particular goals and objectives of these staff, departments and the regional offices will be addressed more fully in the Findings section, below.

### **3.3 Mission, Goals and objectives of the ESA.**

As noted, above, the ESA is now an agency of the Ministry of Labor and Social Issues (MLSI). Its mandate is to “[fulfill] the functions of the state regulation of employment” and to “develop state and regional employment projects and ensure their implementation.”

The worrisome phrase, “state regulation of employment” does not appear to involve the sort of centrally planned job placement that it might normally be taken to imply. Rather, it entails the

registration of job-seekers and unemployed persons and the determination of their eligibility for unemployment compensation and for available jobs. This has been aimed at providing a safety net for the large number of people who lost their employment (and, income) during the years following the dissolution of the Soviet Union. It also involves outreach to job providers with the goal of matching available labor supply with the labor needs of employers. Similarly, “state and regional employment projects” include: job placement, vocational training, targeted assistance for vulnerable groups, and assistance in the creation of self-employment activities, as well as public works and public subsidies for jobs for the unemployed.

### **3.4 Basic directions of the reforms stipulated by the Poverty Reduction Strategic Paper in the sphere of employment.**

By the RA governmental decree N1225-N dated 05.08.2004 the clarification of the employment sphere strategy in the Poverty Reduction Strategic Paper (PRSP) are defined. This definition stipulates:

- perfection of the management of the sphere through the introduction of the targeted management, approval of the state employment projects by the government;
- implementation of the employment state regulation policy based on the differences in marzes-different indicators of the labor markets;
- dropping of the non effective, especially passive employment projects (financial benefits);
- introduction of more active projects, making the current projects more targeted.

As a result there will be:

- separation of the funds for insurance and assistance programs,
- raising the competitiveness of the unemployed in the labor market,
- high rate of placing the job seekers at jobs (to start entrepreneurial activity and to create jobs the financial assistance programs for the unemployed will be implemented together with the state authorized body regulating employment sphere-Armenia SME development national center)
- provision of social guarantees through new projects (vocational training for the vulnerable groups in the labor market, provision of social benefits, in case of their finding jobs, compensation of the part of their salary)

To realize the above provisions stipulated by the PRSP a sustainable and developing employment service is needed, the peculiarities of the functions of which require maximum attention to be paid to the sphere. Realizing the above the ESA’s staff is being continuously trained with the help of various international organizations.

## **4. COOPERATION OF THE ESA WITH INTERNATIONAL ORGANIZATIONS**

To date, the ESA has received technical and material assistance through a number of programs supported by various donors. The more significant of these are briefly described, below.

#### **4.1 EU: TACIS Assistance to Employment Policy in the Republic of Armenia**

This program, which commenced in April of 2000, sought to develop a policy framework for labor market and employment issues and to provide assistance to Regional Employment Services (RES) to enhance their capacity to provide job counseling, training programs and employment schemes in the context of a market economy.<sup>7</sup> In the event, it undertook a labor and employment policy analysis, an assessment of the organizational and financial organization of the ESA and an assessment of the labor code and employment services. The project also provided training to ESA staff including: management and finance training, training of trainers for SME development, job counseling training, and pilot training for improved information management (i.e., computer skills).

In addition to this technical assistance, the TACIS project also provided over 45 computers and a range of computer peripherals to ESA regional offices.

#### **4.2 Swedish International Development Agency Labor Market Policies and Organization of Labor Market Authorities**

This project has aimed at developing appropriate labor market policies in Armenia and has targeted: social rehabilitation of disabled persons, labor market activities at regional and local levels, and regional office technical assistance and training.<sup>8</sup> While a comprehensive evaluation of this activity is not available to the Team, comments from ESA staff concerning the SIDA assistance has been favorable and several of the staff with whom we met had received training and exchange opportunities sponsored under the project.

#### **4.3 USAID Social Protection Program**

USAID/Armenia has been active in a number of areas of social protection, several of which directly and indirectly impact the ESA's ability to deliver its mandated services. An important element of this support has been assistance in better targeting social assistance so that limited GOA (and, donor) social protection funds can be directed at those who most need them. As a part of this effort, USAID has helped to create the NORQ Center for Information and Analysis, which helps to provide information management services for social benefit programs, including, eventually, the provision of employment services and benefits.

Through its public works program, USAID supports short-term employment for vulnerable individuals through public works projects in 7 targeted regions: Lori, Shirak, Gegharkunik, Syunik, Vayots Dzor, Tavush and Yerevan. The development and implementation of these public works projects is based on initial assessments utilizing a range of tools aimed at broad-based community participation and mobilization. As of November, 2003, 815 vulnerable people had received short term employment through this program.

Through its social transition program, USAID has provided technical support to ministries supporting Social Security Numbers, social pensions and services to employers making social

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<sup>7</sup> TACIS EDAR 9801 Project Completion Report, July, 2001

<sup>8</sup> European Union – Armenian Cooperation Report 2002

insurance payments. It has also provided support in the creation of integrated social services centers wherein employment, social welfare and other government services are provided under a single, more amenable roof. These activities have provided a foundation upon which more effective employment services may ultimately be delivered.

#### **4.4 World Bank Social Protection Administration<sup>9</sup>**

This forthcoming project targets a range of social protection activities, most of which are organized by the government out of the MLSI. Of relevance to ESA, the project will provide \$1.26 million to improve labor and employment activities. This funding will be used to improve the efficiency and effectiveness of ESA in labor market intermediation and in support of labor reform. In particular, it will be used for: (i.) development of a management information system that will form part of the national information network; (ii.) introduction of labor market monitoring and piloting a series of programs to improve the employment processes in selected local employment services; (iii.) establishment of training, advisory and job rehabilitation center for disabled unemployed; and (iv.) establishment of a professional orientation center for youth on a pilot basis. It will also provide assistance to MLSI for the implementation of the labor code, once adopted.

Given the level of funding available through the proposed loan, this is a very ambitious set of activities for the Bank to pursue.

#### **4.5 World Food Program Food for Work Program**

The World Food Program (WFP) provides food resources for this program which targets vulnerable populations and provides food as payment for labor in projects that restore or maintain social infrastructure such as schools, roads and irrigation works. WFP claims 78,594 participants in this program in 2000, but this number has steadily declined to 12,345 beneficiaries in 2004. The ESA participates as a facilitator in some of these projects but, according to their statistics, participation has been on the order of 1,300 to 620 persons per year over the past two years.

#### **4.6 GTZ Strategy Development Project for the Poverty Reduction Strategy**

There is also a German technical cooperation with GOA providing facilitation services for workgroups involving government and private sector representatives that seeks to forge consensus in decisions regarding the implementation of the PRS. This effort also entails case-study research into the employment sector and has generated useful information on both the labor market and GOA activities aiming to improve conditions in the employment sector.

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<sup>9</sup> Armenia Social Protection Administration, World Bank Project Appraisal Document, May 10, 2004

## CHAPTER II. METHODOLOGY

### 1. KEY ISSUES TO BE ADDRESSED

- Desired Performance:
- Actual Performance:
- Gaps between desired and actual performance.
- Root causes
- Intervention areas

### 2. INFORMATION-GATHERING TECHNIQUES USED

Before traveling to Armenia and throughout the assessment period in country, a thorough document review was conducted by the team members. Some of the RA laws and government decrees as well as other documentation relevant to the work of the assessment team was available only in Armenian. Consequently, some information essential to the assessment was not available in English until the third week in country. Additionally, the new Labor Law was going through the various levels of Parliament toward approval while the assessment was in process. Elements of the Employment Law continue to be under revision leading to ultimate consideration by Parliament as well. Documents reviewed included:

- Armenia Labor Market Evaluation and Strategy Assessment
- Civil Service Law
- Civil Service job classification system & generic job descriptions
- Civil Service Employee Performance Evaluation System
- Civil Service Selection and Appointment Procedures
- ADA Needs Assessment
- ESA Policy and Procedural documents
- ESA ‘Social Partnership’ booklet
- ESA statistical data
- EU Armenian Cooperation Report 2002
- Human Capacity Development Assessment
- HICD Consultation for USAID Armenia
- IMF Joint Staff Assessment of the PRSP Preparation Status Report
- Law of RA on the Employment of Population
- Organizational structural documents of ESA and MLSI
- Performance monitoring plans
- Performance reports
- Poverty Reduction Strategy
- Public Expenditure Review of Armenia of World Bank
- RA Ministry of Labor and Social Issues Activity Plan Bulletin
- RA Poverty Reduction Strategy Paper (PRSP)
- Strategy papers and documents
- TACIS EDAR 9801 Project Completion Report, July 2001
- World Bank PRSP document
- World Food Program Food For Work Guidelines & reports on Armenia
- Work plans (department and individuals)

The first workday in country the team met with USAID staff Ms. Kathleen McDonald, Director, Democracy and Social Reform Office; Ms. Rene Esler, Social Sector Specialist and Ms. Yeva Hyusyan, Development Officer and HICD Activity Manager. Also, the team was introduced to Mr. Robin Phillips, USAID Mission Director in Armenia. The following morning the team had its first of many meetings, discussions and HICD workshops with the staff of the ESA and began the process of identifying information sources for each stage of the assessment. Over the following days the ESA staff at all levels supplied written documentation and background documents as did other members of the RA government and the USAID staff. Many in-depth interviews and stakeholder meets were conducted. Interviews included ESA staff at all levels at headquarters and the staff of five of the Regional Offices.

In general, the following types of information-gathering techniques were used at the various stages:

- **Desired Performance:** analysis of laws and decrees to determine mandates; review documents of other projects; interviews with clients and potential clients, staff and managers of the ESA; review of written goals and targets in the form of work plans both individual and for Departments.
- **Actual Performance:** comparison of written performance reports with work plans and statistical data; interviews with clients; interviews with management levels.
- **Performance Gaps:** analysis of difference between Desired and Actual Performance.
- **Root causes:** meetings with stakeholders and consultants, preferably with ESA staff; consultants meetings with senior staff of ESA to discuss alignment of mandates, goals and processes – present and future.
- **Executive leadership:** extensive meetings with the Executive Director and senior staff, both at headquarters in Yerevan and in the regional offices, by observing the Executive Director in action with the Minister and in the workplace, and by interviews with stakeholders.
- **Day-to-Day Staff Management Practices:** analysis of work and delegation of authority of senior staff and observation of performance and example set.
- **Administrative Policies and Procedures:** review of policies and procedures in effect.
- **Human Resources Practices and Performance Management:** compare what is being done with in the agency with what can be done under the provisions of the CSL through analysis of the law.

### **3. ANALYSIS PROCESS**

Along with key managers of the ESA and stakeholders, performance gaps and probable root causes were discussed. Particular discussions were held with a view toward the long term and the immediate future of the ESA. The need to generate jobs was a significant part of those discussions. The managers of the ESA freely articulated their “wish list” whenever the future of ESA was discussed and when stakeholder workshops were held. Possible interventions that would address the root causes were generated and discussed several times with the team, individually and together.

#### **4. RESULTS REPORTING**

The results of the assessment are reported herewith. A debriefing for USAID Yerevan was held on the team's pen ultimate day in country.

## CHAPTER III. FINDINGS

### 1. ESA ORGANIZATIONAL LEVEL

#### 1.1 Mandated Performance

As noted in the description of the ESA structure, goals and objectives in the Background section, above, the basic mandate of the ESA is to “[fulfill] the functions of the state regulation of employment” and to “develop state and regional employment projects and ensure their implementation.” At the level of the total organization this implies, among other things, that:

1. Headquarters will provide regional offices with the means to undertake their responsibilities.
2. Regional offices will register job seekers and job providers so that workers can be placed in available jobs and eligible workers can receive their legally mandated benefits.
3. Headquarters will develop and maintain an accurate picture of labor supply and demand and will use this information to target efforts to improve the functioning of the labor market.
4. Both headquarters and the regional offices will fulfill their respective roles in developing and implementing programs that help people to find jobs and which help employers to find workers.
5. Headquarters will advocate within the government for policies and programs that reduce unemployment through job creation and better intermediation in the labor market.
6. Headquarters will improve the day-to-day management through institutional restructuring and strengthening.

By assessing these requirements in more detail, it is possible to draw out some performance expectations.

With respect to headquarters’ providing regional offices with the means to undertake their responsibilities, this requires funding support for adequate staffing and for the material needs of those offices. It requires timely delivery of direction, assessment and approval for those aspects of the regional offices’ undertakings that need direction, assessment and/or approval from the center. Most of this can be addressed with ESA specific staff training programs.

With respect to regional offices registering job seekers and job providers, this requires adequate facilities within which job seekers and job providers can register, outreach so that they know how to register, and staff competence in obtaining and recording the information needed for registry. With respect to administrative aspects of providing mandated unemployment benefits, regional offices need adequate financial controls and forecasting so that funds can be committed and disbursed in a timely fashion.

With respect to headquarters developing and maintaining an accurate picture of labor supply and demand, headquarters needs to develop more complete measures of employment and unemployment, taking into account that registered employers and job seekers are a subset of their respective populations. In addition, since this picture originates in the regional offices,

adequate information processing at the regional level and timely communication of this information to the center are required. With respect to the receipt, collation and dissemination of this information, headquarters needs to develop more effective ways of summarizing and presenting its data.

With respect to headquarters and the regional offices fulfilling their respective roles in developing and implementing programs, a first-order requirement is that these roles be clearly delineated. Programs such as “public works” require considerable development at the local level and must be forward-planned and coordinated with the (center’s) budget authorities so that funds are available when they are needed. Similarly, programs such as vocational training require timely appraisal and dependable approval from the relevant authority.

With respect to advocating within the government for policies and programs that reduce unemployment through job creation and better intermediation in the labor market, this requires an understanding of competitive markets and the impacts of state-imposed costs on profits and job creation.

## **1.2 Actual Performance**

In assessing the actual performance of ESA along these categories of performance, it should be noted that three weeks in-country is a short period to gain an extensive, accurate and precise picture of conditions. With that caveat, the Team offers these assessments.

1. With respect to the performance expectation of support from the center for regional office operations, and
2. With respect to the regional offices providing their mandated services, the team found:

The ESA office in Yerevan (Malatya-Sebastia) that the Team visited was located on the third floor of a government services building. Its placement severely limits access by any but physically fit persons, but its facilities were serviceable and reasonably well equipped. Its staff appeared to have the resources needed to do their jobs and there were several job seekers utilizing the job board posted in the entrance. According to the director of the office, they did not have any significant problems receiving direction and approvals from headquarters.

The Giumri regional office was far less well outfitted. It was located in a more decrepit office building, although it was on the first floor, providing easier access for handicapped job seekers. Its offices were well lit, but poorly heated and there were few job seekers at the time of our visit. The office had several computers, but only one of these seemed to be in use at the time of our visit. The staff of 25 serviced 28,363 job seekers and managed a number of training and “public works” programs. There were no complaints about the quality or timeliness of direction from headquarters.

The two rural ESA offices visited by the Team (Artik and Tsagkahovit) were in very basic quarters, but these offices also had computers and desks where job seekers could register. Outreach to job providers in these two offices appeared to be much more ad hoc, and staff were much more limited than at the urban offices. These offices and the populations that they serve are tremendously impacted by the decline of industrial enterprises from the Soviet era. Artik had

implemented some public work programs, but had not yet organized any vocational training programs. Tsagkahovit had not undertaken either public works or vocational training.

The Vanadzor office was by far the most well equipped and accessible office visited by the Team. It was well run and well stocked, in large part due to years of support from outside donors. It is a model center and is in a building housing several complementary social service offices. It had a staff of 16 professionals serving 15,400 unemployed persons

3. With respect to headquarters developing and maintaining an accurate picture of labor supply and demand, the Team found:

The regional offices appear to maintain adequate records of the job seekers and unemployed who register with them. However, there are clear constraints in their ability to communicate these records to the center. With respect to their outreach to employers, this appears to be more spotty, and the Team did not hear of any large-scale efforts to advertise among job-providers regarding the ESA's services. On the other hand, most offices had staff tasked with communicating with job providers to elicit job openings on a "will-call" basis. In a voluntary registration framework, it is likely that the number of registered job providers will always be a sub-set of the total population.

With respect to headquarters' collection, summary and dissemination of information from the regional offices, a request for specific data from the Team required two days to fulfill, though this may have been accomplished more quickly had the data requested only required job and program information.<sup>10</sup> The relevant headquarters department for this data seemed well run and busy.

4. With respect to headquarters and the regional offices fulfilling their respective roles in developing and implementing programs, the Team found:

Four out of five headquarters departments report playing a role in the development and coordination of ESA job placement activities and special programs in the regional offices. The Department for the Coordination of Regional Offices' Activities helps to coordinate vocational training and helps to select workers for the public works programs. The Market Analysis and Development Department gathers employment program plans from the regions and reviews them and costs them for review by the Director and the Ministry. The Economics Department creates and reviews budgets for special program activities and maintains the accounts for these as well. The Project Coordination Department appraises, monitors and evaluates the entire range of employment programs offered in the regions. Only the Department of Employment Consultation and Information plays no direct, reported role in developing and implementing programs, although they do collect job opening information from the regional offices in support of outplacement for jobs that cannot be filled by available labor in a given region. The departmental roles are discussed in more detail in the following departmental analyses, but it is worth noting here that this extensive participation in programs is institutionally complicated.

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<sup>10</sup> The information requested included ESA budget information which was not maintained by the Market Analysis and Development office and we were told that this budget information was the hold-up.

With respect to how well headquarters and the regional offices fulfill their respective roles, the table, below reports changes in employment and job placement by ESA over the past several years. It can be seen from this table that the rate of job placement by the ESA has been around 5 percent over the period. Furthermore, it can be seen that a similar percentage of people have received temporary work through the various public works programs. While the numbers receiving vocational training have been a relatively smaller percentage of job seekers, this number has increased dramatically in the current year.

**Table 1: Employment Statistics Reported By ESA**

| Employment Statistics |  |                                     | 2001    | 2002    | 2003    | 2004<br>(1st 3 qtrs) |
|-----------------------|--|-------------------------------------|---------|---------|---------|----------------------|
| 1                     | Average number of Job Seekers                    |                                     | 170,512 | 158,519 | 153,238 | 148,311              |
| 2                     | Unemployment Rate                                |                                     | 10.7    | 9.8     | 9.0     | 9.2                  |
| 3                     | Total Unemployment Benefit Expenditure           | million drams                       | 227.97  | 268.19  | 223.78  | 139.1                |
| 4                     | Total Number of Job Seekers Placed               |                                     | 7927    | 8473    | 7889    | 6113                 |
| 5                     | Number of Employers Registered During the Year   | Total                               | 8350    | 8402    | 8499    | 6296                 |
|                       |  | Individual Entrepreneurs            | 5532    | 5789    | 5814    | 4445                 |
| 6                     | Number of People Involved in Vocational Training | Through International Organizations | 486     | 305     | 2063    | 9195                 |
|                       |  | Through State Employment Project    | 503     | 184     | 479     | 38                   |
| 7                     | Number of People Involved in Public Works        | Benefit for Work Project            | 8781    | 11700   | 8874    | 9131                 |
|                       |  | Food for Work Project               | 382     | 527     | 1343    | 622                  |
| 8                     | Total Expenditure for Vocational Training        | million drams                       | 5.13    | 1.33    | 32.93   | 3.2                  |
| 9                     | Total Expenditure for Public Works               | million drams                       | 253.5   | 404.4   | 455.24  | 364.9                |
| 10                    | Overhead Budget                                  | million drams                       | 130.6   | 131     | 174.2   | 224.2                |

On the face of it, and given the limited resources available to the ESA, these statistics indicate some benefit from public expenditure for labor market intermediation. On the other hand, the Team could not ascertain the extent to which placements would have happened without ESA, nor how many people who underwent vocational training will eventually get jobs in the areas in which they were trained.

It should be noted that the figures in this table, which were provided by the Department of Market Analysis and Development, were later amended with regard to the expenditure numbers

for vocational training. Those figures were adjusted to 30.34 million dram in 2001, 8.027 million dram in 2002, and 26.3 million dram in 2003. The reason for these changes is that the central account in the Economics Department did not accurately reflect actual expenditures. However, the Team has no way of knowing which accounts are more accurate, and uses the original figures provided by the two referenced departments, which were both indicated as the repositories for such information.

5. With respect to headquarters advocating within the government for policies and programs that reduce unemployment through job creation and better intermediation in the labor market, the Team found that:

The Director does attempt to convey to other ministries and, in particular, the Ministry of Education, information about gaps in vocational and technical skills in the workforce. And, the Deputy Director coordinates legislative issues with regard to laws and decrees that might have an impact on the employment sector. However, the Team found little concern within ESA (or, MLSI) regarding the private sector's ability to create jobs and the impact of government policies and regulations on this ability. While it was common for ESA staff to talk in terms of supply of and demand for labor, the fact that demand for labor is a function of the costs of and returns to labor in a competitive market for goods and services appears to be less well appreciated.

6. With respect to improving the day-to-day management through institutional restructuring and strengthening, the Team found that:

The ESA does not have the staff, structure, infrastructure and material resources needed to address the initiatives and objectives in the pipeline. A fundamental requirement is that ESA's top-level span of control be reduced to a manageable level. Additionally the team found restructuring the Agency a requirement to equip it to meet the current and projected mandates.

### **1.3 Gaps**

Given the mandated performance and the actual performance described, above, the following gaps are revealed:

1. The physical facilities and material resources available to ESA, do not satisfy field staff or senior officials within ESA
2. Although the statistical record shows a large number of job providers registered by the regional offices, it is not clear what percentage of the active private sector pool has been tapped in their search to place people in jobs.
3. Communication and information management between the regions and the center are limited by existing systems and equipment.
4. Coordination of program activities is cumbersome.
5. A lack of understanding of the effect of costs on employers' ability to hire and retain employees in competitive markets limits ESA's ability to be a force for increased private sector job creation.

## 1.4 Analysis of Shortfalls

Facilities and material resources: This is a funding issue and one that needs to be resolved within the context of limited government resources and real returns on investment. If existing facilities limit regional offices' ability to place job seekers in stable employment, and if removing this constraint would improve intermediation in the labor market, then such investments might be justified. While it is beyond the scope of this mission to provide a definitive answer to this question, the Team does feel that there are other constraints that are just as binding, if not more so, than the state of ESA's facilities. What seems most effective is to target major centers for improvements and to move down the list of regional offices from those.

Outreach to and registration of employers: As GOA information systems are improved and as sharing of information within and across GOA agencies increases, the costs to private employers of registering with ESA is likely to rise. If it does, this will dampen their propensity to register, making ESA's outreach more difficult. This impending problem can be limited by active advocacy on the part of ESA to restrict information sharing, or, by reducing the regulatory compliance costs of private businesses. The principal cost at issue, here, is required payments into the social insurance fund.

Communication and information management: NORQ has been working for the past year to develop better information systems for ESA. Such systems would help to address the gap between desired and extant information management. It is not clear whether the current limitations to implementing work done to date is solely due to a lack of funding for the requisite hardware or whether there are other constraints for bringing the system on-line. Certainly the system that the Team observed at NORQ's offices was very data intensive. Other informants informed the Team that it was also unstable, though the Team was not able to corroborate this.

Cumbersome program management: By having four different headquarters departments involved in the design, monitoring, accounting and coordination of projects, comprehensive management of these activities is made more difficult. There is, in fact, no single department within which all that the interested observer might wish to learn about a project can be obtained. This is not simply difficult for the visiting consultant; it also requires the executive director to receive information from all of these different departments in order to capture a complete picture of project and operational activities. Moreover, it makes it less likely that glaring statistical anomalies, such as a 25-fold increase in vocational education expenditure being matched by a 2.6 increase in the number of people trained<sup>11</sup> will receive the notice that it deserves.

The absence of a private sector orientation: The ESA could be a force for private sector job creation if it had a stronger capability to develop analyses of policy outcomes, based on welfare analysis. While the donors use economic models to determine how to allocate funds and what policies to promote, GOA and its agencies remain in a defensive posture, responding to those analyses, but not developing credible alternatives of their own. ESA would be an appropriate place to locate an improved labor economics capability.

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<sup>11</sup> This is the change in vocational expenditure from 2002 to 2003 and the change in number of people trained in those same years.

## **1.5 Executive Leadership and Top-Level Vision**

The role of the executive cadre of an organization is to provide leadership and vision. Leadership, among other things, includes establishing the overall direction of the organization, providing the example for employee behavior, guiding, motivating and enabling staff to accomplish their goals while meeting the mandates of the agency. The analysis of the executive leadership in the ESA was accomplished through extensive meetings with the Executive Director and senior staff, both at headquarters in Yerevan and in the regional offices, by observing the Executive Director in action with the Minister and in the workplace, and by interviews with stakeholders.

- The Executive Director, in all meetings, displayed extensive knowledge of the ESA and its role.
- She is impressively familiar with all of the facts related to her position; labor and employment related initiatives and needs in the country and related social issues.
- The Executive Director motivates her staff through her exemplary work ethics and dedication to her job.
- She displays almost uncommon interest in the individual growth of staff and is able to link realization of their needs with achieving the mandates of the Agency.
- The staff feels and openly expresses support of her well articulated vision for the Agency.
- By all reports and an extensive review, her personnel selections and the assignment of staff is managed in a very transparent manner.

Additionally, the employment sector of the country is served well by the Executive Director in her role as advocate. Her years of experience in the social sector bring to the job the unique perspective of the social and thus the human side of labor issues.

## **1.6 Day-to-Day Staff Management Practices**

The specific management practices Department-by-Department are set forth in the next section. In general the ESA does have some overlap or duplication throughout. Added to that, the limited number of computers and the lack of basic automated systems and software create serious impediments for carrying out some of the more important management responsibilities and initiatives. Of course, essential information and workflow throughout the agency are also hampered by the lack of electronic communications. This is not limited to but is especially true of the communications between ESA headquarters in Yerevan and the Regional Offices.

The principal management function of setting direction and supervising the staff performance as defined in the Civil Service Law is met, both at headquarters and in the regions. In many instances staff are motivated to perform in what is a very difficult and rather inadequate physical working environment. Nevertheless, senior staff set the example resulting in dedication and high performance; in fact, interviews evidenced that performance for many of the individuals relative to their “work plan” is often at or beyond the optimum.

## **1.7 Administrative Policies and Procedures**

General administrative organization level policy manuals, normally found even in government agencies of this size and scope, are virtually non-existent. There are extensive directives, regulations at the Ministry level and the Republic of Armenia Laws that apply to Employment and more specifically to the ESA, in most instances, are very specific. Other than the individual job descriptions and the work plans, both at the individual and the Department level, that are drawn up under the provisions of the Civil Service Law, there are not really any guidelines for the performance of responsibilities of the Departments. The job descriptions are very generic and are not at all task oriented, thus, they do not provide any sort of guidelines or direction in performing a specific scope of work.

## **1.8 Human Resources Practices and Performance Measurement**

### **1.8.1 General Policy.**

An extensive review of the Civil Service Law and a meeting with the Executive Director of the Civil Service and as well as a review of the practices within the Agency through conversations with a member of the Council allows for the conclusion that what are commonly referred to as the standard human resources practices are in place.

The Civil Service Law was adopted on December 4, 2001 but through a series of amendments and additions was not implemented until November 2002. An extensive analysis of the law indicates that it is an extensive, complete and essentially good law. The law even includes the generic form of a job description for each level within the Civil Service classification for positions and sets forth general procedures for arriving at classification levels for individual Civil Servants. And, last but certainly not least, Rules of Ethics for the Civil Servant are also included.

Not only is the law new, the concept of a Civil Service and most elements of the system are new to the government and to the culture. Consequently, there have been some delays in implementing the law. For example, in some senses, classification of jobs was accomplished by a perfunctory assessment of what should be in a given structure rather than evaluating each job within a structure on the merits of the assigned duties and responsibilities. However, the organizational structure of each Ministry was initially established in the much the same manner. A model was developed and each Ministry was projected into that model, to include the number of jobs and their classification levels. This is now being modified through reviews of Ministries leading to restructuring based on mandates rather than models. The Ministry of Labor and Social Issues is one of the Ministries under review.

### **1.8.2 Staff Training.**

The Civil Service Law has a provision for what is called attestation and training. Under that law each Civil Servant is eligible for training once every three years; in other words, one third of the Civil Servants are provided training every year. The process is still a bit cumbersome but is in effect. Each year the Civil Service decides which training courses are to be granted; those courses are then what is offered to the Civil Servants. There is a selection process when the

system is unable to accommodate everyone who applies for the training they desire. The ultimate decision on inclusion comes down to job requirements and recorded level of performance.

Nevertheless, in anticipation of the acquisition of additional computers and the development and implementation of various software programs associated with other projects such as the World Bank Project, there is a need for IT training of staff within the Agency. Staff are sent to professional refresher courses, such as project design, design, management, monitoring and evaluation in cooperation with European governments. More of such training is needed and should be pursued as frequently it is available for little or no cost.

### **1.8.3 Performance Measurement.**

The performance of each individual is evaluated every six months at a minimum. The evaluation is based on the approved work plan for each individual position, which is a part of the work plan for each work unit. The review of the Department and individual work plans at the ESA found most of them to be specific but often lacking in measurable or quantifiable goals. Frequently, in a work plan driven performance evaluation system, goals are set at an easily achievable level. This is rectified only when managers take an active role in setting goals with the staff members in the design of their work plans. Having said that, in that the process was implemented less than two years ago, the level of achievement in implementing the system is remarkable. Nevertheless, it should be recognized as a first step towards developing a truly effective system.

The above-mentioned Training Program is linked to Performance Measurement as one of the elements in granting the training, among other criteria. Promotions or the eligibility for them are also linked to the Performance Measurement System as they are linked to the Training. Upon completion of training the participants are tested. The level achieved in the testing provides for eligibility to an increase in salary level or elevation to the next higher level in the Civil Service Classification system and to be placed in a job at the next higher level.

### **1.8.4 Position Classification.**

As indicated above, the structure of various Ministries is under review and along with that so are the classification levels of the positions. Additionally, the classification and thus, compensation levels of individuals are being reviewed for conformity with classification levels provided for in the Civil Service Law. This is a slow process but it is underway. The Civil Service is to be commended as every staff member hired under the law and granted Civil Service status, does have a recent, though generic, job description. Implementation of modifications is difficult, this was done under the implementation of the first ever Civil Service Law of the RA.

### **1.8.5 Staff Selection and appointments.**

Selection and appointment of staff in vacant positions is one of the Human Resources Practices frequently criticized in early reports of entities of the government. Under the Civil Service Law and as it has been designed, the selection process is transparent. Active Civil Servants are given priority consideration for a vacancy. First priority is given to those within the immediate Department on up the various levels of the Ministry. If there are no qualified candidates from

within, candidates from other Ministries are then given consideration. Next, those Civil Servants currently unemployed and on the register for reinstatement are given consideration. If none of them meet the minimum qualifications, recruitment is extended outside of the Civil Service. The immediate supervisor or head of the agency evaluates the candidates and makes his or her recommendation to the Competition Commission. They evaluate the recommendation, interview the top candidates and declare the results.

In reality, the law is applied differently in the Ministry of Labor and based on comments from staff, no doubt elsewhere. While conducting interviews for this assessment the team became aware of a case in which a staff member of the ESA competed for a vacancy in the Ministry of Finance and was selected for the position. This left a vacancy in the ESA. The ESA announced the position and followed all of the required processes all of the way to make the recommendation; the recommendation was for the only person considered qualified by the Executive Director of ESA. In the end, when the case went forward to the Chief of Staff in the Ministry of Labor who is responsible for the final recommendation to the Competition Commission, he recommended someone else. It was done without allowing ESA to defend their recommendation; in other words, it was done without consultation. This does not engender confidence in the system's objectivity, equity or efficiency.

Perhaps even more importantly, the Executive Director was denied the opportunity to promote one of the staff of the Agency. Apparently she is qualified to supervise and penalize staff but not to promote a Civil Service staff member in her Agency.

### **1.8.6 Positions that do not fall under the Civil Service Law.**

In the Civil Service Law of the RA there are no provisions for the hiring or classifying of the positions frequently found in a special classification series of a classification standard such as maintenance, guards or cleaning positions. Consequently, these positions are not filled under the provisions of the CS system and the Executive Director appoints them. Additionally there are consultants and temporary personnel hired for short-term work. These are usually with projects and are more frequently found in the Regional Offices. The Executive Director does have the authority to name people to positions that can be compared to trust in other systems; they are very limited. They do not fall within the Civil Service Law; they are named by her, can be removed by her and leave when she does. Her press officer and the two consultants are the only person she has named under those conditions.

## **2. DEPARTMENT-BY-DEPARTMENT ANALYSIS**

### **A. Department for Coordination of Regional Offices' Activities**

#### **1. Mandated Performance**

It is the job of the Department for Coordination of Regional Offices' Activities to coordinate all activities of the regional centers by providing a channel for instructions from the center and a reverse flow of information and questions from the regions to the center. This role applies to both daily operational information and major policy and program information. In addition to its communication and coordination role, this

department also serves a logistics function, ensuring that material and staff needs communicated from the regional offices are properly routed and addressed at headquarters. This department also coordinates donor assistance from the center to the regions and coordinates meetings held at headquarters.

The Director of the Department serves as the responsible person for ESA's compliance with Civil Service Regulations and, in this role, issues guidelines, provides counsel to staff, and is the bridge between the ESA and the Ministry for Human Resource Issues. The Director is also responsible for staff disciplinary action and is charged with tracking staff attendance. Finally, the Director ensures that civil service requirements for training are met in such a way that operations are minimally disrupted.

## **2. Actual Performance**

The team confirmed the coordination and communication role of the Department for Regional Coordination by asking the directors of the regional offices who they communicated with at headquarters for both programmatic and operational matters. They consistently named the director of Regional coordination. We were not informed of any shortcomings in that offices' execution of its duties and it was confirmed that the director visited the regional offices more than once a year.

With respect to the civil service compliance role of the department, this also appeared to be managed well.

## **3. Gaps**

None

## **4. Results of Analysis of Shortfalls**

N/A

## **5. Management**

The Director is a hands-on manager of her immediate staff and has their respect. She has but one computer but uses it judiciously. However, there is an obvious need for more automation, related software and electronic linkage with the Regional Offices and with counterparts in the Ministry and the Civil Service. Within the work plan system for management of her Department she does have some established goals for her self and staff that are in compliance with the Civil Service Law. Like others, they are rather generic; but they are consistent with other first attempts at management by objectives or related systems. She has specific jobs for each of her staff rather than use them as generalist. Nevertheless, most are cross-trained in the jobs of the Department and are multi-tasked when required. She is regarded as being responsive and a very important bridge by the Regional Offices.

## **6. Policies and Procedures**

There are written procedures to be followed for all of the work she does related to the Civil Service staff. For example, the department manages the determination of eligibility for training under the attestation and training program. The same is true of management of job descriptions and classification there of; coordination of work plans for all Departments and all staff members; coordination of the performance evaluations of staff; and attending to disciplinary cases. It is also true of processing procurement requests. It is true to a lesser degree when they conduct analysis of structure and staffing needs of the Regional Offices. However, staffing patterns are determined by a combination of factors, thus, there are guidelines and there is a predetermined formula. Such things as time and attendance and records keeping for personnel files is also determined by the Civil Service Law and related guidelines.

### **B. Department of Economics**

#### **1. Mandated Performance**

As noted in the organization-wide assessment, above, the Department of Economics is more accurately a finance and accounting office. The Department maintains central accounts on all the regional centers and manages the finances of the ESA with respect to both programs and operations budgets. It prepares reports for both the SIF and accountability reports for the State budget on a quarterly basis. It also prepares aggregated cost projections for proposal to the MLSI for ESA's fiscal budget. In addition to its accounting and finance role, the department provides technical support to the regions in accounting and financial management.

GOA financial management has recently changed with the advent of a new (2003) public finance law. The department and the ESA more widely, are still adjusting to this change. They must manage the flow of funds paying unemployment benefits, agency overhead, termination payments, and two accounts for the benefit for work program (one as overhead to the regional offices and the other which is paid out as salary to beneficiaries of the program) – as transactions against separate treasury accounts. Soon, a new account will be opened for the agency's new teacher re-training program. The Department of Economics manages these account transactions and provides audit information to the relevant government agencies charged with overseeing the use of funds.

#### **2. Actual Performance**

A detailed review of the performance of the Economics Department was beyond the scope of the Mission. However, when account information was requested regarding expenditure for training and several other programs, a problem developed which may be indicative of adjustment problems in moving from the old expenditure management to the new or, perhaps, of wider problems. In this instance, a drastic change in the year on year (2003 was the outlier) expenditure for vocational training was taken by the Team as a typographical error. However, on re-checking the number with the accounting department, the numbers were certified as correct.

In further pursuing the problem, it turned out that a large share of expenditure in prior years had gone around the accounting department and were not accounted by them. In effect, there were two sets of accounts. Whether the new expenditure law will make such practices impossible in the future is an issue that should receive further study. It should also be noted, however, that there was a change in Executive Directors of the ESA in the year in which this problem originally occurred.

Otherwise, by all outward appearances, the Economics Department is fulfilling its role as the (misnamed) finance and accounting arm of the ESA.

### **3. Gaps**

The Department of Economics is aggregating budget information from the regional centers and compiling accounts for both their regular operations and the full range of programs that are being implemented by them and funded through either the state budget or the SIF. In the past, there have been cases where the accounting department did not have complete accounts of program activities. It is not clear whether or not this circumstance can continue to occur under the new expenditure law. In order to know this, it would be necessary to undertake a more complete audit of their books and procedures. This is clearly beyond the scope of the current Mission.

### **4. Analysis of Shortfalls**

As in the case of several other ESA departments, this is a department that appears to be fulfilling its mandate, but whose mandate may not be appropriately configured. Accounting standards are changing in Armenia, and there are pervasive problems in this area, generally. This is evidenced by the significant donor effort that is currently being put into training and rules development for new accounting practices. Any effort to enhance the human and institutional capacity of the ESA would benefit from targeted efforts for the reform and enhancement of its capabilities in finance and accounting. A starting place for this might be to change the name and the mandate of the Economics Department to better reflect its accounting and financial control roles.

Accountancy within the ESA is driven by accepted accounting standards and government expenditure rules. These are currently a moving target in Armenia, because of donor-supported changes in accounting standards and expenditure rules. It should be expected that there will be difficulties in making the shift from old systems and practices to the new rules. However, technical assistance and training in this area could help to alleviate those difficulties.

Because public sector accounting practices are derived from existing rules, and these have changed, human capacity to accommodate these changes depends on the clarity with which the rules are written and the skill and flexibility of accounting staff. It appears in the case of the ESA that training and help in establishing new accounting rules and systems would be helpful.

## **5. Management**

As indicated several times above, this Directorate is really a finance and accounting officer, nothing more. This Director or chief accountant is a hands-on manager of her immediate staff and has their respect. They all have computers; however, there is an obvious need for more automation, related software and electronic linkage with the Regional Offices and with counterparts in the SSIF. Within the work plan system for management of the Department the Director does have some established goals for her self and each staff member that are in compliance with the Civil Service Law. They are less generic, in part because it is easier to establish goals in a financial management unit. She has specific jobs for each of her staff rather than use them as generalist. The staff is cross-trained in the jobs of the Department and they are multi-tasked which is frequently required.

## **6. Policies and Procedures**

There are written procedures to be followed for all of the work they do related to accounting or management of the financial data on the government funds allocated to them and on those of the SSI fund. The same is true of management of funds from donors, which are generally managed according to the procedures specified in the agreements or by the donor agency. It is also true of the preparation and processing of reports on the State funds. It is true to a lesser degree when they conduct financial or budget analysis. They have computers but do not have electronic linkage with the Regional Offices nor do they have an integrated financial management information system. With the exception of Regional Offices that are more advanced, they receive the information from the Offices either on diskette, by fax or it is hand carried to them. They then enter it into their financial management system. Of course, every time data is entered manually into a system, the possibility for errors increases. Errors are not frequent because of their accuracy and internal checks. They actually do very little budget preparation and analysis. The Projects Coordination staff develops project budgets.

Often times the individuals responsible for the design and development of projects develop the over-all budget with financial or budget staff providing them information of the numbers crunching nature. Once the project is approved and implemented the budget, financial and accounting staff then manages the accounts. However, others such as the Department of Market Analysis and Forecast is involved in budgeting or reprogramming of funds. In an organization of this size, all budgeting should be centralized. The management of the accounts for the Projects once they reach implementation stage should also be centralized.

### **C. Department for Program Coordination**

#### **1. Mandated Performance**

The Department of Program Coordination coordinates all program implementation, including vocational training, public works, and financial assistance for small businesses.

It does this by evaluating proposals from the regional centers and, after such projects are approved, sending them onward for contracting. The Program coordination office informs the regional offices when a specific program is successfully bid. The regional offices then coordinate the projects' actual implementation.

The Department also monitors and evaluates programs and projects. It is a point of contact for job seekers and program participants who have complaints. It also provides clarification on regulations and legislation for the regional offices.

## **2. Actual Performance**

When asked to describe performance measures of their department, the Team's respondent identified "large projects with a stipulated number of beneficiaries and then achieving that number in fact". The number of trainees placed in jobs was cited as another performance measure. Given that the department has only a facilitating role in these projects and activities and is not involved in their execution, it is a stretch to hold them accountable for persons trained or projects successfully implemented.

The Department appeared well run and motivated and had a clear understanding of their role in the process. However, they did note that, once projects left ESA, they were put out to bid by the state procurement agency and that, in the past year, several projects had languished for want of signatures and minor format errors. It is not clear at what point in the process these deficiencies occurred.

## **3. Gaps**

There does not appear to be any central collection of trainee placement data, following vocational training activities<sup>12</sup>. Such placements are accounted in the total job placement statistics, but it was only in the regional offices where the Team was able to obtain information regarding placement of trainees. In cases where an employer requested training and committed to hiring the job seekers so trained, placement ratios were high. In cases where training was of a more general sort, placement ratios were quite low.

With respect to the practical implementation of training and job placement programs, the process by which these are approved for funding and actually put out to bid appear inflexible and complicated.

## **4. Analysis of Shortfalls**

Staff at ESA identified the inflexibility of the state procurement agency as a cause for some of the problems in implementing programs. In addition, it was noted that training facilities were often poorly equipped and that the ESA had no in-house capacity for implementing training.

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<sup>12</sup> This information was, on the Team's penultimate day in the field, retrieved from the Department of Employment Consultation and Information.

It is, however, not clear to the Team that providing ESA with an in-house training capacity would be cost effective at this time. Much additional work would be needed to determine their capacity to not only manage training, but to determine the areas of focus for such training. The most successful training programs by the criterion of job placements were those that originated with employers. In most of these, there was a significant element of on-the-job training and this was undertaken at the employer's facilities.

Both the funding and the project bidding processes are largely external to ESA. The Team did not meet with the state procurement agency and is thus unable to directly comment on their role as a constraint to project execution.

## **5. Management**

The professional who serves as the Director of the Department has had international training as have the other staff. She is a strong manager who demands a great deal from her staff, but not anything beyond what she would do herself. The Director effectively uses the work plans both as a management tool and as a tool for evaluating the performance of the staff.

The department is responsible for projects from design through monitoring and evaluation. Most of their project development and design has been for State funds but recently they designed the project that was approved by World Bank. Unfortunately, many of their projects for State funds were never approved. Research indicates that they were not rejected as lacking in viability; they simply died because along the way a principal government official was out of the office and failed to sign the project document within the required time for allocation of resources.

Much of the Coordination of projects and the monitoring is administrative in nature. They monitor compliance with agreement, laws and financial management provisions; there is no strong evidence of monitoring or evaluation of the technical execution and results. Measurement of technical impact is essential to any results based management.

As indicated above, the staff does project design. However, proactive design and seeking of funds from donor organizations is limited. No doubt some of this is due to the fact that the staff is small and already overworked. Charging professionals with only professional responsibilities is generally a key to such problems. For example, by centralizing all budget development, projection and reallocation of funds the professionals would have more time to devote to the high level professional responsibilities of project design, development, marketing, implementation, execution, monitoring and evaluation.

## **6. Policies and Procedures**

There are written procedures to be followed in all stages of Project Coordination – from design through evaluation and for State funds as well as donor funds. They are not developed or formalized to the degree often found, especially when management of funds

from donors is involved. The same is true to a lesser degree when they develop and manage budgets for projects. They have computers but do not have electronic linkage with the Regional Offices; they do not have an integrated management information system. With the exception of Regional Offices that are more advanced, they coordinate projects through telephone contact with the project managers and/or the Regional Directors.

With more formally developed procedures for all phases of project coordination from design through evaluation there would be greater consistency and less time would be required for internal consultation. Reallocating the lower level responsibilities of administrative and financial coordination and monitoring of projects to lower level staff would free up the professionals to concentrate on the higher level technical responsibilities. Centralization of developing project budgets in an administrative unit would do the same.

## **D. Department of Labor Market Analysis and Forecast**

### **1. Mandated Performance**

The Department of Market Analysis and Development collects labor market data from the regional offices, collates and analyzes it, and generates reports for ESA and NSS. It also gathers employment program plans from the regions and reviews them and costs them. Based on these cost estimates, the department proposes budgets to the ministry and makes adjustments when those budgets are modified. They collect employment proposals (both active and passive) and integrate those into the annual plan. They also forecast impacts of those employment programs.

Data are reported monthly (Statistical Summary) and quarterly (Statistical Report). In addition, there is a quarterly labor market report. The department is meant to track job openings that go unfilled for some time as an indicator of gaps in labor supply. However, there is no specific statistic for this. Vocational training is predicated, in part, on this absence of labor supply, but this is only captured on an ad hoc basis. Each regional center forecasts labor demand by talking with employers and comparing this with their own record of job seekers.

The department is responsible for both passive and active employment programs. In this respect, they will have additional responsibilities when the “Vulnerable Groups” and “small business planning” programs come on line in 2005.

### **2. Actual Performance**

The Department of Market Analysis and Development has achieved a high level of success in collating the statistics that they receive and in producing the reports that they are charged with producing, within the constraints imposed by poor communications capability. Their reports are dependent on timely receipt of data from the regions and this is hampered by a lack of computer links between the regions and the center. In some

cases, data are delivered on disk by people traveling from the regions or over the telephone. The potential for errors in such methods is obvious.

Within the wider context of accurate labor market statistics, the department achieves somewhat less. In particular, while they can accurately track registry of job seekers and job providers by the regions, no systematic efforts are made to extrapolate from these figures to more realistic, market-wide statistics. The staff and management of the department are aware that those job-seekers who register with the ESA are a sub-set of the total population of job seekers and that the employers who register with them are a similar sub-set of the total. Whether it is because they have not been directed to account for this under-reporting or for some other reason, extrapolation to more accurately reflect true numbers of job seekers and job providers is not done.

### **3. Gaps**

If the mandate of the Department of Market Analysis and Development is taken as being based solely on the employment, employer and program data gathered by the regional offices, then the only gap identified by the Team is the absence of descriptive statistics for jobs going unfilled for long periods. However, if their role is to accurately report total numbers of employers, job seekers and unemployed persons in the country, there are serious gaps. Various estimates of true unemployment in Armenia range from 31 to 52 percent, while current official statistics (derived from ESA figures) put unemployment at 9.2 percent.

### **4. Analysis of Shortfalls**

The question of the role of this Department goes to the heart of a wider question regarding ESA's "fulfillment of the functions of the state regulation of employment". In fact, the state does not regulate employment. A great deal of job placement in the Armenian economy happens without the intermediation services of ESA. While the agency disavows any desire to monopolize the provision of employment services, their narrow focus on their own achievements discounts non-governmental activity in a way that obscures the true performance of the labor market and could create inaccuracies that undermine development efforts and, in particular, the development of the private sector.

The limitations in information management systems and communications capability are largely resource, or funding-based. With a larger capital budget for developing the infrastructure and systems needed, it is likely that these limitations could be overcome.

With respect to the data-collection and reporting function more generally, the staff and director of the Department of Market Analysis and Development appear competent to deliver whatever data collection, analysis and reporting they are charged with. However, it seems likely to the Team that their current mandate is limited by what the GOA desires to know and have reported about the labor market.

## **5. Management**

The major responsibility of this Department is the collection of the data on the labor market and on the ESA projects, analysis of the data and generation of reports and other documents. Also, they provide their information to the National Statistical Service. The Director effectively uses the tools she has to manage the Department. She has sufficient number of computers but there is no link with the Regional Offices who in effect supply her with all of the raw data used for analysis and generation of reports. The staff are assigned responsibilities by specialty or skills and background. The principal responsibility of one staff member is administrative in nature. Most of the time of that position is devoted to review of the budgets and execution levels of State funded projects and the reallocation of resources.

The Director has designed an effective work plan for the Department and with the staff has developed work plans for the staff. She uses them to manage workload and assignments of the Department and to evaluate the performance of staff. Some of the assignments lend toward measurable objectives while others do not. Often times their production is directly related to when and in what form they receive the data from the regional offices. An integrated automated system would go a long way to resolving this as well as provide for more effective allocation of the human resources responsible for information and market analysis, both at headquarters and in the regional offices.

## **6. Policies and Procedures**

What is generated to be used in statistical reports or by the National Statistical Service has specific guidelines and formats. The information that they enter into the automated files and reports that they use is with a view toward a specific use; in fact much of it goes directly into a format. This is especially true in those offices where the information or data collection is done directly into the computer or transferred from a hand written document into the computer. Thus, there are written procedures. There are procedures to be followed in the management and reallocation of project budgets of State funds.

They have computers but do not have electronic linkage with the Regional Offices; they do not have an integrated management information system. With the exception of Regional Offices that are more advanced, they receive data from offices through telephone contact with their counterparts in the offices or by hand delivered diskettes of information or hard copy reports.

With an integrated or at least a linked automation system, more effective procedures and processes could be developed and time of the professionals of the department would be freed up for truly analytical work and/or development of procedures. Automated systems and better procedures should also provide for greater consistency in their data. As indicated above, centralization of monitoring and reallocation of budgetary resources for the projects budgeted by State funds would provide for more effective use of staff. To some degree this will be addressed if the World Bank Project is implemented as designed.

## **E. Department of Employment Consultation and Information**

### **1. Mandated Performance**

The Department of Employment Consultation and Information collects information on job openings and conveys this back out to the regional centers. They attempt to fit international experience into local circumstances, cooperate with NGOs and create an information database. In addition, they handle temporary assignments such as the allocation and distribution of the Social security cards.

This Department contributes to ESA's overall objectives by generating reports and making recommendations to the ministry regarding the new labor law.

### **2. Actual Performance**

This department appears to have a policy advisory role, in addition to its above-stated mandate. In particular, this department has been instrumental in helping ESA to move away from passive employment programs and toward active ones. They have begun to create incentives for people to find jobs themselves.

The department gave every appearance of fulfilling its expected role and the Team heard no complaints or failings in its performance. When asked about specific performance measures, the Team's respondent noted targeted management, number of people placed in jobs, and number of job providers registered.

### **3. Gaps**

As noted, above, this department appears to be fulfilling its role without gaps. With respect to its own assessment, however, the Department director noted that some projects that had been very successful, such as the SIDA-funded labor market project, were difficult to replicate because funding is not available. Other stated obstacles to achieving ESA objectives (overall) included: slow postal service, inadequate staff training, inadequate information management and communication, and excess centralization with respect to financial and other decision-making.

### **4. Analysis of Shortfalls**

Shortfalls in the performance of the Department of Employment Consultation and Information do not derive from gaps between their mandated performance and their actual performance. Rather, this department might be said to suffer from an inadequate mandate, similar to the case of the Department of Market Analysis and Development. This department could provide more wide-ranging policy advice and analysis to help the ESA to develop a stronger "customer orientation" and to help them predict the impact of GOA policies on employment and job creation.

## **5. Management**

The Director of the Department has had international training. She sets an example of expectations through her own dedication. By accounts from staff she is a strong manager who demands a great deal from her staff. The Director is very hands on in her use of the work plans both as a management tool and as a tool for evaluating the performance of the staff. The staff has up-to-date job descriptions and they have all been evaluated consistently since the implementation of the system nearly two years ago.

Under the guidance of the Director of the Department the assignments to the staff have moved toward an active employment program. Under the previous Executive Director most of their work was related to passive programs. They do contribute to the overall publications and reports of the ESA but their primary function is more towards developing publications on programs.

They provide research support to the Deputy Director and others in the generation of recommendations for modifications of the current laws. They were seriously involved in the research for new labor law and are involved in the research and development of modifications in the Employment Law. The staff has some input into project design but that generally is based on how a proposed project will address the needs identified by them in their day-to-day work of reviewing data on employment openings and providing the information to the various Regional Offices. On the surface there may appear to be duplication of what they do vis-à-vis what is done in other areas in project coordination and monitoring. In reality it is more complimentary and parallel to rather than overlap or duplication.

## **6. Policies and Procedures**

The written policies and procedures that are available are those related to data on jobs and candidates for employment as they follow the formats used in collecting the data. Other than that, they are not an office that is policy or procedure oriented. The centralized policies and procedures dictated by the Civil Service Law are available to staff and are applied.

They have computers but do not have electronic linkage with the Regional Offices; they do not have an integrated management information system. With the exception of Regional Offices that are more advanced, they receive data from offices through telephone contact with their counterparts in the offices.

With an integrated or at least a linked automation system, procedures could be more easily developed and more judiciously applied.

## CHAPTER IV. RECOMMENDATIONS FOR INTERVENTION

### 1. REFINING THE ROLE OF THE ESA

The ESA has played a significant role in helping to facilitate Armenia's shift from a centrally planned economy to one that is grounded in private ownership and freely competed markets for goods and services. It has played a dual role in this transition by, first, helping to ameliorate the negative effects of the transition. The terrible human cost of job and income loss resulting from the collapse of the Soviet economy cannot be overstated. The ESA has provided a limited safety net for people who have been stranded by the collapse, through its allocation of unemployment benefits and by other social welfare programs aimed at keeping people out of poverty.

The second role of the ESA in helping to smooth the process of transition has been to facilitate intermediation in the labor market. This has entailed active programs aimed at helping people to learn how to find new jobs, providing training and re-training to unemployed people, and by gathering job information and attempting to match available labor to existing demand for labor. Moreover, the ESA has developed an infrastructure for employment intermediation that provides external benefits as new, private sector job placement enterprises come on line.

What the ESA does not do, although it is a clear element of its legal mandate, is to "fulfill the functions of the state regulation of employment". State regulation of employment implies that the state be necessarily involved in the hiring and firing decisions of employers and in the job opportunities of job-seekers. The ESA does not play this role. Its services are predicated on voluntary registration of both job seekers and employers<sup>13</sup> and it has not, in general, attempted to monopolize the employment sector. Given this fortunate disconnect between its legal mandate and its actual performance, the Team suggests that consideration be given to rewriting the enabling legislation for the ESA to more accurately reflect its role in the economy.

As transition proceeds, and as the Armenian economy develops, the role of the ESA can be expected to change. Given the significant role of foreign donors in efforts both to develop the Armenian economy generally and, potentially, to aid in the capacity development of the ESA more specifically, it is imperative that the "organic" needs of Armenia and her institutions be placed before programming considerations of the donors. Otherwise, institutions and programs may be created which cannot be sustained at the end of the period of donor support.

It seems likely to the Team that ESA should and will retain its dual role in providing some passive benefits for the unemployed and in helping to ensure labor market intermediation through job placement assistance and counseling. In both of these roles, it is essential that Armenia live within its (medium and long-term) means. With respect to passive benefits, there has been a significant downgrading of these over the past four years and it is not clear that this process is completed. Certainly, within the employment sector, the data show a downward trend in public expenditure for unemployment benefits that has not yet leveled off. While some

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<sup>13</sup> The Team did hear stories of employment offices that required job providers to only hire employees who had obtained the imprimatur of the regional center, thus making themselves the de facto regulator of employment among those firms. These reports were not corroborated by the team.

maintain that this has to do with increased employment, it seems more likely to the Team that it has to do with more restrictive policies for eligibility and lowered terms of benefit.

While this is difficult for the beneficiaries in the short term, unemployment benefits are funded by the SIF, which is funded, in turn, by charges against the salaries of employees. SIF charges are a central constraint to formalization of businesses in Armenia and are, thereby, a drag on job growth. In the medium term, private sector job growth and employment would be enhanced by a decrease in SIF charges on employees.

To the extent that a decrease in the demands on SIF resources might translate into decreased SIF costs to employers, one is essentially trading passive support for greater employment by reducing unemployment benefits. Of course, given the vagaries of current governance, it is not at all clear that a decrease in demands on SIF will translate into reduced SIF charges. However, with their admirable concern for the welfare of workers, it does seem likely that the ESA could be a voice for advocating such a reduction if they develop a capacity for making such arguments. The Team sees a potential role for ESA in being an advocate for greater private sector job creation by adopting a more analytical approach to employment policy.

With respect to job placement, the ESA has employed a three-pronged approach involving, direct intermediation (gathering information about available labor supply and job openings and helping to make the match), training (both technical and job counseling), and subsidized employment (public works and other, donor-supported projects). Of these, the latter is the most expensive and, over the longer term, least sustainable. While significant benefits have been achieved by funding needed repairs and ensuring a role for the ESA in placing workers in those projects, with stabilization, funding for such projects will increasingly come from the budgets of the agencies who are responsible for maintaining the facilities and not from the central government. There should not be a net job loss from such a change. But ESA's role as a funding agency and a provider of workers will diminish.

With respect to job training, ESA is not a training institution and it is not clear that they should attempt to become one. They do, however, have much to contribute to the process of designing and facilitating job training by virtue of their knowledge of labor demand and of available skills among the labor force. There is, therefore, a clear role for them in helping to direct and facilitate training programs and in advocating for greater capacity on the part of other institutions more closely associated with vocational education.

With respect to direct intermediation in the labor market, this is ESA's greatest strength and an area where they are likely to provide significant economic benefits as the Armenian economy develops. Their system of local offices with roots in their respective communities constitutes an infrastructure for job intermediation that can reduce employer costs in finding qualified workers and reduce job seekers' costs in finding a job.

We describe, below, how we believe that the capacity of the ESA to play these roles can be enhanced.

## 2. ACHIEVABLE OBJECTIVES

- i. Improve ESA's ability to intermediate in the job market through staff training and decentralization;
- ii. Improve ESA's outreach to employers through confidentiality guarantees and better marketing;
- iii. Improve ESA's capacity to facilitate vocational training and job counseling;
- iv. Improve ESA's ability to address the needs of the special targeted groups such as the unemployed youth and others;
- v. Improve ESA's accounting policies and procedures and financial controls;
- vi. Develop a more effective management team through specialized leadership skills workshops and training of the senior staff;
- vii. Develop ESA's capacity for policy analysis;
- viii. Improve ESA's ability to market its services to job-seekers;
- ix. Improve ESA's measurement of labor market conditions;
- x. Improve the Day-to-Day management through effective structure and greater delegation of authority without impeding necessary management controls;
- xi. Improve ESA's ability to measure performance of individuals; and
- xii. Improve ESA's ability to link individual and Directorate performance with mandates and program successes (Results Based Management System).

## 3. RESTRUCTURING ESA TO BETTER ACHIEVE THOSE OBJECTIVES

### Recommended intervention:

- *Restructure the ESA to better equip the Agency to meet the current and projected mandates through the participation of the ED and staff. The specifics are presented below and in the attached organizational charts.*
- *Final buy in with the ED and management staff should be confirmed. (Even though we were limited in time, the assessment team devoted significant time and effort to "buy in" with a very high percent of the recommendation being supported. This is to the point where management now thinks of the recommendations in structural change as their ideas.)*

The current structure and staffing mix of the ESA, with some significant training of staff and tweaking and refinement of the management systems and structure could sufficiently address many of the current mandates. But that is not the underlying question. The question is does it have the staff, structure, infrastructure and material resources needed to meet the demands that will be placed upon it with the implementation of the World Bank project and the USAID project? Will it be able to address the initiatives related to the refined role and objectives presented in the preceding paragraphs? Will it be able to meet its mandates two years down the road or at a time when the job market increases?

The recommended structure is presented as an attachment (see Appendix III, *Projected Organizational Structure of ESA*). The rationalization for the recommended structure is found in this Chapter of the Report under paragraph 5, *Formulation and Structure Rationalization*.

#### **4. REFINING ESA DAY-TO-DAY MANAGEMENT**

##### **Recommended intervention:**

*Hire a consultant or consultants to:*

- *Develop and conduct ESA specific supervisory and leadership skills workshops for all management staff including those in the Regional Offices to improve the Day-to-Day management by creating an effective environment for implementing the new structure and evoking greater delegation of authority without impeding necessary management controls;*
- *Develop the required systems and management tools and conduct workshops to foster improved communication flow and exchange of information within the ESA ;*
- *Foster the development of Procedures and Policy guidelines, first for Administrative Services Department and then for all of the Technical Departments;*
- *Conduct a complete review of the financial management and accounting systems with a view toward improving them to meet the needs of the future;*
- *Develop a skills inventory of staff and the minimum skills requirements of the various jobs of the ESA to identify the training courses needed by the ESA staff, including those in the Regional Offices, to meet the job requirements; and*
- *Develop an integrated performance and results based management system.*

#### **5. FORMULATION AND STRUCTURE RATIONALIZATION**

*Recommended Interventions:*

- *Restructure with emphasis on reducing the span of responsibility of the ED and on maximizing the delegation of authority.*
- *Convert the largest Regional Office in each Marz to a Regional Center or Marz Office with the Offices in the Marz reporting to that office instead of going to Headquarters on all issues.*
- *Centralize all financial accounting, budgeting, facilities and human resources and other management services by creating an Administrative Services Department.*
- *Develop a Young Professionals' Trainees Program directed at the unemployed youth of the country.*
- *Expand the role of the current Department of Employment Consultation and Information to include Economics Analysis capability.*
- *Redirect the Program Coordination Department with a view toward developing a Project Design and Development team, a Project Implementation and Coordination team and a Monitoring and Evaluation team.*

##### **5.1 Upper level leadership and management.**

###### **5.1.1 Office of the Executive Director**

The senior or top tier of management, that of the level of the Executive Director and the immediate staff, is addressed first. Even with the current mandates, the role of the Executive Director is spread too thinly. The Deputy Director, two consultants, five headquarters Directorates and the 51 Regional Office Directors all respond directly to the Executive Director. No matter how effective the Executive Director is, with increasing

technical responsibilities, it will be impossible to continue to manage such a broad and diverse operation. The team is recommending a change in structure that will reduce the ED's span of direct supervision to a manageable level. The recommended change in structure anticipates redirection and an increase in mandates.

### **5.1.2 Economic Advisor**

The Deputy Director serves as adviser to the ED and the liaison with the MLSI on legislative and policy issues. With the implementation of the USAID project, there will be a need to expand the liaison with the Ministry in Employment and Labor issues as well as strengthen the ESA's economic analysis ability. The team is of the mind that creating an additional adviser position and hiring an internationally trained economist with extensive employment and labor market analysis background could best address this. However, in early discussions with the ED seeking some sort of buy in there was strong opposition. Initially that was phrased as opposition to loading up the Agency with Advisors. This evolved into further opposition and leads us to the recommendation under sub paragraph b) of 5.2 below under the heading of "Department of Economic Analysis, Employment Consultation and Information."

## **5.2 Second tier of leadership and management.**

### **5.2.1 Regional Offices**

As discussed in earlier text of this document the second tier of management already needs adjustment. This is especially true of the linkage with and supervision of the Regional Offices. Currently, there is a Coordinator of Regional Offices' Activities. She is extremely efficient at fulfilling her responsibilities all of which are essential. Nevertheless, her coordination is more of one of support to the RO's and not supervisory or even technical coordination. Thus, the team recommends the creation of a Regional Coordination Directorate with responsibility for supervisory and technical coordination of the field offices. Through the Directors in the Regions, this Directorate would also be indirectly responsible for coordination of the two Training Centers that are anticipated; one in the north in Gyumri and the other in the south. The Syunik or the southern part of the Geharqunik Marzes have been mentioned.

Under the current plan, these Training Centers are to provide vocational training for the targeted groups in the region. Just as in other training programs for the targeted groups provided by the ESA it is anticipated that those individuals who complete the program will have skills giving them greater opportunities for employment in their region. The current plan of ESA calls for them to be managed from Headquarters by a Department to be created for that purpose. It is recommended that the best avenue for sound management would be to place them under the administrative direction of the Director of the Regional Center in the region.

As part of this recommendation we also recommend modifying headquarters direct span of control over the Regional Offices. There are 11 Marzes and within each Marz there are four or five Offices, with the exception of Yerevan, where there are 10 offices. We

recommend that one office in each of the 11 Marzes be designated as a Regional ESA Center. The largest office in the Marz would be the most logical office to receive this designation. The other Regional Offices in each Marz would respond directly to the Director of the Regional Center and not to Headquarters. We do not recommend adjustment in staffing levels in any of these offices at this time as their responsibilities and role in the region would remain the same. Simply, under the modified structure they would receive their direct instructions and immediate administrative supervision from the Regional Director. While this will take time away from the other responsibilities of the Director and current responsibilities, most of this role is operational and/or administrative and should be assigned to the Deputy in the Regional Center, positions which already exist in one form or another.

Under this concept the following offices will be designated as the Regional Centers. These designees are drawn from the list of the largest and most active office in each the Marz. Other criteria could be used but the easiest transition to such a change would be to select an office that already has the staff and infrastructure sufficient to immediately assume the role of Regional Center with a minimum of impact on staff and structure and that, preferably, is cost neutral.

| Region | Marz        | Regional Center Designee |
|--------|-------------|--------------------------|
| I.     | Aragatsotn  | Ashtarak                 |
| II.    | Ararat      | Artashat                 |
| III.   | Armavir     | Armavir                  |
| IV.    | Gegharqunik | Gavar                    |
| V.     | Lori        | Vanadzor                 |
| VI.    | Kotayk      | Abovyan                  |
| VII.   | Shirak      | Gyumri                   |
| VIII.  | Syunik      | Kapan                    |
| IX.    | Vayots Dzor | Eghegnadzor              |
| X.     | Tavush      | Ijevan                   |
| XI.    | Erevan      | Malatsia-Sebastia        |

## **5.2.2 Departments at Headquarters ESA**

### **a) Administrative Services Department.**

As indicated at various points in the text of the report we point out that the current Department of Economics is really the Accounting Office. ESA has a chief accountant who supervises three employees. They do the accounting for the ESA and some very basic budgeting. The team recommends that this work unit be re-designated as the Administrative Services Department and that all administrative services be centralized within this department. Under this recommendation there would be three divisions of responsibility within the Department. One would be the accounting responsibility, the second would be budgeting and the third would be facilities and human resources management.

The accounting responsibility is already centralized in the chief accountant and her staff. The facilities and human resources management services are also already centralized

under the current Director of Department for the Coordination of Regional Offices' Activities and her staff. Budgeting is distributed in a minimum of three locations; some is done by the accountants, much is done by the Program Coordination Department and Budgeting and reallocation of resources is done by one staff member in the Department of Market Analysis & Development.

- *Finance and Accounting.* The accountants would become the Finance and Accounting unit within this new Administrative Services Department.
- *Facilities and Human Resources Services.* The coordinator for regional offices' activities and her staff and all of their responsibilities except those related to passing on assignments to the Regional Offices, would become the Facilities and Human Resources Services unit within the Administrative Services Department.
- *Budget and Analysis.* The budget analysis and management person in the Department of Market Analysis and Development would be transferred to the Administrative Services Department with her responsibilities. All budget related responsibilities would be centralized under her in what would become the Budgeting and Analysis unit.
- *Head of Administrative Services Department.* One of the three individuals should be designated as Director of the Administrative Services Department. Based on the interviews and individual skills analysis, background and seniority that person probably is the current Director of the Coordination of the Regional Offices' Activities but that is a decision that should be left up to the ED.

**b.) Department of Market Analysis and Development.**

With the exception of removing the budgeting and allocation responsibilities from the Department, the responsibilities of the Department are relatively unchanged. However, it is clear that this department could provide much more precise and useful statistics if it expanded its area of focus beyond those businesses and job-seekers who are registered with it. Such an effort would also clarify the ESA's role as one of intermediation and not regulation, by absolving it of any responsibility to register the entire work force or the entire universe of employers. It need only account for them – not register them.

**c.) Department of Economic Analysis, Employment Consultation and Information.**

The team found a gap or absence of marketing and promotional information. To a lesser degree in some regions there is a need for more information on the Employment Law, benefits, etc., written in terms of the class of people generally out of work and in need of information that they can understand. It is recommended that greater emphasis be placed on this responsibility. They do a good job of publishing information on available jobs. As the job market improves they will need to be able to generate and publish this information to reach a broader community.

More importantly, the team found a natural tie in to what this Department with the concern for lack of serious economic analysis as referenced in 5.1 (b) above.

In a conversation with the assessment team early on the Executive Director strongly resisted any suggestion of creating advisory positions. She pointed out that even though Mr. Hovik Hovhannes serves as an adviser she has given him the title of consultant and has not placed him on her immediate staff. In the spirit of getting buy in the Team Leader dropped the subject at that time.

A week later, the team leader once again brought up the subject to the ED in an informal meeting over lunch. Her reaction to an advisory position was much the same as it had been earlier but was more tempered. It was more tempered in that in a sense, the Executive Director beat the team to the punch on this one. At that point she articulated recognition of the Agency's weakness in the area of economic analysis driven home by the assessment team. Rather than wait for a recommendation that she might find difficult to live with, she took immediate action.

As indicated earlier in this document ESA was asked by the Minister to reduce the non Civil Service staff in the Agency. After negotiating that number down in discussions with the Minister to 25 jobs she then identified five additional positions. Those five additional positions are to disappear as currently described but are to reappear as Economist positions in a newly created Department of Economics. In fact, the termination of the staff and the recreation of the positions are already underway. The detail on the exact role of the new Department and the functions of the positions is not finalized. However, the verbal description does seem to address the problem identified by the team.

The team found a strong linkage with the identified need for increasing the capabilities for Economic analysis with the work currently carried out by the current Department of Employment Consultation and Information. Consequently, instead of creating a whole new Department the team recommends that the Economic Analysis responsibilities along with the five new positions be located within this Department. The Department could easily be broken down into two complimentary units, one on Economic Analysis and the other on Employment Consultation and Information but closely linked.

**d.) Department of Program Coordination.**

This is a very effective Department for the current needs of the Agency. However, with an increased activities portfolio it will need to be strengthened. The responsibilities are not just of program coordination, they run the gamut from Program design through coordination and monitoring and evaluation. Some of which they do more effectively than others, in a sense because the six staff members are spread thinly across the Programming spectrum. The team recommends that this Department be strengthened and that it focus more on the technical Programming responsibilities.

We have already recommended above that the budgeting for projects be done in a centralized budgeting unit. We also suggest that the Finance and Accounting staff

perform the compliance monitoring instead of the Program Coordinators. Most of that monitoring is analyzing activities within the projects to see if the agreements are followed, if the finance and accounting procedures are applied, if purchases or procurement orders fall within the agreement, etc.

The Program Coordinators or Specialist responsibilities of the Department should be divided into a minimum of three categories, each of which usually requires different skills and abilities. One team should be performing project design, development and marketing of the developed projects. The second team should be responsible for implementation and technical coordination of projects once they are being executed. The third team should be responsible for technical monitoring and evaluation of projects.

The team responsible for design should be more proactive in designing projects and seeking donors for their projects. They need to work in close linkage with the Press Officer and the Employment Consultation and Information Department.

As indicated earlier, the work plans of this Department are rather good. Add to that that the Director uses them effectively both as a time line for the work of the Department and in the evaluation of the performance of the staff against the work plan. This Department would be a good place to introduce the use of a Results Based Management system; this suggestion is discussed in greater detail under paragraph 9, below.

### **5.2.3 Creation of a Young Professionals' Trainee Program.**

Throughout the three weeks of interviews and research the team frequently was told of the large number of young people who are unemployed. Analysis indicates that many of the unemployed youth are college educated with degrees in law and other professions. The team explored addressing this at various levels including with the CSC; one of the suggestions was developing an Intern or Young Professionals' Trainee Program to utilize their skills as well as provide experience in the work place. Also, hopefully to provide possibilities and motivation towards more permanent employment and careers.

The CSC liked the idea, said there was no impediment in the CS Law and stated that they thought the Employment Services Agency was the perfect place to develop a pilot project. There is a question of legality of volunteer programs but such concerns are usually circumvented by a stipend of some sort such as payment for transportation and/or the mid day meal.

Thus, the team recommends that a Young Professionals' Trainee Program be developed in the ESA. However, while the Agency could be used as a pilot project for the first participants in the program, it should not be viewed as a program for just the Agency. The goal will be for ESA to develop and manage a RA government wide and country wide program.

Once developed the program will be given significant publicity to attract the best qualified of those unemployed young professionals. Objective criteria will be developed for the selection of the candidates. The candidates for the Trainee Program will be

interviewed and selected much the same as those for other targeted training programs. The selection will be accompanied by invitation of journalist much the same as is the current Civil Service Selection Process.

They will be placed throughout the government for a minimum of one year with specific assignments commensurate with their academic training and accompanied by work plans comparable to or at least similar to those of Civil Service Employees. Their work performance will be subject to evaluation using objective criteria as will their attitude and motivation. There will be no commitment for placement at the end of the Trainee Program but the high achievers will be given some priority consideration or special merit for jobs that become available.

A consultant should be brought in to develop the Program, but greater ownership will be motivated if it is done in participation with existing staff of the ESA. In the experience of the team a preferred option is to bring in a young college graduate or two with Human Resources and Management training as the first one or two participants in the Program. Under that option, their role would be to work with the consultant in designing and then coordinating the management of the program under the direction of the Executive Director or one of the Department Directors.

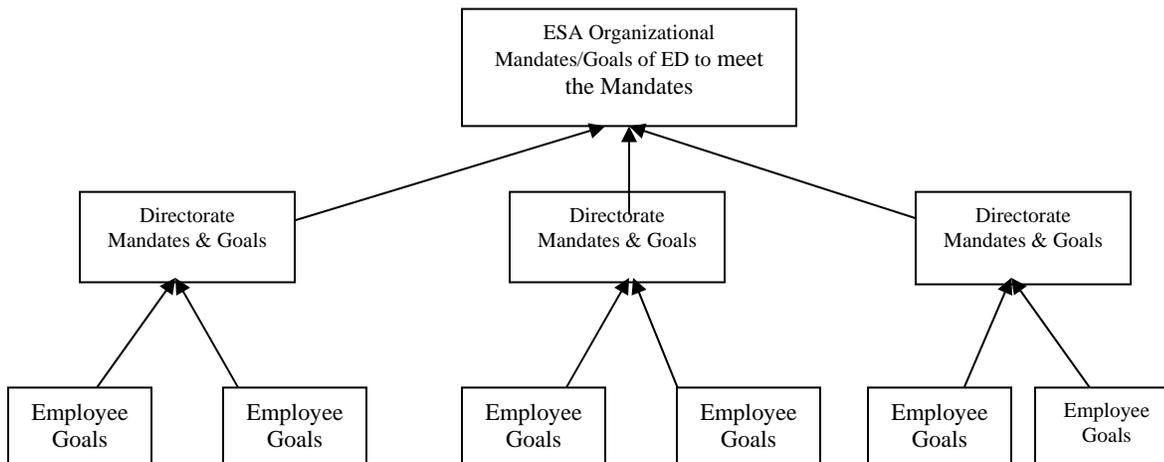
Because of the special interest expressed by the members of the Civil Service Commission, the consultant should coordinate the development of the program with them.

## **6. JOB RATIONALIZATION**

### **Recommended Interventions:**

- *Having the Executive Director work with the Department Directors in an across the board analysis of the staff and their skills and then carefully considering the best person for each job in the ESA is the best approach. The evidence of the desk-by-desk audits of the work of the staff members conducted by this team did not indicate serious mismatches. Consequently this process is more essential for the new and/or modified jobs.*

Job rationalization is normally determined by starting at the top with the goals mandates of an organization and working that on down to the goals and mandates of each second tier and ultimately developing goals for each individual. Those goals and the skills and experience required to perform them are translated into job series or categories. At the next stage they are translated into job descriptions. For each job, work plans and goals, including outputs and performance indicators.



In the three-week period allowed for the Assessment Team to do their work in country it was not possible to conduct a complete analysis of the level of performance of all of the staff in the field offices or to fully evaluate the academic preparation, skills and experience of the individuals vs. the recommended revised role of each job. Our recommendations for changes or modified assignments are based on the data we were able to collect and on our recommended restructuring. We do feel confident that our recommendations based on staff performance are solid, nevertheless, ultimately the Executive Director working with the Department and carefully considering the best person for each job in the ESA is the best approach. Add to the equation the team's knowledge through observation that the ED identifies and builds on the strengths of her employees.

Of course, the Civil Service Law must be respected in reassignments. This is especially true in matching the assignment of the functions with the classification level of the individuals.

## 7. STAFF TRAINING

### Recommended Interventions:

- *Proactively participate in the identification of training through the Civil Service Commission's tri-annual Attestation and Training program for Civil Servants.*
- *Hire a consultant to conduct training needs assessment based on new or modified roles. Training should be in recognition of needed versus current skills of individuals.*
- *Identify resources for continuing specialized training for the professional staff such as that they have received under SIDA.*

The team analyzed the Civil Service Law in depth and had meetings with the Deputy Director of the Civil Service Commission and one of the members of the Commission. In the discussions regarding while identifying the tri-annual training program for Civil Servants as one of the positive elements of the system, they agreed that it was not enough. In fact they asked if there was any way they could get assistance from the USAID to conduct a training needs assessment of the Civil Service employees with a view toward targeting needs with training. The meeting

also included discussions about design of a skills inventory system to accompany the tri-annual training program. Obviously they recognize the need to further develop their program; nevertheless, the agency should take every advantage possible. Proactively participating in the selection of courses to be offered would be one way of advantaging the program.

To zero in on immediate needs, especially those related to proposed restructuring and modification of some jobs the Agency needs the intervention of an outside consultant. The consultant should work with them in examining their mandates, goals, work plans and desired output of each job to rationalize the Agencies needs and within those needs the priorities for staff training. Immediately after implementation of the new structure, some immediate training may be needed for those jobs that have been modified. Of course new work plans will have to be developed to reflect these changes. The cycle for the 2005 is about to begin which would be a good time to introduce those changes.

However, the changes in roles and the flow of supervision and information, rather than changes in functions of individual jobs, will be of greater importance. In hiring an outside consultant consideration should be given to including leadership skills training combined with some team building sessions. This is especially true for the newly identified new Marz Centers and their relationship with the Regional Office Directors and their staff.

The SIDA training and similar programs should be pursued to the fullest to provide specialized advance training for the professional staff of the ESA.

## **8. HUMAN RESOURCES MANAGEMENT SYSTEMS**

### **Recommended interventions:**

- *Strengthen the Human Resources Management System by creating an Administrative Services Department and thereby placing greater emphasis on HR management.*
- *Strengthening the staff in this area.*
- *Develop a human resources policy guideline manual.*

The Human Resources Management Systems of the ESA are pretty much dictated by the Civil Service Law. They are not at great liberty to vary from them. The ESA currently has a staff member who is the bridge with the CSC for interpretation of the laws and informing the staff. She does so through bulletin board publications and/or direct consultation with the staff. This includes the staff in the Regional Offices as well. Bringing in a consultant to write internal level polices and procedures would be one approach. Unless the consultant is already very familiar with the CS Law the person now responsible for providing the counsel to staff, would first have to teach the consultant. A team of management and staff working together to write policy manuals that clarify the Law and answer the most frequently asked questions would be a better alternative.

The team has explored, both to the ESA ED and to the CSC, developing an Intern program within the Agency to be a pilot project for intern programs in the CS. One of the priorities of that program should be to identify a young college professional with Human Resources or Law studies and who is unemployed and available to work as an intern. Have that person do the research under the supervision of Ms. Shoghik. With the direction of Ms. Shoghik and the

assistance of a team or working group made up of staff and management, the intern would develop the human resources policy guide or manual. In fact, this model should be used to develop policy guides for all Departments of the ESA.

## **9. REFINING PERFORMANCE MEASUREMENT/QUANTITATIVE GOALS**

### **Recommended interventions:**

#### **Option for Shorter Term impact:**

- *Develop work plans, both for the Directorates and individuals, that are more specific and include achievable, quantifiable and measurable goals.*
- *Introduce a system, internal to ESA and outside of the CS, that will provide for recognition of good performance, which is now out of the hands of the ED.*

#### **Option for Long Term impact:**

- *Hire a Human Resources/Results Based Management consultant to work with the managers at all levels in developing a Results Based Management system; and/or*
- *Use the ESA as a pilot in the RA government to introduce Results Based Management, not just for staff evaluations but, through linkage, for evaluation of all the projects and programs of the ESA throughout the country.*

The system for Performance Appraisal or Evaluation is dictated by the CSL. The system is a management by objectives system with work plans as its base. The CSC does not monitor or even spot check the design of work plans within a given Ministry or Agency. That falls within the scope of responsibility of the Ministries. If there is a staff complaint the CSC does investigate and takes remedial action.

Thus, the CSC's system for performance evaluation is used by the ESA. In the ESA the ED is a firm believer in good performance. Through demonstration and clearly stated objectives, she has introduced a high rate of good performance in the ESA. Based on the team's interviews and extensive review of the work plans and their use we are convinced that she and her senior staff effectively use the work plan system. While we could not review all of the work plans in the short time in country, we reviewed all of those at Headquarters and some from the field offices we visited.

The work plans we reviewed were from reasonably good to very good, both at the Department and individual level. Many are not in great detail and do include measurable or quantifiable goals. They identify work to be accomplished and set the time frame for the accomplishment. In that sense they are as effective as most management by objective systems introduced in countries like Japan, Great Britain and the US twenty-five years ago.

In that the ED and senior staff effectively uses the work plan system as far as it goes, it would not be difficult to get them to take it one step further. That is to develop work plans, both for the Directorates and individuals, that are more specific and include achievable, quantifiable and measurable goals. That in itself would be a big step forward, certainly one beyond what is done throughout much of the government. However, it still does not link performance of individuals with the overall technical projects of the Agency. It does not motivate increased or improved measurable results in the implementation of the ESA's projects or the success of those projects.

More importantly, even if staff performance is evaluated at high levels it cannot now be linked to the overall mandates of the ESA such as employment of the unemployed or the creation of jobs.

Presupposing that the desire is to make the ESA a model or exemplary Agency and as part of that there is motivation to introduce a results based management system, the recommended intervention would be to hire a Human Resources/Results Based Management consultant to work with the managers at all levels in developing a Results Based Management system; and to use the ESA as a pilot in the RA government to introduce Results Based Management, not just for staff evaluations but, through linkage, for evaluation of all the projects and programs of the ESA throughout the country.

## CHAPTER V. CONCLUSIONS

In the depth of analysis the team was able to conduct in the short time in-country, the team found the ESA to have many strengths that were not previously well documented. The ESA has a highly educated, well qualified, professionally developed internally motivated staff with outstanding morale. ESA has fostered the support of donor agencies who are willing to help it become a more streamlined, more effective organization. By developing and putting into place the recommended restructuring and the related management systems ESA can become a model organization of effective management and delivery of product.

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