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## **Socio-Economic Situation in Armenia After the Second Karabakh War**

### **Abstract**

*The article analyzes the socio-economic situation in Armenia. It examines economic problems and factors affecting them, the social situation, the level of poverty and unemployment in the country, problems in education, demography and migration processes. Recent profound socio-economic changes and upheavals in Armenia have had a significant impact on the socio-psychological landscape of Armenian society. The analysis shows that despite all the measures and efforts taken in the social and economic spheres, it was not possible to achieve the desired result.*

**Keywords:** Socio-Economic Situation, Unemployment, Poverty, Education, Demography, Migration

## **İkinci Karabağ Savaşı Sonrasında Ermenistan'da Sosyo-Ekonomik Durum**

### **Öz**

*Bu makale Ermenistan'daki sosyo-ekonomik durumu analiz etmektedir. Ekonomik sorunlar ve bunları etkileyen faktörler, sosyal durum, ülkedeki yoksulluk ve işsizlik seviyesi, eğitim sorunları, demografi ve göç*



<https://dergipark.org.tr/tr/pub/atdd>

*süreçleri incelenmektedir. Ermenistan'da son dönemde yaşanan derin sosyo-ekonomik değişimler ve çalkantılar, Ermeni toplumunun sosyo-psikolojik manzarası üzerinde önemli bir etkiye sahip olmuştur. Analiz, sosyal ve ekonomik alanlarda alınan tüm önlemlere ve çabalara rağmen istenen sonuca ulaşmanın mümkün olmadığını göstermektedir.*

**Anahtar Kelimeler:** *Sosyo-Ekonomik Durum, İşsizlik, Yoksulluk, Eğitim, Demografi, Göç*

## **Introduction**

The effectiveness of economic policy implemented by the state in a market economy depends significantly on the existing socio-economic structure of society and its qualitative characteristics. Socio-economic reforms are implemented more successfully in countries with high levels of human capital. Correctly determining the socio-economic structure of a society and its development dynamics is one of the main conditions for the effectiveness of the implemented state policy. The problems that make people think, worry them and whose solution is imperative in any country determine the structural problems of society.

The parameters of the social situation refer to the standard of living, material well-being, lifestyle and quality of life indicators of the population, etc. Taking all this into account, the article examines social policy in Armenia and the factors affecting it - the economic situation, social problems, and demographic problems. In the years following its declaration of independence, Armenia tried to build its economy in accordance with the new requirements that had arisen. However, at that time, the economic structures were still under the control of another state. Although Armenia, whose economy was much weaker than any of its neighboring states, tried to develop its economy, it could not achieve what it wanted. Being blockaded due to its aggressive policy against the Republic of Azerbaijan, which could act as a transit country to restore its broken economic relations, deprived Armenia of great opportunities. Thus, Armenia is unable to properly implement its domestic and foreign, including economic, policies to overcome the severe economic crisis it has fallen into.

## **1. Social problems in Armenia**

The social situation refers to the characteristics of the life activities of the population and its various strata. The social situation refers to the indicators of the standard of living, material well-being and quality of life of the population. The standard of living of the population refers to the income they receive. The quality of life of the population includes their full provision with social services, the level of education of the population, and the full provision of modern health services.

Social problems are difficulties that society suffers from and that affect some parts of the population more than others. Examples of social problems include poverty, unemployment, racial and gender discrimination, drug addiction, problems in the field of education, etc. One of the main components of social policy is demographic policy. Demographic problems directly affect the labor market. The profound socio-economic changes and upheavals that have occurred in Armenia recently have significantly changed the socio-psychological landscape of Armenian society. Let's look at what the situation is like in practice in Armenia.

## **2. Poverty in Armenia**

The level of poverty in a country is considered an important quantitative indicator of the well-being and standard of living of the population. Poverty is expressed in different ways and affects different livelihood needs; consumption, food security, health, education, security, etc.

Poverty was widespread in Armenia during the Soviet era, at 18-20%. The increase in poverty was further affected by the 1988 earthquake, which killed 400,000 people, and the Armenia-Azerbaijan Nagorno-Karabakh conflict. The inactivity of factories and plants left over from the Soviet era, the collapse of the economy, and a deep energy and economic crisis led to mass unemployment.

The years 1991-1995 can be considered one of the most critical for Armenia. During these years, the number of people living below the poverty line was 70-80%. At the same time, the largest migration flows occurred in these years. Approximately 600 thousand people left Armenia. In the decade after 1996, the poverty level relatively stabilized. However, there were serious shortcomings in the poverty eradication policy. This shortcoming was that the existing poverty level in the country was being reduced through social assistance. Therefore, the global financial crisis that began in 2008 led to a sharp increase in the number of poor people within a few months. In just one year, the number of registered poor people increased by 6.5%. In 2010, the poverty rate rose to 35.8%. The slowdown in economic growth led to the freezing of long-term poverty reduction programs and the restriction of policies to assist vulnerable families. The economic crisis continued until 2011. At that time, it was possible to reduce the poverty rate. However, in 2015, the poverty rate was still 29.8% higher than in 2008. Poverty is mainly represented at 3 levels: high, low and extreme poverty. The picture of poverty is particularly complete when looking at multidimensional poverty. Multidimensional poverty refers not only to income poverty, but also to the level of deprivation of citizens and families in terms of services. It is assessed according to the following 5 deprivations (Sozialakan Başbanutyun Yev Mankakan Axxadutyun.)

:

1. Basic needs
2. apartment
3. education
4. employment
5. health

Asdyg Minasyan, head of the Social Assistance Department of the Ministry of Labor and Social Affairs of the Population, states that when comparing data on poverty and multidimensional poverty, it is concluded that 45-46% of the population has social problems. Multidimensional poverty is particularly high among children (64%). In Armenia, one in three children currently lives in poverty. Child poverty is 34.2%, and extreme child poverty is 2%. This indicator is also affected by geographical inequality. For example, 50.9% of children in the Shirak region live in poverty.

As we know, in 2016, the economic growth rate in Armenia increased by only 0.2%, which was not enough to reduce the level of poverty in the country. In 2016, poverty decreased by 0.4% compared to 2015 (from 29.8% to 29.4%). (Axxkadutyunı Hayastanum (2018).). Poverty levels in Armenia vary significantly by capital and region. The poorest region in Armenia is Aragatsotn (51.4%). According to 2019 statistics, the poverty rate in Yerevan is 14.1%. At the same time, poverty indicators were also recorded in the regions of Shirak (48.4%), Lori (30.1%), Gegharkunik (43.5%), Kodayk (31.9%), Armavir (22.5%), Ararat (29.4%), Tavush (25.6%), Vayoch Dzor (19.3%), and Syunik (12.1%). (2019-İn Axxkadutyun Maqardaqı Hayastanum Qnahadvel E 26,4%,). According to 2024 statistics, the poverty rate in Yerevan is 17.9%. (Azqayin Viçakakraqan Komite). At the same time, poverty indicators were also recorded in the regions of Shirak (43.1%), Lori (14.2%), Gegharkunik (35.4%), Kodayk (23.2%), Armavir (25.9%), Ararat (30.3%), Tavush (37.2%), Vayoch Dzor (30.9%), and Syunik (7%) (national statistics service, 2024). The Statistical Committee of the Republic of Armenia reported this in the report "Social Image of Armenia - Poverty". Poverty in Armenia has been calculated since 1996. Since 2019, the revised methodology of the World Bank, namely the assessment of poverty according to four thresholds, has been applied. (2019-İn Axxkadutyun Maqardaqı Hayastanum Qnahadvel E 26,4%,)

1. Those who have a consumption threshold of 53,043 drams per adult are considered poor. In Armenia, 43.8% of the population meets this threshold.

2. The average per capita consumption level of the poor is 35,054 drams. 10.2% of the population meets this level.

3. Those who qualify as extremely poor and malnourished are those with a monthly consumption threshold of 23,763 drams. 1.4% of the population belongs to the extremely poor category.

### **3. Unemployment in Armenia**

In 1990, the unemployment rate in the Soviet Union was 1-2%. The transition to a market economy affected the development of the economy. Dozens of industrial companies closed and population migration levels began to increase. After Armenia declared its independence in 1991, the structure of its economy changed, and unemployment reached 20%. In 2000, the employment regulation policy was implemented with the aim of increasing employment and reducing unemployment. The government's employment strategy was developed in 2012. This document was intended for the years 2013-2018. In 2014, a promising development strategy for 2014-2025 was approved. The goal of this strategy was to increase the employment rate in Armenia to 71% and reduce unemployment to 10% by 2025. However, today's indicators show that the level envisaged in the strategy has not yet been achieved. In 2016, unemployment in Armenia was about 18.1%, and the main goal was to reduce this figure to 16.5%. On the other hand, it was intended to increase the employment rate to 58.7%, which was 50%. (Hayastani Hanrapedutyan Sosial-Tndesakan Viçaqı 2017t Hunvar-Hunisnin).

Armenia is one of the countries with the highest unemployment rate among the countries in the Eurasian Economic Union. The unemployment rate in Armenia is 17%. In particular, 61.4 thousand unemployed people were registered at employment centers in Armenia at the end of June 2021. This indicator has increased by 2% (1,200 people) compared to the same period last year. (Hayastanum Qorçazrkutyan Maqardakı 17% E. Amenabarçr EADM-Um).

More than 17.8% of Armenia's working-age population is unemployed. That is, 2 out of 11 working-age citizens are unemployed.

According to the World Bank and the National Statistical Service, the average unemployment rate in Armenia over the 26 years of independence has been 21.7%. The highest unemployment rate in the country was in 2001 at -35.9%, and the lowest was in 2013 at 16.2%.

According to the State Employment Agency of Armenia, the majority of the unemployed are women as of January 2021. They account for 64.7% of the total unemployed (or 40.2 thousand people). The number of young unemployed is 19.1% (or 11.9 thousand people), the number of

unemployed with disabilities is 3.9 (or 2.4 thousand people). The predominance of young people among the unemployed leads to the migration of the main labor force in the country to other countries. In 2017, youth unemployment was 30.3%. (Hayastanum Qorçazrkutyana Maqardakı 17% E. Amenabarçr EADM-Um). The report “The Young Generation is at Risk” notes that unemployment is one of the main problems worldwide. According to the report, politicians dealing with this area in Armenia should be concerned that 42.3% of young people are used as a labor force, while 16.8% are unemployed. The employment rate of young people in the field of information technology is only 3%. According to these studies, despite the need for young people in the chemical and industrial sectors, they are rarely engaged in this field. (Hayastanum Qorçazrkutyana Çuçanişı Amenabarçrn E APH-Um Tarmaçvel E ). In general, the mismatch between supply and demand is one of the main problems in the Armenian labor market. For example, according to March 2018, 48 people applied for one vacancy. There is a high demand in the Armenian labor market, especially in the private sector.

A number of state centers operate in Armenia to increase employment levels. These include the State Employment Agency and its 51 territorial branches, the Vocational Guidance Methodological Center in Yerevan, and the Gyumri Rehabilitation Center for the Disabled in Gyumri. The Law on Employment, which provides for improvements in the field of employment, was adopted in 2013.

#### **4. The impact of the Second Karabakh War on demography and migration in Armenia**

Armenia's population indicators have been decreasing continuously since the 1990s (except for the years 2012-2013). This process continued after the Karabakh war in 2020. The statistics published by the Ministry of Statistics of the Republic of Armenia regarding the permanent population of Armenia also reflect this.

Migration is one of the main factors affecting the decrease in the country's population. As it is known, one of the most dangerous problems that the Republic of Armenia has faced since declaring its independence is migration. This problem has caused the country's population to decrease over the years. Migration has had negative effects not only on security issues, but also on demographic characteristics such as the aging of the population, the rise and fall of marriage and divorce rates. According to research conducted in Armenia, there is a strong relationship between divorces and those who leave Armenia. This means that as the number of migration increases, the number of divorces also increases, leading to the emergence of new social problems in the country.

(Hacıyev, Kəlbizadə, Eyvazov, İsmayılova, Əzimzadə, İmaməli, 2019) of those who migrated in the period 2020-2022, 53.2% (128 thousand people) went to other regions of the Republic of Armenia or to foreign countries and did not return. 19.3% (46 thousand people) returned after a certain period of time. 27.5% (66 thousand people) are those who came to Armenia for the first time. According to official statistics of Armenia, 112,000 of those who left the country in 2021 did not return, while 45,000 returned. The Republic of Armenia is the birthplace of the vast majority of the outgoing and returning populations (96.7% and 99.6%, respectively), and the remaining small part (3.3% of outgoing and 0.4% of returning migrants) was born in foreign countries. In these years, the most intense migration movements (66%) were in 2021, and the number of returnees in 2019 was higher than in 2021 (39%). In the 2019-2021 period, approximately 66 thousand people came to Armenia, while approximately 83 thousand people left the country. 70.5 percent of those who left the country were for up to 12 months, and 29.5 percent for longer periods (Miqraçia). The Second Karabakh War has dragged Armenia into a demographic catastrophe. The sharp differences in the socio-economic situation in cities and villages, as well as the internal and external migration of the city and village population are the quantitative and qualitative characteristics of the causes of the demographic crisis. The regions where the birth rate in villages has decreased the most are Ararat (Vedi) and Armavir (Sardarabad). In general, the natural population growth in Armenia has decreased by 9.9%. Migration problems also play an important role here. As a result of the Covid-19 pandemic and the Second Karabakh War, an increase in the number of deaths and a decrease in the number of births are observed in Armenia. Except for Yerevan and Gegarkunik provinces, for the first time in the demographic monitoring process, all cities of Armenia experienced a population decrease (national statistics committee, 2023). After the Second Karabakh War in Armenia, internal migration has also increased. According to official data, the population of Sunik (Zangezur) province decreased from 136,400 people in 2020 to 134,600 people in 2021, and in Vayotsdzor (Keshishkend) from 48,400 people in 2020 to 47,600 people in 2021. (Miqraçion iraviçaki Hayastanum mifer yev irakanutyun. Pasteri stuqum). For this reason, the coordinator of the Ministry of Labor and Social Affairs of the Republic of Armenia, Artak Markosyang, explained that migration has increased, and that there has been a serious influx, especially from Sunik (Zangazur) province to Yerevan and its surroundings.

Due to the underdevelopment of infrastructure, economic, educational, cultural, social and security problems, there is an outflow of population from villages. At the same time, there is an unequal distribution of the population in the villages. 60% of the village population is concentrated

in the Ararat (Vedi), Armavir (Sardarabad), Gegarkunik (Başkend) and Kotayk (Eller) regions, and there is also a migration flow here. However, compared to border villages, the migration rate in these regions is much lower. In 2016-2021, the regions where the rural population left the most were Lori (Dağ Borcalisi), Shirak (Şoreyel) and Vayotsdzor (Keşişkend) with 5.4 percent, Tavuş (Tovuzgala) with 3.7 percent. The lowest migration rates were in Armavir (Sardarabad) with 0.3 percent, Sunik (Zangazur) with 0.4 percent and Araratdan (Vedi) with 0.6 percent. ( Kovid-19 hamavaraki yev paterazmi azteçutyunı joğovrtakrakan qorçintaçneri vra).

According to the information provided by the Armenian official statistics service as of November 1, 2021, the number of Armenian citizens who died in the 44-day war is 2,904, while the total number of deaths is 3,781. Thus, in 2020, the number of deaths among men aged 15-49 increased by 3.4 times (2,801 people) compared to 2019, reaching 3,956 people. The main reason for the increase in the mortality rate among working-age males is the 44-day war. (HH joğovrtakraqan himnaxntrneri paterazmi u hamavaraki hedyevankneri, ec 96) The Second Karabakh War and the coronavirus pandemic will not only have a negative impact on the demographic crisis, but will also affect the socio-demographic situation for a long time in the years following the war and the pandemic. One of the serious demographic problems is that those born in the second half of the 1990s and early 2000s (the majority of those who participated in the Second Karabakh War) are of family-forming age.

The negative aspects of the demographic situation are closely related to structural changes in the labor market and social security issues. In the Republic of Armenia, the war leads to increased military expenditures, unemployment and poverty levels, as well as a decrease in funding for the health system, pensions and other social services. It is clear that the risk of migration is also high in the context of uncertainty and poor economic opportunities. During the Second Karabakh War, three regions of the Republic of Armenia - Syunik (Zengezur), Vayotsdzor (Keshishkend) and Gegarkunik (Başkənd) - became border regions, and as the war continued, the population of these cities began to decline. This had a serious impact on demography, politics and defense. In 2020, the permanent population of the Syunik (Zengezur) region decreased by 136 thousand people after the Second Karabakh War. It should be noted that, unlike other regions of the Republic of Armenia, the population flow from Syunik (Zengezur) was quite low. The population decrease in this region in 2016-2019 was 2159 people per year. Sunik (Zengezur) was the leader in the average monthly salary ranking in the Republic of Armenia until the 2020 war. During this period, the average monthly salary in Yerevan was 208 thousand drams, while in Sunik it was 269 thousand 782 drams.



There are several reasons for this: (HH joğovrtakraqan himnaxntrneri paterazmi u hamavaraki hedyevankneri, ec 96)

1. The presence of mining enterprises in the district of Sunik;
2. The development of the agricultural and livestock sector at the expense of the occupied Karabakh lands.

The Second Karabakh War ended with the military and political victory of the Republic of Azerbaijan, the return of the occupied lands to their owners, and caused a decline in the large-scale livestock industry in Syunik and a decrease in the number of animals. This situation negatively affected the income formation of the residents of the region and migration increased. At the same time, from the perspective of demographic development, there was almost no population flow in the Tegh village of the Gorus region until the Second Karabakh War. The permanent population here was 2206 in 2016, and 2165 in 2020. (Syunik. Anvdanqayin iraviçaqi soçial – tntesaqan çuçanişneri anqman badçar) However, with the end of the war, both internal and external migration of the population increased for both socio-economic and security reasons. After the end of the war, the Armenian government implemented aid programs and increased steps towards the revival of the agricultural sector.

### **Conclusion**

Thus, from the analysis of all the above issues, it can be concluded that Armenia is not implementing its domestic and foreign, including economic, policies correctly to overcome the severe economic crisis it has found itself in. During the study of the topic, a number of conclusions were reached: the severe socio-economic situation resulting from Covid-19 and the Second Karabakh War in 2020 had a negative impact on the economy of Armenia; economic growth trends have weakened; the war has further aggravated the economic crisis and caused significant material losses; the state debt of the Republic of Armenia has increased sharply; poverty is a major problem in Armenia and there are serious shortcomings in the poverty eradication policy; the policy of increasing employment and reducing unemployment is not effectively implemented by the government; Armenia's education system is also in a state of severe crisis. Corruption and bribery prevail in the education system; the demographic situation in Armenia is also at a crisis level. Migration is one of the main problems of the country. The current socio-economic situation in Armenia leads to the population leaving the country in order to improve their quality of life.

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