

**Employment Services:
Their Role for USAID Armenia**
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**SOCIAL PROTECTION SYSTEMS
STRENGTHENING PROJECT**

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Employment Policy and Democracy

“True individual freedom cannot exist without economic security and independence. People who are hungry and out of a job are the stuff of which dictatorships are made.”¹ A labor force at work is the most effective social stabilizer because one’s job is the most fundamental relationship an individual has to his/her society. The mechanics that move an individual from unemployment to employment throughout a lifetime are essential to well functioning market democracies and should be central to development programming.

In order to increase labor market participation, many variations of labor market intervention have been deployed in the late 20th and early 21st centuries in the developed, transitioning and developing worlds. Impact varies and is a function of many more political and economic variables than can allow direct comparisons. One clear pattern emerges; public employment services that include counseling, job search skills training and sound job matching are the most cost effective labor market policy antidote to the economic and social drag of unemployment.

International Labor Organization (ILO) studies show that public employment services contribute to a substantial increase in employment, a reduction of unemployment, avoidance of hard-core unemployment, and to the improvement of human capital development. Public employment services aid jobseekers who lack proper information about the location and pay of jobs, or who have failed to find jobs using other methods. These services also appear to have positive effects on subsequent earnings, particularly for disadvantaged groups, such as youth, people with disabilities and women.

A series of World Bank (WB) evaluations support the ILO claims. For instance, studies of Britain’s “New Deal for the Young Unemployed,” which provides mandatory job search assistance to youth with six months of unemployment, show that young unemployed men are about 20% more likely to find a job after the program. The cost-benefit assessments of this program are positive. Similarly, United States employment service programs have had positive impact on the speed of re-employment, on earnings, and on the reduction of unemployment benefits. High results are not limited to developed countries. A study by the WB² of evaluations of active labor market measure programs, including basic employment services, found that basic services are most frequently the most cost effective of the options.

¹ Franklin Delano Roosevelt, 32nd President of the United States and the initiator of the first set of modern active labor market measure programs.

² *Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries*, Gordon Betcherman, Karina Olivás and Amit Dar, World Bank Social Protection Discussion Paper No. 0402, January 2004

The United States has stimulus policies that come into play when unemployment exceeds an optimal unemployment rate, considered there to be around 4%, the point where the numbers of job seekers reflect a healthy flexibility in the labor market. Some standard active measures are always at work in the US, such as employment counseling and dislocated worker services, to minimize unemployment. Unemployment was just over 4% in 2007, but with a recession now under way, policy discussions suddenly include introducing additional active labor market policies, public works programs for example, to relieve the pressure.

Active labor market measures are but a part of a larger policy picture that characterizes labor market flexibility. Some OECD countries such as Germany have traditions of strong labor regulation, which contribute to relative rigidity in the labor market and their unemployment usually runs between 8 and 9%. Other OECD members miscalculate market realities in their labor policies. France, for example, reduced the standard work week as way to create jobs, but instead simply reduced business hours because labor is not an interchangeable lump and employers, especially small employers, cannot easily find a number of workers to match their needs. France also has an unemployment rate between 8 and 9%. The International Monetary Fund (IMF) estimates structural unemployment in Europe overall to be at 9%, and most unemployment in Europe is structural according to the IMF, the ossified result of decades of centralized wage bargaining, strict job protection laws, and over-generous passive unemployment benefits. This is compared to the US which is usually below 5% and the UK with an official unemployment rate at 6%. The remedies, though well known, are politically challenging: sound fiscal policy, flexible wages, adaptable labor, labor market deregulation, and limits to benefits for those who are not working. Unemployment runs much higher, often as much as 30%, in transitioning countries where labor markets are even more rigid. Development goal sets most often include goals to reduce unemployment as part of a larger package of social and economic stabilization.

Employment Policy in Development Programs

The donor community has routinely encouraged and supported employment services activities in developing and transition countries. For example, the WB has invested in several Employment Services and Social Protection projects in the Europe and Eurasia region. United States Government (USG) supported Employment Services Activities, also known as Active Labor Market Policies/Programs (ALMPs), are vital to improving the employability and economic well-being of the labor force. This is accomplished with programs that link the unemployed with employment services, such as career information and counseling, and adult training/retraining. In some cases, the ALMPs include providing employment subsidies, generally short-term measures designed to allow the unemployed to build up work experience and prevent skill atrophy. Ultimately, employment services are aimed at equipping workers for change and improving matches between the demand for skills and the appropriate supply of labor.

The persistent question regarding these and other programs, is cost effectiveness. Several studies show that spending on certain active labor market programs is associated with lower unemployment. Of course, such programs are generally even more successful when the economy is good, but they

are effective even in hard times, according to a 1999 WB impact study of ALMPs in developed nations.³

The 1999 report, which was heavily based on the experience of industrialized countries, concluded that employment services had a relatively favorable impact in comparison to other active labor market interventions. The WB re-examined the international experience of ALMPs five years later and concluded that the ingredients for successful employment services interventions applied for developing and transitioning countries, as well. The report updated the 1999 impact evaluation of ALMP on unemployment by explicitly expanding the observations in developing and transition countries. The studies were rigorous scientific examinations of impact requiring control groups and broad measures of impact. According to the more recent report: “Governments have little choice but to use active programming as one instrument in their response to the economic and social problems associated with unemployment and poverty in the labor force.”⁴

The table below displays the relative spending levels for active versus passive measures. It is not a conclusive picture of impact because many countries spend on highly cost effective measures that have good results while other countries may use, or have tried, more costly and less effective programs. The real message is that very little of any country’s GDP is used to address unemployment issues.

Expenditures on Active and Passive Labor Market Programs in Selected Transition Countries, 1998			
	Active Spending as % of GDP	Passive Spending as % of GDP	Total Spending as % of GDP
Bulgaria	0.12	0.46	0.8
Croatia	0.03	0.48	0.6
Czech	0.05	0.26	0.4
Estonia	0.07	0.10	0.2
Hungary	0.28	0.91	1.3
Poland	0.30	0.59	1.0
Russia	0.02	0.13	0.2
Slovakia	0.32	0.56	1.1
Ukraine	0.03	0.19	0.3
Unweighted average	0.25	0.41	0.66
Source: World Bank’s <i>Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries</i> , 2004			

The 2004 WB ALMP report, with over 150 evaluations, found that ***overall employment services costs are relatively low and program results (employment and wages) are often positive with favorable cost-benefit ratios when economic conditions are favorable.*** The transition countries in the recent study, included Czech Republic, Poland, Bulgaria, Republic, Bosnia & Herzegovina,

³ *Evaluating the Impact of Active Labor Programs: Results of Cross Country Studies in Europe and Central Asia*, Fretwell, D., J. Benus, and C. J. O’Leary, Social Protection Discussion Paper Series 9915, 1999, World Bank.

⁴ *Betcherman et al. 2004. op cit.*

Macedonia, Slovakia, Slovenia, Ukraine, and Romania. Of the seven standard versions of ALMPs studied, the cost effectiveness of standard job search assistance and counseling employment services was clearly the most consistently high. Results reports were a mix of positive and negative for the other six types of ALMPs: training for unemployed, retraining for workers in mass layoffs, training for youth, wage/employment subsidies, public works, and micro-enterprise /self-employment assistance. Basic job search assistance is clearly the cornerstone of any ALM program. The authors concluded: “At any rate, the ingredients for successful interventions seem to apply for all countries. Comprehensive packages of services, programs that are oriented to labor demand and linked to real workplaces, and careful targeting are good design features.”⁵

Evaluations of program impact took into consideration a number of factors including the ratio of passive to active measure spending, the effect on earnings for former program participants, the overall effect on workforce poverty, etc. Placement rates were not used as an indicator of enduring program impact.

Summary of Evaluation Results for Job Search Assistance/Employment Services									
	No. of Evaluations			Impact on Employment (*)			Impact on Earnings		
				(Number -- all studies)			(Number -- all studies)		
	1999	New	Total	Positive	Non-	Not	Positive	Non-	Not
	study				positive	clear		positive	clear
					(**)			(**)	
Developed countries	15	4	19	10	4	1	9	3	1
Transition countries	2	3	5	5	-	-	2	1	-
Developing countries	-	2	2	1	1	-	-	1	-
All studies	17	9	26	16	5	1	11	5	1
(*) Predominant effect either in the short or long term, depending on the study methodology. T									
Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact. (**)									
Not statistically significant, no effect, or negative results. 4.1.2 New Evaluations									
Source: World Bank's <i>Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries</i> , 2004									

Summary comments are listed below for the several types of ALMPs studied. The researchers point out that selection of measures is governed by political and economic factors and choices vary over time. In some cases, for instance with a youth training program, the statement of political priority is worth the expense of initiating a program approach that hasn't the best impact record. The core of basic employment services remains the approach with the highest impact, and it is the one that precedes deployment of other approaches.

Summary of Impact Evaluations		
Intervention	Summary of Overall impact	Comments

⁵ *ibid.*

Employment services	Generally positive impacts on employment and earnings in developed and transition countries. Costs relatively low so cost-benefit ratio usually positive. Very little evidence for developing countries	Programs have most positive impacts when economy good. Impact limited where lack of labor demand. In developing countries, questions about coverage and effectiveness of these services, given informal LMs.
Training for unemployed	Positive impacts on employment but no overall effect on earnings in developed countries. Positive on both in transition countries. Evaluations in developing countries not positive (but few studies). More information on costs needed.	Program effectiveness benefits from on-the-job training and employer involvement. Women often seem to benefit more than men. Programs have most success when economy good.
Retraining for workers in mass layoffs	Often no positive impact on employment and earnings but there are exceptions. Very little evidence for transition and developing countries.	Better results may be achieved with integrated training and employment services.
Training for youth	Very negative impacts on employment and earnings in developed countries. Positive impacts in developing countries (Latin America), though few studies. No evidence from transition countries.	Youth employment problems more effectively addressed through earlier, education-related interventions. Training most effective when combined with other employment, basic education, and social services. Successful programs require intensive services and, thus, are costly.
Wage/employment subsidies	Overall negative impacts on employment and earnings in developed and transition countries. Very little evidence in developing countries.	Recent evaluations in developed countries more favorable (e.g., welfare-to-work programs). Programs may be more effective when combined with training. Deadweight and substitution effects likely important but often not fully assessed.
Public works	Overall negative impacts on employment and earnings in developed and transition countries. Very little evidence on LM impacts in developing countries, despite widespread use.	Can be effective as a short-term safety net for the poor but generally not as program to improve future LM prospects.
Micro-enterprise /self-employment assistance	Not enough LM-oriented evaluations to determine overall employment and earnings impacts.	Very low take-up. Some evidence of positive impacts for older, better-educated individuals. Results likely better when technical and advisory services accompany financial aid.
Source: World Bank's <i>Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries, 2004</i>		

Another report in 2007 presented empirical evidence on the impact of ALMP in Romania. The results of this study showed that ALMP were effective, on average, in decreasing unemployment rates particularly for direct employer subsidizes for job creation and temporary employment in public works. As a result of their findings, the researchers urged policy makers to focus more on

ALMP programs (perhaps Romania's experience extends to others in E&E region) that stressed the continuation of training programs combined with private sector incentives, employment counseling, assistance services for starting businesses, and granting loans to small and medium enterprises (SMEs) to promote creating new jobs. Temporary employment in public works, on the other hand, was discouraged because participants' employment prospects were not as favorable over the long-term.⁶

Measuring Impact

The choice of an ALMP is particular to the circumstances, and the results do not necessarily show impact on every possible factor, as was seen in Russian programs that reduced unemployment and increased retention but did not significantly increase wage levels. In a USAID supported impact evaluation of an ALMP program in over a dozen Russian cities, the analysis revealed that participants from very poor families were significantly more likely to find and retain a job, but not necessarily get the same or higher wages, than a control group of similar workers who registered at the local employment services centers at the same time. Moreover, 75 percent of the participants remained employed for more than a year after completing the program.⁷

There are also other benefits of employment services that are not as easily quantified, such as contributing to social inclusion and cohesion by increasing productive employment. They also can have positive political impact by visibly demonstrating the governments' proactive response to labor market problems, such as unemployment or poverty in the workforce.

Placement rates as an indicator miss the long-term effects and the economic impacts of ALMPs, but the data are easier to collect. During the period 1991-1998 in some transition countries, such as Estonia and Ukraine, the placement rates for retrained employed workers threatened with redundancy due to their obsolete skills was up to 90% while it is around 50% for training given unemployed persons. In several transition countries such as Bulgaria, Hungary, the Russian Federation, Slovakia, and Ukraine, the placement rates for public works programs were less than 10% except when public works programs were combined with on-the-job training. Employment subsidies targeted at vulnerable groups such as the long-term unemployed, unemployed youth, and workers in disadvantaged regions in countries such as Czech Republic, Hungary, Poland, or Slovakia produced favorable placement rates ALMP for participants completing the programs.⁸ For public works and employer subsidy programs, placement rates show only the short-term impact; follow-up is needed to measure long term impact.

In Poland, according to a 1997 survey of employment services participants, 64% responded that their employment training positively influenced their employment prospects. Business start-up loans seemed the most effective measure, according to the survey, with about of 80% of loan recipients

⁶ *The Impact of Active Labour Market Policies in Romania*, Claudiu George Bocean, November 2007

⁷ "Estimating The Impact Of A Russian Job Search Program Targeted On The Unemployed In Very Low Income Families", Raymond Struyk The Urban Institute, and Kirill Chagin Institute for Urban Economics, *Improved Local Governance and Economic Development: Transition to Smart Growth*, United States Agency for International Development Contract No. 118-A-00-01-00135-00 , 2004

⁸ *Challenges to Labour Market Governance in Selected CIS Countries*, Ellen Hansen, Alena Nesporova, Georg Picot and Ludek Rychly, Background paper prepared for the High-Level Tripartite Seminar on Labour Administration and Public Employment Services, 2005

indicating success in their business.⁹ Placement rates are not a good indicator for this type of employment generation, however, as there is rarely an employer-employee relationship.

There is often an attempt to cast employment into an employer-employee mould, especially in economies transitioning from “full employment”. However, labor market rigidities and lack of skills often constrain the workforce from transiting to organized employer-employee relationships even in developed economies. For example, 30% of employment in Europe and 25% in the United States is in the form of self-employment, part-time work, and temporary work. Self-employment accounts for 59% of informal sector employment in Asia and 32% of total non-agricultural employment. The figure for India is even higher where self-employment accounts for 52% of non-agricultural informal employment, with 57% for women.¹⁰ Livelihoods, rather than placements, may be the outcomes of programs to combat unemployment. Performance measures must be chosen according to both the political/economic/social context and the goals of the program.

USAID Employment Service Strengthening in Armenia

Unemployment rates are influenced by many government policies, as well as market forces, business cycles, discrimination, private investment in human capital and environmental factors. Programs to combat unemployment, like ALMPs, do not exist in isolation, but rather are part of complex development or stabilization policy packages. One of the best international examples of a concerted national effort to reduce unemployment is the “Dutch Miracle” of the early 1980s when the Netherlands brought its unemployment rate from 17% to 2% through a program with four elements. USAID Armenia’s complex strategy reflects international good practice for combating unemployment that takes into account the key elements of the Dutch strategy. Using that example for a framework:

1. Improving state finances (USAID supports improvement of the tax base through economic growth programming and has supported improved state revenues through tax administration support and anti-corruption activity);
2. Pruning social security and other benefits and transfers (through The Social Protection Systems Strengthening (SPSS) Project programming USAID is supporting improved targeting of cash transfers, improved active social and labor market measures, especially through the State Employment Service Agency (SESA) initiative, to combat chronic dependency on state and humanitarian aid);
3. Flexible labor markets (USAID supports economic growth and also through the SESA , a shift to demand-driven labor market policies);
4. A stable exchange rate (Through its financial sector strengthening activities, USAID supports IMF’s lead in currency stabilization).

USAID invests in institutional strengthening of the several systems that must coordinate to reduce unemployment. The SPSS work with making Labor Regulation more business-friendly, with bringing Social assistance out of a dead-end status, and with improving SESA’s capacity to both

⁹ *Employment and Labour Market Policies in Transition Economies*, ILO 1999

¹⁰ *Exclusive Growth – Inclusive Inequality*, Bibek Debroy and Laveesh Bhandari
September, 2008

identify labor demand trends and to implement active labor market measures are all key elements of an overall strategy to reduce unemployment.

USAID Armenia decided in its 2004-2008 Strategy to concentrate on developing internal social welfare systems rather than continuing to provide humanitarian assistance as it had done since 1988. The 2009-2013 strategy for USAID Armenia continues the move away from humanitarian assistance. SPSS was added to the Mission portfolio in 2006 at the request of the Prime Minister and the Ministry of Labor and Social Issues in order to help Armenia transition from dependence on donor humanitarian aid to having a fully functioning social protection system of its own. SPSS is thus envisioned to be the last Social Protection Project of the Mission.

As a system strengthening project, SPSS concentrates its work in the foreign assistance objective 3.3.1 area delivering policies, regulations and system for services and protections for vulnerable populations. As a result of the systems change it produces direct and indirect results, as well, in program elements 3.3.2 social services and 3.3.3 social assistance.

Social protections first include the policies, regulations and institutions that promote decent work and labor market flexibility essential to a sound economy. Second, social protections include the social insurance programs needed to maintain the labor force, such as pensions. Third, social protections include social assistance to vulnerable populations incapable of participating in the labor force. Good social protection systems strengthen employment and employability; conversely, good social protection systems combat unemployment.

Strengthening the institutions responsible for facilitating labor market flexibility is the SPSS Project assignment with both SESA and the State Labor Inspectorate (SLI), which implements labor regulation. SESA is the state institution charged to address issues of employment and unemployment. There are many recent studies of the employment sphere in Armenia. The definitive study is published in 2007 by World Bank under the lead of its expert Arvo Kudo, *Armenia Labor Market Dynamics* (WB report # 35361-AM). In his conclusions, Kudo notes the rigidity and stagnation in Armenia's Labor market and recommended in May 2007 that SESA undertake the well-recognized and most cost effective policies, active labor market programs.

The efforts in restructuring the SESA system to focus on regional economies and streamlining offices follows the footsteps of European and North American experiences. The first step is to define local economic factors, population, and overall labor force dynamics for each region and community. This then sets the stage for creating 'active' or 'proactive' employment services that are responsive and seen as an asset to overall economic renewal and stability.

The workforce, both the current and emerging (youth), must be fully capable of filling the current needs of employers and yet be aware of the ever changing dynamics of the local economy, labor market, and workplace. No longer are skills, jobs, or occupations a static line from entry to retirement. Developing personal career paths and career lattices means understanding your own skills, while being willing to use your skills, knowledge, and abilities to obtain, and retain or transition, employment throughout ones working life.

The movement first surfaced in the United States during the 1970's, when the old centrally managed manpower agency was replaced by community-based programming to more actively engage job

seekers, job changers, and the emerging workforce (youth) in getting and keeping employment within the context of a specific labor market area (usually defined by a reasonable commuting distance). This active measure approach was adopted in the United Kingdom when it undertook a large scale privatization of state-owned industries. Other European countries, most notably the Netherlands discussed above, switched their approaches to varying degrees. The economic transition of Eastern Europe and the former Soviet Union beginning in the 1990s went best where nations adopted the active labor market measure approach.

The active labor measure approach was and is a hard sell in Armenia. All too often, local political leaders and even national leaders say that there is no point in active labor measures in an economy with a blockade and high unemployment. However, even in the adverse conditions we see in Armenia, there are job openings, and active labor measures can identify employers with openings and help them find appropriate staff.

SPSS has been fortunate in having a counterpart that is enthusiastic and interested in working with employers. Unlike many in Armenia, the SESA leadership understands the concept of active labor measures. Some recent examples of SESA innovations based on training the staffs have received from SPSS:

- An employment center office brings in NGO staff to talk with young women about trafficking – the young women were seen to be at risk due to a strong desire to find employment opportunities outside the country. Traditional job placement would not have been the solution.
- A SESA office mainstreams individuals with disabilities into job search workshops, job clubs and a job fair event as they prepare the disabled job seekers for integration into the workplace and increase the acceptance of persons with special needs by the non-disabled.
- Youth center provides job search assistance on internet job search. Youth are following leads on the internet without adequate knowledge and understanding on both best approaches and what to watch out for.
- Job search clubs have been organized for the transitioning of orphans who have aged out of the protective environment to guide them in skill awareness, job search techniques, legitimate self-employment ventures, and job placement thus keeping them active in job search over a longer period of time reducing their immediate disillusionment and system dependency.
- Job Clubs have been organized for recently released military personnel, to support and keep them motivated during the months after leaving the military until they can obtain employment.

ALMPs create a sustainable momentum that carries the worker from one job to the next along a career path that they create with the help of employment specialists. Changes within the workplace will create new opportunities and require a workforce willing to shift as technology, information, and economies change. The employment center must guide and lead job seekers on methods and approaches they need to adapt to the changing workplace and be responsive to the demands of employers. Experience shows that longer term job retention increases by 40 to 50% when people

are passively placed in a job, but is closer to 70% when they have active engagement in the process of finding and securing the employment.

When the focus is on the ability of the job seeker/worker to take charge of his/her own career moves, the meaning of the placement rate of an employment service office diminishes. Placement rates, in fact, become arcane figures relevant to old style state control of the labor market. The relevant indicator is use of the services SESA provides. Service use by employers increased 20% in the year that SPSS has been working with SESA. The contract between USAID and its SPSS implementer specifies an expected result of 50% increase in employer use of services by the fifth year of the project. The results are on track. SESA restructuring will not, of itself, resolve the unemployment issue, but it is an essential step.

Enhancing employment is a pre-requisite for many other economic developments, such as increasing collection of taxes, and growth in the coverage of the pension system. That is why employment measures were paired with pension reform in the SPSS project.

Economic development on its own does not automatically increase employment. This is particularly true in the blue collar and lower status jobs. An effort needs to be made to match growth and employment.

Employment Services Nationwide, Even in Gavar

Why Invest in Employment Services in rural or very poor communities when job creation is not obvious? Recent experience confirms that investing in human capital is important for achieving strong economic growth and mitigating poverty and inequality.¹¹ Additionally, the evidence suggests that employment services programs can be effective even in very poor communities if these programs include teaching job skills and educating people on how to compete better in a market driven economy. Programs can be linked with private enterprise to develop entrepreneurial skills and civic responsibility to create individual jobs, and thus, ease the pressure on the government to create public sponsored jobs.

Generating well-paying, permanent jobs in the Armenian economy has been a difficult task. However, according to a 2007 World Bank Armenia Labor Market Dynamics report, the labor market situation in Armenia is generally starting to improve, with the National Statistical Services reporting an overall increase in employment in 2005 and 2006. The report also cites various sources which indicate Armenia is turning the corner with respect to job creation. According to a recently released Employer Survey Report, conducted by SESA with USAID assistance, the demand for semi-skilled and unskilled labor increasingly grows across Armenia in such sectors as agriculture, construction, manufacturing, trade and services. As further evidence of this trend, in 2007 SESA placed 8,322 persons country-wide, including 552 in Gegharkunik Marz and 144 in Gavar. Data available from 2008 (Jan – Sept) show a further increase in job placements compared to the same period last year.

¹¹ OECD *Employment Outlook Boosting Jobs and Incomes*, 2006

Despite recent improvements, unemployment rates remain high (30%) and the salient features of unemployment in Armenia are its persistence, its long duration, and its prevalence among the young and less educated. Consultations with employers reveal that it often takes a long time for employers to fill vacancies because of a lack of appropriate work experience, education and skills among the job-seekers, indicating a significant gap between skilled labor and available jobs. To reduce unemployment, employment services need to facilitate short-term training for the unskilled and semi-skilled jobless people to meet employer needs, as well create better linkages between entities that have jobs and the unemployed who are seeking jobs. Much of this work is best done at the regional level, where the linkages can best be identified. Improved employment services will stem population flow from the regions to the capital, as well as emigration from Armenia itself, and will reduce the long-term dependency on the state subsidies.

The objectives of USAID's employment services are 1) to increase GOAM competency in mapping labor skills demand and supply, 2) develop mechanisms and processes for linking demand and supply, and improve job placement services in both the private and public sectors. The aim is to help the SESA shift their orientation and adopt a more analytical approach to employment promotion, working more actively with the private sector and reducing the gap between labor market skills and employer needs.

Since early 2007, USAID, through SPSS has worked closely with SESA staff to build their capacity to address the needs of a dynamic market economy. This assistance includes establishing a management system that allows them to measure and improve performance, developing a long-term strategy and action plan; strengthening their ability to forecast and publish data on labor market demand and supply; creating three model regional employment service offices; and developing SESA and employers' capacity to stimulate the labor market with active measures including job-search skill training, job clubs, job fairs, and employer services. Many of the interventions mentioned above have only recently begun and we are just beginning to see the impacts on actual job placements.

In 2007 it was estimated that only half of employers having job vacancies cooperated with SESA and many were unaware about SESA's operations at the regional level. As SESA increasingly reaches out to private entities as well as public, the number of job vacancy listings will increase. During the first year of SPSS assistance, job-seeker and employer use of SESA services increased by 20%, demonstrating the results of increased participation of private sector employers, and increased awareness of what SESA has to offer through job fairs and other public information events. As SESA begins to implement new employment strategies nation-wide, we expect to see a reduction in unemployment rates, continued increased job placement rates, and an increase in the number of employers who recruit successfully through SESA branch offices.

Summary

1. ALMPs are well recognized tools to combat unemployment and are used frequently in developed and transitioning economies.
2. Basic Employment Services that include job search skill training, counseling, job clubs and labor demand analysis are the most fundamental and cost effective ALMPs.
3. High unemployment is one of Armenia's greatest challenges.

4. USAID is committed to an overall goal of “Sustainable development through increased competitiveness, higher quality social services and a more empowered society.”¹²
5. The support USAID gives to SESA to transition to a market based labor market support institution leverages market competitiveness, social/economic inclusion and democratic participation.
6. Measuring the impact of the institutionalized ALMPs is much more complex and long-term than short term placement rate tracking, but there are performance measures in place that will measure impact over time.
7. SESA is committed to providing ALMPs nationwide according to local needs; USAID has taken on an ALMP model service capacity building task so that both USAID and SESA can meet important goals.

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¹² USAID Armenia, *Strategy Paper on Programmatic Directions for 2009-2013*.