

Scope of Work
Labor Market Evaluation and Strategic Assessment in Armenia
February, 2003

The work proposed for USAID's Economic Reform and Energy Office is an analysis of Armenia's labor market to develop strategic options for improving employment outcomes, labor market functioning, skills development and matching, and thus, poverty reduction. A team with expertise in labor market analysis, workforce development, and competitiveness will use the extensive data collection and industry analyses that have been previously conducted to identify key issues impacting job creation and the operation of the labor market. After reviewing initial findings regarding key issues with AID Armenia staff, the project team will conduct field work to deepen our understanding of the key issues, and develop labor market options and formulate viable strategies that will produce short- and medium- term improvements.

Project Focus and Results

The GWIT team's labor market evaluation and strategic assessment is designed to produce recommendations on how to stimulate a more dynamic labor market in which more quality jobs are created and workers have the knowledge, skills, attitudes and behaviors needed to succeed. As part of this analysis, the team will identify macro- and micro-level obstacles and incentives for increasing employment opportunity on both the supply- and demand-side of the labor market.

In conducting this analysis, the team will consider:

- Legal, regulatory, financial and institutional factors affecting the current and projected demand for labor
- Current and projected skills and preparedness in the labor market
- Institutional, attitudinal and other obstacles to employment for the job seeker
- Distortions in the demand and supply of labor caused by remittances

The team will look at factors contributing to job creation and job retention across a range of private sector jobs in the Armenian economy. These factors include incentives and supports needed to stimulate new, more entrepreneurial behavior among employers, workers, and the public and private sector institutions that serve them. The team will assess the current and potential capacity of the education and training system - educational institutions as well as private agencies, trade and professional associations and NGO's. The team will address the steps necessary to develop workforce skills. In addition the team will focus on how to strengthen organizations that already do, or potentially could, serve as intermediaries in better linking labor supply with demand.

Finally, the team will propose a menu of options for future technical assistance that can be pursued under the Mission's Economic Reform and Energy Office portfolio. The options we propose will be those focused on achieving measurable labor market results in three to five years. These options will include "quick fix" actions as well as medium- and long-term strategies on the supply and demand side of the labor market. For each option recommended the team will provide an assessment of the investment in time, resources, and political capital required, the results that can be achieved with different levels of investment, and how potential changes in political and economic circumstances might affect the results achievable.

Background

Armenia has undergone significant labor market reform, development of employment and data collection systems, as well as policy and tax changes to encourage growth of industry and employment and to decrease poverty. However, these changes have not yet produced the anticipated impact. Despite multi-year economic growth, growth in real wages has been minor, unemployment remains high, and industries identified as having growth potential have lagged. Among the disturbing trends in Armenia's economic development is the decline in workforce capacity, development, and participation in the formal economy—with secondary school enrollments dropping by nearly a third over the past decade—and the related industrial decline.

The scope of work discusses a multitude of factors that may be contributing to this situation. Yet no coherent explanation emerges for why Armenia has been able to achieve a high rate of growth without concurrent employment growth. It is unclear whether or not the lack of employment growth is a temporary phenomenon resulting from higher productivity among already employed workers. It is unclear as to why wages have not increased with productivity gains. It is unclear whether or not there is a skill shortage that is impeding employment or productivity growth.

USAID is now interested in exploring options for labor market solutions that might be implemented to effect employers' decisions to create jobs and workers' employment and training related decisions. Labor market strategies might include: strengthening communication between employers and public and private sector training providers, expanding the role for private labor market intermediaries to better match the supply of workers with demand, and expanding opportunities for informal learning in workplaces and communities. The research focus will be on identifying the key issues impacting job creation, employment outcomes, labor market functioning, skills development, and skills matching.

For the GWIT team to be able to recommend labor market strategies to USAID that have a high likelihood of succeeding either in the short or long term, the team will need to gain a better understanding of Armenian labor market dynamics, especially at the firm and worker level, and the underlying causes of the current situation. Understanding labor market dynamics at the micro level is important since it is at this level that labor market programs have an impact. For example, potential solutions will differ depending on the extent to which the skills problem is in fact a technical skills shortage issue because of outdated skills at certain levels or industries or more of a general attitudinal or cultural issue resulting in a resistance to learning new skills and career change.

Workforce Strategy Questions

The myriad problems identified in the SOW reflect a broad range of issues common to transitional economies and some that reflect the particular circumstances of Armenia, such as the devastating earthquake, ongoing territorial conflict, declining rates of school enrollment, high rates of emigration, and dependence on remittances. The questions to be addressed, as outlined in the following section of the SOW, are grouped into four areas: (1) Labor demand; (2) Skill supply and projected need; (3) Obstacles to job searches; and (4) Distortions created by remittances.

Based on our review of the SOW and a review of other data on the Armenian economy and labor market, we propose to aggregate the questions listed into three groups and pose them plus additional, related questions to three sets of stakeholders. These are: demand side (primarily employers), supply side (individual worker and “supply” institutions such as schools, training schools, etc.) and labor market intermediaries (primarily the public and private employment organizations).

Interviews with staff from other donor-funded programs and stakeholder responses to these questions will help us identify the key issues that will be the focus of more in-depth field research. (Some of these broader questions provide information for answering the specific questions in the SOW). We assume that these questions or target areas will be modified after the data analysis, desk research, and consultation with in-country informants and collaborators. A more specific set of questions and field protocols focused on the identified key issues will then be developed to test alternative scenarios and potential strategies to address the scenarios.

The goals of this field research are to provide the necessary information and analysis to develop following programming recommendations (as specified in the SOW, as follows):

- Identify windows of opportunity that exist to remove obstacles identified by the assessment;
- Develop options the mission can pursue to provide proactive technical assistance that will yield measurable results in the labor market over the next 3-5 years;
- Prioritize “quick fix” actions;

- Develop realistic estimates of the amount of investment needed to produce the desired changes through the medium and long-term strategies recommended;
- Provide an assessment of the impacts that may result from different levels of investment; and
- Identify fundamental changes in Armenia’s economic or political reform path that could alter or jeopardize the projected outcomes of recommended forms of technical assistance.

Addressing these issues and the questions as noted above, will be done through clustering the questions into three investigative and policy areas: demand side, supply side, and labor market and intermediary problems. In each area, listed are the broad, “umbrella” questions (the actual protocols will have the detailed questions that cover all of the specific issues listed in the SOW). This is the starting point. We will refine and target our investigation more tightly after the initial phases. Those decisions will be based upon the impact of these issues upon employment situation in Armenia and their susceptibility to interventions that US AID could support or promote. The issues raised in the SOW are grouped below.

Demand Side issues

- Identified areas for industrial development, such as food and beverage production, pharmaceuticals, gemstone processing, IT, have not attracted the necessary investment:
 - What are the conditions inhibiting growth of firms in these specific sectors?
 - What, more generally, are the causal dynamics of expanding vs. contracting firms?
 - Which industries and firms would benefit from increased exports (e.g., if trading relations improve with Armenia’s immediate neighbors)?
 - Which industries and firms are vulnerable to declines, e.g., from import substitution as well as other factors/threats?
- Firm work organization, technology and skill investment, and production processes appear not to be modernizing. Instead, there appears to be a downward cycle of low productivity and low incentives for modernizing.
 - What factors in the skills and technology mix result in low productivity and depressed labor demand?
 - To what extent does retention of nonproductive labor reduce capital for investment? How do past experiences with labor redundancies affect business planning and decision making?
 - To what extent are management skills and methods lacking and inhibiting growth of small- and medium-sized enterprises?
 - What factors are influencing investment in training decisions? Which forms of training would be most compatible with, and supportive of, growing firms or those identified with the most potential for growth?
 - Which skills are most needed? In shortest supply?
- Reforms in tax policy reduced payroll, profit, and other taxes but does not appear to have stimulated investment yet.

- What are the interactions between micro-level dynamics and macro-level policies?
 - Reductions in payroll taxes appear to have had minimal, if any, impact – why?
 - Which macro policies are likely to change micro level dynamics (e.g., for job creation)?
- Does higher unemployment among women reflect nature of demand or supply side issues, e.g., availability? skills?
- Based on this assessment of demand factors, what would be reasonable projections for labor over the next three to five years?

Supply Side Issues

- Are poor skills and low returns on productivity reducing demand for labor?
 - Is it low formal education and skills or obsolete/non-transferable skills? Or barriers to skill upgrading/adaptation (e.g., military skills/culture/practice that doesn't convert to commercial)?
 - What skills are the most important for employment under current economic conditions?
 - How competitive are Armenian workforce skills as compared to those in other countries?
 - What are the incentives and barriers to obtaining more training and education? In particular, what are the barriers to secondary schooling?
- Are education and training curriculum poorly matched for new economic demands?
 - Is the Soviet-developed education and training system, with emphasis on theoretical knowledge, a barrier to development of commercially applicable skills in target industries?
 - Are firms unable/unwilling to provide the on-the-job training/apprenticeships to develop these skills, e.g., are there expectations of low wages and thus unwillingness to invest?
 - Are there certification or other formal job requirements that are viewed as barriers to employment, e.g., for workers who are otherwise qualified?
 - Are resource levels or allocation changes necessary to reform school curricula?
- What is the role of remittances in reducing or increasing labor force participation?
 - Are heads of households primarily working abroad to support families and thus low incentives/need for work? (This would imply that poverty indicators do not reflect remittances and/or there is a significant divide between those with and without remittances.)
 - Why do substantial remittances not convert into increased consumer demand to stimulate local industry?
 - How do remittances affect labor market dynamics and job/work behaviors?
- What factors could change emigration dynamics – in particular, the retention of high skilled, prime age workers?

- What are the changes in incentives necessary to move workers out of the grey economy? (e.g., tax policy, reservation wage changes—either actual wages or level of individual worker reservation wages; perceptions about actual skill levels, and/or viability of skills for current and potential demand).
- What labor code and labor union policy changes will facilitate work?
- Industrial production structured for Soviet-era and military production appears to have inhibited commercially-viable production.
 - Are there any competitive advantages for workers from these older industries?
 - What types of retraining – both types of skills and types of retraining programs—hold the most promise?

Labor Market and Intermediary Issues

- What are the strengths and weaknesses of different Labor Market Intermediaries?
 - Why have public employment centers faltered?
 - What are the strengths of private employment centers? Are these transferable to the public centers?
 - Do professional associations play an active role as labor market intermediaries? What is the potential for developing or strengthening this role?
- What types of labor market policy could address problems such as exploitation and child labor in the informal economy (i.e., while trying to move workers into the formal economy)?
- What roles can labor market intermediaries play in improving signaling between employers and education and training providers? What role can they play in improving signaling between firms and economic demand?
- In general, what is the labor market search process? What are currently the most effective job search/matching mechanisms?

These questions as clustered into three areas frame our investigation and targeted areas for developing policy options. We consider these areas and questions our initial “working framework” that we will refine at each stage of the project — in particular after the first phase of analysis and after the analysis of field data to reflect the needs and practical opportunities for policy impact.

Assessment Design

We propose an overlapping multi-phase assessment to address the requirements spelled out in the statement of work. An overlapping structure provides a more rapid response, which the tight timeframe requires. More important, the overlap strengthens the research design. For example, the initial fieldwork and consultations conducted during the first trip will produce additional information and insights, which along with the results of desk research; will inform development of scenarios and strategies to be tested in the field. The three overlapping phases are:

- **Research and Interviews** - A review of existing data and studies will be supplemented by interviewing principals involved in the most relevant studies that have been done to date (i.e., both foreign agencies such as the German vocational education teams, the data system teams, and the Armenian teams such as researchers from Yerevan University). While research is going on in the US, Armenian researchers will be preparing a number of brief papers on key stakeholders in government, education and the private sector providers of training and employment services. The initial site visit by the team leader is part of phase I. She will refine the study design, proposed research priorities, and target industry selections in conjunction with Mission.
- **Focus Group Preparations** - The GWIT team will use the information produced in research and interviews to develop alternative scenarios and strategies to address workforce issues and within those scenarios, refine protocols and prepare for focus groups. The focus groups will be designed to obtain better understanding of the factors affecting labor market dynamics and to explore potential solutions to the problem of slow employment growth. We also propose to conduct a combination of interviews and one focus group with Armenians living and working in the US. This information will be used to develop initial interview protocols.
- **Field Work and Development of Recommendations** - During her initial visit, the team leader, with the Armenian research team, will begin the field work by interviewing key Armenian stakeholders as well as staff from other donors and relevant donor -funded programs. These interviews will also serve to field test interview protocols. The Armenian staff will conduct additional or follow-up interviews as needed. Then the full GWIT research team will return to Armenia and with the Armenian team conduct a series of focus groups and roundtable discussions.

In this study we will examine micro-level (individual, social and organizational) dynamics on the demand and supply side of the labor market and identify options for strengthening incentives and reducing motivational and structural constraints that affect employers' decisions on whether to create or expand jobs and workers' decisions on whether and how to participate in the labor market. We will also examine the functioning of labor market intermediaries and education and training providers. In addition, we will focus on the interaction of these supply-side and demand-side micro-level factors with macro-level factors such as tax, labor, and education policy.

The GWIT team will be assisted in the initial research and in focus group preparation by Robert Lerman who will serve on a consultant basis. Dr. Lerman will also comment on the policy recommendations and the assessment document. Dr Lerman's analysis of existing data and policy will play a key role in framing the issues for the assessment of the problem in finalizing field work protocols and in development of strategy options. His work will maximize the GWIT team's productivity.

To use and enhance existing analytical capacity in Armenia, we propose to conduct these activities in conjunction with an in-country study team which will be identified during the start-up phase and finalized during the initial visit (a potential Armenian research and logistics team has been identified and we are in communication with them; in the first phase of this project we will conduct more detailed discussion and review before finalizing). The in-country team will collect data and conduct interviews and focus groups first under the direct supervision and then under the guidance of the US/GWIT team. We envision their on-going participation during all phases of the assessment.

I. Research and Interviews

We propose to review relevant policy, competitiveness and industry studies, and other macro-level analyses of the economy and labor market referenced in the SOW and otherwise known to the project team. We expect this analysis will not be definitive but, rather, provide the basis for development of plausible alternative scenarios about labor market dynamics and job creation opportunities. We will use these scenarios to guide our field work (discussed below) and the early formulation of technical strategies we might recommend for aligning the labor market with industry/competitiveness plans/strategies.

As part of the desk research, we will also contact the principals involved in the various studies to obtain deeper understanding of the formal knowledge in the reports but also to tap the resident and informal knowledge they have but may have been outside the scope of the studies they were doing (e.g., we can obtain insight into workings of the employment centers from the people involved in designing and implementing the data collection systems; the Yerevan University survey team would be able to provide in-depth knowledge and also feedback on our working hypotheses and findings from the first round of data analysis). These contacts will also be used to identify potential research teams in Armenia and to explore opportunities for coordination among efforts. (Our initial contacts with researchers in Armenia have identified several highly qualified researchers who have experience conducting interviews with both employers and workers.

During this first phase we will conduct interviews with those involved in previous aid, research, and policy projects. These interviews, primarily by telephone and email, would include:

- USAID staff involved in the public work program, pilot on data tracking, self-employment/micro-enterprise, agribusiness, SME development
- EU/TACIS staff who assisted with labor market intermediary system and research
- DFID advisors working on poverty reduction strategy
- German vocational education and commercial law legislative advisers
- Swedish, World Bank, UN staff involved in previous projects.

We will interview and conduct focus groups with Armenians living and working in the US to explore issues related to emigration, remittances and the grey economy. This information will provide valuable insights that we anticipate will be difficult to obtain from people in the country. The information will also be used to develop initial interview protocols.

The GWIT team will also draw on its own knowledge and experience in other transitional economies to draw lessons and examples of successful policies and practices and technical assistance strategies from other countries that improved their economies despite having faced similar circumstances.

Armenian research staff will contribute to the initial phase by preparing background information and identifying key stakeholders. As soon as project approval is received and the Armenia team is finalized, the local contractor will begin to assemble lists of people to be interviewed and make logistical arrangements. The project timeframe allows for no delay in this activity.

The desk research analysis will be enriched by information generated during the initial visit to Armenia by the team leader. The team leader will arrange to meet with relevant USAID counterparts within two days of arriving in Armenia. At that time she will explain the methodology, division of responsibility between the team and Armenian researchers and the roles of the different members of the team; summarize impressions and findings based on pre-departure material review and meetings; and review schedules, timetables and deliverables with USAID. An important product of these discussions will be agreement on key labor force issues, target industry clusters and the selection of Marz for site visits.

The review of previous studies and available statistics will help to identify, with input from USAID, the target industry clusters. We propose to target industry clusters rather than industry sectors, because the cluster, which is more broadly defined, better supports the project focus on workforce and on competitiveness. The cluster includes not only the supply and market chains that would be considered in an assessment of an industry sector but also firms producing related and complementary products. Particularly relevant to this project, the cluster also includes the sources of information and skills that support an industry; i.e. the training and educational institutions, research facilities; industry associations that relate specifically to the industry. It includes the sources of regulation, capital, and technology. This broader definition is useful in assessing competitiveness of an industry and thus its likely growth prospects.

We propose to select three target industry clusters as the focus of this assessment. The clusters will be chosen based upon scale and importance to the Armenian economy now and in the near future. Geography will be a consideration in cluster selection. Armenia is a small country and a limited market. Growth is most promising from traded sectors – those that can compete on international markets. Thus the proposed clusters will be those deemed to have export growth potential. While Armenia is a small country in terms of area as well as market, some areas are set apart by the rugged terrain. It is possible – indeed likely - that the importance of the selected industry clusters could vary from one area of Armenia to another.

II. Preparation for Focus Groups

Information and insights provided by the desk research, initial interviews, stakeholder participation, and the focus groups with Armenians living in the United States will be used by GWIT team and Dr. Lerman to develop alternative labor market scenarios for Armenia. We will test out these different explanatory scenarios. We will delve into causes and circumstances surrounding the conditions posited and explore the interrelationship among factors contributing to poor employment growth.

For each scenario, we will test these scenarios first by identifying a number of observable conditions that we would expect to exist if this explanation were true. For example, if skill shortages are a problem, it would take firms a long time to fill vacancies. People with skills in demand would experience lower levels or shorter durations of unemployment. GWIT staff will present the plausible scenarios to the Mission.

Once the GWIT team, in consultation with the Mission, has agreed upon the most plausible scenarios and the key issues associated with each, we will identify strategy options that potentially could address the underlying problems inherent in those most likely explanatory scenarios. We will design focus group agendas and supporting material – overheads or PowerPoint presentations – to test those scenarios and strategies. If it appears feasible and useful, we will also develop surveys to be administered to focus group participants.

We will design the focus groups to test proposed strategies and the desirability and feasibility of implementing these strategies. We will design the focus groups (and interviews) to help us assess how amenable to change the underlying conditions are likely to be, how participants perceive the different changes, etc. For example, for the skill shortage explanation we might explore the feasibility, desirability, and implementation issues surrounding a number of short- and longer-term strategies that could be pursued. We might explore issues related to:

- strengthening the capacity of existing intermediary organizations in a number of communities for strengthening communication between employers and training providers about the skill needs and priorities;
- employers' and educators' interest in participating in a process for developing skill standards that specify such skill requirements;
- financing options for providing incentives to employers for expanding upgrade training opportunities for incumbent workers in industries particularly hard hit by skill shortages;
- financing options and specific targets of opportunity for fostering public-private partnerships between employer or industry associations and secondary and postsecondary educational institutions for providing customized training for new and expanding companies;
- feasibility of different ways of making education and training services more user-friendly for working adults who must balance work and family responsibilities with the need for additional training.

III. Field Work and Development of Recommendations

Field work begins during the initial site visit by the team leader. We believe early involvement of stakeholders is important to build ownership for the outcomes of the assessment and to make sure that the assessment is relevant to their needs and priorities. Therefore during this first visit, the team leader will also reach out to a small group of key Armenian stakeholders in the public and private sector available for meetings in Yerevan to inform them of the scope and intent of the project and to get their input on the issues to be addressed and the methodology to be used in this study. We will also ask the stakeholders to suggest participants for the focus groups.

The list of stakeholders to be consulted will be drawn up with the advice and consent of the Mission using the list provided in the SOW as a starting point. The outreach will be conducted through individual and group meetings, depending on people's availability. We will be careful to clarify the limited and short-term nature of their requested participation.

The Armenian research staff will participate in the stakeholder interviews. We expect their participation to add valuable insights and to serve as training for them. The field work will continue as the Armenian staff conducts additional and follow-up interviews with key stakeholders, helps to identify, and where appropriate, interviews likely participants in the focus groups.

Focus groups comprise the core of the fieldwork. This begins with at least one focus group to be conducted in the US with Armenians living and working here. In Armenia, we propose to conduct focus groups with key stakeholder groups – employers and workers – as well as training providers and donors supporting workforce and economic development efforts. The purpose is to refine our understanding of the problem(s) and the strategies we propose to address the problems.

Focus groups will be used to 1) gain a better understanding of the interplay of factors influencing employers' and workers' labor market decisions resulting in low employment growth, and high levels of unemployment, under employment and poverty; 2) explore the potential for success and implementation considerations related to various short- and long-term strategies that might be pursued to improve the current situation.

Development of recommendations also begins during early phases of the project as strategies are proposed to address the plausible scenarios. The focus groups are not only a testing ground for the proposed strategies but also are expected to generate suggestions for actions that implement the strategies. The GWIT team will reconvene in the US and with participation of Dr. Lerman finalize recommendations for the draft assessment.

Methodology

The SOW summarized much recent analysis. We will use that, a limited amount of additional analysis, and the experience of the project team to develop scenarios and strategies that address problems within those scenarios and to identify key issues. We will depend primarily upon field-based research (interviews and focus groups) to test the scenarios and get responses that help us evaluate the efficacy of proposed strategies and interventions. The proposed field work combines a mix of methods, of interviews, focus groups, and perhaps limited questionnaires (these questionnaires may be used to get additional information from focus group participants. Specifics of the final mix of methods and the weighing of representatives from various stakeholder groups will be shaped by information gathered during the first site visit and discussions with the Mission. Given time and resource constraints, focus groups will be used to the full extent feasible. Pre and/or post-interviews with focus groups participants will be used where appropriate.

On the demand side, we plan to gather information from a number of people in each firm. We will seek input from a principal of the firm, a person responsible for hiring, a manager, and workers. In larger firms, it may be more appropriate to get information from mid-level managers, first line supervisors, workers, and a person involved in business planning or strategy (for information on investment decisions). In some firms one or two people may have all these responsibilities. Again, a mix of approaches is likely. Interviews may be the most appropriate way to reach top managers, while roundtables or focus groups might be the most efficient way to get input from workers.

On the supply side, we plan to obtain information about school-level policies and procedures that impact education and training providers' interest in, and ability to be responsive to labor market needs. A variety of public institutions and private providers will be included. The institutional focus groups and possibly interviews may be supplemented with focus groups or interviews with a limited number of program completers and the employers who have hired program completers to: 1) determine the adequacy and relevance of the skills program completers bring to the workplace and, 2) obtain suggestions for making training more relevant to worker and employer needs.

In addition, the team will meet with Armenians and expatriates involved with relevant projects of other donors (government and NGOs) to gain their perspective on the issues affecting labor market supply and demand. We will also explore opportunities for coordination among efforts that could be included in the menu of options for next steps.

For our field work, we will seek information from the targeted industry clusters seen as having potential for job creation, from different types of firms, types of workers, types of supply-side education/training providers and intermediary organizations, and geographic areas. We anticipate that explanations and importance of different contributing factors may vary from one industry, type of firm, and type of worker to another, and that there will be regional differences as well.

Demand-side:

Industry –We propose to conduct this analysis in three different industry clusters — which will allow representation from the service, manufacturing, and processing sectors. We recommend that the industry clusters selected for study by the Mission be centered on three of the industry sectors identified by the GOAM as having a high potential for growth. As we understand it, these are: tourism, general trade, pharmaceuticals, gemstone processing, communications and IT, agriculture processing, and banking. Together, the industry clusters selected should represent a good mix of jobs, including ones that are more or less impacted by technology and those requiring different skill levels. In addition, we will consider whether or not an industry is traded the selection of target industry clusters will be finalized in meetings with the Mission during the first site visit.

Firms- Within the target industry clusters, we will seek to involve firms of different size and growth/employment dynamics. At least three types of firms will be examined: small, micro-enterprise/ individual–family entrepreneurs; small and medium sized enterprises, of Armenian ownership, in the targeted industrial areas; and large firms, primarily foreign-owned, that have either directly or through investment conducted business in Armenia. A mix of growing, shrinking, and stable firms will be included.

Geographic Regions- To the extent feasible we will select firms located in different regions of the country. This recognizes the impact of local governance, civic leadership, transportation, housing, communication and cultural issues on job creation and employment. Our initial thinking is that Yerevan should be included because of its size and importance, and Voyats Dzor because it seems to be the only Marz with increasing economic opportunity. Other regions will be identified in consultation with the Mission and the GOAM. A Marz in an area still suffering effects of the war with Azerbaijan or the earthquake may be an appropriate choice. It is likely that all three of the target industry clusters will not be present in all three of the Marz. For example, if IT is selected, it may be concentrated primarily in Yerevan. However, the choice of industry clusters will ensure that each of the selected geographic areas has at least one of the target clusters as an important part of its economic base.

For illustration purposes, the two dimensions of the firm are represented in Table 1.

<i>[Industry type:]</i>	Target Cluster 1		Target Cluster 2		Target cluster 3	
<i>[Firm type:]</i>	Production	Service	Production	Service	Production	Service

Micro/individual/ family entrepreneur						
Small/medium sized enterprise						
Multinational Enterprise/FDI						

Other dimensions to the above chart are: geographic region and growth dynamics, as discussed above. Obviously there are far too many cells to construct a feasible-sized sample – much less one that can survive tests of statistical validity. To accommodate this limitation, we propose to convene a group of key stakeholders and informed observers of the Armenia economy during the initial site visit to help us identify the types of firms that are most important to our project, thus constructing a purposeful sample. Discussions with the Mission also will be necessary to develop the field work strategy (e.g., Should we focus primarily on growing firms? Are foreign firms with declining investment or Armenian-owned firms of greater interest? The SOW stated that we want to avoid overemphasis on certain types of firms such as SMEs.)

We estimate that we will contact, through focus groups or interviews, representatives from 15 - 20 companies, assuming we examine companies in three Marz.

Supply side:

This supply-side labor market dynamics will be examined through focus groups and interviews with (1) individual workers (both in and out of the labor market/active and passive); (2) labor market intermediaries (private and public); and (3) education and training providers (including students).

Individual worker/potential worker interviews:

Relevant characteristics for workers are age, sex, education and skills, plus status in the labor force. Thus, we plan to conduct focus groups with a mix of individuals - youth and adults; unemployed-- out of the formal/documented labor market; employed—in the formal labor market; male and female; different levels of education and occupation (e.g., professionals, engineers, manual labor, etc.); and different industry clusters---As noted in the industry sample. For some groups such as unemployed individuals, a homogenous focus group – i.e. all seeking work – is most likely to elicit the type of information we are seeking. In contrast, a mix of age and sex may be more appropriate for a focus group of employed individuals.

The workers will be partly drawn from those employed at the firms studied, as described in the demand side section above. Identifying potential interviewees in the other categories will be developed in conjunction with the in-country researchers who will have more familiarity with successful strategies for each region and population. As will target industries, the final selection of research priorities among the various populations will be determined after further discussion with the USAID Mission and other stakeholders and after to refining the research questions, as discussed above.

Some areas of interest such as gray economy participation and receipt of remittances are not likely to be feasible as delimiters of focus group participation. However, these issues will be addressed during the discussions.

We expect to have contact through focus groups or interviews with a total of 50 to 75 individuals in three Marz.

Education and Training Providers:

We will seek information from administrators, instructors, and students. Representing the following institutions:

- Public and private secondary schools
- Technical schools and other public and private post-secondary schools/programs (including apprenticeship programs)
- Universities

We expect to have contact through focus groups or interviews with individuals representing 10 - 15 institutions.

Labor Market Intermediaries (LMI):

There are both public and private labor market intermediaries, as discussed in the SOW. We will examine both in each region, to identify their relative strengths and weaknesses and how they might be strengthened to support different policy options. Interviews will be conducted with administrators, services providers, and clients (we expect that this will be one source of identifying and interviewing individuals in some of the individual groups, such as unemployed, as identified above).

At minimum, we will gather information from one public and one private LMI in each Marz where they are present.

Work plan and Level of Effort

Desk Research-Week, 1-2 (February 16- March 1): Review of previous studies, further analysis of data, and developing working hypotheses about possible labor market dynamics and policy options. This effort will be led by Dr. Lerman of the Urban Institute in collaboration with the research and workforce team. In conjunction with this part of the analysis, we will develop draft research protocol to review with USAID and the Armenian research team.

Focus Group Preparation- Week 2-4 (March 2- 15) We will interview Armenians in the United States. The team will also make arrangements with the Armenian research team for the field work (we have already begun discussion with some potential researchers in Armenia) and other logistics for the work in Armenia. Draft research protocols and meetings with USAID and other Armenia experts will be conducted during this period. During week 4, upon the team leader's return, the project team will finalize scenarios, potential strategies to be tested through the focus groups and prepare materials use in the roundtables. These materials will be translated during week 5 and, if determined feasible, questionnaires will be sent to focus group participants.

Initial Site Visit, Week 2-3 (February 23-March 8). The team leader will go to Yerevan for the initial site visit. During this visit, she will meet with Mission staff, make logistical arrangements, finalize arrangements and train local consultants, and conduct initial interviews with key stakeholders. In addition, the team leader will attempt to learn more about the work of other donors that is related to this assessment and initiate contacts with representatives from target industries

Field work and Development of Recommendations, Week 6- 7-(March 23-April 5) Preparation for the field work will start in week 2, and the three-person GWIT team will be in Armenia during weeks 6 and 7 to conduct 10-15 focus groups and additional interviews, as required. At the same time, Armenian researchers will analyze and summarize the responses obtained from the questionnaires completed by focus group participants

The team will consult with USAID during this time. Prior to leaving the country, the team will provide a summary of key findings and conclusions. As desired, the team will conduct a question and answer session for the mission.

Preparation of Project Report, Week 8 -9 (April 6-19), The GWIT team will submit an electronic copy of the full draft report within 10 working days of leaving Armenia. It will submit 10 copies of the final report (as well as an electronic copy in Microsoft Word) within 20 days after receiving USAID's comments.

Tables detailing the staff loading estimates for this work are attached.

Deliverables

The GWIT team will prepare a report of no more than 50 single-spaced pages (excluding attachments) detailing the activities carried out under the study, the team's findings and recommendations. The report will include:

- A full inventory of site visits and meetings; a description of the methodology and analytic techniques used for the assessment and any questionnaires or other materials used in the assessment;

- A summary of key findings related to the questions asked as described in the Scope of Work and a description of the analytic techniques used to obtain answers to specific questions; and
- A menu of well-developed and prioritized options for strategic program interventions that can be carried out under the Mission's Economic Reform and Energy Office portfolio within a 3-5 year timeframe to better align the supply of human capital with private sector demand now and in the future.

Team Composition

The Team leader will be Pat Dusenbury, a Senior Strategic Planning Specialist. She has twenty-five years experience in strategic planning and policy analysis involving both economic and workforce development and has worked in transition societies putting together plans for economic development and assessing competitiveness. The other team members will be Hal Salzman, Senior Researcher and Evelyn Ganzglass, Sr. Workforce Generalist. Dr. Salzman is a sociologist who specializes in labor market analysis, skill and job changes and organizational and corporate strategies, as well as policy work; much of his research involves field work at companies in the US, Europe, and Asia. His projects include workforce policy analysis for the state of Massachusetts; assessment of the IT workforce and industry in the US and India for the National Academy of Sciences; National Science Foundation-funded studies of global engineering, including a new project on engineering knowledge transfer by multinational firms in newly industrializing economies. Ms. Ganzglass is GWIT project director. She brings more than 30 years of experience in workforce and education policy analysis and system design. The team's expertise will be complemented by Dr. Robert Lerman, director of the Labor Market and Social Policy Center at the Urban Institute. Dr. Lerman has extensive experience in analyzing labor market dynamics and workforce issues. CV's for these individuals are attached.

Budget

A detailed budget will be presented upon receipt of an agreed upon Scope of Work.

