

CHAPTER I - Background information: Armenia

Table 1: General facts on Armenia

Full name	Republic of Armenia
Capital	Yerevan
Official language	Armenian
Currency	1 dram (AMD) = 100 lumas
Gross domestic product (GDP) at current prices, per capita	5,007 United States dollars (USD)
Population	3.2 million
Life expectancy at birth in 2006	Men 70.2 years, Women 76.9 years
Total fertility rate	1.4 children per woman
Source: UNECE 2010	

A. History

The Republic of Armenia is a landlocked country in the Caucasus region, bordering Azerbaijan, Georgia, Iran and Turkey. After centuries under Turkish or Persian control, the independence of the Republic of Armenia was proclaimed in April 1918. In the early 1920s, the territory of Armenia was incorporated into the Soviet Union. When the Soviet Union dissolved in 1991, the Republic of Armenia regained its independence. The first years of the Republic were influenced by the conflict with Azerbaijan over Nagorno-Karabakh.

B. Economy

The Republic of Armenia is a member of the Commonwealth of Independent States (CIS). It belongs to the group of lower-income economies with the GDP per capita at current prices and purchasing power parity amounting to USD 5,007 in 2009 (UNECE 2010). In the 1990s, the country implemented crucial reforms necessary for the transition from a centrally planned to a market economy. It privatized small and medium-sized enterprises, initiated price reforms and opted for prudent fiscal policies. Both the separation from the Soviet Union and the conflict over Nagorno-Karabakh contributed to a sharp decline (50%) in GDP between 1991 and 1994 (World Bank 2002). When Azerbaijan and Turkey closed their borders to Armenia, there was a considerable negative impact on existing trade patterns (World Bank 2002). After the ceasefire in 1994, the country launched a programme of economic liberalization supported by the International Monetary Fund (IMF). In 1995, the country entered a period of strong economic growth which continued for more than 10 years. Between 2002 and 2007 annual growth of GDP exceeded 10% (IMF 2009). During that period, Armenia was able to reduce levels of poverty and to better control inflation as well as the stability of its currency.

The recent global economic down-turn has severely affected the Armenian economy. Remittances sent by Armenians living abroad as well as other capital inflows decreased significantly. Previously, in 2002, the external inflows such as remittances or aid amounted to approximately 45% of individuals' income (World Bank 2002). In addition, export revenues fell by over 40% in the first eight months of 2009, due to weak prices and low demand for Armenia's main commodities, namely metals and minerals (Economic Intelligence Unit 2009).

In 2008, the growth of the economy slowed down to about 6.8% compared with 13.8% in 2007 (IMF 2009). In 2009, the situation further deteriorated and the IMF predicted a fall in GDP of about 5% (IMF

2009). As Armenia has faced a sharper-than-expected impact of the economic crisis, IMF approved a USD 540 million Stand-By Arrangement in support of the governmental programme in March 2009. The sum was further increased to USD 822.7 million in November 2009 (IMF 2009b). The IMF forecast a recovery of the Armenian economy for 2010.

C. Labour market

As in most post-Soviet economies, the size of the labour market in Armenia contracted significantly during the transition. The National Statistical Service estimated that employment fell by 32% between 1990 and 2005 — from 1.6 million to 1.1 million employed (World Bank 2007). Although Armenia's economy was growing comparatively fast during the transition, its labour market outcomes were more modest than in other economies. In 2007, private companies were expected to create new employment and thus reverse the downward trend. However, the global down-turn that followed will likely lead to a further decline in employment (World Bank 2007). Hopes for job creation now depend on the private sector because of the continuing downward trend in the public sector.

In terms of the distribution of the labour force, 46% of formal employment in 2006 was in agriculture, 38% in services and only 16% in industrial production (2006) (cf. Central Intelligence Agency (CIA) 2009). Interestingly, between 1990 and 2005 the number of people employed in agriculture and forestry had grown by an additional 75%, with agriculture absorbing most unskilled workers freed up by the restructuring taking place in other sectors. Employment rates are therefore much higher in rural than in urban areas — 67% as compared with 38% (in 2007). About one third of employment is of a temporary nature. Moreover, the share of persons earning their incomes in the informal sector is estimated at 40%–45%. The proportion of self-employed persons is higher than in other transition economies and accounted for 29% of total employment in 2007 (World Bank 2007). The employed labour force is well-balanced in terms of gender, with women representing about 48% of employed persons. On the other hand, there is still a significant pay gap (35% in 2006). The official unemployment rate remains below 10% (6.6% in 2007, UNECE 2009). However, the unregistered unemployment rate is likely to be much higher. The World Bank estimated that unregistered unemployment might bring the total rate up to around 35% (World Bank 2002).

D. Population and demographic trends

The Armenian population is ethnically homogenous. According to the results of the 2001 census, 97.9% of the population are Armenians, 1.3% Yezidis (Kurds) and 0.5% Russians (CIA 2009). In 2007, 51.7% of the population were male and 48.3% were female (UNECE 2009). Armenia's population has been ageing due both to low fertility, which has been decreasing for more than 15 years (there was a total fertility rate of 1.4 children per woman in 2007) and to a relatively high life expectancy at birth (70.4 years for men, 76.9 years for women in 2008)¹. In 2008, people aged 65 or above amounted to 10.8% of the total population. Two thirds of households included one or more members aged 50 or older (National Statistical Office 2008). These trends will be enhanced when the relatively populous generations of people born in the 1950s — during the so-called “baby boom” — retire.

Older persons in Armenia are economically vulnerable: although they are entitled to pensions, money transfers are far from sufficient to cover living costs. The average pension in 2007 was equivalent to 17.2% of average salary, and 27% of pensioners lived in poverty (United Nations Department of Economic and Social Affairs 2007; cf. Mission Armenia 2009 and the United Nations Population Fund (UNFPA) 2009). A high degree of vulnerability can be observed among older people living alone, especially women. The percentage of people living alone is significantly higher among older women than among older men,

¹ National Statistical Service of the Republic of Armenia, Yearbook 2009, p. 36 <http://www.armstat.am/file/doc/99458058.pdf>, accessed 16 August 2010.

because of the shorter life expectancy of men. Some 41% of 60–64 year-old women are widows (UNFPA 2009).

The consequences of these demographic trends become even more pronounced since they coincide with considerable out-migration of the working-age population (Mission Armenia 2009). When the Soviet Union dissolved, an out-migration of close to 1 million Armenians took place as a result of the newly won freedom to travel and the opening towards the global markets. The insecurities on the national level due to the Karabakh conflict and the worsening of the economic and social conditions due to the Turkish and Azerbaijani embargoes provided additional incentives for people to find work abroad. Later, conditions improved and out-migration continued at a lower level. As a consequence of the recent economic crisis, many economic migrants have decided to come back to Armenia as their income opportunities abroad subsided. While older persons with working-age children living abroad may have profited from remittances, they also lacked the support in daily life which they might have received from children living close by.²

² For country-specific information see www.monitoringris.org.