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The Policy Fellows Program: In-Service Training in Public Policy for Russian Local Government Officials

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Abstract

The Policy Fellows Program seeks to strengthen the policy development skills of local government officials and NGO representatives. The course consists of a series of four workshops, each offered over two or three days. Each workshop uses a problem-solving format, and groups of participants comprised of government officials and NGO analysts work together on exercises that are a core part of the course. Participants are introduced to analytical decision-making methods and taught how to monitor and evaluate programs. The course also covers key concepts in policy making, such as considering the distributional aspects of policies (who benefits/pays), developing explicit decision-making criteria, balancing political and technical factors, defining public goods and services, and introducing competition to the public sector. In evaluation forms completed during the course, participants reported that the course provided them with new and valuable information that would assist them in their current and future work. Follow on interviews were conducted with a random sample of 25 graduates approximately five months after completion of the course to further evaluate the impact of the course on professional performance produced similar results. The results of the evaluation of the Policy Fellows course indicate that it fills a definite training need for local officials and staff at advocacy NGOs in Russia.

Introduction

The responsibilities of local governments in the former Soviet republics for the delivery of public services have been utterly transformed since the beginning of the transition period. While the extent varies, in all countries there has been substantial decentralization of responsibility from the center to localities.[1] Russia is no exception. Local governments were ill prepared for their new task, particularly in terms of policy-making capacity. The situa-

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1 For a discussion of decentralization in the former Soviet bloc, see, for example, Kirchner (1999); Wallich (1994); Bird, Ebel, and Wallich (1995); Freinkman, Treisman, and Titov (1999); Horvath (2000).

tion has improved modestly, mostly through a learning-by-doing process. Nevertheless, policy analysis, program formulation, and program monitoring and evaluation skills remain very limited.

At the same time local advocacy NGOs, including think tanks in some cities, have emerged to champion specific causes and to promote more efficient and open government.[2] In a number of cities, there is active cooperation between local government and certain NGOs, including NGOs acting as service providers under contract to the city, as well as those being involved in the policy making process. Nevertheless, there is still significant wariness by many local officials to NGOs. Overlaying this scene is the general lack of public policy skills at the local level. The result is that the quality of decision making is impaired compared to its potential.

The course described and assessed here is designed to improve local decision making by raising skill levels. A second objective is to strengthen working relationships between NGOs and government bodies through the inclusion of persons from both groups among the students. The course consists of a series of four workshops, each of two or three days devoted to strengthening policy analysis skills. Each workshop uses a problem-solving format, and groups of participants composed of officials and analysts work together on exercises that are a core part of the course.

During the spring of 2002 the course was offered in three municipalities in European Russia: Cheboksary, Kirov and Saratov. A workshop was offered in each city about once a month. The information presented is based on this experience. The course is now being presented in other cities.

The balance of the article consists of four parts. First is the course overview, which begins with a statement of principles that underpinned the development and teaching of the curriculum. Next, the contents of the curriculum are outlined. Finally, the issue of institutionalization is briefly addressed. The second part of the paper describes the participants and gives information on the share that passed the course. The third part reviews the findings of two evaluations of the course – one taking place during and at the conclusion of the course and the second five months after its conclusion. The third section offers some conclusions and addresses the possibility of using the curriculum in other countries in the Commonwealth of Independent States.

Course Overview

At a general level, we followed the conventional approach to teaching policy analysis in the U. S. – to equip students "with intellectual tools to aid practitioners in the identification and specification of policy problems and the development of sensible, useful, and politically viable solutions" (deLeon and Steelman (2001, p. 164).[3] A consistent market-oriented paradigm was employed.

Four Principles.

The following principles guided the team in designing the curriculum and teaching the classes.

Maximize the use of problems and case studies.

Participants are adults, often persons approaching or already middle-aged. Most have not taken a formal class for years. Many hold senior positions and are used to frequently expressing their views. These points argue for classes that minimize formal lecturing and maximize the time devoted to working on concrete problems, case studies, and role plays in order to sustain student interest (Lynn, 1999, p. 33). The majority of problems and examples were drawn from Russia.

Decide at the outset on the main analytic skills and policy principles to be conveyed and build the course around these.

The team first determined the set of about ten skills and policy principles that students should master through participation in the course that are summarized in Table 1. These topics were selected based on the experience of the Urban Institute (UI-Washington) and the Institute for Urban Economics (IUE-Moscow) in working with Russian local and national

[2] For a comparative overview of developments in Russia, see USAID (2002); Charities Aid Foundation (1997).

[3] This is consistent with similar views expressed by Lynn (2001) and Romero (2001).

officials on policy issues over the past decade, combined with our knowledge of public policy curricula.[4]

The ultimate objective is critical thinking.

Many officials – in Russia and elsewhere – tend to operate at what might be termed "the descriptive level." In other words, in discussing a problem they can describe a situation and outline a proposed policy, but they seldom reach the "analytic level" where the problem and potential solutions are analyzed in terms of incentives that affect behavior. Hence, the task of the course in general, and the faculty in particular, is to constantly challenge participants to defend their statements in terms of hard analysis of incentives, behavioral relations, and consistency with general principles of good management. For example, when discussing the structure of a program that provides income support and training to unemployed individuals, one must address the issue of the incentives on program participants' effort to look for work embodied in the way the subsidy is structured. Or, when proposing to hold competitions to acquire certain services now provided on a monopoly basis by municipal firms, what are the incentives to support the initiative on the part of various municipal and private entities, and how could these affect the final outcome of the competitions?

Rigorous scoring of homework and tests, and a minimum total score to pass the course.

As seasoned administrators, the participants are used to attending seminars and conferences. Tests are seldom given, and certificates are distributed to all attending regardless of the level of participation. This can create a relaxed attitude about the necessity of applying one's self to learning the material. The Policy Fellows course seeks to create greater commitment of students by increasing the value of receiving a certificate at the conclusion of the course.

To encourage mastery of the skills being taught requires that rules be announced and enforced. The class is informed of the scoring procedures at the outset: the minimum passing grade is 40 points out of total of 65 possible.[5] Tests are administered at the end of each workshop and three homework assignments are distributed. Students receive continual feedback on their performance in the form of graded tests and homework assignments. Strong homework assignments are reviewed in class. The faculty discusses the general quality of the work submitted and is straightforward in their criticism where this is appropriate.

At the conclusion of the course, students who passed the course were awarded certificates at a graduation ceremony. It is not clear what value the certificates themselves may have towards graduates future career advancement. To further increase the value of successful course completion, graduates are eligible to participate in an alumni association. This association of professional policy makers receives periodic newsletters and other interesting policy materials. The initial plan for the alumni association envisioned periodic events for graduates, but it proved too difficult to assemble enough representatives from each city.

The Curriculum.

The course outline is shown in Table 2. The order in which topics are covered is designed to help students accumulate skills. One session builds on the knowledge developed in the previous sessions. Therefore, it is extremely important for students to attend regularly. The final workshop – devoted to writing concise, effective policy recommendations – presents students with policy problems similar to those they have encountered in previous sessions. In each policy problem/case study, the policy issue is stated, its political context outlined, and options for addressing it developed. The student is then charged with the task of preparing a short (two-to-three page) recommendation – and to defend the recommended action. This strong emphasis on writing skills and preparation of policy recommendations is consistent with

[4] An idea of the extensiveness of the experience can be gained from IUE's *Annual Report* and other items on its web site, *www.urbaneconomics.ru* and from the descriptions of UI projects in Russia presented at www. urban. org/TPN.

[5] The 65 points are made up as follows: up to 10 points for each of four tests; up to 7 points for each of three homework assignments; and 1 point for each of five evaluation forms that the student submits.

Table 1
Course Objectives: Policy Principles and Skills

Subsidies. Different forms of subsidies; strengths and weaknesses of each. Illustrate various principles, e. g., consumer primacy.

Targeting. Strengths and weaknesses of alternative structures. Actual examples.

Incentives. Identifying and taking proper account of incentives to stakeholders as a key determinant of success in policy and program design. Stakeholder analysis.

Basic policy analysis process. This builds on the topics already discussed. An advantage of this order is that the students are exposed to immediately usefulmaterial before getting the more didactic presentation on the process of policy analysis.Includes defining the problem and weighting policy options against well-defined criteria.

Efficiency in the production of goods and services. Presentation of the basic economic concept. Stress proper role of government as setting the right environment (e.g., enforceable contracts) for most production but with a highly minimized actual production role. Introduce contracting out as an alternative to direct government delivery of services. Make arguments about the virtue of competition, etc.

Program monitoring. Rationale for program monitoring; give specific examples of use of monitoring information being useful to program management.Introduce modified log-frame for use in deciding what information should be collected and what reports to be produced for whom.

Data assessment techniques. Quality control in data assembly. This may be thought of as a sub-topic under monitoring or evaluation but the experience is that local officials do not review statistical tables for obvious errors that simple logical checks would identify.

Program implementation evaluation. Types of questions that can be addressed with process evaluation and why the answers are important for good program management. Examples of good practices. Class exercises for defining such evaluations.

Writing policy recommendations. Hones ability to analyze problems and clearly present Recommendations. Opportunity to practice writing and critical thinking skills. Analyses of case studies require participants to use concepts from previous workshops.

what is generally viewed as good practice in policy analysis courses.[6] (Examples of policy problems are provided in the annex.)

The curriculum is the result of collaboration between Russian and American policy experts. The team jointly identified the core topics based on their experience of working with local and national government officials and numerous think tanks in the region since 1991. These are topics that arise frequently in actual policy development in these countries and where officials and analysts often lack a basic grounding. The course is in keeping with the basic discipline of policy training as taught at American universities, with a heavy emphasis on international best practices and examples from Russia. The Russian team ensured that the materials and ideas were relevant to participants by adding numerous local examples of policies, social and economic problems, and current practice.

The curriculum was prepared in English and Russian, complete with instructor's notes, exercises, class handouts and problems, tests and evaluation forms.

Course format.

Each workshop was offered over two-full days or three-half days, with cities given the opportunity to select the schedule that best met

[6] See, for example, Musso, Biller, and Myrtle (2000).

their needs. The course was spread over four months with one seminar offered in each city each month.

The primary language of instruction was Russian. The American instructor spoke in English with one of the Russian instructors serving as a translator. Formal presentations were limited to no more than 45 minutes, with ample time allotted for group discussions, exercises, and student presentations.

pursue social or economic reforms. Letters were sent and/or meetings were arranged with the mayors of the selected cities. One large city was not interested in the training, with local officials claiming that their staff already understood the topics. The course received strong support from the administration of the selected cities. This support was very important and signaled to participants that city leaders valued the skills and ideas and had expectations for the time spent in the course.

Table 2
Policy Fellows Course Outline

Workshop 1: Critical Thinking about Public Programs and Subsidies

- Types of policy actions– focusing primarily on targeting and subsidies
- Stakeholder analysis – evaluating the interests/influence of different parties
- Policy Analysis Model– a six step process for analytical decision making

Workshop 2: Efficient Public Programs

- The roles and responsibilities of different levels of government
- Models for carrying out government functions: direct provision, contracting out, and divestiture/ privatization
- Designing contracting out for a concrete municipal service

Workshop 3: Program Monitoring and Evaluation

- Program monitoring– what to track, why, how?
- Program evaluation– assessing the implementation process and/or outcomes
- Using data effectively

Workshop 4: Preparing Policy Recommendations

- Writing and presenting policy recommendations

This workshop also serves as an opportunity to review the Policy Analysis Model covered in the first workshop and allow participants to practice and demonstrate skills and ideas from throughout the course.

City Selection.

The course is part of a broader initiative to strengthen local governments in the Volga Federal District (VFD) – and all cities selected to participate were VFD cities. The Institute for Urban Economics identified a handful of cities to approach about the course. The criteria for city selection were: cities with whom the organization had some prior experience, those that would not have a mayoral election within the next year (which would make it very hard for officials to attend the course), and those that had demonstrated some willingness to

Institutionalization.

A critical objective of the Policy Fellows program is to insure that a Russian institution will be fully capable of teaching this course in the future. The project was conceived as a joint undertaking of the Urban Institute and the Institute for Urban Economics. Work was facilitated by the fact that the two organizations have worked closely together since IUE was founded in 1995.

In addressing institutionalization, the project team has the advantage that the Policy Fellows program begins with a three-

year funding commitment and program plan. During the first year, UI took the lead on curriculum development and provided the lead instructor for the workshops in the three cities. The curriculum was refined with the help of two IUE staff who also team-taught the workshops with the UI instructor. In project Year Two, IUE is teaching the course with some input and monitoring by UI. In the third year, IUE will teach the course on its own.

In the last year IUE will also search for continued funding for the course. By that time the relation between a version of the Policy Fellows course for national officials and the version for local officials will be better defined, as will be alternative institutional arrangements for possible further dissemination of the course.

Participants and Graduates

Sixty-seven students participated in the course. Participants from the municipal governments in each city were appointed through a process directed by a deputy mayor. Most of the city officials held senior administrative positions, including that of deputy mayor, department chief, and deputy department head. We believe that most students had little information on the course before they attended the first class, despite the team providing descriptive materials to the deputy mayor. To ensure strong support from the city administrations, city officials comprised more than three-fourths of participants. NGOs were recruited by IUE with some input from cities.

The NGOs were a small minority in each class. The curriculum mostly describes policymaking and program development from the perspective of local government, with the understanding that this is relevant to NGOs with an interest in participating in public policy and that sections on program management and monitoring are relevant for any organization. The expectation was that adding some NGO representatives to a course largely for public administrators would elevate the policy skills of NGOs, help government officials recognize the potential role for NGOs, and provide a few NGOs with access to public officials.

The group exercises helped to facilitate interaction between the NGOs and government officials. The small groups often provided an informal environment where good ideas prevailed and position did not appear to matter much. Willingness to participate was a significant factor, and several NGO representatives clearly saw the course as an opportunity for them to engage local officials as much as possible. Others made smaller contributions, which seemed largely driven by their limited skills and experience. In one city, NGO representatives were simply not as experienced as the city officials.

Nearly 72 percent of participants successfully completed the course requirements. Unlike many professional training programs in Russia, Policy Fellows required participants to submit work and demonstrate mastery of the skills/materials covered in the course.

That certificates were not guaranteed to participants provided incentives for students to attend and apply themselves. The majority of those that failed the course attended only one workshop – seeming to select out of the course. Others that failed the course were those that were unable to make the necessary time commitment to attend the workshops and complete the work. Only a few participants who applied themselves failed to accrue the points required to complete the course. Government officials and NGO representatives seemed to pass or fail at similar rates.

The course received strong support from the administration in each city. IUE staff met with the mayor or vice mayor in each city during the city selection process and the city leadership cooperated by appointing vice mayors and department heads to participate in the course. Cheboksary and Kirov organized press conferences during and at the end of the course.

Evaluation

The team conducted two types of evaluation of the course. First, at the conclusion of each workshop, students were requested to complete an evaluation form tailored to that workshop. To encourage submission of the evaluations, students received one point toward graduation for each evaluation submitted. In addition to inquiring about the format and quality of the presentations and materials, the form also asked questions about whether

Table 3
Number of Participants and Graduates

	Participants			*Graduates*			
City	*Government*	*NGO*	*Total*	*Government*	*NGO*	*Total*	*% successfully completing course*
Cheboksary	14	5	19	13	3	16	84.2%
Kirov	15	3	18	12	2	14	77.8%
Saratov[7]	23	7	30	14	4	18	60.0%
Total	**52**	**15**	**67**	**39**	**9**	**48**	**71.6%**

the material covered on specific topics was new to the student and how relevant students judged the topic to their work.

Second, to obtain further information on the impact of the course, the team tried to interview a random sample of students and their bosses in each city about five months after the completion of the course. The objective was to determine if the students had been able to use the materials they learned in their daily work. The interviews also asked the students for their views about topics that are appropriate for the course.

First Evaluation

As noted, participants completed evaluation forms at the end of each workshop and a final evaluation at the close of the course. Based on these forms, participants reported that the course provided them with new and valuable information that would assist them in their current and future work. They also praised the structure of the course and stated that the group discussions and exercises provided a unique opportunity to interact with their colleagues, to better understand the ideas presented, and to connect the course material with the problems currently confronting their cities.

Quality of Course.

Using a five-point scale, participants rated the course with an average score of 4. 86 (5=excellent) based on the quality of the materials, organization, exercises, and presentations. Individual topics were also highly rated (no topic received a rating lower than 4. 4) and the topics deemed most relevant included, in rank order:

program evaluation
policy analysis of public programs
developing policy recommendations
program monitoring
data assessment
stakeholder analysis
options for carrying out local government functions
government functions in a market economy
targeting
subsidies
contracting out

We were concerned that the course might be too sophisticated or too simple and participants were asked for feedback on the level of the material/presentation of each major topic. Participants rated over 80 percent of the course topics as being presented at the right level. Ninety-eight percent of participants said that they would recommend the course to a colleague.

Participants were asked to assess each topic based on whether they deemed it useful to their current work, future work, or not relevant. These assessments are aggregated by workshop and included in Table 4. Over 90 percent of all workshop topics were judged useful to current or future work. The comparatively large percentage of participants rating

[7] A large number of new people showed up for the second workshop in Saratov – only some of whom continued to participate in the course. Any attendee that completed a test or homework assignment was considered a participant and is included in this table.

Table 4
Workshop Ratings and Relevance

	Rating [8]	*Topics Useful to Work*		
		Current	**Future**	**Not Useful**
Workshop 1: *Critical Thinking about Public Programs and Subsidies*	4.6	72.2%	27.3%	0.6%
Workshop 2: *Efficient Public Programs*	4.9	53.6	45.0	1.4
Workshop 3: *Program Monitoring and Evaluation*	4.7	71.2	19.8	9.0
Workshop 4: *Preparing Policy Recommendations*	4.9	82.6	13.0	4.4

Workshop 3, on program monitoring and evaluation, as "not useful" may well reflect the near total absence of program monitoring and evaluation by municipal administrations.

Course Impact.

The ultimate goal of the course is to improve how participants perform their jobs, specifically, that policy decisions will be made more analytically and programs will be designed and implemented more effectively. In evaluation forms completed after the final workshop, a surprising 89 percent of participants said that they had already applied skills derived from the course. Some of their specific examples of when they used the course are highlighted below:

> *"At the present time I work on socio-economic program development for Chuvashia municipalities. During the last three months my work was based on your course. On March 14, 2002, I led a meeting of directors of economic departments from different Chuvashia municipalities where we established a structure for policy/program development with the use of workshop materials. For the city of Cheboksary we worked out the city socio-economic program with the help of IUE experts". (Cheboksary)*

> *"Calculation of tuition fee for evening schools and calculation of prices for tickets to city entertainment facilities." (Cheboksary)*

> *"When I presented at the Cheboksary Regional Sport Committee the program on community sports facilities development 'My yard is a sport yard.' This program was awarded first place in the regional contest of innovative programs in youth policy." (Cheboksary)*

> *"Providing subsidies for housing and communal services and providing subsidies for individual housing construction." (Cheboksary)*

> *"Preparing a regional small-business development program." (Kirov)*

> *"Reexamined current programs. We also conducted a competition of social programs called 'Kirov is a Cultural Capital for Youth' (utilizing the following topics: targeting and stakeholder analysis)." (Kirov)*

> *"Calculation of tariffs. Preparing socio-economic development programs." (Saratov)*

> *"Monitoring targeting of regional social programs." (Saratov)*

> *"Preparing for municipal procurement competition." (Saratov)*

The examples provided included items that were directly covered in the course (evaluation, targeting, competitive procurement, etc.), as well topics that were not specifically covered such as calculating tariffs – but for which presentations on benefit calculation, stakeholder analysis, and policy analysis may

[8] The scale ranges from 5 (excellent) to 1 (poor).

have contributed. That participants credited the course for helping them to prepare city and regional budgets, calculate tariffs, and analyze regional problems suggests that the broader principle of the course – rigorous analytical thinking – was successfully conveyed. This is a dramatic change from early workshops when participants asked for examples specific to their fields and many seemed unable to apply key concepts or best practices to a range of problems.

Follow-on Evaluation

While the foregoing information is definitely useful in assessing the success of the course in communicating information to the students, it does not address the more important question of the sustained impact of the training on on-the-job performance. This is the case for two reasons. First, at the time of the initial assessment the students had not had much time or occasion to use the material gained through the course, although a surprising volume was reported. Second, all the information came from the participants, and they may have an incentive to overstate the utility of the course to please the instructors or may simply have inflated expectations about how they might be able to use the new techniques in their jobs.

In designing the follow-up evaluation, we generally followed the methods outlined by Taschereau (1998). In short, we planned a follow-up survey of a random sample of students and their supervisors several months after the completion of the course, with some questions specifically aimed at finding out if and how the course had been used in their work, impediments to utilizing course materials/ skills, and suggestions for improving the course. The in-person interviews were conducted by an IUE staff member familiar with the course but who had not been a teacher.

Participants were asked specifically how they applied ideas/skills from the course to their work and asked to offer specific recommendations. They were also asked if they performed any aspects of their jobs differently, or if they assumed any new responsibilities that they attributed to skills/knowledge gained from the course. A similar interview questionnaire was designed for the supervisors of course participants, and asked these supervisors if they had observed any change in staff performance after completing the course.

Table 5 shows the number of students and supervisors interviewed for the study. The research plan was to interview 7 – 10 graduates and 3 – 4 supervisors in each city. Graduates were selected for interviews randomly, with the exception that we made certain each sample included representation from the NGOs.

Supervisor feedback was extremely limited and has not been included in our analyses. Many participants were supervised directly by the mayor, and mayors were generally assumed to be unavailable for such interviews. However, several supervisors (including the deputy mayors of Cheboksary and Kirov) participated in the course along with members of their staffs. Two supervisors were interviewed and provided feedback on three participants. Although their comments were generally positive about the course and they stated that their employees had benefited from the course, they offered few specific examples.

Table 5
Total Graduates and Sample Sizes

City	*Number of Graduates*	*Number interviewed*	
		Graduates	*Supervisors*
Cheboksary	16	7	1 (supervisor of 2 participants)
Kirov	14	8	1
Saratov	18	10	0

Of the 25 graduates interviewed, 19 (76%) worked for government and 5 worked for NGOs. Graduates were high-ranking officials, with 84 percent serving as department chiefs or deputy mayors. Thirty-three percent had been trained as economists and the remainder held degrees in social sciences, mathematics, engineering, education, medicine, psychology, physics, or literature.

Graduates appeared to be quite satisfied with the course, rating the overall quality and usefulness of the course 4. 65 (5=excellent) and 96 percent reporting that they would refer a colleague to the course. Ninety-six percent reported that they had been able to apply ideas/skills from the course to their work, with roughly half offering competitive procurement and implementing monitoring programs as specific examples (Table 6). Many participants credited the course with helping them to systemize their understanding or approach to policy issues. Sixty-four percent said that they had shared information or materials from the course with others.

Forty-four percent of graduates interviewed reported that they had encountered obstacles to their attempts to implement ideas/skills from the course. Lack of support from supervisors and colleagues were the obstacles most frequently cited.

As in the preliminary evaluation, graduates identified the group exercises as among the most useful elements of the course. When asked if they performed any aspects of their jobs differently as a result of taking the course, 28 percent reported that they were more likely to work with others.

A secondary goal of the course was to encourage collaboration among government officials and NGOs, and each class included several representatives from local NGOs. Approximately half of those interviewed reported that the course had changed their impression of how these groups might collaborate. Several mentioned that the course facilitated greater understanding and that there had been more cooperation.

Table 6
Application of Course Materials

What specific things from the course have you been able to apply to your work?	**Number**	**Percent**
Analyze public policy programs and make informed decisions (including developing new programs)	7	28
Consider stakeholder interests (how programs/ policies affect different groups)	9	36
Establish criteria (formally or informally) for making decisions	3	12
Present recommendations on policy issues	3	12
Make recommendations about how to involve the private sector	3	16
Facilitate a competition	14	56
Implement or improve monitoring program	12	48
Design or conduct an evaluation	4	16

As a final step, we decided to undertake some exploratory multivariate analysis of the variation in success in applying the knowledge gained from the course. In general terms, success can be considered to depend on three broad factors: the ability to formulate a change in policy (in our case, the student's mastery of the material), opportunities for making change (or conversely resistance to change), and the professional's motivation to introduce change.[9] This general model was operationalized through the following hypotheses and corresponding variables.

Mastery of the material

Score for the course.

Participants who demonstrated a stronger mastery of the course materials will be better equipped to apply the newly acquired techniques in their jobs.

Education.

The course introduces a number of economic concepts. So participants with training in economics were more likely to apply the lessons of the course in their work.

Opportunities for and obstacles to introducing changes

Students from NGOs use more of the skills acquired.
The informal environment and frequently shifting agenda of most advocacy NGOs affords more opportunities to employ the new skills than the corresponding situation in government offices.

Participants in higher government positions were more likely to apply the newly acquired skills.

Persons at higher levels in an administrative apparatus have greater possibilities to apply new concepts, techniques, and skills. Perhaps most importantly, they may have the power to introduce some concepts to functions for which they are responsible.

Obstacles.

Those who reported obstacles to using the skills gained in the course, such as a lack of support from fellow workers or supervisors, were less likely to report positively on their experience after the course.

"Reform resistant cities."

One or another of the cities may have been conservative and non reform-oriented.

Motivation for introducing reform

Negative student attitude during the course.

Students who were clearly bored, uninterested, and/or disruptive during the course would be less likely to master the course materials and to judge the newly acquired skills valuable for their jobs.[10]

Younger participants are more likely to apply the newly acquired skills.

Younger students are on average more open to new methods and concepts and more flexible in their thinking about how to apply them.

Among government workers, students with fewer years of service

are likely to be more open to change.

Gender.

It is possible that either women or men will systematically be more assertive introducing change. A higher share of women graduated from the course, suggesting greater interest, although they did not score higher overall than men.

We tested whether there was support for these hypotheses by using multivariate techniques to estimate a model where the unit of analysis is the participant and the dependent variable was the participant's overall rating "of the quality and usefulness of the course." Respondents gave a numerical rating, with a 1 to 5 range, 5 being the highest score. The mean value of the response was 4. 65. This question was asked at the end of the interview, i. e., after specific questions on how the participant had been able to apply the course to his/her work, whether they did some aspects of his/her job differently and related questions. So the response should give a summary judg-

[9] This model is consistent with standard textbook treatments of policy development. See, for example, Patton and Sawicki (1993), Chapter 2.

[10] An analysis of the course scores for the 12 percent of students who were so classified by the instructors did not show that they scored significantly differently from other students. In fact there was little significant variation in scores among groups of students.

ment with strengths and weaknesses freshly recalled.

It is worth noting at the outset two limitations associated with the dependent variable that limit the findings. First, the variable combines rating on course quality and usefulness; this introduces some potential measurement error since the analysis is emphasizing the usefulness aspect when a respondent may have focused his or her rating on course quality. Second, there is limited variation in the scores. Respondents scored the course at 4, 4. 5, and 5. The coefficient of variation for the dependent variable is about 70.

The independent variables included correspond to the hypotheses stated above. In particular they were:

- student's score for the course;
- a dummy variable indicating a participant who had appeared not to be very interested during the course;
- a dummy variable indicating the student worked for an NGO;
- the student's age (dummy variable for over 50);
- a dummy variable for the number of years government staff had worked for the government;
- a dummy variable indicating whether the student claimed education in economics
- a dummy variable indicating the student was a female;
- two dummy variables for cities; and
- a dummy variable indicating a government worker in the position of department head or higher.

So there were a total of 10 independent variables and 24 observations (a variable was missing for one respondent, and so this observation was excluded), leaving 13 degrees of freedom. This is clearly a small sample for the analysis. This factor and the measurement error in the dependent variable require that the results be treated strictly as suggestive. The model was estimated with multiple regression and multinomial logit techniques – the latter is preferred given the distribution of the dependent variable. In the event, the results for the multinomial logit models were wholly insignificant, suggesting little support for the hypotheses stated above. [11]

Conclusions

The results of the evaluation of the Policy Fellows course indicates that it was well-received by participants and that it fills a definite training need for local officials and staff at advocacy NGOs in Russia. More specifically, the topics were relevant and useful to participants' work and the method of instruction and organization of the course were highly rated. Participants credited the course with helping to "systematize" their approach to public policy issues, suggesting that the course's ultimate objective of fostering critical thinking has been met. In addition to this general shift towards analytical thinking, many participants offered concrete examples of how the course had assisted them in developing programs, designing monitoring programs, and facilitating competitions.

Since the staff of municipal governments throughout the CIS share the problem of their Russian counterparts in being poorly equipped for many of the duties that have been thrust upon them during the transition, an obvious question is whether the Policy Fellows course could be adopted for use elsewhere in the region. The short answer is "yes, with some effort." Success will likely rest on two elements: the curriculum and the instructors. With respect to the curriculum, the course is oriented to Russia in its contextual material and examples in order to generate student interest. To be effective, even in other CIS countries, moderate changes would be needed in these areas so that the material would be immediately relevant to course participants. Indeed, one area where the team is introducing changes in the course is in widening the array of countries from which cases are drawn. Somewhat to our surprise,

11 The multiple regression performed marginally better and these results can be summarized as follows. The estimated model was weak: an adjusted r2 of. 32 and significance at the. 07 level. Only three of the hypotheses were actually supported, and two of these only at the 10 percent level of confidence. First, those who demonstrated a poor attitude during the course were less likely to use the results in their work or rate the course highly. Second, female participants gave higher ratings. We queried the instructors for why this might be the case, but they reported no evident differences in participation between male and female participants. Third, students in the Saratov offering gave significantly higher ratings. The city and region are known for being progressive and this fact is apparently reflected in their ability to use the course materials in practice.

students asked for a wider range – both in the sectors and the countries used as examples and cases.

Regarding the instructors, it would be wrong to assume that it would be possible for a university professor in a CIS country to take the Russian version of the course materials and effectively teach the course. Even with the large volume of notes and supplemental readings provided in the course materials, these materials are not a substitute for close study of textbooks or, even better, careful mentoring by an experienced policy practitioner. The team teaching method used by UI-IUE in the initial course offering provided the essential mentoring to two senior IUE staff members who already possessed a great deal of experience working with local officials on policy development and program implementation. Our recommendation is that this team-teaching model be followed in other countries.

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Appendix: Case studies used in the course

The following are two examples of case studies developed for the course. The first case, Reforming Local Social Assistance, was used in an early exercise when participants were learning the basic policy analysis method. It is a relatively simple case dealing with two strategies to streamline the delivery of social services. The two options are to either grant program recipients vouchers or cash for their various needs. The case raises issues of efficiency and consumer choice, and generated interesting discussions on the degree to which public programs should dictate recipients' behavior.

The second case, Municipal Heat Supply, is a longer and more complicated case that was used in the final exercises on writing policy recommendations. The case addresses the problem of how to upgrade the city's antiquated heating system. The case uses a fair amount of technical language to describe the problem and options. In making recommendations, students must recommend a type of heating system, assess the general level of investment required for each option, and make recommendations on the form of ownership. This case raises issues of privatization, efficiency, political acceptability, and the trade-off between investment and operating expenses.

Policy Problem: Reforming Local Social Assistance

The City of Tomsk has a new Vice-Mayor for Social Problems. The Vice-Mayor has little experience in this field and so begins her new assignment by reviewing the programs for which she is responsible. The City has two district offices that handle all social protection programs administered by the city. The city has responsibility for administering housing allowances, veteran's benefits, benefits to single parent families, and families with disabled children. The city also has several locally-funded social assistance programs that provide an array of in-kind benefits. The oblast office administers the Child Allowance Program and some smaller benefits such as those for victims of the Chernobyl disaster.

In visiting the district offices, the Vice-Mayor observes that certain services are being provided on-site to clients. These include haircuts, shoe repair, and limited furniture and appliance repair. In addition clients receive vouchers to purchase certain other goods and services such as a bath at the municipal bathhouse and food at municipal stores. A separate voucher is issued for each purchase. She is struck at how much administrative effort goes into issuing each voucher for such a small value; administration is complex because only members of households with incomes under one-half of the subsistence level are eligible for these benefits. The need for each benefit is addressed separately. Her rough estimate is that about 15 – 20 minutes of staff time are required to issue a voucher or authorize a repair.

She is also impressed at the seeming inefficiency of the city being directly involved in providing these services. While she is present the barber stands about idle and the shoe repair counter exhibits little activity. Those providing the services generally are working with out-dated equipment and therefore frequently provide lower quality services than others provide.

Options

Following this visit, the Vice-Mayor formed a committee consisting of the directors of the agencies under her control and charged them to prepare options for simplifying the administration of these benefits and making their delivery more efficient. She makes clear her view that determining the need and eligibility for each of these small benefits separately must be replaced with a more efficient (i. e., less staff intensive) alternative.

The committee has developed two options both of which give clients much more choice over what goods and services they can purchase with the City's assistance and sharply cut administration. In both cases the city staff now providing hair cuts and similar services are laid off.

Option 1: vouchers

The city will determine the average value of benefits now provided to clients under all of the small programs of the type listed above; it will also determine the number of beneficiaries. Using these data, the average value of the benefits distributed can be determined. This is the value of the new voucher. All persons eligible for these services in the future will receive a voucher with which it can purchase

the services it wants from all of the services now provided in-kind or with the current vouchers. More specifically, the client will receive six vouchers (one for each of six months) at the time it is determined eligible for the assistance. (Income recertification would occur each six months under both options.)

Each voucher is a booklet; the front page shows the total value of the voucher and lists the items that the voucher can be used to purchase. Each time the person makes a purchase using the voucher, it is recorded on a page in the booklet, the entry stamped by the provider, and the amount of the purchase deducted from the unused voucher balance. The provider receives a copy of the page.

The voucher system limits the range of goods and services that can be purchased with the City's help. Its use will also be restricted to those stores that are willing to accept payments in this form; but this is an expansion beyond the few municipal stores where they can now be used.

Administration remains an issue. Although the front-end of the process is simplified through issuing a voucher that can be used for a range of purchases, some complexity is added from the process of verifying the payment claims made by providers (those selling the goods and services).

Option 2: Cash

This proposal is the same as the previous one except that instead of eligible households being given a voucher it receives a cash payment monthly, a payment that is placed directly in the person's bank account. The person then uses the cash to purchase the services now provided in-kind or through vouchers.

The advantages to the cash payment are two. First, beneficiaries can shop anywhere, not just at the stores who will accept vouchers. Second, program administration is further simplified. There is, however, a risk in using cash – the beneficiaries may not spend it on the necessities for which it is intended. The common view is that it will be spent rather on vodka and cigarettes.

To address this particular problem, committee considered but did not formally recommend that the new law include a provision on this point. The provision would state that city agencies would not provide emergency services to households who had received this cash benefit *unless* the emergency arose from an event clearly beyond its control, e. g., a fire in the apartment or death in the family.

Assignment

You are an advisor to the Vice Mayor and she asks you to prepare a recommendation for her on which option to follow. It is critical that you defend your recommendation forcefully because she plans to employ your arguments when meeting with the mayor.

Policy Problem: Municipal Heat Supply

Background

At the beginning of the transition period in Romania, the District Heating Company's assets and liabilities were transferred to municipal ownership in Pluku along with the responsibility to provide the heat supply to the residents, commercial and industrial institutions, as well as to municipal budgetary organizations.
In general, the DH systems were transferred at the time when most of the equipment was close to or beyond its useful life and in poor condition due to long neglected maintenance. For the past ten years, the overall political and economical situation, uncertainty of ownership, sharply rising fuel and equipment prices and economic difficulties of population have caused severe shortage of public (budget) funds. Due to a low collection rate and inability to increase heat tariffs, DH companies are unable to create positive cash flow. So they have no choice but to cut maintenance expenses and defer or eliminate investments. This caused a sharp deterioration of equipment and a fall in the quality of service even as costs increase. In this situation, dissatisfaction with DH services has increased the problem with payment collection from residents and from commercial institutions. Customers were not properly supplied with heat, the cost was ever increasing and many users started to disconnect from the system, turning to "micro heating solutions." This in turn escalated the cost of heat, as the revenues decreased and the fixed costs remained at the same level or increased due to increased operating costs.

The main problem the municipality has faced is the inability to obtain financing for the system upgrade and operation. Cost of heat sold to residents is regulated at the municipal level and the municipal council is not willing to allow higher heat tariffs in an attempt to protect citizens from high prices. The low level of income of the general population causes low affordability of heat and high percentage of non-payment. This adds to the financial problem of the Heating Company, it causes secondary debts (gas, water, electricity), and frequent shutoffs of supplies. Currently, the company operates with negative cash flow.

In order to rectify this situation, the system has to be upgraded to working condition, with careful attention to energy efficiency. The cost of fuel is very high, subsequently causing high cost of heat. The supply side (boiler houses and distribution system) energy efficiency should be evaluated and based on the findings, an investment program implemented.

The municipal management, including mayor, vice-mayor and technical staff, spends a substantial amount of time and effort addressing heat problems throughout the city, including using emergency measures to supply heat to hospitals, schools, and other critical users. Severe dissatisfaction with heat supply among the residents causes a low rating of the elected officials, and also unwise use of resources for emergency measures.

The mayor sees a chance to improve the situation as a result of three factors:

1. The national policy to increase cost recovery from the population and other users will generate a positive cash flow for the DH.
2. The city Duma, under great pressure from residents and businesses, has just passed legislation creating an interagency commission to regulate tariffs that will have full power to set tariffs in the future, subject only to an ex-post review of the supporting calculations.
3. A new national program will guarantee loans taken by municipalities from commercial banks to finance improvements. The DH must submit a sound business plan for loan repayment as part of its loan package. Local banks are interested in participating.

The mayor's office has created a Municipal Energy Commission and charged it with resolving the heat supply issue with three main goals:

- To provide reliable heat supply to all connected users;
- To produce and deliver heat at lowest possible cost (heat tariff);
- To minimize the investment requirement.

The requirements set by the mayor's office contradict each other and a reasonable compromise must be reached. As the basis for such a decision, detailed, comprehensive information must be prepared. The Commission investigated the system of heat delivery in the city and determined the following:

- The present DH system was built in 1970's and no major investment or retrofit was made since. Boiler house equipment uses original low-tech controls, pumps, regulating valves and other equipment is controlled manually. Boilers are inspected according to the safety regulation and are maintained to comply with these requirements. The plant was originally built as CHP (combined heat and power) plant, but the turbines and generators were decommissioned and removed, leaving empty space.
- Distribution system was also built in 1970's, the magistrala is in relatively good condition, but the other primary pipes are poorly insulated and have substantial heat loss and very large water leaks. Repairs are being done only to resolve critical defects.
- Substation equipment is in poor condition, majority of heat exchangers are leaking, or have already been by-passed, a circulator station has typically only one pump (i. e., the reserve pump is not functional), and all controls are manual.
- The fuel, electricity and water consumption data for the past several years are available, as well as other costs data from the operation. Heat sale data are also available; however, this information was based on calculation/accounting formula and

estimates of losses and such data are not reliable.

- There is a natural gas distribution network in the city, with sufficient capacity. The gas supply company is willing to provide gas for individual boilers if desired. However, the gas company is not willing to invest in a building-to-building gas distribution system for small building boilers. Such investment would have to be made by the users.
- The central DH system has already lost 80% of its industrial customers and 15 % of residents are also disconnected. The total load has decreased by 40% since 1990 and leveled off in 1998 – 2000.

Based on the audit and its findings, the team has developed three main alternatives of heat supply reconstruction with subsequent issues in each alternative. The following alternatives were presented to the municipal council for its decision:

Options

1. Reconstruction of Central District Heating System

In this alternative, the existing DH system would be preserved, the central heating plant upgraded, distribution pipes replaced to eliminate major leaks and heat loses, and replacement would continue over next several years as part of an increased maintenance program. All substations equipment would be replaced by new modern package heat exchanger system. The upgrade of the central heating plant could be achieved using one of the following three alternatives:

1.1 Coal-fired boilers with heat production only (no electricity production). The advantage of this alternative is low cost fuel, relatively low cost of heat, use of existing fuel handling equipment and systems, including fuel yard, conveyers, pulverizing mills, etc. Disadvantages are higher cost of equipment ($100/kWt), high emission levels and ash disposing problems.

1.2 Gas fired Boilers with heat production only. This alternative offers clean operation with low emissions, relatively low investment cost ($50/kWt) and simple installation. Disadvantages include relatively high cost of fuel, resulting in high heat tariff.

1.3 Installation of Combined Heat and Power (CHP) system.

This alternative assumes removal some of the oldest equipment from the plant and installation of CHP consisting of gas turbine, heat recovery steam boiler and steam turbine. CHP would produce the required heat and also electricity. This alternative offers the best economic results, lowest heat tariff, high efficiency, low emissions, and improves the reliability of electricity supply in the town. Disadvantages include high investment cost ($600/kWt), difficult negotiation with electric distribution company, and need for skilled turbine operators.

All alternatives are supported by technical and economic assessment results and cash flow (discounted), Net Present Value (NPV) and Internal rate of Investment (IRR) calculations, showing clearly the alternatives with lowest investment, highest efficiency, best environmental effects.

Another issue related to the DH alternatives presented for decision was the ownership of the plant and the system. The options for ownership and operation are:

- Owned and operated by the city as a municipal department. This arrangement was considered impractical and difficult to implement. The city lacks personnel resources, facilities and overall experience in operating the DH system.
- Owned by the city and operated by a concessionaire under a long term contract (20 years). This option is considered reasonably easy to implement, attractive to operate and well performing, assuming well-written contract. This option is also found in many other Eastern European cities, and favored by the commission.
- Sale of the system to private investor prior to investment (as is). A potentially viable option, but the assumption of interest by an outside private investor is weak. The disadvantage is a very low book value and very low expected revenue from sale, and little control of the city over the performance.

- Sale of the upgraded system to private investor (after the investment). This option is viewed as unlikely to be implemented, due to the limited capacity of municipal staff and the inability to obtain an investment loan.

2. Construction of Local Boiler Houses

This alternative assumes decommissioning of current heating plant, elimination of primary network pipes (pipes connecting the plant with substations), and construction of small boiler houses in existing substations. Investment would include installation of boilers in existing substation buildings, necessary replacement of secondary pipes (pipes between the substations and buildings), installation of new pumps, controls and metering equipment, and necessary gas supply pipes, water piping and electrical installation.

Advantages of this alternative include elimination of primary pipe heat loses and water leaks. Eliminating these loses would increase the efficiency of the system, lower investment cost, provide better and more responsive heat supply, eliminate the need for the substation heat exchanger system, and facilitate relatively easy maintenance. The main disadvantage is the slightly higher operation cost (more personnel in each boiler house).

For this alternative the same technical and economic analysis were preformed and economic metrics (NPV, IRR) were established for final comparison. The operation and ownership issues were identical with central system alternative.

3. Installation of Building Level Boilers

This alternative assumes decommissioning the entire district heating system and installing a small, building-level boiler in each building throughout the town. This represents a major change in heat supply service and many issues must be considered, including the following:

3.1 Ownership, financing and operation responsibility would be transferred to users (residents, town, commercial users) individually. Boilers would be installed on users property, and it would not be feasible for central maintenance and operation, including billing.

3.2 Need for extensive installation of natural gas pipes, including high pressure lines, reduction stations and low pressure pipes would require a substantial investment which will likely not be assumed by the gas company (gas company would not increase total sales due to a loss of load in central plant).

3.3 Investment cost of this alternative is substantially higher than any other alternatives, approximately 20 – 25% higher than central DH investment due to a need for gas piping, construction of stacks and higher cost of small boilers ($/kWt). The advantages of this alternative are elimination of heat loses in distribution piping, much better controls in the building, better incentives for energy saving and heat cost reduction.

3.4 The difficult issue for this alternative is obtaining financing. It is not possible to secure a loan for each individual owner, and it is very difficult to "organize" financing through the town assistance programs. Users, especially residents, lack the resources for self-financing.

Your task

The decision of the mayor will be based on all available technical and economical information and balance of the advantages and disadvantages.

Use the information provided above to prepare and defend a recommendation, not longer than two pages, for resolving the critical problem with heat supply in the town. Your statement should include the type of heating system recommended, a general assessment of the level of investment required, and an ownership form for the utility.

In preparing your recommendation keep in mind that the interest rate on any loan taken by the municipality will be high, and so keeping investment cost low is an important criterion. However, all parties involved understand the trade-off between low investment costs and higher operating costs.

Armenian Labor Market Dynamics During the Last Two Decades

Karine Astvatsaturova *

Introduction

Upon the dissolution of the USSR, the Armenian economy appeared to experience many various changes both in structure and concept. The concept of the labour market, among others, started to evolve. Shifting to a market economy created favourable conditions for these processes to take place.

The labour market may be viewed in terms of supply and demand for labour in particular branches and with specific qualifications. As Guy Standing defines it, the labour market is based on making contracts, accounting for the capabilities of a person, the working environment, a statement on security, and on norms of behaviour of both parties. (1999, pp. 27 – 30)

The last decade is commonly known for hardships the country has been struggling through and so this becomes a very interesting object for investigation. What was achieved and/or lost during this period? This question intrigues many investigators in different spheres of life; however, the area of labour market can be considered the one that has primary importance. Feasibility in a job search is known to facilitate solutions for most other societal problems and enhance life satisfaction. So, the purpose of this paper is to find out what changes are occurring in the labour market in the course of shifting from a command economy to an unplanned one.

To meet this objective, the paper will consider the following important sectors: agriculture, industry, employment versus unemployment by labour categories, emigration and education. As there is no sufficient information found on trade and services, this sector is not covered by this paper. In explaining the dynamics in these spheres that existed during the Soviet era versus the present, a comparison of the two periods is made.

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It should be possible to answer the following questions:

1. What is the makeup of the Armenian labour market?
2. What are the institutions and procedures of the Armenian labour market like?
3. Is the Armenian labour market male dominated?
4. What kinds of requirements, such as age, higher education and family status does it impose?
5. What is the role of education in the course of preparing to meet those requirements?
6. What are the selection procedures employed in the current Armenian labour market?

Discovering the makeup of the labour market may be considered an important issue to pay attention to, as it may be expected to facilitate policy-making processes. Policy making in the area of employment is very important because there is a high necessity for a legal base in this as well as in other spheres of current life in Armenia. (Human Development Report: Armenia, 2000, pp. 62 – 66)

There should be some mechanisms for controlling and attempting to make the labour market work more efficiently related to one or the other authority. As the Human Development Report states, “the state has entirely alienated itself from the process of regulation of the labour market” (1999, p. 57). Therefore, it is interesting to find out if there are any institutions in charge of this function.

Male versus female distribution of workers may be regarded as a crucial factor, as the equilibrium in this distribution may be viewed as leading to people’s satisfaction not only with regard to the realization of their economic rights but also with regard to realization of their social standing. (Discrimination of women in labour, 2000, pp. 54 – 60)

It seems to be interesting to find out the requirements posed by the labour market in

Armenia. What matters when seeking employment: age, education, family status or something else? Answering this question may help to understand stratification of society with regards to employment, which, in turn, may facilitate stresses that are faced by the population.

It is also important to discover the correlation between the level of education and employment. Traditionally, education is not the only criterion that matters when actively seeking employment. Private relationships are also important and, thus, this question becomes crucial in contemporary Armenia.

The last issue is connected with selection procedures employed while selecting candidates for a particular position; for example, transparency and personal relationships.

The research questions addressed in this paper are as follows:

1. What spheres of economy does the official labour market cover?
2. What is the ratio between supply and demand for labour?
3. What are the ways to get employment in Armenia?
4. What are the criteria for job satisfaction?

Thus, this work dwells on a very important sphere of life trying to fully depict the situation prior to declaring independence of Armenia and contrasting it with the post independence period.

Literature Review

Guy Standing, in Global Labour Flexibility, states that the labour market is based on making contracts, which may be explicit and implicit. The contract tries to dwell on the capabilities of a person, the working environment, a statement on security, and the norms of behaviour of both parties. He also points out the requirements imposed by the Principal-agent model: the participation constraint – the agent must be motivated and interested and the incentive compatibility constraint – the agent should act so that the optimum outcomes are generated. For this model to be efficient, factors such as trust, reciprocity, control, status, skills, clarity of intentions, discipline, and interaction-socialization processes are very important.

Eli Djedah, in Moving Up, indicates that the world labour market is usually divided into published and unpublished sectors, which cover 20 and 80 per cent respectively.

Arthur Sarkissian, in The Labour Market in the Republic of Armenia, states that "the labour market in Armenia is characterized by "inflation" which is expressed not only in the low cost of the work force but also by the low level of qualification of the latter[1]." He also remarks that with the decrease of the regulatory role of government in the course of the protection of workers' interests, the role of public organizations did not increase.

In the Human Development Report (Armenia) 1999, regarding the role of the state, it is pointed out that in recent years "the state has entirely alienated itself from the process of regulation and programming, from the protection of domestic producers, from investments in industry and from long term loans." Concerning the role of the state in agriculture, it is said that land privatisation resulted in the State confining its role to the adoption of some normative legislation and insufficient rehabilitation of infrastructures and sporadic provision of fertilizer and seeds.

As the World fact book: Armenia (www.cis. gov/cia/publications/factbook/geos/am.html) points out, Armenia has switched to small-scale agriculture and away from the large agro-industrial complexes of the Soviet era. By 1994, the Armenian government launched an ambitious IMF – sponsored economic program that resulted in positive growth rates from 1995 to 2000. This site also dwells on the trade imbalance existing in contemporary Armenia and points out that this severe imbalance – importing 3 times what it exports – has been somewhat offset by international aid, domestic restructuring of the economy, and foreign direct investment.

The http://www. erieri. com/freedata/hrcodes/ARMENIA. htm Internet site, launched by Armenia – Report of Human Rights Practices, 2000, U. S. Department of State, says that the majority of enterprises are either idle or operating at a fraction of their

[1] It seems that the author puts the word "inflation" here to indicate the extraordinarily unstable and inexplicable situation which is present in the current Armenian labour market.

capacity. It also points out that the standard legal workweek is 40 hours and many people work multiple jobs. Also it indicates that although the Armenian Constitution provides for a clean and safe work place, the Soviet era occupational and safety standards remain in force, i. e., very little change has occurred since.

In the Human Development Report (Armenia) 2000, it is stated that at least 800, 000 people left the country over the period of 1991 – 1999 because they were not able to realize their economic and social rights and encountered psychological problems trying to adapt to the changing circumstances.

Mariam Ohanian, in Discrimination of Women in Employment, found that women constitute 51% of people with higher education; however; 64.9% of the unemployed are also women. She also explains the Armenian system of employment thusly: "the majority of the people work with their relatives, close friends or just friends and they will never apply to a stranger for work because they are convinced that the employer will choose a friend first of all."

Astghik Mirzakhanian, in Labour Market in Armenia, presents her findings regarding the changing of emphasis with regard to various fields of the economy. Particularly, she says, "The increase in employment in the agricultural sector has negative effects on the dynamics of GDP. At the same time, a fairly strong and positive interrelation has been observed between the dynamics of the GDP and employment in the tertiary sector. The influence of the industrial sector in the observed period was weak but positive." She also says that although the unemployment notion was not accepted during the Soviet era – this came into usage in 1992 – Armenia already in the 70's ranked among the major countries by share of "employed" in home gardens and housekeeping. A. Mirzakhanian points out that though Armenia has a legally established minimum wage, there is nothing regarding a minimum consumer budget. Thus, this seems to mean that Armenia supposedly may not meet the usual standards for the world requirement that "wages should not be less than the monetary equivalent of the consumer basket," at least in the near future. A. Mirzakhanian also states that wages present the main mechanism for regulating the parameters of the labour market (supply and demand). Concerning the measurement of supply and demand on the labour market, it is performed with the help of two indicators: 1) the number of unemployed workers registered with employment services in search of employment and 2) the demand for employees presented to employment services by companies (see Appendix 1). Current estimates for Armenia show that supply exceeds the demand by 200 – 300 times.

In one of the works presented on the http: //www. nispa. sk/news/groups. html internet site, Teresa Khechoyan dwells on the Armenian situation. She makes the following statements: employment has been reduced in the public sector and significantly increased in the private sector; the creation of new jobs may require huge investments which may bring deterioration to the economy[2] and the average salary and pensions do not satisfy even the minimum needs of the population. When talking about the common ways of finding a job, she states that 51.8% apply to private relationship channels, 39% seek a job through vacancy announcements, and only 7.2% through the Employment Center, the State Agency concerned with employment and unemployment.

Methodology:

A study of related documents, fact books and Human Development Reports, as well as sociological investigations on the subject, was made. Some interviews with public and sociologists were conducted. Other professional literature on the subject was also used to complement the factual side of this study. For example, R. W. Mondy, et al., Human Resource Management, Prentice Hall, 1996 was used.

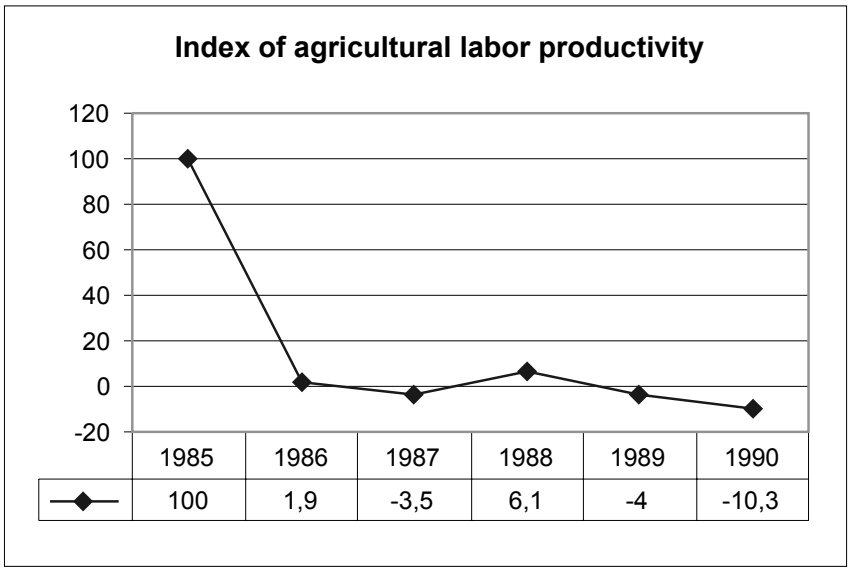
2 By "deterioration" Teresa Khechoyan probably means that the economy is in such a crisis that creation and maintenance of a large number of workplaces cannot be accomplished efficiently in a short time. Otherwise, it seems inexplicable.

Agriculture In Armenia (1985 – 2000)

Historically, Armenia has been known as a land of crop-growers and gatherers. Traditions were kept, maintained and preserved at a rather high level during the entirety of Armenian history. Armenians used to love their land and input their whole soul into gardening and crop growing. Nevertheless, Armenian agriculture had passed many peaks and valleys between 1922 and 1991. The deepest and most insurmountable gap appeared in the period of 1986 – 1987. This is illustrated in Fig. 1.

The decrease in 1986 – 1987 was probably caused by Gorbachev's well-known policy "Say no to alcohol." This policy appeared to have the most devastating effect on Armenia in particular, as the "Grape Republic" – as Armenia used to be called – came to lose a huge share of its grape gardens. As the villagers of Ararat Valley say (Interview conducted in April 2001 as a part of project on environmental safety of agriculture), that time might be viewed as period of deterioration because the best sorts of grapes were cut down almost everywhere in Armenia. This period was also marked by the appearance of an "informal or shadow economy."

Figure 1

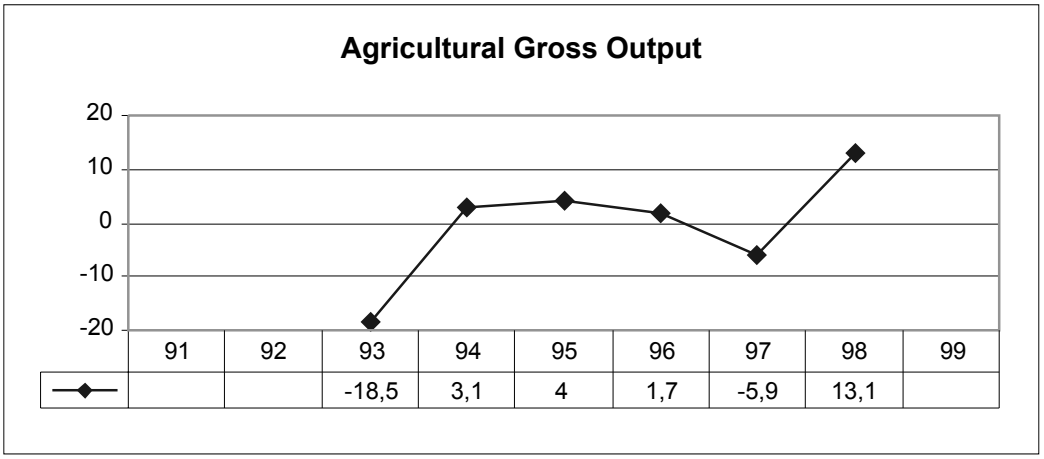


Source: USSR National Economy in 1990, Moscow: Finance and Statistics, 1991, p. 455

The second gap came to coincide with the 1988 earthquake. Although there was a slight recession in 1988, in 1989 a decrease in productivity occurred again. This time it appeared to be long term and the deep gap recovered a bit only in 1994 – 1996. However, this recovery was not stable for there was a drop in 1997 and a significant increase in 1998.

The period from 1989 to 1993 appeared to be very challenging for Armenian agriculture (Fig. 2).

Figure 2



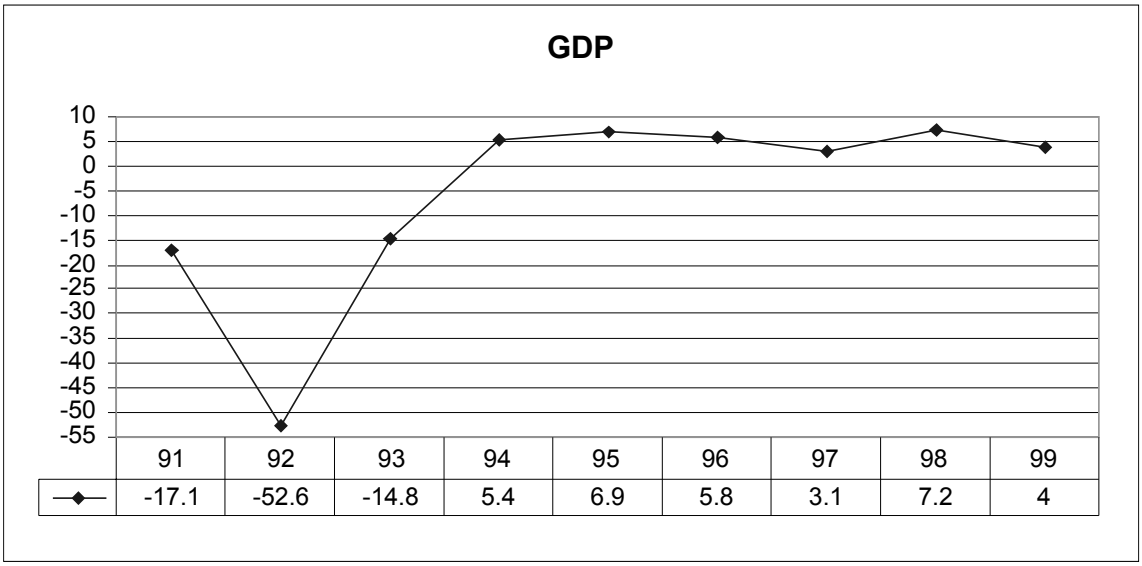
Source: Transition Report 1999, European Bank for reconstruction and Development, London, 1999, p. 189

These five years included the so-called Sharzhum – the movement for the independence of Nagorno-Karabakh – the declaration of independence of Armenia, the war with Azerbaijan over Nagorno-Karabakh, the blockade, money reform (changing roubles to drams) and mass emigration.

The Human Development Report: Armenia (1999, p. 57) indicates that land privatisation, conducted in 1991, resulted in the state's role in agriculture being confined to the adoption of some normative legislation and the sporadic provision of fertilizer and seeds. The villagers of Ararat Valley commented that they sometimes rely on the help of the Mayor, but, nevertheless, they can never be sure whether there is something to plant and/or fertilize tomorrow or not.

Globally, agriculture currently accounts for 40% of GDP and provides work to 55% of the labour force (World fact book: Armenia). GDP dynamics are shown in Fig. 3.

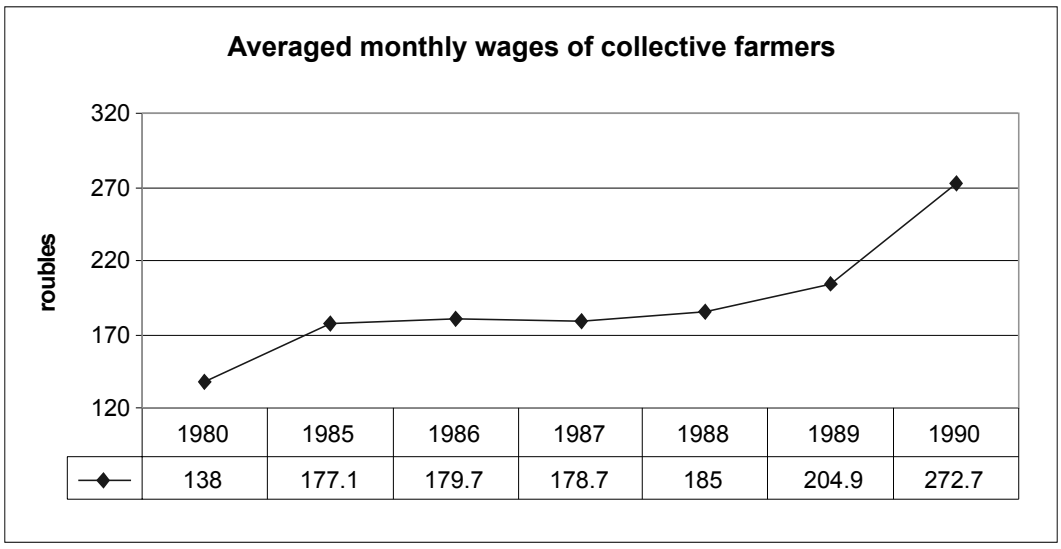
Figure 3



Source: Transition Report 1999, European Bank for reconstruction and Development, London, 1999, p. 189

Between 1985 and 1990, the cost of agricultural labour was estimated and distributed according to Soviet statistical standards. Wages of collective farm workers are referred to in Fig. 4.

Figure 4



Source: USSR National Economy in 1990, Moscow: Finance and Statistics, 1991, p. 39

These amounts were considered to be sufficient for living according Soviet ideology: "Everything of first necessity but no luxuries." Concerning the independence period, there is almost nothing to say about wages as in 1991 the land was privatised. So, currently, the money gained comes from the product sold. Often it happens that some villagers, having no machines, have to make (mostly oral) agreements with others when negotiating the cost and the amount of work. The interview with the villagers of Ararat Valley showed that they have many difficulties in the course of contracting because there are almost no machines in good shape, almost no cash in their hands and there are many expenses such as buying seeds and fertilizer and paying for water and electricity. Moreover, this sector of the economy is mostly seasonal. According to Teresa Khechoyan's study, only 36% out of 3400 farms surveyed are employed in agriculture all the year round.

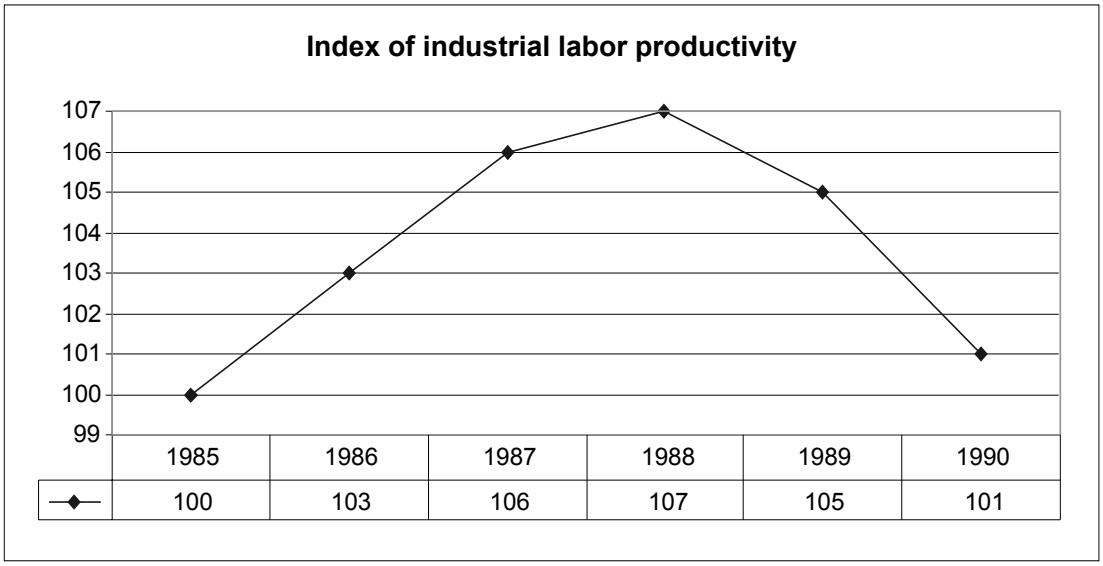
As for most recent years, difficulties are not significantly decreasing. The dissatisfaction of the population is on the rise and brings an additional wave of emigration to the cities and elsewhere abroad.

Industry In Armenia (1985 – 2000)

In soviet times Armenia used to be involved in the industrial complexes working in collaboration with other Soviet Republics. Armenian shoes, electric supplies and chemistry products, together with high quality furniture, excellent cognac, pastries and dried fruits used to be very famous all over the Soviet Union. In Gorbachev's era, a special progress in mining and developing new machine-tools could be observed.

The stable growth of Armenian industrial labour productivity for the period of 1985 – 1988) is shown in Fig. 5.

Figure 5

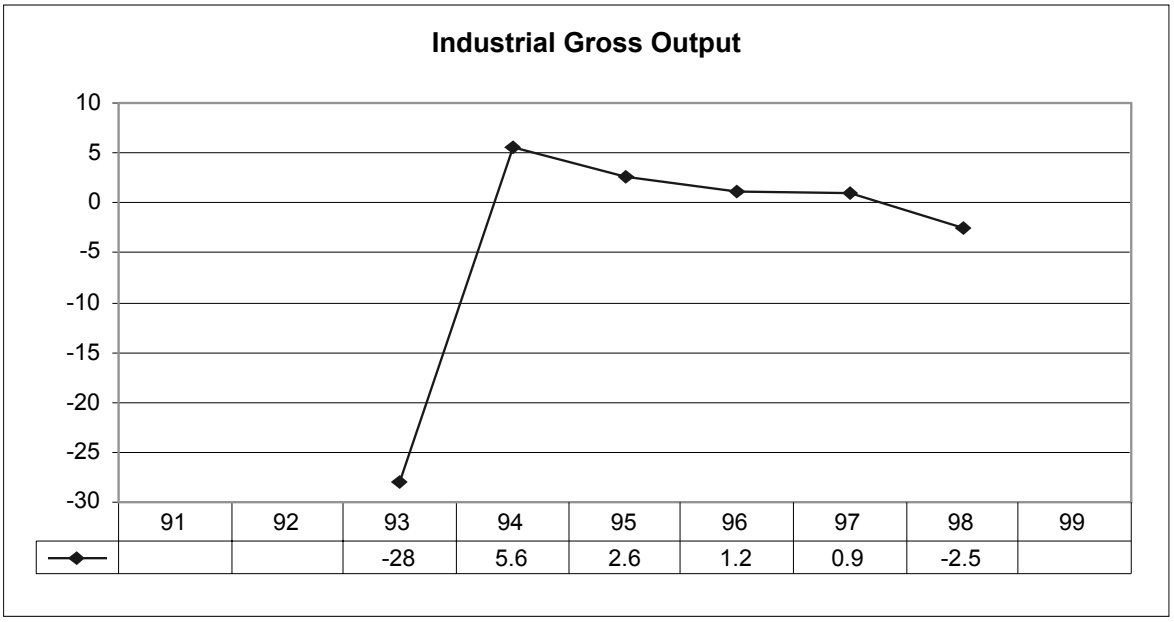


Source: USSR National Economy in 1990, Moscow: Finance and Statistics, 1991, p. 387

If it had not been for the earthquake damaging or completely destroying many industrial complexes, the development of industry might have gone on safely for a long period of time. However, the earthquake and the changing political situation in Armenia inhibited industrial development resulted in a sharp decrease of productivity in 1989 – 1990, see Fig. 6.

The situation was alleviated a bit with the help of the IMF. As the World fact book: Armenia web site states, the Armenian Government started "an ambitious IMF-sponsored program..." in 1994. This cooperation with the IMF resulted in the positive growth of the GDP, which is presented in Fig. 3. Nevertheless, despite the help of the IMF, the industrial gross output started a steady decline from its peak

Figure 6

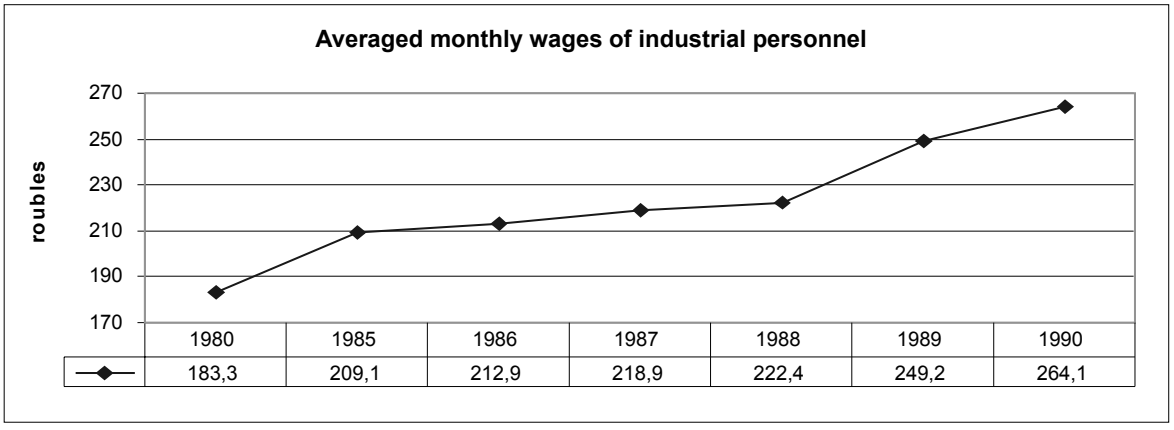


Source: Transition Report 1999, European Bank for reconstruction and Development, London, 1999, p. 189

of 1994 reaching approximately 6 per cent of growth. As is seen from Fig. 6, by 1998 it came to reach the point of about 3% negative scale growth.

However, despite this negative situation in the industrial sector, its share of GDP was estimated by the World fact book: Armenia (1999) to be 25%. It was also found that industry accounts for 20% of the labour force. The cost of industrial labour during the Soviet period was about 150 – 300 roubles per month (for more accurate data see Fig. 7).

Figure 7



Source: USSR National Economy in 1990, Moscow: Finance and Statistics, 1991, p. 394

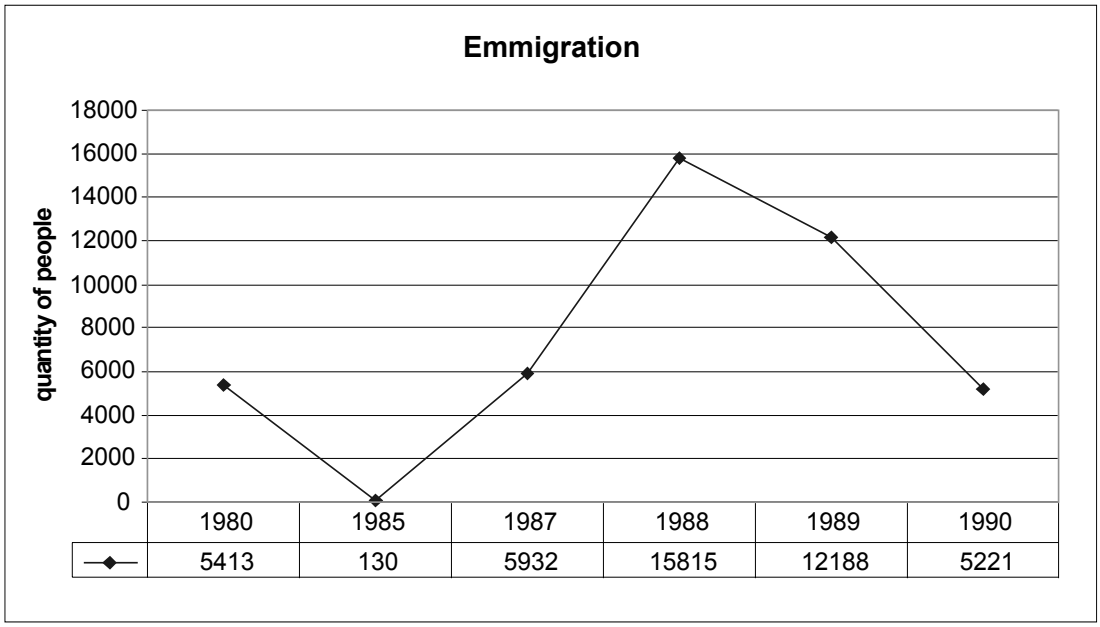
Unfortunately, there was no data found about the correlation of hazards at employment with amount of wages as standardized by the Soviet legislature. However, the post independence period does not provide any data concerning wages in the industrial sector at all, nor does it correlate them with working conditions. Currently, this sector appears to be highly unstable.

Emigration And Education (1985 – 2000)

During the Soviet era, the notion of emigration was not popular. At that time it was impossible to emigrate abroad because of the "iron curtain" separating the USSR from the rest of the world. However, internal movement within the USSR was not discouraged and all people could strive toward going to Moscow – the political and industrial centre of the Soviet Union.

In the 1980's, the situation appeared to change a little and, starting with Gorbachev's rise to power, going abroad, even to capitalistic countries, became more feasible (Fig. 8).

Figure 8



Source: USSR National Economy in 1990, Moscow: Finance and Statistics, 1991, p. 958

From this graph, it is clearly seen that the huge share of emigration coincides with the fated years of 1988 and 1989 – earthquake and political crisis in Armenia. Nevertheless, there is a significant drop in emigration in 1990.

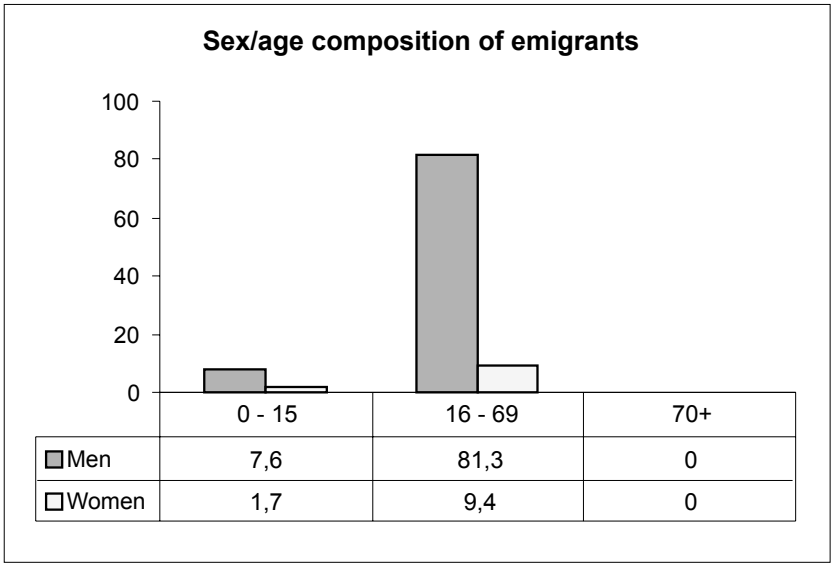
However, the post independence period is not marked by a decrease of emigration; rather it increased. For the time period of 1991 – 1999, emigration was approximately estimated by the Human Development Report as being "At least 800, 000 people [who] left having not realized their economic and social rights and having encountered the psychological problems of adapting to changing circumstances" (2000, pp. 57 – 58). Additionally, the cause of emigration may be considered to be a habit, coming from the Soviet period, of waiting for external help (for example, Moscow), which hinders independent development.

However, despite the unclear number of emigrants, their sex and age composition is more known; see the Chart in Fig. 9.

As is seen, males in the 16 – 69 age group constitute the main part of the emigrant age group. Observations and talks with people suggest that many of them are busy at construction works, especially in Russia.

As far as education is concerned, it was highly encouraged during the Soviet period. Many well-known films advertised the importance of getting education. Many people strove for higher education; however, in Armenia, vocational education appeared to be more popular as indicated by data from the USSR National Economy in 1990 (1991, p. 228). During the Soviet period, education meant not only being literate but also led to sure employment; better academic success meant better possibilities to be employed in a more favourable position.

Figure 9



Source: Poverty of vulnerable groups in Armenia, United Nations Office in Armenia, 1999, p. 29

Independent Armenia tried hard to sustain traditions in its level of education, but this appeared to be not so easy. There is no certain employment awaiting graduates any more. A great many private universities were opened during these years, but no clear information on their standards could be obtained. Most of them do not have the status of being equivalent to the State University.

Thus, both emigration and education are very unstable in contemporary Armenia.

Employment And Unemployment

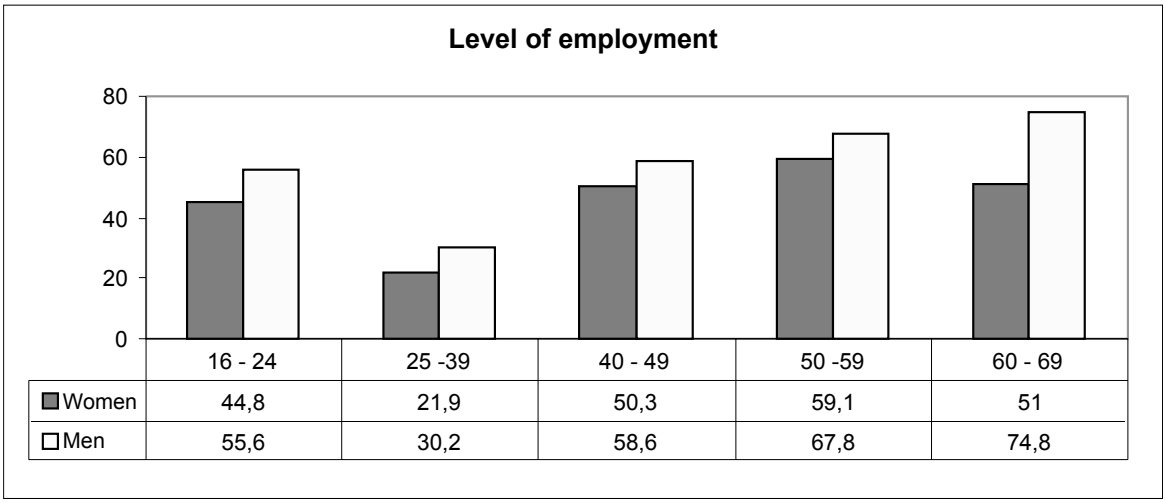
To regulate employment, some labour market institutions are needed. Armenian labour market institutions are as follows: special newspapers advertising positions, some private employment services and the Employment Centre. Private relationships assisting people in searching for jobs are very important and are often regarded as a special type of labour market institution. There is no clear distinction between the published and unpublished labour markets. It may be said, however, that the unpublished part, which is private relationships and advice, is definitely larger and more efficient. For example, according to Teresa Khechoyan, 51.8 percent of job seekers get their jobs through private relationships.

While searching for employment, people are mostly concerned with high salaries; this is illustrated by Mariam Ohanian's statement that 75 percent of 289 surveyed women indicated this as their first priority (2000, p. 53). Keeping that in mind, people address their friends and relatives or apply to various employment agencies. Among conditions imposed by employment agencies are such things as registration fees ranging from 500 to 5000 drams and payment of 30 – 50% of the first month's salary. The registration fee varies according to whether a person wishes to work in Armenia or abroad. The normal amount for registering to get a job in Yerevan or in the Republic in general is considered to be 500 – 1000 drams, whereas the prospects for abroad employment cost 5000 drams at the time of registration. Unfortunately, as workers of agencies in Kievian, Terian and Abovian streets point out, there is no certainty regarding the time of gaining employment (some clients of these agencies have been known to wait for years). The next drawback of this service is concerned with the quality of the job; this is especially serious regarding employment abroad. Regarding the Employment Centre, it is known that not many people apply to it (every 4th or 5th of the unemployed) and only 7.2% rely on it to get a job.

Therefore, there is huge unemployment, a large share of which is constituted by women. According to Mariam Ohanian, female unemployment amounts to 64.9 percent of the total unemployment rate (2000, p. 52) Males are not only preferred for their physical strength but also due to the tradition that men are for earning money and women are for breeding children. Therefore, there are some cases that women are refused employment because of their marital status. And even the fact that they have a higher level of education does not help them much to overcome this "bias." The age for eligible employment is defined by the Law of the Republic of Armenia to be 16 years,

whereas the retirement age is 60 for women and 65 for men. Nevertheless, most elderly people continue to work. More detailed data may be seen in Fig. 10.

Figure 10



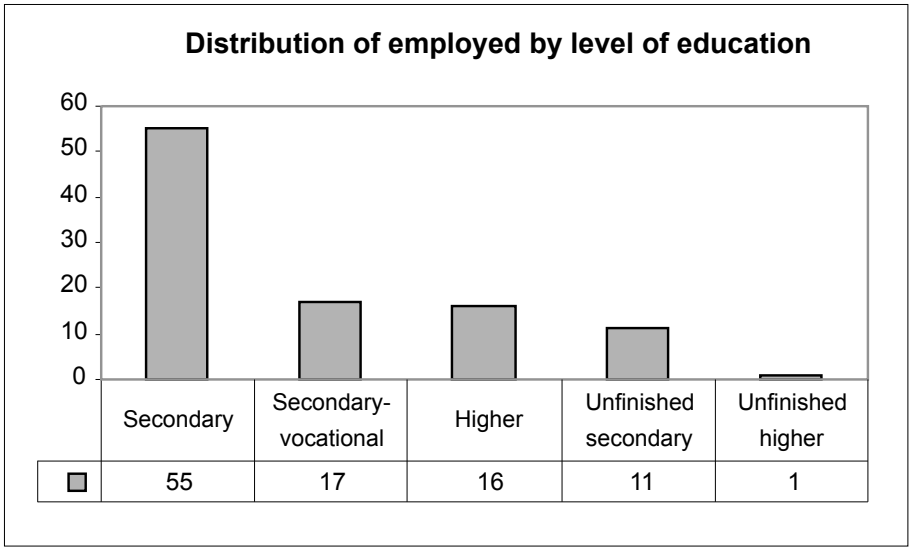
	16 - 24	25 -39	40 - 49	50 -59	60 - 69
Women	44,8	21,9	50,3	59,1	51
Men	55,6	30,2	58,6	67,8	74,8

Source: Poverty of vulnerable groups in Armenia, United Nations Office in Armenia, 1999, p. 27

A higher level of education does not seem to help in getting employed as is shown by Fig. 11.

Usually the selection procedures in the Armenian labour market include some type of interview, some type of examination to reveal the necessary skills and/or some type of psychological and IQ (intelligence) test. This is what is used, for example, in the Central Bank[3]. There is also bribery[4], a most widespread and efficient, though illegal, way of getting employment.

Figure 11



	Secondary	Secondary-vocational	Higher	Unfinished secondary	Unfinished higher
	55	17	16	11	1

Source: Astghik Mirzakhanian, Labour Market in Armenia, Yerevan, 1999, p. 35

In Fig. 12, Teresa Khechoyan illustrates the employment of males aged 18 – 25 by category.

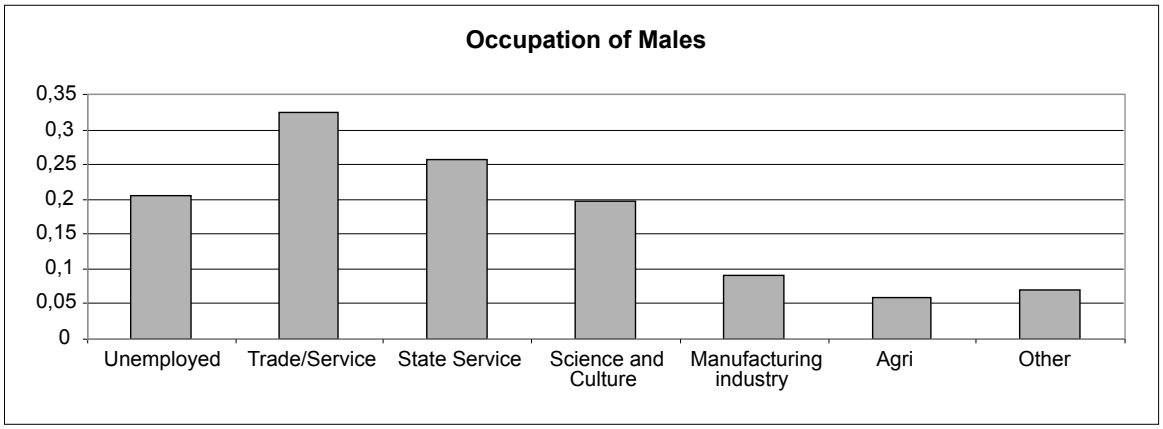
As far as unemployment is concerned, an alarming rate of unemployment is still being seen in Yerevan and the earthquake zone. More detailed information may be observed in Fig. 13.

The overall trends of employment in 3 sectors of economy and of labour supply and demand for 1990 –1997 may be seen in figures 14 and 15.

[3] Such test is prepared jointly by sociologists and psychologists. Data on that is taken from Sociological Independent Centre "Sociometr".

[4] Mariam Ohanian pointed out that bribe is very important in process of getting employment s (2000, p. 57)

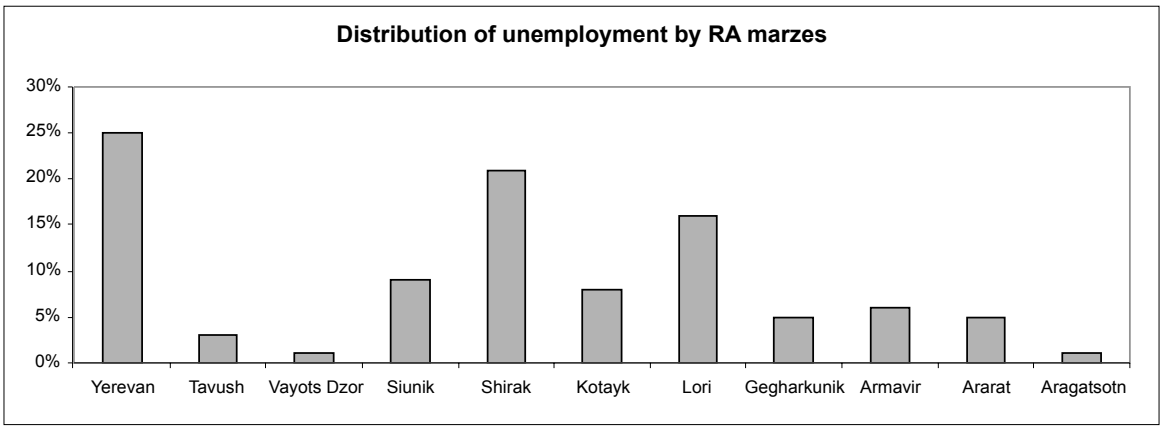
Figure 12



Source: Teresa Khechoyan, Labour market and unemployment problems in Armenia, http://www. nispa. sk/news/groups. html

For the future, it would be very interesting to trace the dynamics of the labour market and its institutions for the last few years and see whether the attitudes of the government, of NGOs and of the public towards employment issues have changed.

Figure 13



Source: Human Development Report 2000, UNDP, p. 64

Findings And Conclusions

In the course of this work, the following results were obtained:

Currently, the Informal Economy constitutes about 30 – 40% of total labour activity, whereas during the Soviet period it could not be estimated. The agricultural sector is estimated to constitute 40% of GDP and to provide 55% of the work force with more or less stable work.

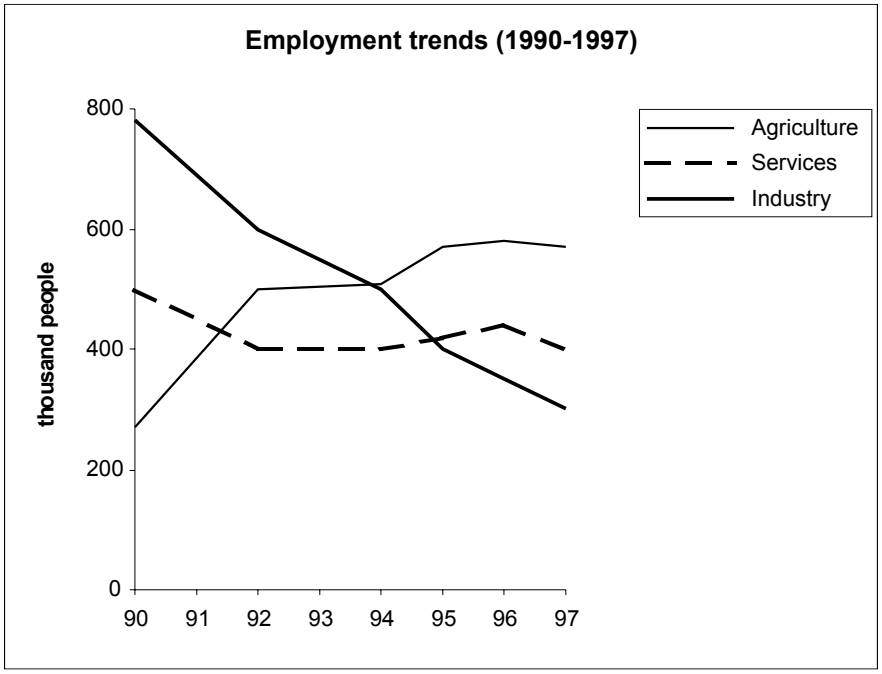
With regard to the Soviet period, there was high unemployment, especially female. However, there was no regional factor, whereas at present the unemployed are mostly concentrated in Yerevan and the earthquake zone.

Although there is eternal and huge emigration, the equilibrium in supply and demand for jobs is not being approached and demand for jobs significantly exceeds supply.

To get involved in the Private Sector is definitely much more favourable, as there the wages are much higher. So the tertiary sector (trade and services) is ready to take an important position in the overall state of economy. Currently it is even estimated to already account for 35% of the GDP.

Seeking gainful employment is done through private relationships, announce-

Figure 14



Source: Astghik Mirzakhanian, Labour Market in Armenia, Yerevan, 1999, p. 14

ments, and the Employment Centre at 57.8%, 39% and 7.2% respectively.

As is seen from the graphs presented, the trends on public labour productivity and the current GDP may compensate each other. However, the graphs on wages are inconsistent. There is no data on current wages to be compared with the Soviet period, as the money reform of 1993 has very much complicated this issue.

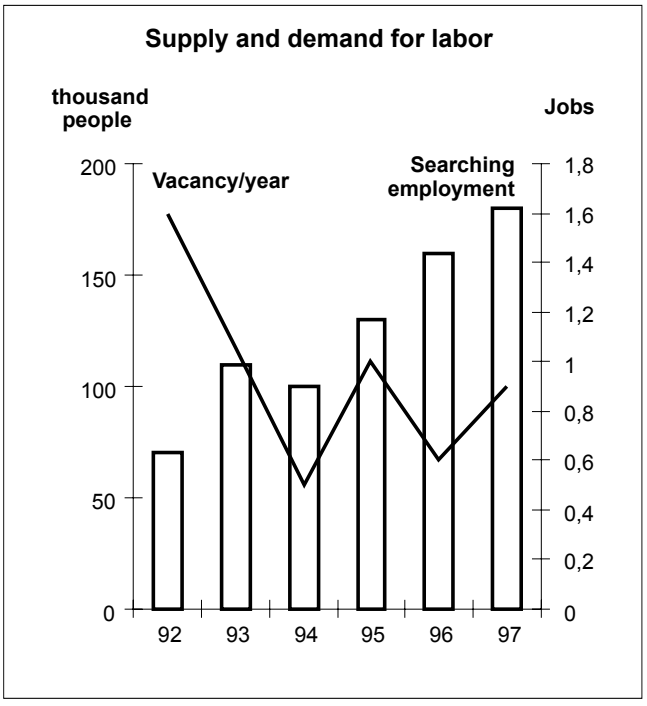
Regarding emigration, it is composed by a huge percent of working age males. The percentage of women emigrating is relatively small. Women are more known to leave the country temporarily.

The correlation of the level of education and employment was revealed to be such that people with secondary education get employment about three times more often than those with higher education. This may be because the latter are harder to please.

Women in employment are not discriminated against much (they lag behind by only about 10%). People having jobs during the Soviet period did and do everything possible to keep them: the highest percentages of employed are observed in the 40 – 69 age group, whereas, strangely, the least percentage of employed is observed regarding the 25 – 39 age group.

Thus, during the last decade, there was a reduction in the number of workers. This mainly occurred because of emigration and the psychological factor that people are inclined to wait for external help. A significant lowering of wages together with the existence of a significant Informal Economy has brought a substantial lowering n the GDP.

Figure 15



Source: Astghik Mirzakhanian, Labour Market in Armenia, Yerevan, 1999, p. 15

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Information for Contributors

The *Occasional Papers* are devoted to public administration and public policy issues based on empirical research carried out in Central and Eastern Europe.

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Decisions about the publication of a manuscript are based on the recommendation of the main editor and an additional review process conducted by two appropriate specialists from a relevant field. The main editor and/or deputy editor selects these specialists.

Submissions should not have been published previously and should not be under consideration for publication elsewhere. Papers presented at a professional conference qualify for consideration. The submission of manuscripts that have undergone substantial revision after having been presented at a professional meeting is encouraged.

Components of a Policy Paper

Presentation of the Issue
What is the problem that requires action?

Scope of the Problem
What is the history and current context of the issue? How did it become an issue? Who is affected and how severely?

Consultations
What are the views or positions of groups who will be significantly affected? What are the concerns of other ministries/ agencies who will be affected?

Options for Consideration
What three or four distinct options should be considered? What are their implications? What are their advantages and disadvantages?

Additional Issues:
Consistency with the government's priorities; the effectiveness of available options in addressing the issue; the economic cost-benefit; the effects on taxpayers; the impact on the private sector; environmental impacts; the fiscal impact on the government; the disproportionate impact on various groups or regions; the complexity and timing of implementation; public perception; and constraints raised by legal, trade, or jurisdictional issues.

Recommendation(s)
What is the proposed course of action? Why was it chosen over other possibilities?

Implementation Issues
What are the financial impacts of the proposed course of action? What are the implications for government operations? Will the proposal require regulatory or legislative changes? What is the proposed means of evaluation?

Communications Analysis
What is the current public environment? What are the key issues of contention, and how can they be addressed? What is the position of key stakeholders, both inside and outside the government, on the proposal, and what communication vehicles should be used for each? How does the proposal relate to government reform priorities? What is the objective of communication on this issue? What is the key message?

Structure of a Paper

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The title should be a brief phrase adequately describing the content of the paper.

Abstract
An abstract is a summary of the information in a document. The abstract should not exceed 250 words. It should be designed to clearly define the contents of the paper. The abstract should: (i) state the principal objectives and scope of the research; (ii) describe the methodology employed; (iii) summarise results and findings; and (iv) state the principal conclusions. References to literature, bibliographic information, figures or tables should not be included in the abstract.

Introduction
The introduction should supply sufficient background information on the topic and also provide the rationale for the present study. Suggested guidelines are as follows: (i) the introduction should first clearly present the nature and scope of the problem that was researched; (ii) it should provide an overview of the pertinent literature used; (iii) it should state the research methodology employed and, if necessary, the reasons for using a particular method; and (iv) the principal results of the investigation should be stated.

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This section should contain an overall description of the topic and present data gathered during the research project. The manuscript should utilise representative data rather than repetitive information. Data that will be referenced several times in the text should be provided in tables or graphs. All data, repetitive or otherwise, should be meaningful. Results must be clearly and simply stated as the section comprises innovative research findings for an international community of academics and practitioners.

Discussion
This section presents principles, relationships, and generalisations indicated by the researcher's findings. This should not restate information present in the results section, but should: (i) point out any exceptions or lack of correlation; (ii) define unresolved issues; (iii) show how the results and interpretations agree (or contrast) with previously published work; (iv) discuss the theoretical implications of the work, and any possible practical applications; and (v) summarise the evidence for each conclusion. The primary purpose of the discussion section is to show the relationships among facts that have been observed during the course of research. The discussion section should end with a short summary or conclusion regarding the significance of the work.

Acknowledgements
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References
Only significant, published references should be cited. References to unpublished data, papers in press, abstracts, theses, and other secondary materials should not be listed in the references section. If such a reference is essential, it may be added parenthetically or as a footnote in the text. Secondly, authors should verify all references against the original publication prior to submitting the manuscript. Stylistically, authors should utilise the in-text parenthetical reference system with complete references alphabetised at the end of the text.

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