CHALLENGES OF LABOR MARKET DEVELOPMENT AND THE NECESSITY OF REMOTE WORK PROMOTION POLICIES IN THE RA

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Abstract

Labour market dynamics are a cornerstone of economic development, directly shaping employment levels, wage structures, and overall economic stability. In Armenia, long–standing structural challenges—such as the unequal distribution of job opportunities between the capital and the regions, persistently high youth unemployment, and significant wage polarization—continue to constrain labour market inclusivity and economic growth. Addressing these challenges requires a data–driven approach to understanding labour market trends and identifying policy measures to enhance employment opportunities across all economic sectors. This study presents a comprehensive analysis of Armenia's labour market trends from 2009 to 2024, focusing on the relationship between unemployment and GDP and the effects of household income on consumption expenditures. Using advanced econometric techniques, including correlation analysis, regression modelling, and time–series analysis, the study provides empirical evidence to support labour market policy recommendations.

The findings reveal a strong negative correlation between unemployment and GDP, with regression analysis indicating that a 1% increase in the unemployment rate leads to a GDP contraction of approximately 661.5 billion AMD. These results are consistent with Okun's Law, reinforcing the argument that reducing unemployment is a key driver of economic expansion. Furthermore, the study establishes a strong positive relationship between household income and consumption, demonstrating that a 1 AMD increase in income results in a 0.5046 AMD rise in consumer spending. These findings highlight the critical role of employment and wage growth in stimulating domestic demand and ensuring sustainable economic development.

At the sectoral level, labour market analysis uncovers significant wage disparities, with high–income industries such as information technology (IT) and financial services experiencing real wage growth of 73.7% and 90.2%, respectively, while real wages in the education sector declined by 6.5% due to slow nominal wage growth and inflationary pressures. The regional labour market assessment further reveals a stark imbalance in employment opportunities, with employment growth in Yerevan (45.8%) significantly outpacing that of the regions (12%). These trends underscore the ongoing economic centralization in the capital, exacerbating regional labour migration and reinforcing socioeconomic disparities. Additionally, the influx of foreign labour in Armenia, particularly in the ICT sector, has contributed to shifts in labour market dynamics, increasing competition in high–skilled job segments while simultaneously affecting wage structures.

In light of these findings, this study underscores the urgent need to implement targeted labour market policies that address both employment disparities and wage inequalities. One of the key policy recommendations is promoting remote work as a strategic labour market intervention. The rise of digital transformation has enabled new employment opportunities in high–tech, financial services, education, and consulting sectors—industries well–suited for remote work. Expanding remote work opportunities can serve as a viable solution to regional employment disparities, ensuring a more balanced geographic distribution of job opportunities and reducing the necessity for internal migration.

To successfully facilitate the adoption of remote work, the study proposes a set of government–backed financial incentives aimed at reducing tax burdens for businesses that hire remote workers, offering corporate tax reductions for companies expanding operations in regional areas, and providing wage–based financial assistance to promote job creation in remote work formats. These measures can increase labour force participation in rural areas, stimulate local economic activity, and enhance national workforce competitiveness.

By addressing the structural imbalances in Armenia's labour market, remote work policies have the potential to mitigate labour migration pressures, promote regional economic participation, and strengthen overall economic resilience. The findings of this research provide critical empirical evidence to guide labour market policy interventions, ensuring sustainable employment growth, economic inclusivity, and long–term economic stability.

Keywords and phrases: Labor market, employment, unemployment, remote work, economic growth, wage polarization, regional disparity.

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Համառոտագիր

Աշխատաշուկայի դինամիկան կարևոր նշանակություն ունի տնտեսական զարգացման համար՝ անմիջական ազդեցություն ունենալով զբաղվածության մակարդակի, աշխատավարձերի բաշխման և մակրոտնտեսական կայունության վրա: ՀՀ–ում շարունակում են պահպանվել կառուցվածքային խնդիրներ, ինչպիսիք են՝ աշխատատեղերի անհամաչափ բաշխվածությունը մայրաքաղաքի և մարզերի միջև, երիտասարդության զբաղվածության մարտահրավերները և աշխատավարձերի բևեռացումը, որոնք խոչընդոտում

են աշխատաշուկայի ներառական զարգացմանը: Այս հետազոտությունը ներկայացնում է ՀՀ աշխատաշուկայի 2009–2024 թվականների հիմնական միտումների վերլուծությունը, գնահատում է գործազրկության ազդեցությունը ՀՆԱ-ի վրա, ինչպես նաև տնային տնտեսությունների եկամուտների և սպառողական ծախսերի միջև կապը` կիրառելով տնտեսամաթեմատիկական մեթոդներ, ներառյալ կոռելյացիոն և ռեգրեսիոն վերլուծությունը:

Վերլուծության արդյունքները ցույց են տալիս, որ գործազրկության և ՀՆԱ-ի միջև առկա է ուժեղ բացասական փոխկապվածություն, և գործազրկության 1%-ով աճը բերում է ՀՆԱ-ի մոտ 661.5 մլրդ դրամի նվազմանը: Բացի այդ` ապացուցվել է, որ տնային տնտեսությունների եկամուտների 1 դրամով աճը բերում է սպառողական ծախսերի 0.5046 դրամով ավելացման, ինչը կարևոր հիմք է տնտեսության ներքին պահանջարկի խթանման համար: Սեկտորային վերլուծությունը բացահայտել է աշխատավարձերի զգալի անհամաչափություններ, մասնավորապես` տեղեկատվական տեխնոլոգիաների և ֆինանսական ոլորտներում աշխատավարձերը աճել են 73.7% և 90.2%, մինչդեռ կրթության ոլորտում արձանագրվել է իրական աշխատավարձի 6.5%– անց անկում: Բացի այդ` աշխատաշուկայի կենտրոնացվածությունը մնում է երևանում, որտեղ զբաղվածության աճը (45.8%) էականորեն գերազանցում է մարզերի ցուցանիշը (12%), խորացնելով տարածաշրջանային տնտեսական անհավասարքշռությունները:

Հաշվի առնելով այս մարտահրավերները` հետազոտության մեջ կարևորվում է հեռավոր աշխատանքի խթանումը` որպես ռազմավարական քաղաքականության միջոց: Թվային տեխնոլոգիաների արագ զարգացումը հնարավորություն է տալիս աշխատատեղեր ստեղծելու բարձր տեխնոլո– գիաների, ֆինանսական ծառայությունների, կրթության և խորհրդատվական ոլորտներում, որը կարող է նպաստել զբաղվածության տարածական բաշխման հավասարակշռմանը: Հեռավոր աշխատանքի զարգացման խթանման համար առաջարկվում է պետական աջակցության շարք` եկամտային հարկի մասնակի փոխհատուցում գործատուներին, շահութահարկի բազայի նվազեցում հեռավոր աշխատատեղեր ստեղծող ընկերությունների համար, ինչպես նաև` աշխատավարձային պետական աջակցություն և այլն:

Հեռավոր աշխատանքի խրախուսման պետական քաղաքականության իրականացումը կարող է նվազեցնել աշխատանքային միգրացիան, ընդլայնել մարզերի տնտեսական ներուժի օգտագործումը և բարձրացնել տնտեսության կայունությունը: Սույն հետազոտությունը տրամադրում է գիտական հիմնա– վորումներ` ՀՀ աշխատաշուկայի ներառականության բարձրացման, տնտեսա– կան կայունության ամրապնդման և երկարաժամկետ տնտեսական աճի ապահովման համար:

Բանալի բառեր և բառակապակցություններ` աշխատաշուկա, զբաղ– վածություն, գործազրկություն, հեռավոր աշխատանք, տնտեսական աճ, աշխատավարձերի բևեռացում, տարածաշրջանային անհավասարակշռություն:

ПРОБЛЕМЫ РАЗВИТИЯ РЫНКА ТРУДА И НЕОБХОДИМОСТЬ ПОЛИТИКИ СТИМУЛИРОВАНИЯ ДИСТАНЦИОННОЙ ЗАНЯТОСТИ В РА

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Аннотация

Динамика рынка труда играет ключевую роль в экономическом развитии, напрямую влияя на уровень занятости, структуру заработных плат и общую экономическую стабильность. В Армении на протяжении многих лет сохраняются структурные проблемы, такие как неравномерное распределение рабочих мест между столицей и регионами, высокий уровень безработицы среди молодежи и значительная поляризация заработных плат, что ограничивает инклюзивное развитие рынка труда и замедляет экономический рост. Для преодоления этих вызовов необходим основанный на данных подход, позволяющий глубже понять тенденции на рынке труда и выработать эффективные меры государственной политики, направленные на повышение занятости. В данном исследовании проводится всесторонний анализ тенденций рынка труда Армении в 2009–2024 годах, с акцентом на влияние безработицы на ВВП и взаимосвязь между доходами домохозяйств и потребительскими расходами. Для достижения научно обоснованных результатов применяются методы корреляционного и регрессионного анализа, а также анализ временных рядов.

Результаты исследования показывают сильную отрицательную корреляцию между уровнем безработицы и ВВП, подтверждая, что увеличение уровня безработицы на 1% приводит к сокращению ВВП примерно на 661,5 млрд драмов. Этот вывод согласуется с законом Оукена и подтверждает, что снижение безработицы является важным фактором экономического роста. Кроме того, исследование выявило сильную положительную взаимосвязь между доходами домохозяйств и потребительскими расходами, где увеличение дохода на 1 драм приводит к росту потребления на 0,5046 драма. Это подтверждает, что повышение уровня занятости и заработных плат играет решающую роль в стимулировании внутреннего спроса и долгосрочном экономическом развитии.

Анализ по секторам выявил существенную дифференциацию заработных плат: если в сфере информационных технологий (IT) и финансовых услуг рост реальной заработной платы составил 73,7% и 90,2% соответственно, то в образовательном секторе она снизилась на 6,5%, что объясняется слабым ростом номинальных зарплат и инфляционным давлением. Анализ регионального распределения рабочей силы показал ярко выраженную концентрацию занятости в Ереване, где рост числа занятых (45,8%) значительно превышает аналогичный показатель по регионам (12%). Это свидетельствует о централизации экономики в столице, что усиливает миграционное давление

и социально–экономические дисбалансы. Кроме того, приток иностранных специалистов в Армению, особенно в сектор информационных технологий, способствовал изменению структуры рынка труда, создавая конкуренцию в сегменте высококвалифицированных рабочих мест и оказывая влияние на уровни заработных плат.

В связи с выявленными структурными дисбалансами исследование подчеркивает необходимость целевой государственной политики в сфере занятости, направленной на устранение территориального неравенства и снижение разрыва в заработных платах. В качестве стратегической меры предлагается развитие дистанционной занятости, что особенно актуально в условиях цифровой трансформации. В таких секторах, как высокие технологии, финансовые услуги, образование и консалтинг, удаленная работа могут стать эффективным инструментом перераспределения трудовых ресурсов и снизить уровень внутренней трудовой миграции. Для успешного внедрения дистанционной занятости предлагается комплекс государственных финансовых стимулов, включая налоговые льготы для работодателей, снижение корпоративного налога для компаний, создающих рабочие места в регионах, и финансовую поддержку удаленной занятости. Эти меры помогут уменьшить трудовую миграцию, расширить экономическую активность в регионах и повысить конкурентоспособность национального рынка труда, способствуя долгосрочному экономическому росту и социальной стабильности.

Ключевые слова: рынок труда, занятость, безработица, дистанционная работа, экономический рост, поляризация заработных плат, региональный дисбаланс.

Introduction

The study of labor market dynamics remains a central topic in contemporary economic discussions, as structural changes in employment, the uneven distribution of job opportunities, and the impact of technological advancements influence all sectors of the economy. The stability and efficiency of the labour market determine the pace of economic growth and directly affect social stability and overall well–being. From the economic development perspective, the proper allocation of labour, effective management of unemployment, and equitable distribution of wages are fundamental factors that can either stimulate or constrain a country's internal economic potential.

For many years, the labour market of the Republic of Armenia has been characterized by centralization, a relatively high level of unemployment, and an uneven distribution of wages. The economic disparity between the capital and the regions continues to deepen, driving internal migration and accelerating the outflow of skilled professionals abroad. While certain sectors of the economy exhibit dynamic growth in job creation and wages, public services and the manufacturing sector continue to experience relative stagnation in wage levels, hindering the balanced development of the domestic market. In this context, analyzing the interrelation between unemployment and employment provides not only a better understanding of the factors shaping the current state of the labor market but also allows for the formulation of appropriate policy measures that can enhance labor market inclusivity.

The primary objective of this study is to assess labour market trends in Armenia, examine the impact of unemployment on economic growth, and analyze the consequences of wage polarization. At the core of this analysis is the application of regression modeling to evaluate the effect of unemployment rates on GDP, as well as to explore the relationship between household income and consumption expenditures. The findings serve as a crucial foundation for designing effective employment–promotion policies that aim to reduce unemployment and foster inclusive economic growth.

Another key focus of the study is identifying the barriers to balanced labour market development, particularly the issue of uneven job distribution, which concentrates employment opportunities in the capital while limiting the economic potential of regional communities. In this context, special attention is given to promoting remote work as a viable solution to achieving a more balanced spatial distribution of employment, increasing labour force participation in rural areas, and stimulating economic activity across the country.

Implementing government policies to encourage remote work could serve as an effective tool for restructuring the labour market, enabling young professionals to engage in competitive employment opportunities without relocating. Moreover, remote work promotion is not only expected to expand employment but also holds strategic significance for economic development by ensuring the full utilization of Armenia's regional economic potential.

The methodological framework of this study integrates economic theories, statistical data analysis, and regression modelling tools, allowing for a comprehensive examination of labour market trends and formulating well–grounded policy recommendations. The results of this analysis can serve as a scientific basis for developing government programs aimed at promoting employment, increasing labour market inclusivity, and ensuring long–term economic stability.

This study contributes significantly to the research on structural transformations in Armenia's labour market, offering insights into the economic sectors where state support could be most effective. The findings can be applied both in designing labour market development strategies and improving economic policy to ensure sustainable employment growth, a fairer distribution of wages, and more balanced regional development.

Theoretical–methodological bases

The theoretical foundation of this study is based on the analysis of structural changes in the labour market and their interconnection with economic development, integrating various economic theoretical approaches. The examination of labour market dynamics has been conducted within both macroeconomic and microeconomic frameworks, allowing not only the identification of general trends but also an in–depth analysis of the underlying causes of employment, unemployment, and wage polarization.

Among the fundamental economic theories, the **classical and neoclassical approaches** hold particular significance, emphasizing the principle of market self–regulation based on the interaction of labour supply and demand. The theories of Adam Smith **[6]**, David Ricardo **[4],** and John Maynard Keynes **[1]** have been considered as the primary theoretical foundations for understanding labor market

dynamics. From a Keynesian perspective, state intervention is viewed as a crucial factor in labour market regulation, particularly during economic crises when the natural mobility of the workforce is insufficient to ensure full employment **[1].**

A key component of the theoretical framework is **Okun's Law**, which reveals the inverse relationship between unemployment rates and economic growth **[3].** Within the framework of this law, the interaction between Armenia's economic growth rates and the unemployment rate has been assessed based on statistical data on real GDP and unemployment levels from 2009 to 2023. Applying this law provides a quantitative basis for evaluating the extent to which unemployment reduction contributes to GDP growth, reinforcing the argument for employment–stimulating policies.

In the context of analyzing **structural transformations in the economy**, the study incorporates **Schumpeterian theory**, which focuses on the impact of technological change on the labour market **[5].** These transformations are closely linked to the widening disparity between high–paying and low–paying sectors, as well as the increasing polarization of the labour market. As a result, technological advancements are accompanied by a rise in demand for highly skilled jobs, while wage growth in low–skilled sectors remains comparatively slow. This phenomenon underscores the need for policies aimed at workforce reskilling and education to mitigate the negative effects of automation and digitalization.

Additionally, the **neo–institutionalist approach**, particularly the theories of **Douglass North**, has been examined to evaluate the role of state intervention, tax policies, and social protection mechanisms in ensuring labor market stability **[2].** Given that Armenia's labor market is characterized by a high unemployment rate, economic centralization, and uneven wage distribution, it is essential to analyze how government policies, fiscal adjustments, and social programs influence key labor market indicators.

The theoretical foundation also incorporates an assessment of **labour market discrimination**, particularly the unequal distribution of wages across different sectors and enterprise sizes. This aspect is analyzed under the assumption that income polarization in the labor market can impact not only household consumption behavior but also long–term economic development trends. Understanding these dynamics is essential for designing policy interventions that promote labour market inclusivity and equitable economic growth.

Research Methods

The methodological framework of this study encompasses the analysis of labour market statistical indicators based on official data from the Statistical Committee of the Republic of Armenia for the years 2009–2024, integrating these findings with economic theories. This framework consists of statistical, mathematical, and econometric analysis methods, which have been employed to assess key labour market trends, the impact of unemployment on economic growth, and the underlying causes of wage polarization.

Within the scope of **quantitative methods**, time series analysis has been conducted to evaluate fluctuations in unemployment and employment rates, wage growth dynamics, and their effects on GDP. Structural shifts in the labor market have been analyzed, considering the impact of economic crises, government support

programs, and changes in labor supply and demand.

One of the core methods applied in this study is **correlation and regression analysis**, which has been used to estimate the effect of unemployment rates on GDP fluctuations. The correlation analysis results indicate a strong negative relationship between unemployment and economic growth, confirming that a reduction in unemployment fosters increased economic activity. Through regression modeling, the extent to which a 1% change in unemployment affects the total value of GDP has been quantified, providing empirical evidence for labor market policy implications.

To assess wage dynamics, the study employs the **real wage calculation methodology**, which adjusts nominal wages based on changes in the Consumer Price Index (CPI) **[9].** This approach allows for evaluating how inflation influences purchasing power across different sectors. Furthermore, wage polarization has been analyzed by comparing wage growth disparities between high–tech and financial sectors, as well as public service and manufacturing industries, revealing significant variations in compensation trends across economic sectors.

At the **regional level**, an analysis of economic activity distribution has been conducted to examine how the unequal distribution of labor market opportunities between Yerevan and Armenia's regions affects local economic development. Quantitative data has been utilized to assess regional wage differentials, job concentration patterns, and the broader effects of economic centralization.

Additionally, the study explores **the impact of migration flows on Armenia's labour market**, analyzing changes in the number of foreign workers employed in the country from 2022 to 2024 **[7].** Given the open nature of Armenia's labor market and the recent surge in migration flows, the study evaluates how the influx of foreign labor affects local employment rates and potential wage shifts.

This methodological framework ensures a **comprehensive analysis** based exclusively on official statistical data, enabling a robust examination of key labour market changes and their economic implications. The integration of statistical methods enhances the reliability and objectivity of the findings, contributing to a deeper understanding of Armenia's labor market trends and informing policy recommendations for sustainable labor market development.

Results

This study has conducted an in–depth analysis of the structural transformations in Armenia's labor market, focusing on employment trends and wage polarization based on official data from the Statistical Committee of the Republic of Armenia. Special attention has been given to the impact of unemployment on economic growth, as well as the relationship between household income and consumer spending. The analysis incorporates time series examination, correlation analysis, and regression modeling to identify the key trends shaping the labor market.

To assess the effect of unemployment on economic growth in Armenia, a simple linear regression model was constructed, where the unemployment rate was considered an independent variable (X) and real GDP a dependent variable (Y). The model is based on real GDP and unemployment rate indicators recorded in Armenia from 2009 to 2023 **[10,12,13,14,15]**. The general form of the model is represented as follows:

where:
– represents real GDP (in billion AMD),
– is the unemployment rate (%),
– is the intercept,
– is the coefficient for unemployment,
– represents the error term.

The regression analysis yielded the following equation:

The results indicate that the coefficient for unemployment ( ) is negative and statistically significant (p < 0.01), confirming that a 1% increase in the unemployment rate leads to an approximate reduction of **661.5 billion AMD** in GDP. The correlation coefficient (r= 0.762) demonstrates a strong negative relationship between unemployment and GDP, while the determination coefficient ( ) shows that the model explains 58% of GDP fluctuations based on unemployment levels, indicating a relatively high explanatory power. Furthermore, the regression F–test value of 17.95 and a significance level of F = 0.00097 confirm the overall statistical significance of the model.

These findings are consistent with Okun's Law, which states that reducing unemployment is a key driver of economic growth. In Armenia's case, this model underscores that employment–stimulating policies can significantly accelerate economic expansion.

To evaluate the relationship between household income and consumption, the following simple linear regression model was constructed based on official statistical data from 2004 to 2023 **[16,17,18,19,20,21,22,23,24,25]**:
where:
– represents consumer spending (monthly average, AMD),
– is household per capita nominal income (monthly average, AMD),
– is the intercept,
– is the coefficient for income,
– represents the error term.

The estimated regression equation is as follows:

The results show that the coefficient for income ( ) is positive and highly significant (p < 0.001), indicating that an increase of 1 AMD in household income leads to a 0.5046 AMD increase in consumer spending. The correlation coefficient (r=0.988) confirms a very strong positive relationship between income and spending, while the determination coefficient (indicates that 97.7% of the variation in consumer spending is explained by changes in income, highlighting the model's strong explanatory power. The F–test value of 762.85 and a significance level of F = 3.44E–16 further confirm the model's overall statistical reliability. These results suggest that income–boosting economic policies would directly enhance consumer spending levels, subsequently stimulating domestic market growth.

At the sectoral level, wage disparities are particularly pronounced between high– and low–paid industries. Between 2018 and 2024, the average real wage in the information and communication technology (ICT) sector increased by 73.7%, while the financial and insurance sector saw a 90.2% rise. In contrast, the education sector experienced a 6.5% decline in real wages [8], primarily due to the slow growth of nominal wages and the high inflation rate. A structured analysis reveals that wage disparities exacerbate social inequality, as workers in high–income industries

benefit more from economic growth. In contrast, employees in public services and manufacturing sectors face reduced purchasing power.

At the regional level, labour market analysis demonstrates that economic activity remains highly concentrated in Yerevan, where nominal wages increased by 63.1% between 2018 and 2024, reaching an average of 317,055 AMD. In contrast, the average wage increase across Armenia's regions was 44.8%, reflecting persistent imbalances in employment and income distribution. Comparative workforce data show that the number of employed persons in Yerevan grew by 45.8%, whereas in the regions, employment expanded by only 12% [8], confirming the problem of economic centralization. These figures suggest that a large portion of the regional workforce continues to work in low–wage sectors, restricting their purchasing power and limiting regional market development.

The study also examines the impact of migration flows on Armenia's labor market, analyzing the increase in foreign workers from 2022 to 2024. Over this period, the number of foreign wage earners in Armenia grew steadily, reaching 22,755 individuals by August 2024. The number of Russian nationals employed in Armenia rose to 19,829 in 2023, decreasing slightly to 16,992 in 2024, with 50–60% of them engaged in the ICT sector [7]. This trend highlights structural shifts in the labor market, as foreign professionals increasingly participate in strategic industries.

The migration flow analysis reveals that while foreign labour has contributed to job fulfilment in certain industries, it has also intensified competitive pressures in the local labour market. Workers with low and mid–level skills face increased risks of wage suppression, as foreign employees are often willing to accept lower salaries. This creates potential challenges for domestic employment conditions, particularly in labour–intensive sectors with high wage competition.

The labour market evolutionary analysis shows that between 2009 and 2023, the unemployment rate in Armenia decreased from 18.7% to 12.6%, while the employment rate rose from 48.1% to 52.7% [10,11]. However, unemployment remains relatively high, particularly among young professionals, reflecting structural labour market challenges.

The analysis of Armenia's business environment reveals a sharp increase in micro–enterprises (1–9 employees), which nearly doubled between 2018 and 2024, reaching 57,752 businesses [8]. However, average wages in these enterprises remain relatively low, indicating that while the overall number of businesses has increased, their ability to offer competitive wages and high productivity remains limited. This suggests that economic restructuring has primarily led to business expansion in numerical terms without necessarily improving wage conditions or labor market efficiency.

In conclusion, this study provides a comprehensive analysis of Armenia's labour market transformation, revealing key trends in unemployment, wage polarization, regional employment disparities, and migration effects. The findings emphasize the need for employment–stimulating policies, particularly those aimed at balancing job distribution across regions, mitigating wage disparities, and ensuring sustainable economic growth through an inclusive labour market framework.

Conclusion

The findings of this study provide substantial evidence that labor market

dynamics play a fundamental role in shaping Armenia's economic development trajectory. The econometric analysis conducted within this research confirms a statistically significant negative correlation between unemployment and real GDP, with results indicating that a 1% increase in the unemployment rate leads to a reduction of approximately 661.5 billion AMD in GDP. This aligns with Okun's Law, reinforcing the critical role of employment stimulation in macroeconomic stability. Additionally, the analysis of household income and consumer spending confirms a strong positive relationship (r = 0.988) between income growth and consumption patterns, highlighting the importance of increasing employment and wages to sustain domestic demand.

Despite these insights, Armenia's labour market continues to exhibit persistent structural inefficiencies, which pose significant challenges to sustainable economic growth. Among the most pressing issues are high youth unemployment rates, uneven geographic distribution of jobs, and deepening wage polarization across industries and regions. The concentration of economic opportunities in Yerevan has contributed to excessive urban migration and a widening gap between the capital and regional labour markets, exacerbating economic disparities. Without targeted interventions, these imbalances threaten to further undermine labor market inclusivity and long–term national economic stability.

One of the most striking findings of this study is the over–concentration of employment and economic activity in Yerevan, leaving the economic potential of Armenia's regions significantly underutilized. Between 2018 and 2024, employment growth in Yerevan (45.8%) was nearly four times higher than in the regions (12%), while average wages in the capital grew by 63.1% compared to 44.8% in regional areas. This disparity in labor market development has reinforced internal migration trends, as young professionals relocate to Yerevan in search of better job opportunities.

At the same time, high–skilled labor outmigration (brain drain) has intensified due to limited competitive employment opportunities in Armenia. The structural deficiencies of the regional labour market, particularly the scarcity of high–paying jobs outside the capital, contribute to a continuous exodus of skilled professionals seeking better economic prospects abroad. This phenomenon weakens Armenia's human capital base and limits the country's ability to compete in knowledge–based and innovation–driven industries.

The wage structure analysis conducted in this study highlights a deepening polarization between high–wage and low–wage industries. While the ICT sector and financial services experienced rapid wage growth (73.7% and 90.2%, respectively, between 2018 and 2024), real wages in the education sector declined by 6.5% over the same period. These disparities underscore the disproportionate distribution of economic gains, where high–income sectors benefit significantly from economic growth, while low–wage industries struggle with stagnant earnings and declining purchasing power.

This wage imbalance not only affects income distribution but also contributes to increased social inequality and reduced labour mobility between economic sectors. The stagnation of real wages in public services and manufacturing further reinforces the barriers to economic diversification, limiting workers' ability to transition into higher–paying industries. The absence of targeted policies to address

these inequalities could result in worsening labour market segmentation, making it increasingly difficult for workers in low–wage sectors to benefit from national economic growth.

Another critical dimension examined in this study is the impact of migration on Armenia's labour market. The analysis of foreign labour trends from 2022 to 2024 demonstrates that the number of foreign wage earners increased to 22,755 by 2024, with Russian nationals constituting the majority of foreign employees (16,992 workers, or 50–60% of expatriates, in the ICT sector). While this influx has helped address skill shortages in key industries, it has also introduced new competitive pressures in the domestic labour market, particularly in mid–skilled occupations.

The growing presence of foreign professionals in high–demand sectors raises concerns regarding wage suppression and employment displacement risks for local workers. Although the integration of foreign labor has contributed to economic diversification, policy measures must be implemented to ensure that domestic employment conditions remain competitive and that local workers are not disadvantaged by the increasing foreign labor supply.

One of the most promising solutions to decentralizing employment opportunities and addressing regional disparities is the promotion of remote work. The rapid advancements in digital technology and global shifts toward flexible work arrangements present a unique opportunity for Armenia to reduce employment centralization in Yerevan and expand job opportunities across the country. This study's findings suggest that remote work adoption could mitigate internal migration pressures, increase labor force participation in rural areas, and contribute to a more balanced labor market structure.

The benefits of remote work extend beyond regional employment distribution. It also serves as a strategic tool for economic diversification, enabling Armenia to strengthen its participation in globally competitive industries such as IT, financial services, consulting, digital marketing, and online education. However, despite its potential, remote work remains significantly underdeveloped in Armenia, primarily due to regulatory gaps, inadequate digital infrastructure in regional areas, and a lack of institutional support for remote employment models.

To fully capitalize on the benefits of remote work, policy interventions are essential. This study proposes the following policy recommendations to facilitate the large–scale adoption of remote employment:

1. Tax Incentives for Employers: Offering partial income tax reimbursements to companies that hire remote workers from regional areas, incentivizing firms to decentralize employment opportunities.

2. Corporate Tax Reductions for Decentralized Operations: Lowering corporate tax rates for businesses that establish remote work hubs outside Yerevan, fostering regional economic development.

3. Direct Financial Assistance for Remote Job Creation: Government–subsidized financial support for firms implementing remote work structures, particularly in high–tech and creative industries.

4. Investment in Digital Infrastructure: Expanding high–speed internet access and technological resources in regional areas, ensuring that workers outside Yerevan can effectively participate in remote employment.

5. Workforce Training and Digital Upskilling: Establishing state–supported education and upskilling programs focused on digital competencies, enabling more workers to transition into remote–friendly, high–demand industries.

This study has provided a comprehensive empirical assessment of Armenia's labour market transformations, offering statistical, econometric, and policy–based insights into key structural challenges. The negative relationship between unemployment and GDP, alongside growing regional and sectoral wage disparities, highlights the urgent need for targeted labour market policies to reduce employment imbalances and promote economic inclusivity.

Adopting remote work as a strategic employment intervention presents a highly viable and economically justified pathway toward achieving balanced, sustainable employment growth. By leveraging technological advancements, targeted fiscal policies, and infrastructure investments, Armenia can transition toward a more equitable and resilient labour market, ensuring that employment opportunities are more evenly distributed across the country.

Furthermore, the long–term economic implications of brain drain and foreign labour integration necessitate a comprehensive policy response to sustain domestic workforce competitiveness. Without proactive measures, Armenia risks deepening labour market inequalities, further widening regional economic disparities, and weakening the country's overall economic resilience.

Ultimately, the findings of this study emphasize the need for a forward–looking, evidence–based policy framework that prioritizes remote work expansion, regional labour market development, and employment–stimulating initiatives. By implementing these reforms, Armenia can foster a more inclusive and sustainable labour market, ensuring equitable economic opportunities and long–term national prosperity.

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