

WOMEN'S ECONOMIC  
INACTIVITY AND ENGAGEMENT  
IN THE INFORMAL SECTOR  
IN ARMENIA



CAUSES AND CONSEQUENCES

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# WOMEN'S ECONOMIC INACTIVITY AND ENGAGEMENT IN THE INFORMAL SECTOR IN ARMENIA



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United Nations Entity for Gender Equality  
and the Empowerment of Women

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# LIST OF ACRONYMS

ADB	Asian Development Bank
AMD	Armenian Dram
ARMSTAT	National Statistical Service of the Republic of Armenia
AYEG	Association of Young Economists of Georgia
CRRC	Caucasus Research Resource Center
GDP	Gross Domestic Product
IFC	International Finance Corporation
ILO	International Labour Organization
NDI	National Democratic Institute
OECD	Organization for Economic Co-operation and Development
PPP	Purchasing Power Parity
UN	United Nations
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHLP	United Nations High Level Panel
USD	United States of America Dollars
WB	World Bank
WVS	World Values Survey

# EXECUTIVE SUMMARY

This report examines the causes and consequences of women's economic inactivity and informal employment in Armenia to inform efforts to improve economic opportunities for women. UN Women commissioned the study with the generous support of the Swiss Cooperation Office in the South Caucasus.

The UN High-Level Panel on Women's Economic Empowerment highlights four key barriers to women's economic activity: "adverse social norms; discriminatory laws and lack of legal protection; the failure to recognize, reduce and redistribute unpaid household work and care; and a lack of access to financial, digital and property assets" (UNHLP, 2016: 2). These issues contribute to the fact that only 67 women participate in the labor force for every 100 men, globally (WB, 2017c). Persistent gender inequality related to employment not only exacerbates poverty, economic insecurity, and reduces opportunities for girls and women: economic theory and data show that female non-participation in the economy slows economic growth (OECD, 2012) and impedes other development outcomes (WB, 2012).

Any study that aims to understand the full picture of women's economic opportunities and challenges needs to look carefully at the gender dimensions of informal employment. The informal sector encompasses all economic activities that are not regulated or taxed by the state. More than 2 billion people worldwide (almost two-thirds of the world's workforce) are in the informal sector (ILO, 2018). Although the experiences and income levels of informal workers varies greatly, the lack of oversight and regulation in the informal sector makes workers vulnerable to unsafe and exploitative working conditions. Women are not necessarily more likely to be engaged in informal employment than men, but in the informal sector the occupations, job security, and incomes of women tend to be different than those of men (ILO, 2018).

One key issue that affects women's participation in both formal and informal economies is care work. Globally, women carry out the bulk of both paid and unpaid care work. A recent report (ILO, 2018) highlighted that women perform three times as much of this work as men. Care work includes direct care for dependents, as well as indirect activities for the household such as cooking and cleaning. As the report highlights, "The majority of the care work worldwide is undertaken by unpaid carers, mostly women and girls from socially disadvantaged groups. Unpaid care work is a key factor in determining both whether women enter into and stay in employment and the quality of jobs they perform" (ILO, 2018: xxvii). Most paid care workers are also women, often working in the informal sector under poor conditions and low pay (ILO, 2018).

This study focuses on the following research questions:

- ✓ *How do male and female employment tend to differ?*
- ✓ *Which sectors predominately employ women, and what are the effects of the gender imbalance in certain economic sectors on women's economic opportunities and gender equality?*
- ✓ *How is education distributed within the labor force, and how does this relate to female labor force participation?*
- ✓ *Which factors (including gendered barriers) contribute to women's economic inactivity rates?*
- ✓ *What are the consequences of female economic inactivity?*
- ✓ *Are women more likely than men to be engaged in informal employment?*
- ✓ *Which factors lead women to enter informal employment?*

To answer these questions, CRRC carried out a mixed-methods study that has followed a structured logic of social science inquiry. The project team began by developing research questions based on previously defined questions and a review of relevant literature.

Focus group discussions and key informant interviews were carried out to inform the design of the survey questionnaire. A survey was carried out in April to May 2018, representative of Armenia, as well as Yerevan, other urban areas, and rural settlements. The survey included 1429 respondents. Following analysis of the survey data, focus group discussions were done to follow-up on findings within the survey in greater detail.

## Causes and consequences of women's economic inactivity

The data clearly suggests that the primary cause of women's economic inactivity in Armenia is the gendered division of labor within society and that women carry out the majority of unpaid care work. Nearly the entire gap in labor force participation can be explained by this factor. Women who report they are not working cite family-related responsibilities seven times as often as reasons for not working. The labor force participation gap in the productive age range (18-64) is the same as the share of women reporting that they are homemakers and not interested in working. As women enter the 25-34 age group (a key period within the reproductive age range), they are significantly more likely to be affected by these factors than younger or older women. The rate at which women report care-related reasons for not working then declines as women age, and their labor force participation rate rises with age, until reaching the age of retirement, when it declines. Advanced statistical analyses confirm that marriage is associated with a lower level of labor force participation among women. Married women are 16 percentage points less likely to participate in the labor force.

A secondary driver of women's economic inactivity is the weaker financial incentives women have to work, which are reflected in the gender pay gap. Women in Armenia earn significantly less than men. A significant share of women report that they are not working because available jobs do not pay enough, that they left a job because it did not pay enough, or that they never sought out a job in the first place because available jobs did not pay well. These findings suggest

that if women and men had equal income-earning opportunities, female labor force participation rates would likely be higher. Even so, women inside and outside the labor force report doing similar amounts of unpaid care work, which suggests that even if the average incomes women achieved rose to the levels that men attain, the gendered division of labor and unpaid care work would have a depressing effect on women's economic activity. Hence, the weaker financial incentive women have to work (as reflected by the gender pay gap) should be considered a secondary driver of women's economic inactivity.

The factor that has the largest, positive impact on women's labor force participation in Armenia is education. Women with vocational education are 11 percentage points more likely to participate in the labor force compared with women with secondary education. Compared with women who only have secondary education, women with tertiary education are 18 percentage points more likely to participate in the labor force. Yet, the labor force participation rate among women with tertiary education is still significantly lower than the participation rate for men (by over 20 percentage points) regardless of whether or not men have higher education. Children and marriage negatively affect the labor force participation rate of women with vocational or tertiary education more than women with secondary education. These findings suggest that while tertiary education removes some barriers for women to be economically active, the gendered division of labor in society and unpaid care work remain challenges for women with tertiary education.

When a woman (the respondent) was not working, households were poorer. Household income is 24% lower when a woman is not working. Moreover, women who are not working report lower quality of life indicators. When one less household member is working, whether male or female, it is reasonable to believe that a household's income will be lower in general. Indeed, the data generally support this conclusion. Nonetheless, the data still suggests a lower level of economic well-being for both women and their families when women are not working.

Women who are not working also tend towards more gender adverse views. This is not uniformly the case, however. Working women are more likely to express a number of adverse views than women who do not work, suggesting that the relationship between work and gender-related attitudes is complex and requires further research to untangle.

Based on the study's findings, the following actions are recommended to increase women's labor force participation:

- ✓ Increase access to high quality, low cost or free preschool and kindergarten;
- ✓ Develop stronger policy frameworks for care of the elderly, and increase access to and the quality of eldercare;
- ✓ Carry out social campaigns that encourage men to carry out a larger share of unpaid care work, including care of dependents and household labor; and that expresses the critical importance of unpaid care work to countries' economies, societal well-being, and quality of life;
- ✓ Consider including a home economics course in the national curriculum to ensure boys learn how to carry out tasks that are generally expected of women by the gendered division of labor in society;
- ✓ Provide targeted scholarships for girls to attain tertiary education who otherwise would be unlikely to do so;
- ✓ Incentivize women to study fields that are more likely to lead them into high paying sectors through scholarships in science, technology, engineering, and mathematics (STEM);
- ✓ Carry out a pay equality audit of state institutions;
- ✓ Make companies bidding on state tenders report the share of men and women in management and non-management positions and the average salary of men and women in both roles;
- ✓ Design and implement family-friendly working arrangements for all workers. Specifically consider providing flex time and job sharing positions in state employment. Encourage the private sector to do the same, making the work environment more supportive of unpaid care work;

- ✓ Research and promote labor market policies that support the retention, reintegration and progress of unpaid carers in the labor force.

The above recommendations, based on evidence generated for this report, coincide with the ILO's 5R Framework for Decent Care Work (ILO, 2018). The framework argues that it is necessary to *Recognize, Reduce and Redistribute* unpaid care work, *Reward* paid care workers with decent income and protected work conditions, and increase *Representation* for care workers in public decision-making. It is recommended that this framework be adopted as the basis for any strategy aimed at increasing the labor force participation of women in Armenia.

### Informal employment

About one in three working people in Armenia are informally employed. Men are more likely to be in informal employment in Armenia. Informal employment generally, although not uniformly, is associated with negative outcomes including lower levels of income and confidence for women. In Armenia, women working in informal employment live in households that make approximately 33% less per year, compared with the households of women working formally. These findings should be interpreted as causal (i.e. informal employment causes these negative outcomes) with some caution. The jobs in the informal sector are often different than those in the formal sector. Formalization (while potentially improving working conditions) has the potential to decrease income due to taxation and regulatory burdens for employers as well as for the self-employed who transition from informal to formal employment.

Nonetheless, there is widespread support for formalizing the informal sector. More than half of the population believes that if all employers had to provide employment contracts and that if all businesses, including sole proprietors, had to register their businesses, it would be positive for both the respondent and the country. While those in informal employment are less expected to support these changes, about half of those in informal employment



believe such changes would be positive. When considering formalizing the informal sector, results suggest several recommendations, including:

- ✓ Efforts to formalize the informal sector should be light-touch, and not punish previously informal businesses for attempting to register their businesses;
- ✓ A low tax regime should be provided for micro-enterprises in Armenia, decreasing the incentive to remain informal;
- ✓ Government and/or non-governmental

organizations should assist in the development of forms for contracts that can be easily modified to help employers formalize terms of employment;

- ✓ The government of Armenia should also consider adopting the ILO's Convention concerning decent work for domestic workers.<sup>1</sup> This convention sets forth basic worker protections for individuals in domestic work, which this study suggests is done primarily by women and comprises about 5% of the informal workforce in Armenia.

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1 The treaty is available at [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C189](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C189)

# INTRODUCTION

The UN High-level Panel on Women's Economic Empowerment highlights, "Adverse social norms... [and] the failure to recognize, reduce and redistribute unpaid household work and care" discourage women's economic activity (UNHLP, 2016: 2). Previous studies on the region indicate these causes are present in the South Caucasus. For example, in the 2010 Caucasus Barometer survey, 85% in Armenia reported that a man should normally be the only breadwinner in the family (CRRC, 2010). The depth of family and social norms extends beyond the attitude that men should be the only household members to work. In a 2013 study, 74% of the public reported that a woman is more valued for her family than for success in her career in Georgia (UNDP, 2013). Both women and men absorb and perpetuate gender expectations and stereotypes. This is exemplified by the results of the 2014 NDI survey on women's political participation in Georgia: 78% of women reported that women are not as good at decision making as men, compared with 67% of men.

A number of practices prevalent in the region are associated with lower levels of economic activity. First among these is the disproportionate amount of unpaid care work women do. As several studies on the region have highlighted, if childcare duties were reduced, women's economic engagement would likely increase (ADB, 2015). Besides the unequal distribution of homemaking work, men and women tend to learn different skills. In Azerbaijan, a large majority of boys learn to fix household objects and drive, but not cook and clean, while the vast majority of girls learn to cook and clean, but only a minority learn to drive and fix things around the house (CRRC, 2015). A number of studies have found that women's early marriage, an issue in Armenia (UNFPA, 2014), is associated with lower levels of women's economic engagement as well (e.g. Yount, Crandall, and Cheong, 2018).

Gender discrimination in the labor market and negative stereotypes about women can also make it

harder for women to find work. In Armenia, women are less likely to be thought of as leaders. For example, in Armenia 61% of the population thought that men made better executives than women in 2014 (WVS, 2014). The potential for maternity leave is believed to lead private sector firms to not want to hire women for high-level positions (ADB, 2015). Employers report they prefer hiring men, because they can be asked to work significant amounts of overtime, whereas women cannot due to childcare responsibilities (ADB, 2015).

Besides discrimination in hiring, there is a significant wage gap, reflecting the fact that women have weaker monetary incentives to work than men. This report suggests that the weaker financial incentive is a key factor reducing women's economic activity. According to the 2015-2016 Progress of the World's Women report (UN Women, 2016), women make 66% of what men do in Armenia. This wage discrimination is present even in sectors where women are over-represented (ARMSTAT, 2016), suggesting that the problem is not entirely due to occupational segregation.

Discriminatory laws, the lack of legal protections, and other policy issues also likely contribute to the problem. However, these issues are not the primary focus of this study.

Research suggests that higher female economic participation rates and narrower labor force participation gender gaps are associated with quicker economic growth in lower and middle-income countries (OECD, 2012). The World Bank has suggested that women's lower levels of economic engagement reduce GDP by 14% in Armenia (Tembon, 2017). Other research suggests economies and firms are more efficient as women's economic engagement increases (WB, 2012). Moreover, barriers to women's economic participation are likely to slow innovation, since the best talent is not efficiently allocated (WB, 2012).

In general, gender equality is associated with human development indicators (UNHLP, 2016). A substantial body of evidence suggests that when women control a larger share of a household's income, spending shifts to the benefit of children. Although women's economic activity does not necessarily correlate with control over resources, it can increase women's bargaining power within the household (Heath, 2014) which tends to positively impact children's nutrition and education (WB, 2012), creating long-run economic and social benefits.

Although there are large numbers of men and women working informally, the form of work is often highly gendered. Women often work as domestic servants, as unpaid contributors to family businesses, and perform a large number of invisible roles and unpaid labor in the care economy – e.g., cleaning, cooking, and caring for a wide range of dependents (ILO, 2018).

# METHODOLOGY

The study followed a standard logic of inquiry. Following a review of the literature and the development of research questions, data collection instruments were developed and used to collect qualitative and quantitative data. After data collection, the research team analyzed the data to answer the research questions developed at the outset of the project. Qualitative data collection tools included focus group discussions and key informant interviews, while quantitative data collection included a survey representative of the population of Armenia.

## Quantitative data collection and analysis

CRRC implemented a statistically representative survey of Armenia using clustered stratification. The list of election precincts was used as the sampling frame. Stratification by settlement type was used to obtain representative samples of Yerevan, other urban areas, and rural areas in Armenia. The sample was sub-stratified by geographic quadrant (northwest, northeast, southwest, and southeast). To select households for interviews, the organization carried out systematic random walk. After selecting households, respondents were selected using a Kish table. The achieved sample size of the survey was 1,429. The response rate was 48%, and the average margin of error was 4%.

Data analysis includes a combination of descriptive and inferential statistics. In general, descriptive statistics such as frequencies and cross-tabulations were used to describe the prevalence of various attitudes. Matching with regression analysis was used to understand the causes and consequences of women's economic inactivity and participation in informal employment. Matching is a process wherein a sample is divided into two groups based on one characteristic (e.g., whether or not there are children in the household), and then the outcomes for people in the "yes" group are compared against the outcomes of the people in the "no" group with the most closely

matching background characteristics. The logic of matching is relatively straightforward: instead of comparing outcomes for two totally different cohorts (i.e., comparing apples to oranges), we compare outcomes for two groups that start out the same or very similarly. To achieve an apples-to-apples comparison, matching was used to identify people with similar educational and family backgrounds, age, marital status, parental status, age of marriage (early marriage or not), whether the individual was affected by a conflict in the region, and confidence when looking at labor force participation.

The Velvet Revolution that replaced the sitting Prime Minister occurred during the survey fieldwork. Since the experience of a revolution could reasonably affect one's attitudes towards a number of the issues in the survey, whether the interviews for the survey took place before or after Serzh Sargsyan's resignation is also controlled for within the analysis.

Matching was carried out separately for women and men. This was done to attempt to parse out how different factors affect men and women differently and to calculate an effect for women and an effect for men for each factor. Multivariate matching with genetic weighting was used to carry out matching.<sup>2</sup> As per best practice, matching was followed by ordinary least squares regression or logistic regression, depending on the type of outcome of interest.

## Measurement

This report makes use of a number of specific terms throughout. Rather than explain them as they are used, this section provides an overview of the terminology, concepts, and measures used below as a reference for the reader.

### Employment statuses

Economists use a variety of different categories when looking at economic status. Key concepts in the present context include labor force participation

2 For an overview of genetic matching, see Diamond and Sekhon, 2013, available at: [https://www.mitpressjournals.org/doi/abs/10.1162/REST\\_a\\_00318](https://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00318).

and unemployment. A *member of the labor force* is employed, a contributing family worker, or unemployed (ILO, 2013). *Contributing family workers* are individuals who contribute to a household business though they may not receive monetary compensation for their contributions and they may not identify as employed (ILO, 2013). For a person to qualify as *unemployed*, they must be interested in a job, have looked for a job recently, and be able to start a job in the next few weeks (ILO, 2013). People who identify as unemployed are further divided into the unemployed and discouraged workers. *Discouraged workers* are those who do not meet the three criteria for unemployment and are without work, but are still interested in finding work. They are considered outside the labor force.

In the chapters below, the definitions given in the previous paragraph are followed. Unemployed refers to the specific definition given in the paragraph above as does employed. When the report notes that people who reported they are not working are considered, this includes women and men who are a) unemployed, b) out of the work force, and c) some contributing household workers. In general, men and women who are contributing household workers reported they were not working. Their status as contributing household workers was determined based on their responses to questions about whether the household had a business or was engaged in for-profit agricultural activity and whether they engaged in that activity.

### **Informal employment**

In the report, informal employment is operationalized following the ILO's definition as provided in the International Labor Conference's Recommendation 204 (2015). This definition considers all people working in an unregistered business (whether the owner or an employee); contributing household workers; and own accounts workers and employees without a recognized employment relationship to be in informal employment. For the purposes of the survey, all individuals who reported that they or their employer was not paying taxes on their employment activities are considered informally employed as are contributing household workers. This standard

definition of informal employment is also generally applied to the South Caucasus.

### **Time spent on unpaid care work**

As noted above, the amount of unpaid care work and household labor women perform is substantially larger than it is for men. To measure how much time people spend on various activities though is relatively difficult, and generally requires a time-use survey. The present study did not have the requisite resources to carry out a full time-use survey. Hence, the study relies on self-reported responses to the question: "How much time in a week do you usually spend doing the following, on average, for your family?" Respondents were asked about childcare; cooking; cleaning; repairing things around the house; laundry; grocery shopping; taking care of other family members, including the elderly, sick, and disabled; and helping family members who have a business or are self-employed with their business. These responses were summed, and then trimmed to lead to a maximum response of 16 hours per day. The responses in general should be considered to be indicative of the general pattern of unpaid care and household labor and its distribution between men and women rather than as highly precise estimates of the amount of time women and men spend on these activities.

### **Adverse social norms**

As the UN Secretary-General's High Level Panel on Women's Economic Empowerment has highlighted, "Social norms are a pervasive feature of all our lives. Norms are shared beliefs about what is typical and appropriate behaviour in a group of people. ... Norms shape expectations and attitudes and often have beneficial effects, such as enabling cooperation, but they can also sustain and prescribe gender inequality" (UNHLP, 2016: 38). Women and men's attitudes, which reflect the norms of a society, could discourage women from entering the labor force or encourage women who are in the labor force to leave. Perceptions of gender attitudes (for example, whether women believe their fathers or husbands support their employment in certain sectors, or men feel they will be seen as less manly if they are caregivers) irrespective of whether these perceptions are

correct can also shape behavior. To analyze adverse social norms, ten questions<sup>3</sup> were asked relating to attitudes towards women in the workplace, society, and family. Based on the responses a 30-point index was created, with respondents that held consistently adverse attitudes scoring 29 and respondents that held consistently non-adverse attitudes scoring 0. Respondents were also asked what they thought their partner or family members of the opposite sex believed on the issue. An identical index was created for respondents' perceptions of their family members or partner's views. The respondent's score was then subtracted from their perceptions of their partner or family members' attitudes to understand whether people thought that their partner and other family members held a different view from their own. This results in a 59 point index, with -29 corresponding to perceiving one's partner to have entirely adverse views and one having entirely non-adverse views and a score of 29 corresponding to having entirely adverse views and perceiving one's partner to have entirely non-adverse views. The index measures the gap between perceptions.

### **Gender pay gap**

The gender pay gap has been extensively discussed in recent years, and can be calculated in a number of ways. For the purposes of this study, the average annual income from all sources of income reported on the survey was calculated for women and men. These are then compared to determine the difference between women's and men's incomes. The study has not made use of more complicated gender pay gap estimation methodologies that take into account the nature of work that men and women are engaged in (e.g. Ñopo's Matching methodology) to ease interpretation of findings.

### **Leaving the workforce or choosing not to enter it**

Below, leaving the workforce or choosing not to enter

it, because of a) family related reasons and b) pay related reasons are discussed. On the survey people were asked whether or not they had ever left a job for a variety of different reasons. They were also asked whether or not they had ever not looked for a job in the first place for those reasons. In the analysis of these questions, two variables were constructed: 1) leaving or not entering the work force for family related reasons and; 2) leaving or not entering the work force for pay related reasons. The first variable is coded one if the respondent reported leaving the workforce or not seeking out a job, because of a 1) lack of kindergartens; 2) lack of affordable childcare services like nannies or daycare centers; 3) paternity leave conditions; 4) spouse not wanting them to work; 5) other family member not wanting them to work. Otherwise the variable was coded 0. For the second variable, respondents who reported they had either left the workforce for pay related reasons or not sought out a job because the jobs did not pay enough were coded as 1. Those who did not mention these factors were coded 0.

### **Access to finance**

Access to finance is measured on the survey using the questions, "Have you applied for a loan in the last three years?" and "Was your loan application accepted, pending, or rejected?". Individuals who applied for loans were considered when looking at access to finance. Individuals who had not applied for a loan or had a loan application pending were not included in the analysis. The analysis did not take into account the purpose of the loan.

### **Quality of life indicators**

A number of other variables were measured on the survey. Specifically, respondents were asked "Overall, how happy would you say you are," and then asked to respond on a scale where 0 corresponded to extremely unhappy and 10 corresponded to extremely happy. A similar measure is used for

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3 Respondents were asked, "There are many opinions about the roles of men and women in Armenia. Using this card, please indicate your attitude." On the show card, options, strongly agree, agree, disagree, and strongly disagree were presented. The statements presented on the card included: "Men should have the final word about decisions in the home"; "Women should tolerate violence in order to keep her family together"; "When jobs are scarce, men should have more right to a job than women"; "If a woman earns more money than

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her husband, it's almost certain to cause problems"; "Having a job is the best way for a woman to be an independent person"; "A university education is more important for a boy than for a girl"; "On the whole, men make better business executives than women do"; "Taking care of the home and family makes women as satisfied as having a paid job"; "Employed mothers can be as good caregivers to their children as mothers who do not work"; and "It is better for a preschool aged child if the mother does not work."

confidence: “In general, how self-confident would you say you are on a 10-point scale where 10 means very self-confident and 0 means not self-confident at all?” To measure mobility, respondents were asked whether or not they had spent two nights or more in a settlement they did not live in during the last six months, a standard indicator of mobility.

### Qualitative data collection and analysis

Qualitative data was used within the study for three purposes. First, focus group discussions and key informant interviews were performed prior to the survey to inform the design of the questionnaire. Second, qualitative data was collected after the survey to help understand unexpected survey findings. Third, qualitative data is used to provide a fuller picture than quantitative data alone can provide.

In total, eight focus group discussions were conducted in Armenia: four before the survey and four after. In addition, five key informant interviews were carried out. While the qualitative data collection prior to the survey focused on women’s economic inactivity and engagement in the informal sector in general, the focus group discussions after the survey covered the consequences of women’s inactivity, and discriminatory and hostile work environments.

### Limitations

Although this research project aims to understand the causes and consequences of women’s economic inactivity and their engagement in informal employment, the study of cause and effect is fraught with challenges. The use of experimental methods is generally not possible when examining a diverse spectrum of broad, economy-wide issues such as women’s economic inactivity and their engagement in informal employment. Hence, analysis reported here is inherently correlational, and as is well known, correlation is not causation. With this important caveat in mind, the report attempts to parse out likely causes and consequences of women’s economic inactivity and engagement in the informal sector, via a theory-informed approach. During the inception phase of the project, the research team put forward their hypotheses in the project’s inception report to reduce the likelihood of a-theoretic data mining (fishing for spurious correlations in the data). The analysis also attempts to make use of variables unlikely to be caused by the outcome (e.g.

one’s parents’ education is unlikely to be affected by one’s employment status). Notwithstanding all these good research practices, causal inferences still should be interpreted with the caution required for observational studies.

Another important caveat is that labor force participation, employment, income, and other economic indicators are particularly difficult to estimate in emerging economies. In many cases, the survey is likely to have under-estimated economic activity, despite the research team’s best efforts to capture it. To take a concrete example, if someone helps their family with milking the cows, and a different family member sells that milk at the market, then the family member is a contributing household worker, and thus employed. However, many people would not consider themselves employed, because they help milk the cows. For this and similar reasons, economic activity is likely underestimated, albeit slightly. To better measure this, the survey questionnaire included questions about whether people contributed to household agricultural or business activities that their family received income from. In other, comparable situations, similar steps were taken to attain the best measure possible.

Finally, the survey suggests a number of economic indicators that are different from what the national statistics offices of report. The differences have a number of sources. First and foremost, both the surveys carried out within this study as well as the surveys the national statistics offices carry out to measure different economic indicators have error. For example, the survey conducted in Georgia within the scope of this project suggests that unemployment is approximately 18% in Georgia. The most recent National Statistics Office of Georgia survey suggests that unemployment is 14%. This may appear to be a rather large difference. However, given that the survey for the study in Georgia has a margin of error of 3.9%, and there is also error in the Georgian National Statistics Office survey, it is reasonable to believe that the actual unemployment rate is somewhere between the two. In general, in the sections below, estimates for all indicators come from the survey, and should be interpreted with the above limitations in mind.

# FINDINGS

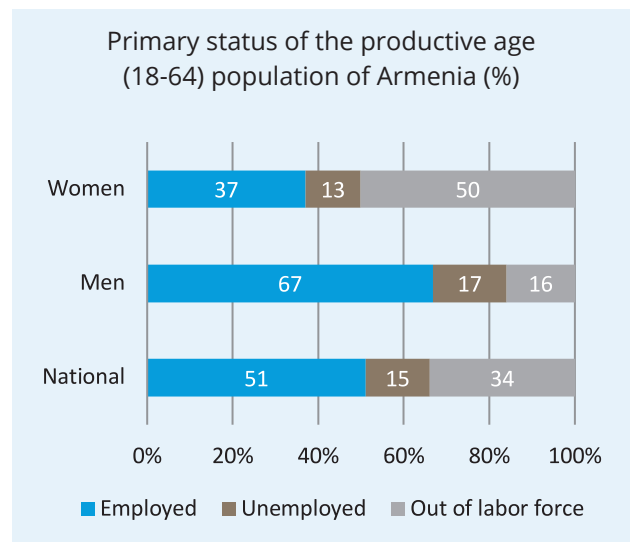
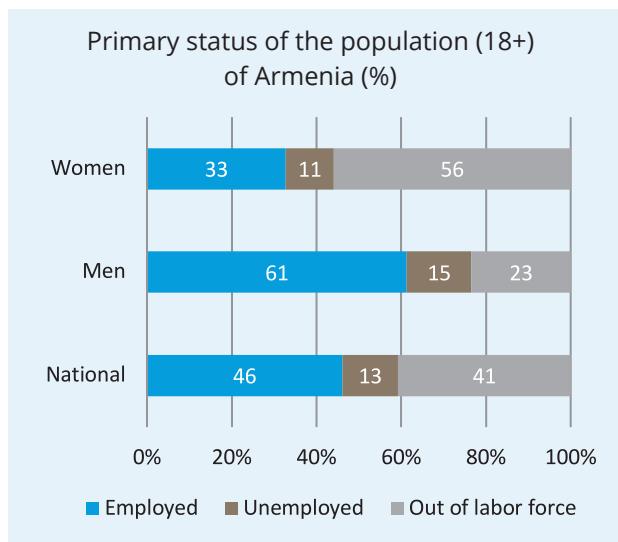
Armenia is a lower middle-income country. GDP per capita in purchasing power parity dollars stood at 8,832 in 2016 (WB, 2017b). The primary sector in terms of employment is agriculture (ARMSTAT, 2018), however, the sector is responsible for only 15% of GDP as of 2017 (WB, 2017a). In Armenia, the labor force participation rate is significantly lower for women than men. The data collected in this project indicates that the primary cause of women’s economic inactivity is the gendered division of labor in society, and particularly the disproportionate amount of unpaid care work which women carry out. A secondary driver of women’s economic inactivity is the weaker financial incentives women have to work, which are reflected in the gender pay gap. Women who are unemployed and outside the labor force live in poorer households and report a worse quality of life, versus women who are working. Women are slightly less likely than men to be in informal employment in Armenia. Women in informal employment make significantly less than women in

formal employment and also report a significantly lower level of confidence. There is widespread support for formalizing the informal sector, but support is weaker among the informally employed.

## Workforce at a Glance<sup>4</sup>

The graphs below provide breakdowns of the composition of the adult population (18+) and productive (18-64) age population in terms of their labor force status, disaggregated by sex. Labor force participation is estimated at 59% of the population, with 77%<sup>5</sup> of men participating in the labor force and 44% of women. When only looking at the productive age population, 66% is in the labor force, including 50% of women and 84% of men: a female to male labor force participation ratio of 59%. Further disaggregating labor force participation into employment and unemployment suggests that 22% of the population is unemployed, with 26% of women unemployed, versus 20% of men.

**Figure 1:**  
Labor force statistics



4 The data presented in this section comes from the survey conducted within the study.

5 The chart above suggests that men’s labor force participation is 76%. However, this is due to rounding error

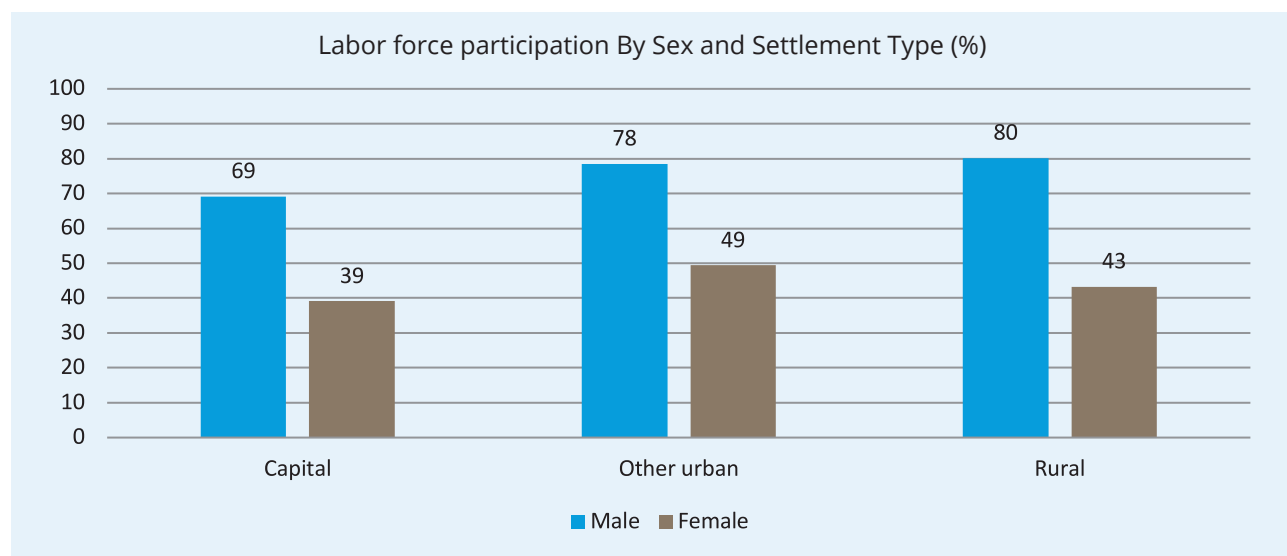
associated with breaking labor force participants into employed and unemployed. Similar discrepancies in this and other paragraphs in the report are also due to rounding error.



Labor force participation is slightly higher outside Yerevan (62% in other urban areas; 63% in rural areas) than in the capital (52%). Women’s labor force participation is lower among women in Yerevan (39%) than women in other urban areas (49%). Rural

areas have similar labor force participation rates for women as in the capital (43%). The male labor force participation rate is higher in both rural areas (80%) and urban areas besides Yerevan (78%) than in the capital (69%).

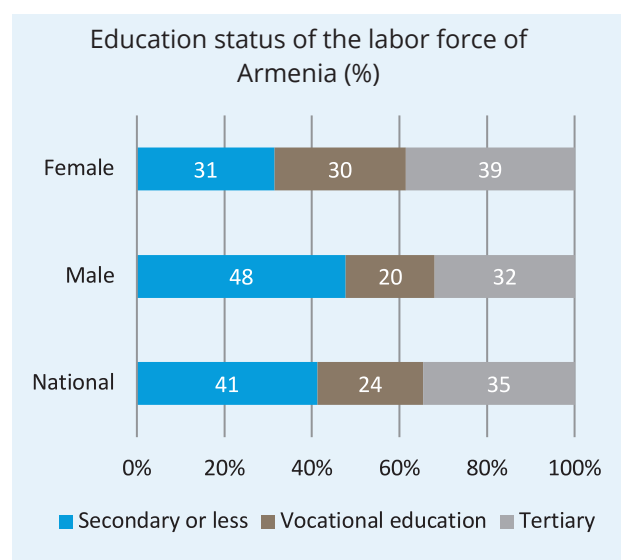
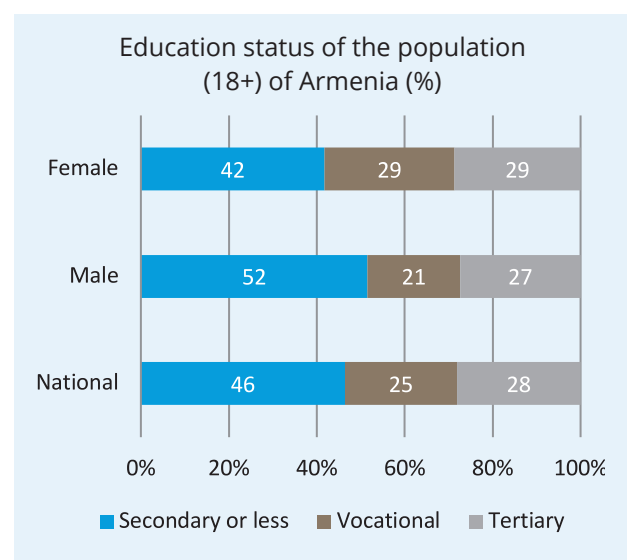
**Figure 2:**  
Labor force participation by sex and settlement type



The charts below show education levels for the adult (18+) population and the labor force. The data suggest that women are slightly more likely to have obtained vocational education than men, in the adult population. In the labor force, women are more

likely to have either vocational education or tertiary education compared to men. In contrast, men are more likely to have a high school diploma or lower level of education.

**Figure 3:**  
Education and labor force participation



A number of sectors are male dominated in Armenia, including:

- ✓ Agriculture, hunting, and forestry;
- ✓ Construction;
- ✓ Transport, storage, and communications and;
- ✓ Financial intermediation.

In contrast, the following sectors are female dominated:

- ✓ Education;
- ✓ Healthcare and social work.

The survey suggests that hotels, restaurants, and cafes; financial intermediation; government, public administration and defense; manufacturing; transport, storage, communication; and mining and quarrying pay above average. Women in Armenia are 11 percentage points less likely than men to work in these sectors. This likely contributes to their lower wages, which is discussed in greater detail below.

### Causes of Women's Economic Inactivity

Women's participation in the labor force in Armenia is significantly lower than men's. While 77% of men are in the labor force among the population, 44% of women are. Among the productive age population (18-64), 50% of women and 84% of men participate. This data suggests a 34 percentage point gap among the productive age population and a 33% gap among the entire population. Of productive-age women who are outside the workforce, 34% report being homemakers and are not part of the labor force; 28% of all women, overall, report the same. By comparison, less than 1% of men report that they are homemakers.

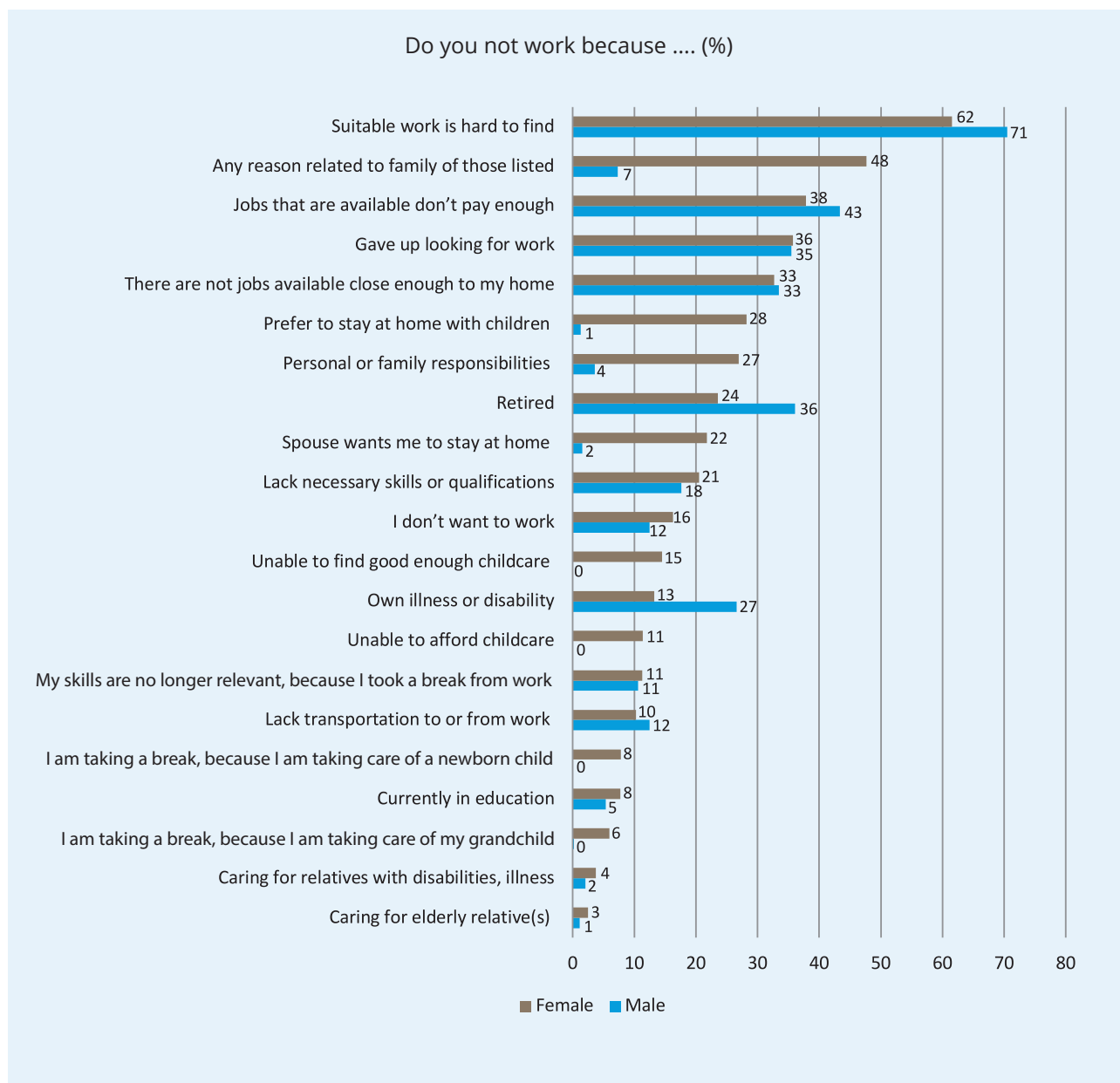
This data suggests that the labor force participation gap is attributable to the gendered division of labor in Armenia, especially concerning unpaid care work and household labor. Further, it coincides with the reasons women who report they are not working give when asked why they are not working: Overall, 48% of women reported they were not working, at least in part, because of an issue related to family. Only 7% of men reported the same. While 28% of non-working women report they prefer to stay at home with the children, 1% of men reported the same. For 27% of women, personal or family responsibilities are one of the reasons they do not work; 4% of men reported the same. One in five women (22%) noted

that their spouse wants them to stay home. Only 2% of men reported the same. One in seven women (15%) stated that they are unable to find good child care and hence do not work; 0% of men highlighted the same problem. One in ten (11%) women stated they were unable to afford childcare and hence were not working, while 0% of men reported the same. Men did not report that they were taking a break from work to take care of their children, while 8% of women reported they were. The same pattern holds with care of grandchildren: 0% of men were taking a break to take care of grandchildren, while 6% of women were. While 4% and 3% of women were taking care of relatives with disabilities and elderly relatives, respectively, and hence not working, 2% and 1% of men were. Women in rural areas are more likely to report that suitable work is hard to find, that there are not enough jobs close to their home, and that they lack transportation to or from a job than women in urban areas. They are also slightly more likely to report that they lack the necessary skills or qualifications to work. Women in Yerevan are slightly more likely to report that they do not want to work than women in other urban and rural areas.

During focus group discussions, similar issues were also brought up. When asked what was most important in a job for women, participants noted that the most important thing was the schedule, because women are expected to perform care work. As a participant noted, "For me, the only factor is that a woman can go to work and return home early, to manage the household." Another woman noted that husbands often discourage wives from working. As the participant stated, "I know women whose husbands do not allow them to work and these women start to forget about their dreams and work." Besides husbands, social pressure was also noted from neighbors and mothers-in-law. As another participant noted, "I heard a lot that mothers-in-law say that they want their daughters-in-law to work, but when they do not have time to wash plates, they start to reprimand them."

Besides social norms, women in focus group discussions also pointed out that the lack of childcare prevented women from working. They noted that kindergartens require you to pick up children at 5PM, while most offices work until 6PM. Moreover, the price of kindergartens was prohibitive.

**Figure 4:**  
Reasons men and women report for not working



A participant pointed out that the cost of kindergarten for two children was the equivalent of half of a monthly salary. While private kindergartens were more flexible in terms of working hours, they are more expensive.

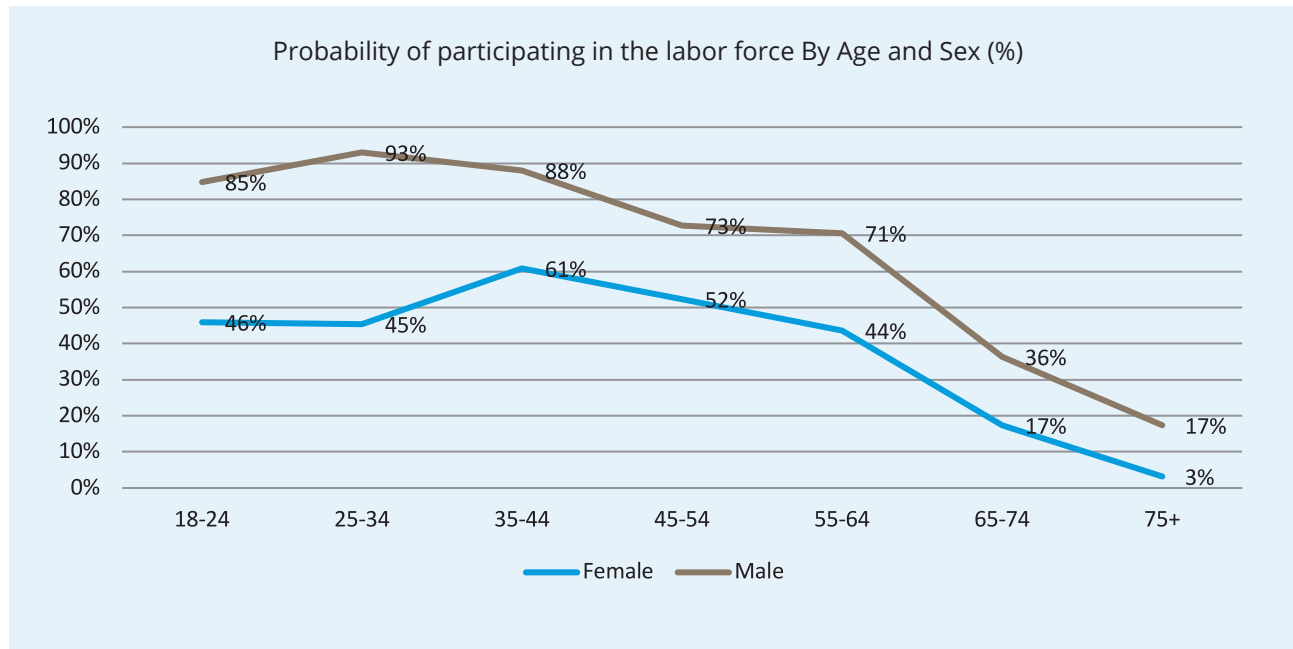
Women are significantly less likely to participate in the labor force when they are between the ages of 25 and 34, a key period in the reproductive age range. Although the reproductive age range includes women who are slightly older than this, the data suggest that

unpaid care work and potentially the expectation of unpaid care work (e.g., of having children in the near future) among women within the reproductive age range is depressing women's labor force participation. There is a steep increase in the rate of women citing family related issues and in identifying as homemakers when women are in the 25-34 age range compared with women in the 18-24 age range. In higher age ranges, the rate of women citing family related reasons or identifying as homemakers and

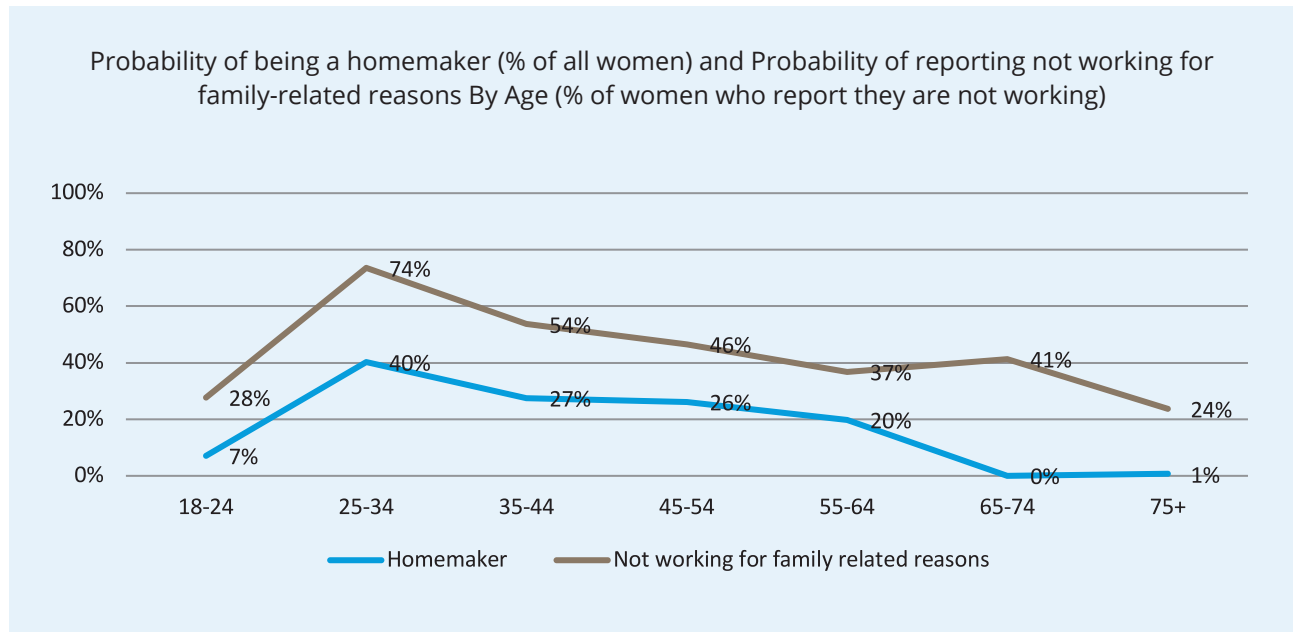
not being interested in work declines. This data suggests that the gendered division of labor and the associated unpaid care work women perform

reduces women’s labor force participation rate, particularly among women of reproductive age.

**Figure 5:**  
Labor force participation by sex and age



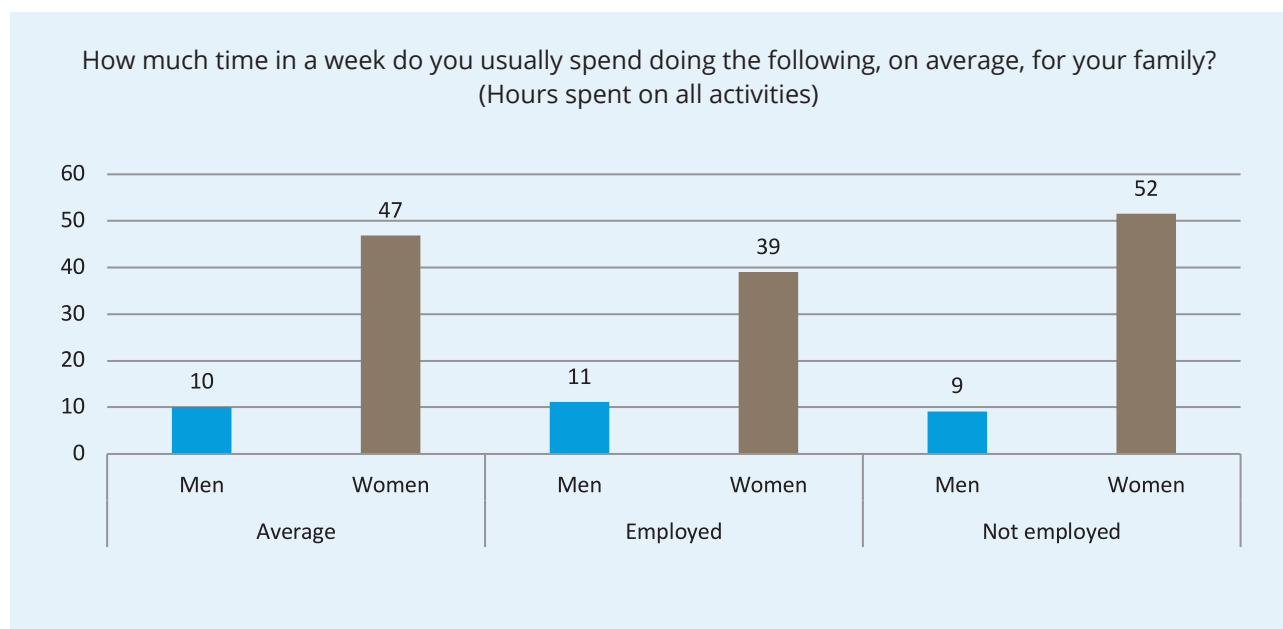
**Figure 6:**  
Probability of being a homemaker and not working for family reasons



Women in Armenia shoulder a disproportionate share of unpaid care work, further suggesting that the gendered division of labor in society inhibits women from labor force participation. Women reported spending an average of 47 hours a week on household related activities within the survey. Working women report working less (39 hours) than women that are outside the labor force or unemployed (52 hours when these groups are

combined). In contrast, men reported doing 10 hours of household work on average per week. Working men do not do significantly more or less housework than men who are unemployed or outside the labor force, taken together. There is no significant difference between the number of hours men and women report working in rural areas, the capital, or other urban areas.

**Figure 7:**  
Amount of time spent on unpaid care related work



To explore whether the gendered division of labor in society and the attendant unpaid care work often expected of women disproportionately affect women’s labor force participation, we estimated the impacts of the following three factors using statistical matching on the variables noted in the methods section: (a) having children; (b) being married; and (c) leaving the workforce or choosing not to enter it for family-related reasons. The results broadly support the analysis above: marriage is associated with a 16 percentage point lower level of labor force participation. In contrast, marriage is associated with a 19 percentage point higher level of labor force participation among men. Having children also decreases women’s chances of participating in the labor force, by approximately 6 percentage

points. However, it also decreases a man’s chances by approximately 11 percentage points.<sup>6</sup> Leaving a job or not seeking one out for family-related reasons does not have a significant effect on women’s labor force participation, when controlling for other factors.

#### Reasons for women with vocational and tertiary education for not working

The same process of matching with regression analysis was carried out to understand the impact of vocational education and higher education on women’s labor force participation compared with secondary education. The results suggest that women with higher education are 18 percentage points more likely to participate in the labor force compared with women who have attained secondary education or

6 These two effects, however, are not statistically different from one another. Hence, it is not possible to suggest

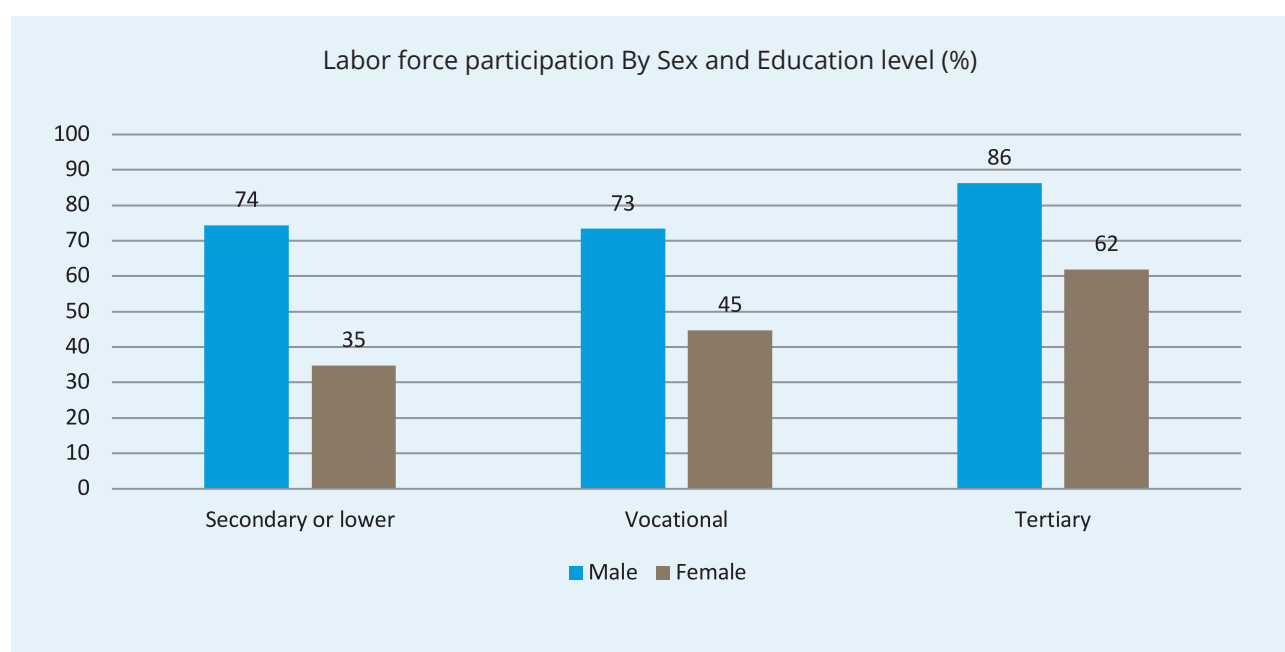
that the effect of having children on labor force participation is larger for either men or women.

a lower level. Women with vocational education are also 11 percentage points more likely to participate in the labor force compared with women with secondary education.

Clearly, vocational and tertiary education are critical tools for increasing women’s labor force participation rate. Yet, women with vocational and

higher education still participate in the labor force at a rate significantly lower than men: 62% of women with tertiary education participate in the labor force compared with 77% of men in general and 86% of men with tertiary education. This leads to the question: what reasons do women with vocational and higher education in Armenia give for not working?

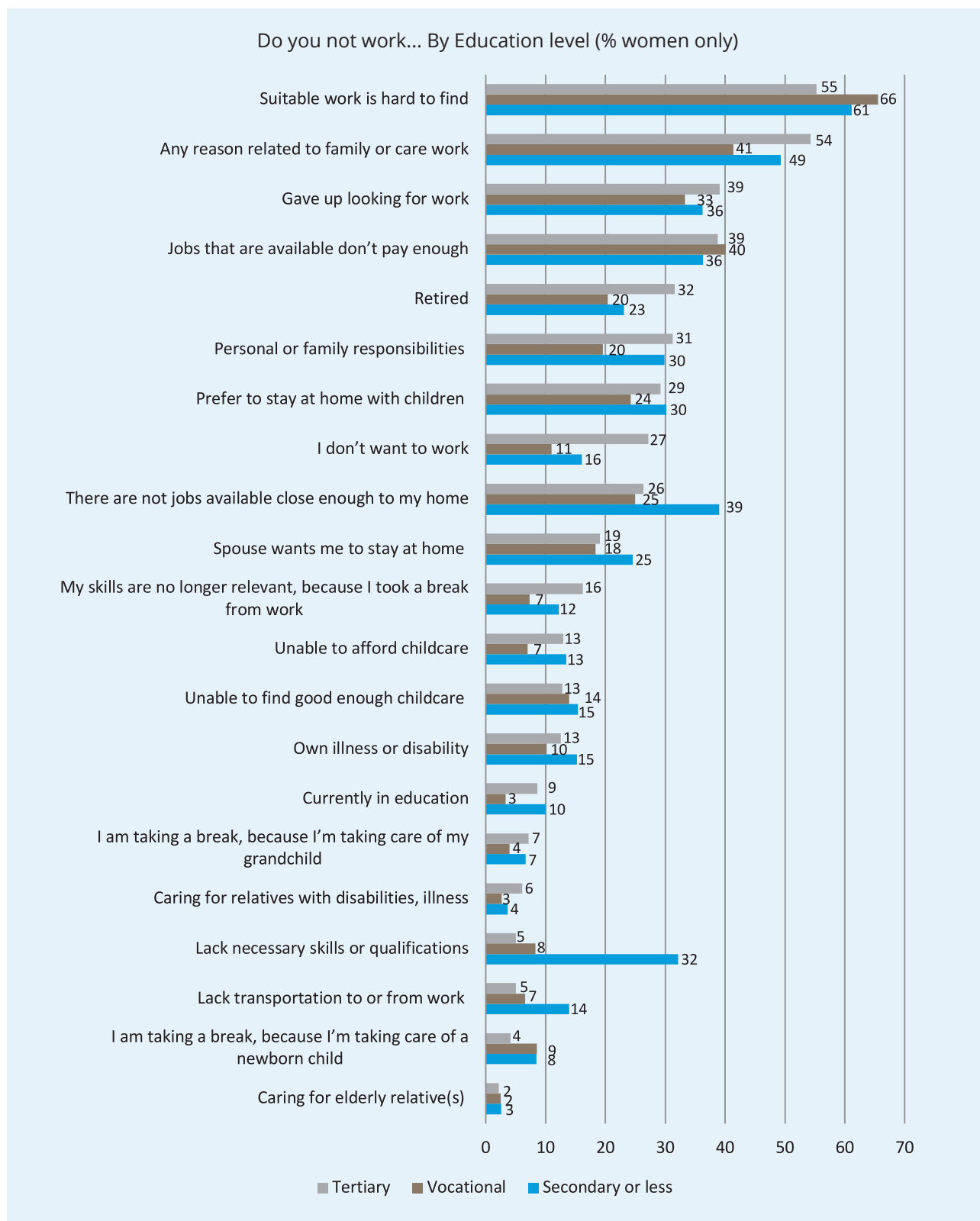
**Figure 8:**  
Labor force participation by sex and education level



The survey shows that women with and without tertiary education tend to report similar reasons for not working. Family-related issues play a slightly larger role for women with higher education than women with vocational education. While women with higher education still cite unpaid care work as a

reason for not working, other factors appear to play less of a significant role. For example, women with lower levels of education are more likely to report that suitable work is hard to find; that there are no jobs available close enough to their homes; and that they lack the necessary skills or qualifications.

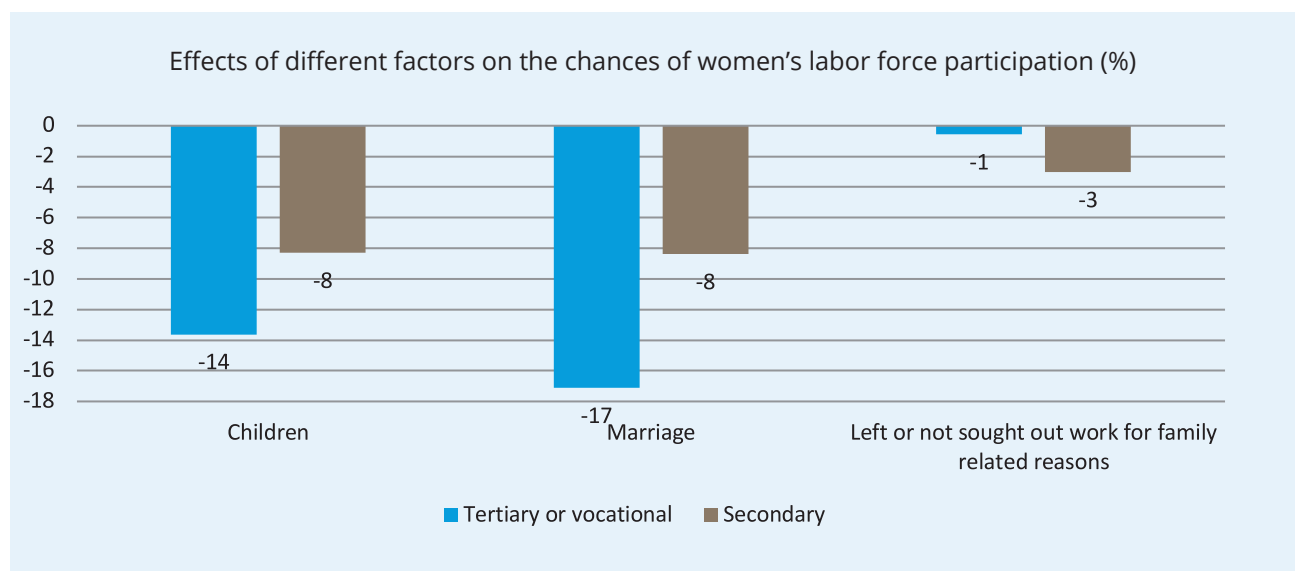
**Figure 9:**  
Reasons for not working by education level



To analyze whether there were any factors which disproportionately affected women with higher and vocational education, the same analysis using matching and regression that was reported in the above section was implemented, comparing people with secondary education to people with either tertiary or vocational education. The results suggest that marriage is associated with a 17 percentage point lower labor force participation rate for women with tertiary or vocational education, compared with women with the same education level who are not married. For women with secondary education only, the decline is 8 percentage points. Children are also associated with a 14 percentage point lower labor force participation rate among women with tertiary or vocational education. By comparison women with secondary education are eight percentage points

less likely to participate in the labor force when they have children compared to when they do not. The experience of leaving or not seeking out work for family related reasons is not associated with a significantly lower level of labor force participation for any group, other factors controlled for through matching. This data suggests that the gendered division of labor in society may have a larger effect on educated women’s chances of labor force participation than for women with secondary education. Put simply, education may buffer the effect of other factors depressing economic activity. Still, it does not reduce the negative impact of the gendered division of labor in society on women’s economic activity. In fact, this barrier to labor force participation may be larger for women with higher education.

**Figure 10:**  
Effects of children and marriage on labor force participation by education level



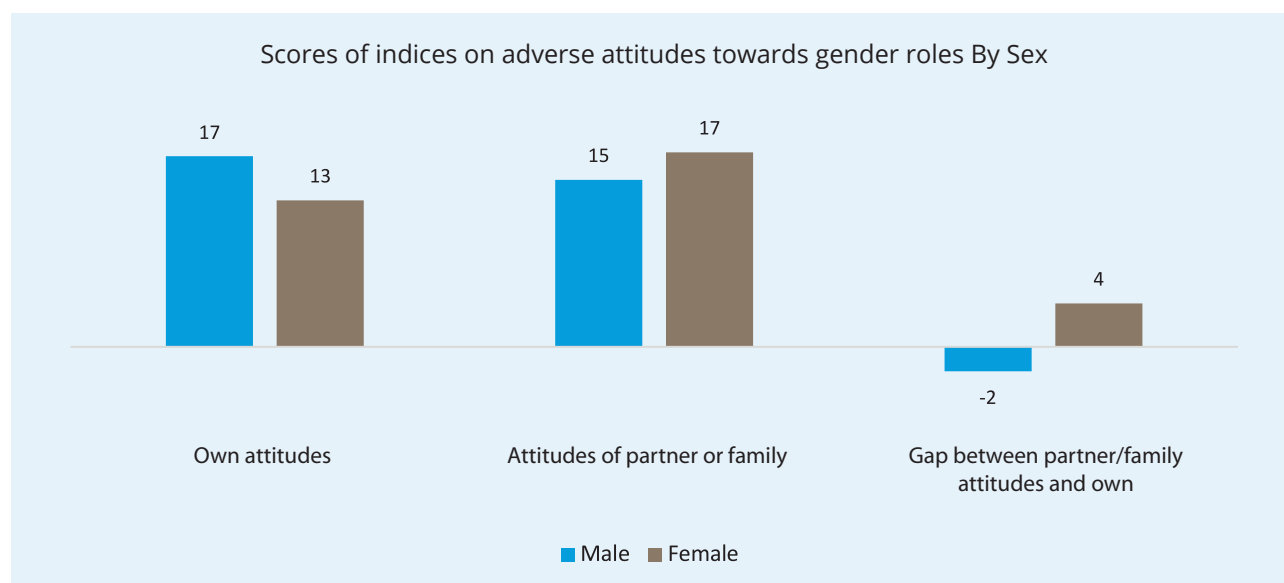
### Adverse social norms

While the primary cause of women’s economic inactivity appears to be unpaid care work and the gendered division of labor in society, the perceptions one holds of family members’ gender-related views as well as one’s own views could discourage one from participating in the labor force. As noted in the methods section, three indexes were created

to understand this issue. The average score for each index is provided in the chart below. The chart suggests that men report more adverse attitudes than women and that women accurately perceive that men hold more adverse views. Notably, men think that women hold views closer to their own than in reality, although they recognize that women, on average, hold less adverse views.



**Figure 11:**  
Adverse attitudes towards gender roles by sex



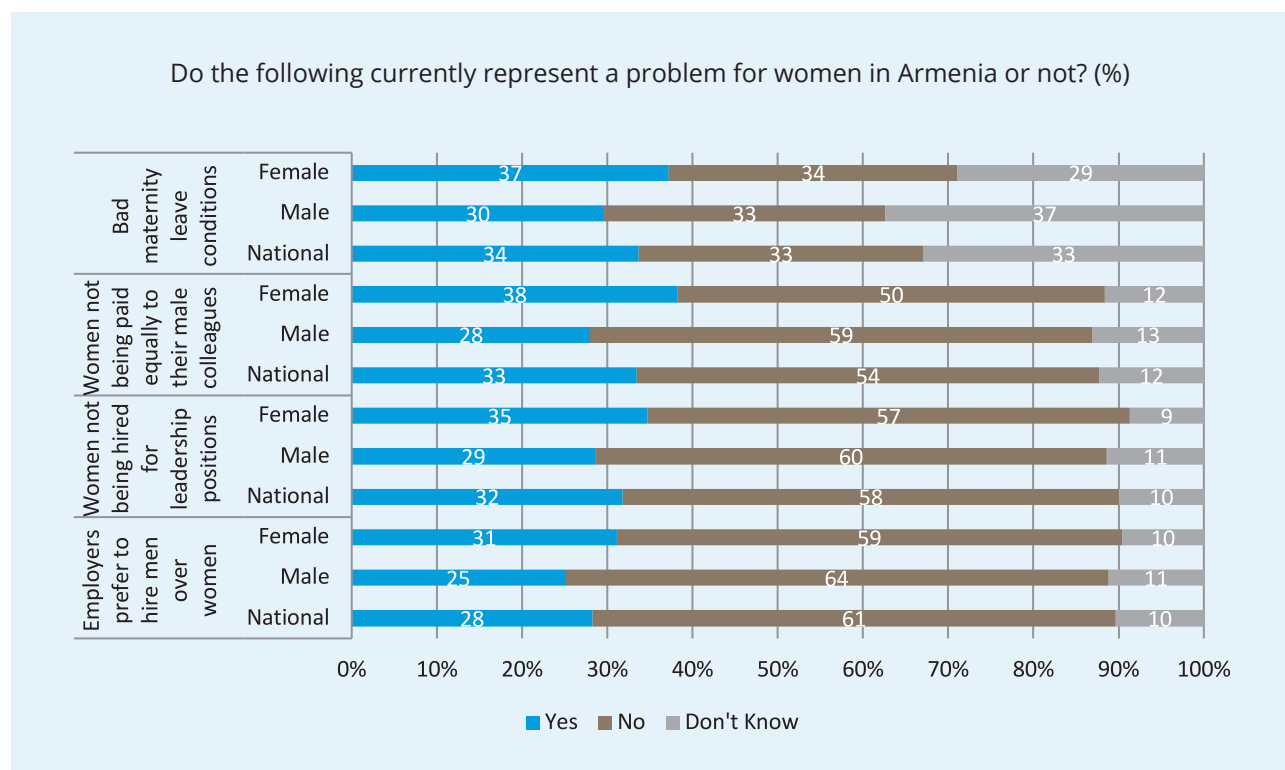
Analysis of these three indexes using regression suggests the less adverse a woman's views of women's roles in society are, the more likely she is to participate in the labor force. Women who perceive their partners to hold more adverse attitudes are no more or less likely to participate in the labor force than women who perceive their partners as holding less adverse attitudes. Counter to expectations, the larger the gap between women and how they perceive their partner or family's views, the more likely they are to work. That is to say, women who think their partner or other male family members hold more adverse views than they do are also much more likely to work. It is important to note that these three analyses are inherently correlational, and a number of causal mechanisms could explain this finding. For example, women who work may realize that their partners hold more adverse views than they had thought, prior to entering the workforce. Women who have never worked may not realize how their partners feel. In this regard, further research

is needed to be able to parse out cause and effect with regard to the role that adverse social norms play in labor force participation. Nonetheless, it is telling that women who do not work are more likely to hold more adverse views with respect to women's roles in society.

### Discrimination

Like the gendered division of labor in society, gender-based discrimination could discourage women from entering and remaining in the labor market. In Armenia, most women and men do not believe that gender discrimination in the labor market is a major problem, when asked about hiring men over women; women not being hired for leadership positions; or women not being paid equally to male colleagues. With respect to poor maternity leave conditions, more women highlight this is an issue than men. Slightly more women than men think that women are not paid equally and that this is a problem for women in Armenia.

**Figure 12:**  
Attitudes towards different issues women face in Armenia



While about one in three men and women identified the above issues as problems, relatively few women report leaving or not seeking out a job due to discrimination related reasons. Rather, as the charts below demonstrate, the main reason why women and men have either left a job or not sought one out is low pay and a lack of available jobs. The unadjusted gender pay gap stands at 37%, suggesting women make 63 Drams for every 100 men make. The gender pay gap stands at 32% in Yerevan, 45% in other urban areas, and 40% in rural areas. The gender wage gap in Armenia is reflected by the fact that ‘low pay’ is the most common reason given by women in the general population who have either left a job or not sought out jobs for doing so, among the potential reasons asked about.

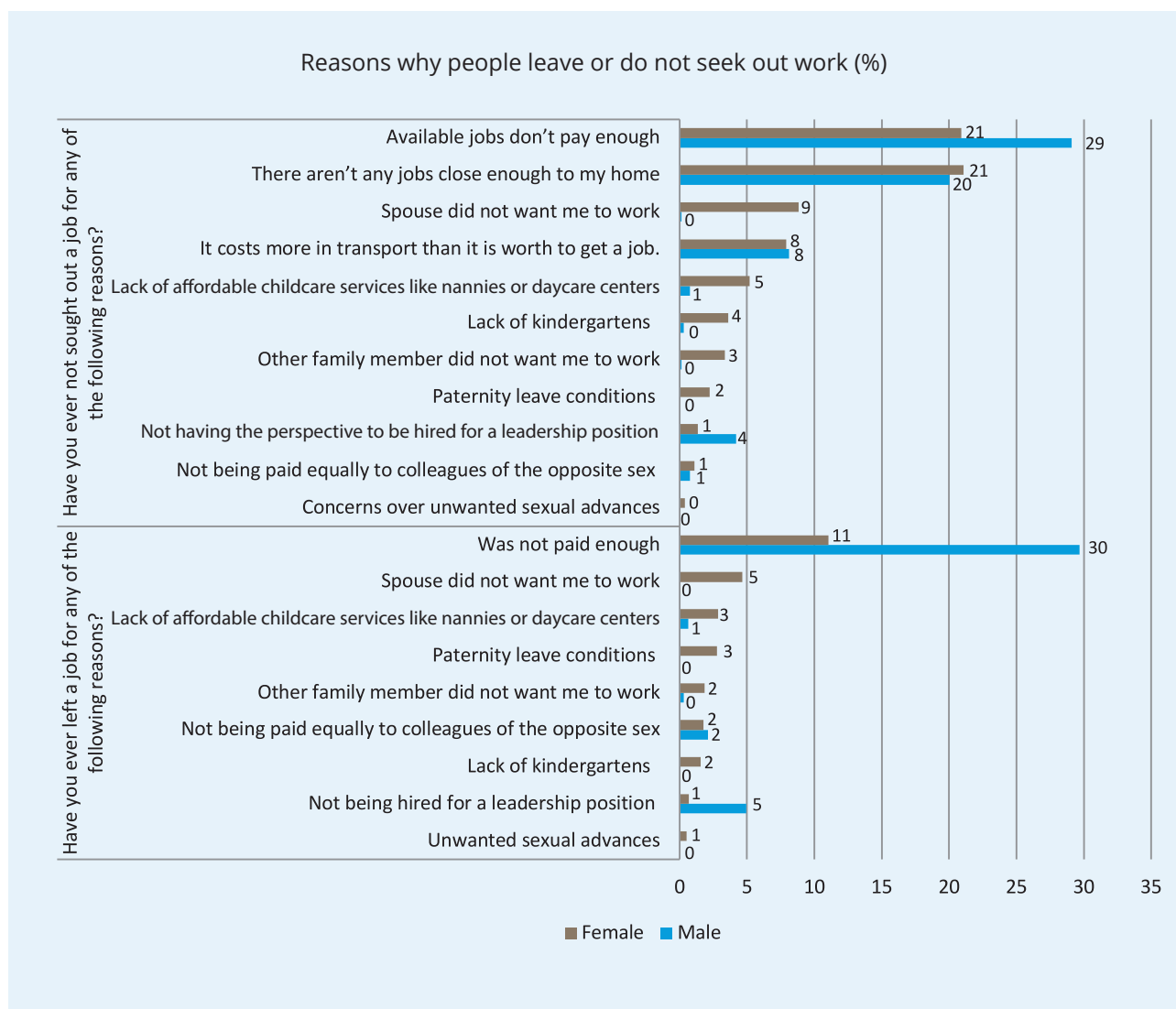
The above data suggests that women have less of a financial incentive to work than men because they are unlikely to make as much money. It is reasonable to assume that if women’s average income rose to the levels made by men, more would work. However, even if the gender pay gap were to disappear through

increased financial incentives for women to work, the gendered division of labor in society and particularly unpaid care work would still have a depressing effect on women’s economic activity.

### Consequences of Women’s Economic Inactivity

To find out what the consequences of women’s economic inactivity are, matching was again carried out together with regression analyses to compare women who work to women who are either out of the labor force or unemployed. Further regressions were used to assess whether employed women were more or less confident, mobile, happy, had better access to finance, and whether their households had more or less income. The results suggest that women’s economic inactivity leads to a number of negative consequences, including lower quality of life indicators and poorer economic situations for women’s families. In terms of adverse attitudes towards gender, economic inactivity among women is associated with a number of more adverse attitudes and some less adverse ones.

**Figure 13:**  
Reasons for leaving or not seeking out a job



A number of quality of life indicators are associated with employment for women. Employed women are 12 percentage points more likely to have spent two nights or more in another settlement in the last six months, a standard indicator of mobility. Women with work are 12 percentage points more likely to report they are confident at a level equal to or above the average level in the country as a whole. Women in focus group discussions noted that they thought women could achieve a greater level of self-fulfillment through working. Working women in focus group discussions also noted they would be financially dependent and less “courageous” without work. Employment was not associated with a higher or lower level of happiness for women.

Households in which the woman who responded to the survey was working tended to be better off economically. In households where a female respondent was working, average reported income was ~USD 5,140 (AMD 2,490,931), whereas the average annual income in households where a female respondent did not work was ~USD 3,920 (AMD 1,900,956), 24% lower. Although this finding does not apply solely to women – in any household where one less individual is working, the income would generally be expected to be lower – it still suggests that the economic well-being is lower in households where women are either unemployed or outside the labor force. The analysis, however, suggests that women neither benefit nor are hurt by employment when it

comes to access to finance. This likely stems from the fact that among those who applied for a loan and had received a response on it during the last three years, the vast majority (94%) were approved. Women were approved for 96% of loans they applied for, with approval for 94% of women who were unemployed or outside the labor force and approval for 97% of women who were working.

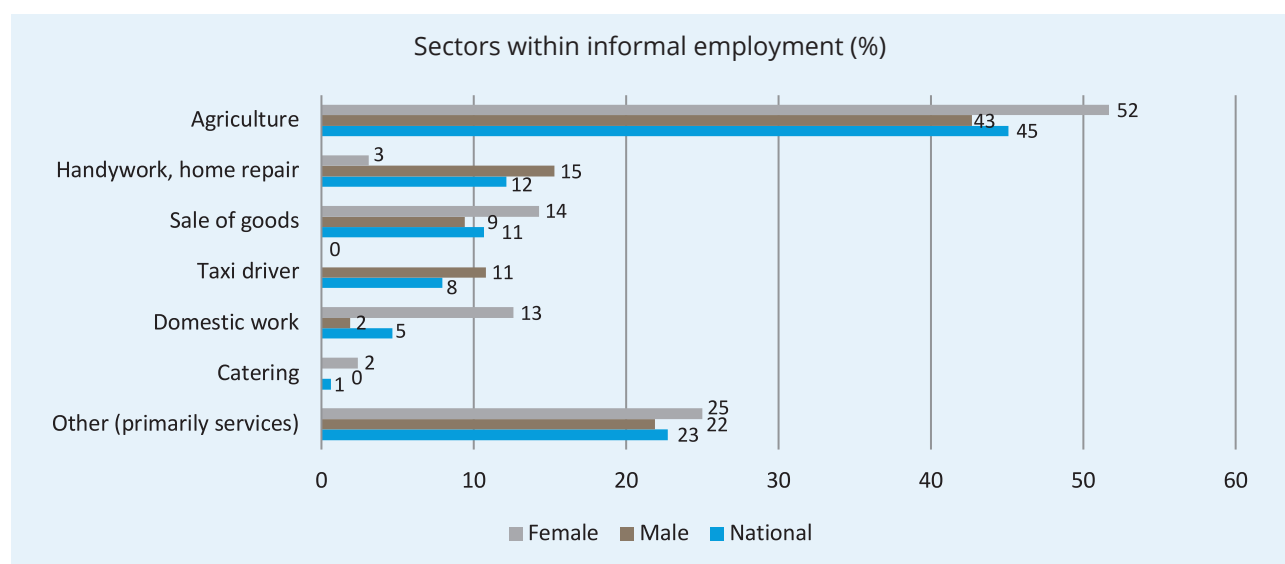
While it is difficult to parse out causality with regard to attitudes, the results of the survey suggest that working women are more likely to believe that women should have the same opportunities and decision-making power as men. They are 14 percentage points less likely to report that men should have the final word about decisions in the household or that when jobs are scarce, men should have more right to jobs than women. They are eight percentage points less likely to think that if a woman earns more than her husband that it is bound to cause problems. They are 12 points more likely to think that employed mothers can be as good caregivers to their children as mothers who do not work. It is important to remember that correlation is not causation. Women who support gender equality more may be more likely to enter the workforce; women may also enter the workforce and then develop more egalitarian attitudes. Some combination of both is likely the case.

While working women generally have less adverse attitudes, the data suggest that gender attitudes are shaped by many factors and that working women may still have very gendered views. Working women, for example, report that a university education is more important for a boy than a girl seven percentage points more often than non-working women, and they are eight percentage points less likely to think that having a job is the best way for a woman to be an independent person.

### Informal Employment in Armenia

In Armenia, 16% of the population is engaged in informal employment, corresponding to 35% of the working population. The data suggest that women are significantly less likely to be in informal employment, with 39% of working men in informal employment and 28% of women. The plurality of informal employment in Armenia is in the agriculture sector (45%), which is predominantly in rural areas. A number of fields are gendered: home repair and taxi driving are predominantly male, while care work (including cleaning, cooking, and care of children) is largely done by women. These types of work are more common in urban areas than rural ones.

**Figure 14:**  
Types of informal employment by sex

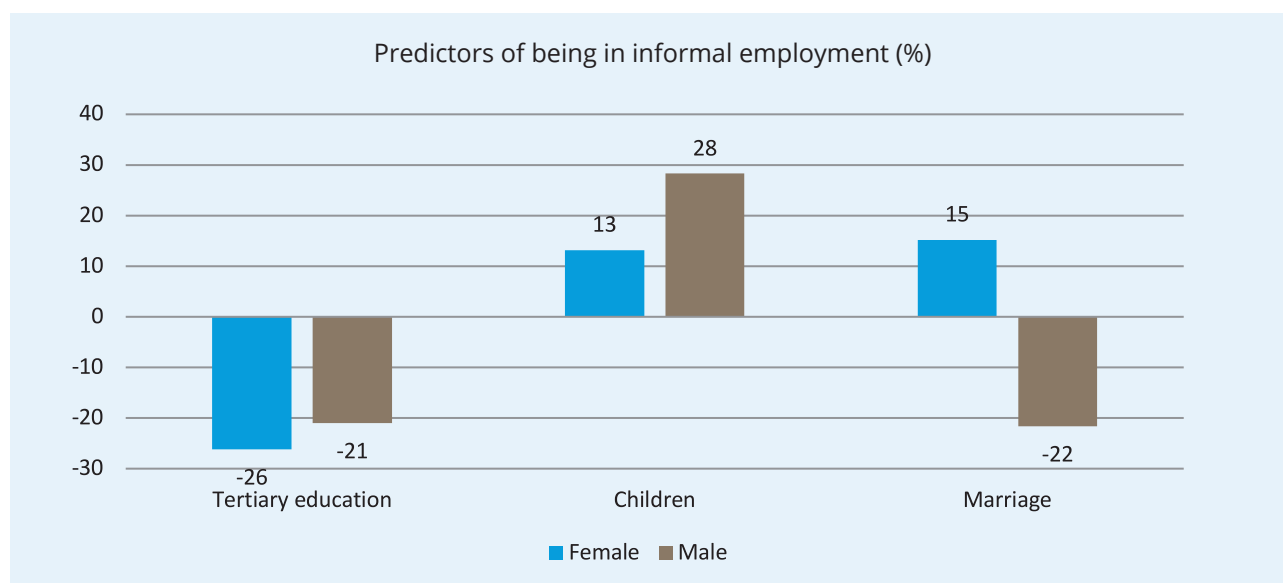


Note: The above chart does not add up to 100%, because some respondents have multiple informal sector jobs.

To understand which factors predict whether women and men enter informal employment, a matching/regression analysis was undertaken that compares women in formal employment to women in informal employment. The results suggest that a number of factors predict whether women enter informal employment. Women and men with tertiary education are much less likely to be in informal

employment. Having children is associated with a higher rate of informal employment for women of 13 percentage points and 28 percentage points for men. Marriage is also associated with a significantly higher rate of women’s informal employment. However, it is associated with a 22 percentage point lower rate for men.

**Figure 15:**  
Predictors of informal employment

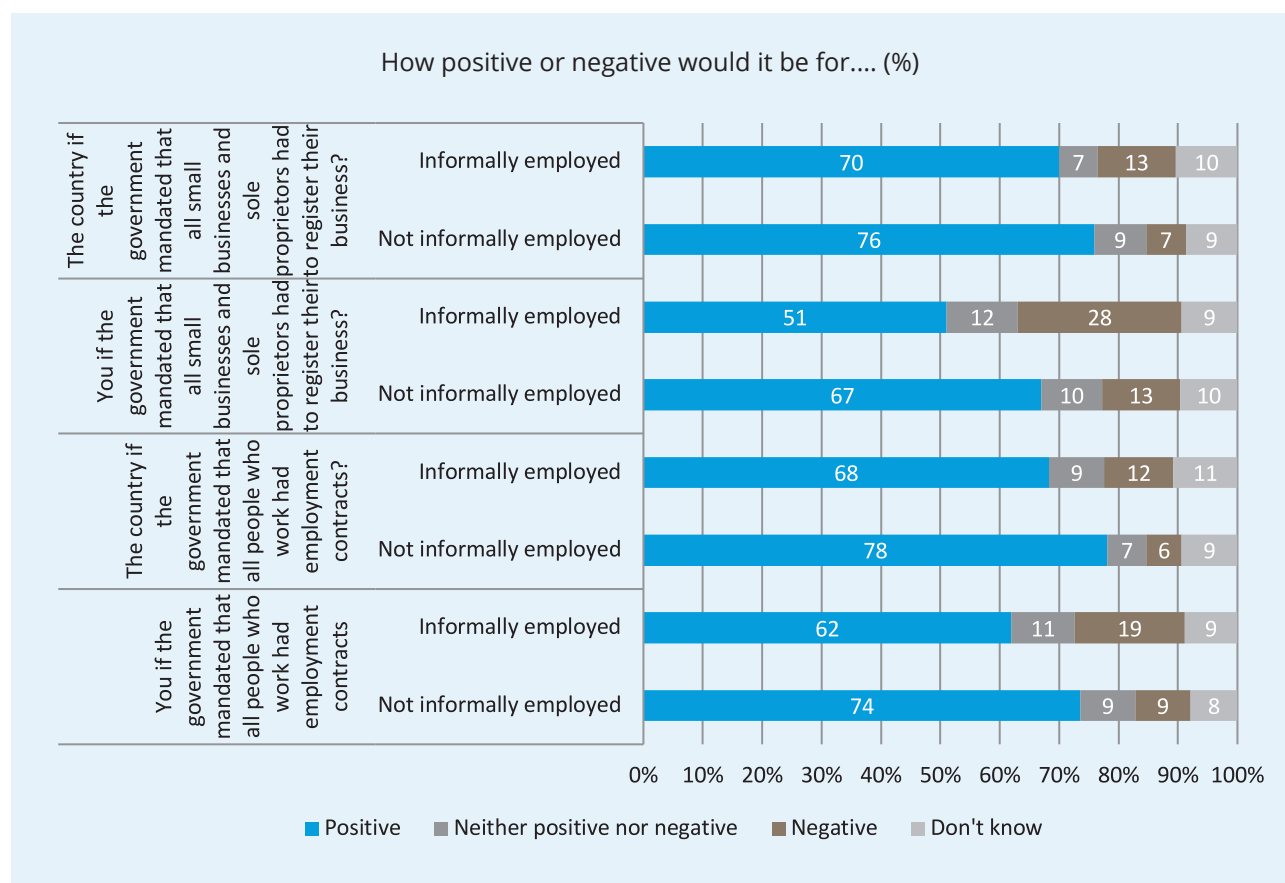


Informal employment is not generally associated with negative outcomes for women, with two exceptions. A matching analysis suggests that women working informally live in poorer households. While the average annual income of households with women in formal employment is ~USD 4,900 (AMD 2,372,967), it is ~USD 3,290 (AMD 1,592,332) in households with women in informal employment, a 33% lower level of income. The lack of other negative outcomes may be the result of the general economic situation in Armenia. Women working in informal employment are also significantly less likely (10 percentage points) to report being confident at or above the average level in the country. These consequences should however be treated with caution, as correlation is not causation. Many informal jobs are likely to simply be of lower quality than formal jobs. If these jobs were formalized, there is the potential that they would become worse or disappear altogether. In terms of

becoming worse, the income tax rate in Armenia is 23-26%. This would result in a significant decline in take home pay for people who are potentially already worse off than people currently in formal employment.

There is significant support in Armenia for formalizing the informal sector, with the population reporting that they think it would be positive both for themselves and the country. Three in four reported it would be good for them if all businesses and sole proprietors had to provide employment contracts, and two in three reported it would be positive for them if all businesses including individual entrepreneurs had to register their business. For all four questions, the informally employed are significantly less likely to support steps towards formalization. Men and women’s attitudes do not differ significantly in terms of their support for formalization.

**Figure 16:**  
Support for formalizing the informal sector



# CONCLUSIONS AND RECOMMENDATIONS

The above data and analyses clearly shows that women's economic inactivity negatively affects women, as well as their household's economic well-being and quality of life. Women who are outside the labor force or unemployed tend to live in households that are poorer on average. While this finding is intuitive – when one less household member is working, the family's income is generally going to be lower – it still suggests a lower level of economic well-being for both women and their families. Women who do not work are also often less mobile and confident than women who work. It was only possible to analyze a number of indicators of economic and social well-being in this study. Hence, it is highly likely that women's economic inactivity has more negative consequences for women, their families, and Armenian society.

The primary driver of women's economic inactivity is the gendered division of labor in society and the accompanying unpaid care work which women predominantly perform. Women who report they are not working explicitly cite family-related reasons for not working, and further statistical analysis re-affirms women's claims: being married is a strong predictor of whether or not a woman participates in the labor force. In Armenia, married women are 16 percentage points **less** likely to participate in the labor force. In contrast, married men are 19 percentage points **more** likely to participate in the labor force, controlling for other relevant factors.

Men rarely mention family-related reasons as factors in their decisions with respect to work. When considering that women in Armenia generally report performing around 40 hours of homemaking activities a week (4 times as much as men), it is unsurprising that many women do not work. Moreover, the data suggests that their care responsibilities remain largely unchanged irrespective of whether or not they are employed. This suggests that the decisions they make at work, and time and energy they are able

to offer are affected by the persistent responsibilities they face with respect to unpaid care work.

Adverse social norms may also play a role. Working women generally hold less adverse views. This is not uniformly the case though, and correlation in the present case cannot definitively be said to be causation. Moreover, in some cases, working women have more adverse attitudes, suggesting that there is not a clear causal relationship wherein work leads women to become less adverse. Women with less adverse views could enter the workforce and keep their views, or the experience of working could lead women to have more egalitarian attitudes. The experience of work may also lead some working women towards more adverse views in some domains. In all likelihood, all of these processes are at work in the pattern observed in the data. This suggests the need for further research on the subject. The research should specifically explore whether encouraging more egalitarian attitudes among women increases their chances of working. To explore this, one option would be carrying out a randomized control trial on the integration of training on gender issues and gender equality in professional training, though many other potential studies could be devised. Importantly, this would serve the dual purpose of enabling an understanding of whether greater awareness of gender issues leads to increased labor force participation, while also educating male students on the importance of gender equality.

In attempting to dampen the effects of the gendered division of labor in society on women's labor force participation, the ILO's recently published 5R framework is worth particular attention. The 5R Framework for Decent Care Work (ILO, 2018) recommends *recognizing, reducing, and redistributing* unpaid care work, and rewarding paid care workers with decent income and protected work conditions and increasing their *representation* in public decision-making.

To achieve progress on redistributing more care work to men, two recommendations are particularly pertinent. First, non-governmental organizations should run social campaigns that aim to increase the role men play in what are socially considered female domains. No matter what the campaign specifically focuses on, it should also aim to increase recognition for and positive acknowledgement of the unpaid care work that continues to be predominantly carried out by women. By increasing the recognition of the importance of this work to healthy economies and the well-being of all of society, its status will hopefully improve, leading to men being more engaged in care work, and to workplaces that are more aware and supportive of unpaid care work.

Second, previous studies from the region suggest that boys are not taught to do female gendered activities such as cooking and cleaning (CRRC, 2015). Hence, the educational system could provide home economics courses for all students to make up for this gap in socialization, to communicate that this work is essential to an effective economy and society, and enable and encourage future generations of men to share in household responsibilities.

This study also suggests that the provision of affordable care services for dependents would increase women's economic activity and economic opportunities. The data presented above suggests that the availability, quality, and cost of kindergartens and other child care services are all concerns that lead women not to work. Moreover, many women who leave the workforce for family-related reasons never return. Hence, ensuring universal access to high quality and low cost or free kindergarten is likely to increase women's labor force participation rate through a) removing a reason why women leave the workforce and b) reducing the amount of time women are engaged in unpaid care work. A simple fix of making kindergartens and pre-schools work beyond 6:00PM has the potential to enable women who are currently not working to enter the labor force because kindergartens and pre-schools close at 6PM and the average work day lasts until 6PM. Importantly, this underlines the point that the state can take relatively simple steps to better coordinate services with the predominant conditions on the labor market to enable more caregivers to work. Clearly, the provision of universal access to high-

quality kindergartens has significant costs. However, in addition to the likely increase in women's labor force participation that would have positive economic benefits, kindergarten and pre-school have been shown to have numerous positive economic and social benefits, from increases in productivity to lower crime rates among the adult population which attended kindergarten and pre-school (Schweinhart, et. al. 2005; Reynolds, Ou, and Temple, 2018). This suggests that this policy would, in the long term, have numerous other positive outcomes associated with it, while also increasing women's economic activity immediately.

Women are also more likely to care for the elderly than men. Policy in the region on elderly care is under-developed; access to paid elderly care services is poor; and quality of care is a concern when services are available, according to a reviewer of the report. This is a second area where service provision is likely to have an immediate effect, leading more women to work as well as lead to healthier societies through the professionalization of eldercare. Given that globally the momentum in job creation is in services, including care work and elderly care specifically, the Government of Armenia should consider developing a stronger policy framework and infrastructure for providing elderly care today rather than waiting for the situation to deteriorate.

Besides the provision of increased access to social services, creating workplaces responsive to the needs of caregivers would likely increase women's labor force participation. Two pertinent options in this regard are promoting flex time work and job sharing. Flex time work schedules enable employees to do their work, when they are able to, while also making time for care giving. For example, if a kindergarten closes at 6PM, the mother or father can come to work at 9AM instead of 10AM and leave at 5PM instead of 6PM, enabling them to work and take care of their children. Job sharing is the practice of having two individuals working part time on what traditionally would be a single job. Through the reduced workload, people with caregiving responsibilities are able to remain in the workforce while also fulfilling their unpaid caregiving responsibilities. As almost 50% of women reported unpaid care work responsibilities as a key reason for not working, such arrangements may increase their labour force participation.



Importantly, neither of these options are foreign to the region, though they are not explicitly thought of in terms of flex time or job sharing. Explicitly promoting these options as win-wins for employers, families, and the economy has the potential to increase women's labor force participation through enabling care giving. Furthermore, it also has the potential to enable men who would like to play a greater role in care giving to do so, while allowing them to remain in the workforce. To some employers in the region, this may at first appear burdensome, but as the IFC (2016) has argued, promoting women is a smart business strategy that can support not only the development of a strong economy, but also more competitive businesses. Businesses benefit from attracting and retaining the most talented, committed, and educated workers. Flexible and innovative family-friendly policies can attract the most talented workforce, help business operate more efficiently, and better enable workers to excel and succeed at work. It is in the interest of employers and society as a whole to enact policies that enable both women and men to succeed and reach their potential while also being caring contributors to their families and communities.

While reducing, recognizing, and redistributing unpaid care work are critical to increasing women's labor force participation, the paid care work which is critical to this should also be better rewarded. Salaries in professions involving care, such as nursing, social work, and teaching (including in pre-school and kindergarten), are often poorly remunerated. Increasing the rewards of paid care work through monetary and non-monetary means is likely to encourage greater recognition of this work from society and more men to enter these professions which are generally gendered. This further has the potential to redistribute unpaid care work by increasing the number of men in care professions and hence the numbers of men with the necessary skills to perform care work (both paid and unpaid). Through the development of the paid care work economy generally, people who currently are unpaid caregivers will potentially be able to become paid workers either within or outside the care economy.

Beyond reducing, recognizing, redistributing, and rewarding, representation of the voices of caregivers in policy making is critical. Given the gendered nature

of caregiving in each of the countries studied, one of the most straightforward ways of increasing the voice of caregivers would be through increasing women's representation in politics. Although limited evidence exists, what does suggest that women who enter politics prioritize different policy options which are also oriented towards improving the situation of women (Clots-Figuera, 2005). In Georgia, CRRC and NDI's data suggests people are generally supportive of more women in politics (CRRC, 2014). There are many potential steps towards increasing caregivers' representation in politics, from the creation of parliamentary committees focused on the state of care work (both paid and unpaid) to increasing women's participation in local government through encouraging participatory budgeting practices.

### **The weaker financial incentive women have to work drives down labor force participation**

Even though the gendered division of labor in society is the primary driver of women's economic inactivity, the weaker financial incentives which are reflected in the gender pay gap also reduce women's labor force participation. A significant share of women report that they are not working because available jobs do not pay enough; that they have left a job because it did not pay enough; or that they never sought out a job in the first place because the available jobs did not pay well.

At the same time, women earn significantly less than men. If women were paid the same as men, more would likely participate in the labor force. If women's wages increased to the level of men's even to the point of the disappearance of the gender pay gap, however, it is unlikely to make the labor force participation rate equal. As the study has shown, women who work and who do not work perform a similar amount of household care work. Hence, for many women, the increase in economic incentive may not be enough to overcome the already loaded unpaid work schedules women face.

A decline in the gender pay gap could be achieved in various ways. First, women are significantly less likely to work in high paying sectors. Hence, it is recommended to provide incentives (through scholarships or other programming) for women to obtain education in fields that are more likely to lead to work in high paying sectors. Science, technology,

engineering, and mathematics (STEM fields) are all likely to be important in this regard.

Second, the state can nudge companies towards pay equality through requiring all firms that bid on state issued tenders to report on a) the number of women and men working in their firm, b) the number of women and men in managerial roles, and c) the average pay for women and men in managerial and non-managerial positions. This step is likely to increase awareness of the pay gap at a minimum. Further, the state is the largest economic actor in Armenia. If the private sector is aware that the state considers pay equality important, it may encourage them to examine and improve their practices. The private sector here too can play a role through tracking their own pay gap, by position and responsibility, and through taking appropriate action to remedy pay gaps where they exist.

Third, the state can lead by example through auditing itself for gender pay equality. This process would consist of looking at how much women make compared with men in roles of equal skill and responsibility. Through collecting this data, the state would be able to identify problem points within the government. By tracking results over time, government will be able to understand how any of its policies are or are not leading to pay equality.

Fourth, the government could consider pay equality legislation. Although passing legislation would likely be simple, enforcement would likely present numerous challenges. A methodology for determining whether pay discrimination took place would be required. Even though it would be possible to create this kind of legislation without specifying a specific enforcement agency, thus leaving it to the courts to enforce the legislation, it would likely be less effective. Hence, this policy option should only be considered after thorough study of international practice and further research.

### **Women with vocational and tertiary education are more likely to participate in the labor force**

The factor that has the largest, positive impact on women's labor force participation is education. In Armenia, vocational education is associated with an 11 percent higher labor force participation rate for women and tertiary education an 18 percentage

point higher rate. Yet, the labor force participation rate among women with tertiary education is still around 20 percentage points lower than the rate for men, whether or not they have higher education. In general, family related issues have larger effects on women with higher education. In Armenia, having children is associated with a 14 percentage point lower rate of labor force participation among women with tertiary or vocational education compared with 8 percentage points lower among women with secondary education.

While education is crucial for women's labor force participation, for men it makes a statistically and substantively small difference. This suggests that increasing the share of women entering vocational and tertiary education is likely the best way of increasing women's labor force participation rate in the long-term. One policy option that could support this goal is to provide scholarships that are explicitly for women who are otherwise unlikely to gain higher education. While there is little publicly available data on the financial barriers to higher education for girls to the best of the research team's knowledge, collecting or making such data publicly available would be a first step towards informing policy and programmes and understanding the potential costs of enabling all girls who have the capability to and interest in pursuing tertiary education to have the opportunity to do so.

### **Informal employment**

Around a third of working people are informally employed in Armenia. Informal employment generally, although not uniformly, is associated with negative outcomes including lower levels of income. These findings should be interpreted as causal with caution. The jobs in the informal sector are often different than those in the formal sector, and formalization while potentially improving working conditions, also has the potential to decrease income through the introduction of taxation and a higher regulatory burden for employers and the self-employed, many of whom are in informal employment. At the same time, there is widespread support for formalizing the informal sector. More than half of the population of the country believes that if all employers had to provide employment contracts and that if all businesses, including sole proprietors, had to register their business, it would be

positive for both the country and for the respondent. While those in informal employment are less likely to support either of these steps towards formalization, a majority does.

Even though there is widespread support for formalization, the state should move forward with caution if it attempts to formalize the informal sector. Compliance with regulation and the burden of paying taxes have the potential to decrease the number of employees hired by informal businesses. Moreover, some sole proprietors may find compliance with new regulations and taxes more trouble than they are worth, resulting in some to stop their self-employment. Hence, it is recommended that:

- ✓ Any efforts at formalizing the informal sector are light touch, and do not punish previously informal businesses for attempting to register their businesses;
- ✓ A low tax regime should be provided for

micro-enterprises and small businesses, thus decreasing the incentive to remain informal;

- ✓ The government or non-governmental organizations should assist in the development of forms for contracts that can be easily modified to enable employers to modify them with ease and formalize the terms of employment with informal employees.

Keeping in mind the above advice, the government of Armenia should consider adopting the ILO's Convention concerning decent work for domestic workers.<sup>7</sup> The treaty requires basic worker protections for individuals in domestic work, which this study suggests is primarily carried out by women and makes up about 5% of the informal workforce in Armenia. If the above recommendations are taken into account, this change would be a small but significant step towards formalizing the informal economy.

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7 The treaty is available at [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C189](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C189)

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