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SPECIFICS OF IMPLEMENTING THE SOCIOECONOMIC POLICY TO ENSURE THE LABOR MARKET EFFICIENCY IN ARMENIA AND BELARUS

Abstract: In this article was analysed socioeconomic situation in Armenia from and Bekarus 2011 to 2015. It was observed the elasticity of employment with respect to GDP, the unemployment rate and the level of poverty. In same time was improved labor market efficiency and flexibility play a key role in the economic development of a nation, by making the goods produced by specific industries more competitive and results in higher labor productivity.

Key words: labour market, the elasticity of employment, unemployment, labor market efficiency and flexibility, dynamics of the GDP growth, export, industry.

Аннотация: В данной статье представлен анализ социально-экономической ситуации в Армении и Беларуси за 2011-2015 годы. Результаты анализа свидетельствуют об отрицательном значении коэффициента эластичности занятости по ВВП, о наличии безработицы и бедности. В то же время обосновывается, что эффективность рынка труда и его флексибилизация играют ключевую роль в экономическом развитии обеих стран. Это способствует повышению конкурентоспособности товаров и производительности труда.

Ключевые слова: рынок труда, эластичность занятости, эффективность и флексибилизация рынка труда, динамика темпов роста ВВП, экспорт, промышленность.

Statement of the problem

The Republic of Belarus is considering the development and strengthening of export potential, expansion of trade and economic and scientific-technical cooperation among the strategic directions. The Republic of Belarus and the Republic of Armenia have good prospects for expanding cooperation in the sphere of industry, agriculture, jewelry industry, science and information technologies. Belarus is an important trade partner of Armenia, taking into account the volume of mutual trade which is third to Russia and Ukraine among the CIS countries. Bilateral trade and economic cooperation between Belarus and Armenia in recent years is rapidly developing - the bilateral trade from 2001 to 2015 increased 12.1 times (from 2.9 to 35.4 million US dollars.) under the growth of the Belarusian export to 22.7 fold (from 1.2 to 22.7 mln. USD)[12]. However, for the dynamic development of sectors with high export potential requires appropriate conditions, i.e. not only production, but also highly qualified personnel. The overview of Business Environment and Enterprise of the World Bank and the European Bank Reconstruction and Development (EBRD) has proved the existence of occupational imbalances in labor markets in the countries of the Eastern Partnership.

Formulation purposes of article

The results of the analysis of socioeconomic situation in Armenia from 2011 to 2015 could state that over the reported period the number of employed reduced, since the

economic growth was accompanied by reduction in the number of employed, which is explained by higher (increase in) labor productivity. The elasticity of employment with respect to GDP was negative, while the unemployment rate remained rather high over the reported period. In 2014, the rate of unemployment in Armenia comprised 17.6%, but in 2015 18.5% on average, and this rate exceeded 24% in the case of urban settlements (in the case of the age group from 15 to 24 this rate accounted for 37.2% [13]. From 2011 to 2013, the average value of the employment elasticity with respect to GDP amounted to -0.147[4, p 264-267], while over the period from 2011 to 2014 the value reached -0.305 [9, p.77-78]. In 2015, the level of poverty in Armenia amounted to 29.8% [7, p. 41]. Meanwhile, when negative values of the employment elasticity with respect to GDP are reported and the GDP growth rates are still positive the Government of Armenia needs to implement such policies that would result in creating more jobs and boosting the employment, thus increasing the labor demand. Therefore, the active labor market programs (ALMPs) designed and carried out in compliance with the principles stated in the Law on Employment of Armenia that became effective on January 1, 2014 by replacing the Law on Employment and Social Protection of the Population when Becoming Unemployed, need to be tailored and targeted at those industries that are of high job-creation potential (i.e. labor-intensive sectors of the economy)[5, p 4], thus boosting the labor supply in the market[10, p. 149]. According to the Armenia Development Strategy for 2014-2025 the number of employed outside the agriculture is expected to grow by 220,000 employees in 2025, and the expected average value of employment elasticity with respect to GDP for the period from 2014 to 2025 is 0.2, and an increase in the number of the employed is expected to be reported due to the decrease in the number of unemployed (the unemployment rate in 2025 is expected to reach 10% [1, p. 76-77] if the average annual GDP growth rate is 6%). Moreover, special efforts would be made to tackle and address the unemployment among the young people [1, p.76-77], in designing ALMPs and other activation programs. It needs to be stated that ALMPs and activation programs can address labor market failures and other labor-

market related issues if the Government of Armenia starts reporting a substantial progress in implementing the Export-Led Industrial Development Strategy[3], coupled with the fact that tourism industry, and other sectors of the economy of strategic importance report growth as well, thus ensuring increase in the number of employed in the medium-term. Meanwhile, Armenia is currently facing some constraints that hinder the successful implementation of the Strategy, since the crisis in Russia and in other Eurasian Economic Union (EAEU) member states (such as Belarus and Kazakhstan) have negatively affected the development of the Armenian economy (decline in foreign trade, and remittances of labor migrants). On the other hand, upon Armenia's accession to the EAEU the sectors of the economy such as manufacturing of construction materials, apparels, agriculture and IT industry were selected as "priority sectors" that Armenia would cooperate with other EAEU member-states[11]: i.e. to strengthen ties among Armenian companies of the respective sectors and EAEU counterparts, and etc. Therefore, one of the priority objectives of the economic policy of Armenia needs to be to ensure the growth of various sectors of economy the goods of which have competitive advantage in the markets of the EAEU member-states, and can report growth in exports to the EAEU member states and other nations. For this purpose, the Government needs to play a key role in ensuring the dynamic growth of these sectors of economy. Hence, the effectively functioning labor market (labor market efficiency) could play a crucial role in this process, since in the sector-specific labor market where a demand for respective labor force exists it could be supplied with the respective workforce, the skills and knowledge of which could satisfy the needs of the employers that would allow them to report higher labor productivity, and higher returns that would lead to an increase in real wages. Meanwhile, an increase in the demand for the respective workforce and its supply in the given sectors of economy could be ensured due to coordinated implementation of the socioeconomic policy. On the other hand labor market efficiency and flexibility[6, p.7] play a key role in the economic development of a nation, by making the goods produced by specific industries more competitive and results in higher labor productivity. Therefore, the Armenia

Development Strategy for 2014-2025 addresses various policies in the context of ensuring labor market efficiency targeted at its flexibility in accordance with the principles of the European Social Charter (Revised)[4, p.80-84].

Belarus: Belarus reported economic slowdown from 2015 to 9 month of 2016. This is evidenced by the negative dynamics of the GDP growth: over the period 2015-9/2016, it ranged from 95.6% to 99.2%. At the same time the population of the country declined in 2010-16 time span. In particular, it fell in 0.02%, while the share of the labor force in the population is steadily declining and amounted to 61.96% in 2015. In the structure of the labor force the growth of working age population is noted (the growth rate for the period 2010-2016 was 27.8%). Furthermore, a reduction of the birth rate and an increase of mortality rate were recorded. The lingering of economic growth has led to an increase of shadow (unregistered) employment in the period 2010-9/2016. Especially, it increased from 0.7% to 1%. It is necessary to take into account the peculiarities of the method of calculating the unemployment rate in the Republic of Belarus. According to the Prime Minister of Belarus, the unemployment rate in Belarus, calculated according to the methodology of the International Labor Organization does not exceed 5.2%. In spite of this, the rate of semi-forced employment is growing, as evidenced by the work time loss dynamics in the real economy: more than 90% of working time loss is because of the holidays stipulated in the agreement between the employee and the employer. Moreover, people are involuntarily working part-time. Efforts of the State employment to reduce the level of official unemployment service (employment rate, calculated in relation to the number who applied in the order of 60%), are not effective enough, as there is a steady increase in the duration of unemployment. If in 2010 the average unemployed person finds a job within 3.9 months, then in 2015 this period rose to 4.1 months. The situation is further exacerbated in because of the migration processes, which entail a negative impact on the Republic of Belarus labor force.

Conclusion: Studies conducted by these organizations show that 55% of the Belarusian and 43% of the Ukrainian and Moldovan companies have inadequately skilled

labor which from the viewpoint of enterprises is a major obstacle for their activities and development. Lower figures are characteristic to Armenia (12%) and Georgia (27%). Thus, the number of employers who feel the problem of selection of qualified personnel increased in all the EAP countries, except Georgia. In Belarus, as in other example of transition country, the problem is the gap between the qualified personnel and the requirements of the subjects of labor demand. The problem of acquisition of the required competences and qualifications of the workforce lies in the weak coordination of market mechanism of educational services and the labor market.

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