Employment Contract

Probation and Early Termination

Transaction Description and Public Policy and Private Interest Clarification

This study is about probation and early termination of an employment contract. Probation and termination of an employment contract are among the most common situations of everyday life. The relationship between an employer and employee are regulated by the employment contract.

Employment contract limits employer's ability to terminate the employee and obligates an employer to treat employee fairly. That is to say, regardless type of a contract you have with the employee, a contract will obligate the employer to treat the employee fairly, within the acting law. This obligation is called the covenant of good faith and fair dealing. Usually, the contract states the legitimate reasons, for which an employee can be fired. These reasons should be related to business needs and goals. For instance, firing an employee because the employer does not like the fact that the employee has an illegitimate child is not a reason, according to article 114 (4) of the Labor Code of the RoA, stating that "the marital and family status shall not be considered as legitimate reasons for the termination of the employment contract". However, firing an employee, because he harasses female coworker is reasonable according to article 121(2) of the Labor Code of the RoA, stating that "the employer has the right to terminate the employment contract in case the employee has committed a serious violation of the code of conduct", and article 221(4) of the Labor Code of the RoA states that "one of the gross violation of labor discipline is considered the violation of equal rights of men and women or sexual harassment of colleagues, subordinates or beneficiaries."

A probation period is one of the clauses that an employer includes in a contract when offering a job to a new employee. According to the Armenian Labor Code (article 91(1)) probationary period involves hiring an employee for some period with the consideration that, at the end of that period the employer will decide whether the employment will continue on a permanent basis. During a specified period, which is usually up to 3 months (Labor Code of the RoA, article 92(1)), the employee must show that he/she has the knowledge, ability and other qualities to perform adequately the assigned duties, his/her compatibility with team, and the employer must supervise and monitor an employee's work during this primary period. The probationary period allows an employer and a new employee to find out strengths and weaknesses in work performance and to take any necessary corrective action. It helps a new employee to get acquainted with the Company's Code of Conduct and Policy, where he/she is going to continue his/her job. It is important for employer to provide new employees with guidance, feedback, counseling and an opportunity to respond to comments on their performance. If the employee is demonstrating difficulties, an employer should meet more regularly with the probationary employee and identify the performance issues. Appropriate action to address weaknesses identified during the probationary period assists employees to improve their performance and if this improvement does not happen, an employer may have the employment contract terminated.

Probationary employment offers employers some advantages, one of which is to evaluate a new employee's performance on the job to assess that person's suitability for a more permanent employment arrangement. A probationary employee, whose employment is terminated because of unsatisfactory result of probation period, is generally not able to claim unfair dismissal (article 113(5) of the Labor Code of the RoA). This means that, if the employer decides to terminate the employment during or at the end of the probation, there is less potential risk of legal action than if the employee was a "permanent" employee. At the

same time probationary employees are entitled to the same protections as regular employees (article 92(2) of the Labor Code of the RoA and article 32 of the Constitution of the RoA). “Probation does not suspend employee rights and protections under state employment laws against discrimination and harassment” (article 114(4) of the Labor Code of the RoA and article 14(1) of the Constitution of the RoA).

After probation period an employer completes a report, which requires comments on conduct and work performance and then shows the completed reports to employees, and provides constructive feedback and advice on improvement. An employee will be rejected during probation, if he/she fails to demonstrate suitability for the job to which he/she is appointed, with explanation that his/her unsuitability could affect general work performance. “Employees, who are rejected from initial probation appointment, are terminated from their employment” (Labor Code of the RoA, article 93(1)).

After successful completion of the probation period, the supervisor gives the employee positive evaluation, the probationary employee becomes permanent and has the same rights as other employees (article 93(3) of the Labor Code of the RoA), i.e., even on the next day after the expiry of the probation period and its successful completion, the employer can not terminate an employment contract with an employee without well-substantive reasons. Now the employee is considered as a permanent and should be treated on the same grounds as others, otherwise such termination of an employment contract would be considered as an unfair dismissal.

Armenian Legal Framework

In the Republic of Armenia termination of an employment contract is governed by the following laws and involves the following institutions:

- Labor Code of the Republic of Armenia, which was amended and adopted on November 9, 2004. In case of early termination of employment - Chapter 15 “Termination of an Employment Contract”, articles 109-115, 117-118, 120-127;
- Civil Code of the Republic of Armenia, which was amended and adopted on April 15, 2005. Chapter 30 “Change and Termination of Contract”, article 466.
- European Social Charter, which was signed on October 18, 2001 and ratified on January 21, 2004. In case of termination of employment - Article 24 “The right to protection in cases of termination of employment”.

According to article 91(3) of the Labor Code of the RoA “A probation period shall not be envisaged in case of employing persons, if under 18 years of age, accepted to work by election, as well as those passing qualification examinations to be appointed to a position, transferred for another work by the agreement between employers, and in other cases specified by the legislation.” According to article 93(3) of the Labor Code, if the employee continues working upon expiry of the probation period, it is considered that he/she has passed the probation period and the employer shall terminate his employment contract on the grounds specified in article 113 of the Labor Code.

According to article 109 of the Labor Code, an employment contract shall be terminated on following grounds: upon the consent of the parties; in case the contract expires; upon the initiative of the employee; upon the initiative of the employer; in other cases established by the Labor Code.

According to article 114, “termination of an employment contract upon the initiative of the employer is prohibited during the period of temporary inability, leave, and strike of the employee.” Gender, race, nationality, language, origin, citizenship, social state, religion, marital and family status, convictions or views, affiliation in political parties and public organizations, age, except pension age, performance of the function of employees’

representative at any time, raise claims to the employer for violation of laws. Article 117 states that “An employment contract shall not be terminated with pregnant women and with employees taking care of child below one year, except the cases specified by the law.” According to article 118, “An employee who got job injury and became temporarily invalid is kept until recovery of ability to work.”

According to article 113 of the Labor Code, an employer has the right to terminate the contract if the company is suspended or falls in bankrupt, if there is unsatisfactory result of probation period, if confidence lost to the employee, if employee reaches pension age, if an employee does not qualify to the held position and does not carry out the work adequately, and if number of employees are reduced due to some changes in a company. According to article 122 an employment contract can be terminated if an employee damaged or lost a property of employer, put maintenance of an employer property under the risk, and arose non-confidence before employer partners, because of which an employer incurred losses. An employee has the right to terminate the contract according to article 112 of the Labor Code by notifying an employer in writing at least 14 days before, or at least 5 days before if termination is connected with sickness or labor invalidity. According to article 115 “An employer shall notify an employee about termination of the contract in writing no later then two months before, if termination is based on clauses 1 and 2, and two weeks before, if applied clauses 4 and 9.”

According to article 466 (1 and 2) of the Civil Code of the RoA termination of a contract is possible by agreement of the parties, unless otherwise a statute or contract. Upon demand of one of the parties a contract may be terminated by decision of a court only in case of a substantial breach of the contract by the other.

According to article 24 of the European Social Charter “A worker whose employment is terminated without a valid reason shall have the right to adequate compensation or other appropriate relief, and to appeal to an impartial body.”

In case of termination of an employment contract the employee becomes a “victim”. There are some institutions which shall take care of these victims and take measures to compensate the victims and assure that risk of such incidents is eliminated or reduced.

The state control and supervision over meeting the requirements of the labor legislation, other normative legal acts containing norms of the labor law, collective contracts shall be exercised by the relevant state bodies and non-state supervision. Among those are the Ministry of Labor and Social Issues, State Labor Inspectorate (state control) (article 34 of the Labor Code), Trade Unions and Representatives of the Employers (non-state control) (article 35 of the Labor Code), and other law enforcement official bodies, which regulate labor relationship field and also parties to the employment contract, i.e. employee and employer.

Case Studies and Step-by-step Description of the Transaction

Disputes arising out of the labor relations are among the most common disputes in everyday life. Nonetheless, my research among the private and international organizations, NGOs, state agencies, State Labor Inspectorate, Ombudsman Office, Human Rights Committees, attorneys and individuals shows that there is no any officially registered case. This fact proves either there is really no any violation in this field, which is in some way incredible, taking into account the current transition period in the country, or that there are a lot of imperfections in the current legislation and the labor relations are not well regulated by the law and due to the fact that most cases are negotiated and mediated.

The main issue of this study is that the legislature fails to establish the law in accordance with the problems which exist in practice.

In order to get the real picture of the problem it would be better to study the following case with a doctor[1].

The case took place in a real life with a doctor, who has been working in a hospital as a head of a therapy department for fifteen years. His employment was terminated because of redundancies in the hospital. Later he found a job in other hospital, where the employer offered him one year employment contract after successful completion a three-month probation period.

The issues in this case are the followings:

1) Why a person who has enough working experience and skills should be in probation?
2) Why a person who completes his probation successfully should be offered an employment contract only for one year?

Let us look at the facts of this case. The doctor has fifteen years working experience in a therapy, which could be considered more than enough. His employment has been terminated only because of redundancies in a workplace, and not for other reasons, such as non-competence, grievance, or any other grounded reason. The employee is not going to change the nature of his job: that is therapy with surgery. It is the same job, which he used to do. The abovementioned facts are proving that the employee's skills and experience were suitable to this job and the probation should not be envisaged to this employee. Moreover, he was a head of therapy, now he is an ordinary doctor. That means that he is overqualified for that job. Besides the employer offered him only one year employment contract, which is not fair taking into account also the envisaged three months probation. Considering the fact that a

[1] Conducted an anonymous interview, an interviewee asked not to mention the names due to some reasons

hospital is “more sustainable workplace”, the employer could offer him more “permanent” job.

The employee is arguing that he needs to be sure that he has job, which is permanent to some extent and his employment is stable, and why he should serve in probation having considerable experience.

In fact the current Labor Code, even amended, does not satisfy the society and protects does not protect human rights. It still needs to be improved. It should be noted that the current Labor Code of the RoA is addressed to protect employers’ rights in order to promote and develop business in the country, meanwhile the previous one was in favor of employees. Based on discussion with practitioners, employers and employees, the most common issues are that the cases are never reported due to uncertainties of laws and weaknesses of public institutional processes available for addressing these problems, as well as lack of state and non-state control. Labor relations in Armenia are marked by the lack of implementation of equal opportunities, potential capabilities and interests in the enjoyment of rights and freedoms by citizens. In the situation where companies work under the free-market conditions but without securing employees’ rights and without transforming their obligations in the social security sphere, everybody is hit hard.

Although in a free labor market the employers’ interests prevail, the law must guarantee the employees’ “right to work” and create regulations for fairness. Measures should be taken in order to protect an employee against unjustified termination of the employment relationship and against the economic and social hardship inherent in their loss of employment. Termination of employment by the employer could cause insecurity or poverty for the employee and his family, particularly when the unemployment level is especially high.

The most obvious problems of these issues are abuse of laws by employer, absence of written contracts, absence of state control, weaknesses and imperfection of Trade Unions and State

Labor Inspectorate and hard social-economic situation in the country. The fact that nowadays employers dictate the conditions and rules on the labor market also has its influence on regulation of these events. The Trade Unions are not independent and they do not work with employees in order to acquaint them with their rights and interests.

Making contract in writing with a probationary employee will help to avoid the risk of later misunderstanding. This helps employers and employees to be clear about their rights and obligations. It is important to ensure that the contract records all of the agreed benefits that an employee will be entitled to. If any assurances were given in the interview stage, then it is wise also to record those assurances in the written contract. The most important clause in a written contract with a probationary employee shall state the reasons for termination, process of dismissal and notice, in order to avoid unfair dismissal. An employer in case of termination of employment contract must inform an employee in written form three days before the expiration of probationary period (article 93(1) of the Labor Code) and clearly specify the grounds. The law (article 113 of the Labor Code) gives some privileges to employee, for example, to terminate an employment contract with probationary employee based on unsatisfactory results, without counseling with Trade Unions, and the employee has no right to claim it. The imperfection of law is that it does not specify any standards based on what could be evaluated an employee. It is important in order to avoid subjective approach of an employer.

International Best Practice

“Termination of employment" means termination of employment at the initiative of the employer and not at the initiative of the employee (article 3 of the Termination of Employment Convention).

Termination of employment by the employee - exercising his basic right to protect his freedom of work - in most cases causes inconvenience for the employer, while the termination of employment by the employer could result in insecurity and poverty for the employee and his family. Employees should be protected against the subjective and groundless termination of their employment relationship and against the economic and social hardship inherent in their loss of employment. "The disparity of the consequences of each party exercising its discretionary power to terminate the employment led in many countries to a movement towards employees' protection". For instance, in Spain "the rights and obligations under the employment relationship are regulated by legal provisions and regulations, collective agreements, the determination of the parties (the conditions established by the employment contract may not be less favorable than or contrary to legal provisions and collective agreements), local customs and occupational practices. In the event of conflicting legal provisions, those which are most favorable to the worker apply"[2]. In Venezuela the Organic Labor Act sets that "in the event of conflicting laws, labor law, whether substantive or procedural, prevails"[3]. In New Zealand, where employment laws are stricter, there was a case which saw a successful claim for unfair dismissal even though the claimant had only been employed for 32 hours. The commission ordered compensation equivalent to four months salary on the basis that the employee was "ready, willing and able to perform tasks". It turned out that the employer had never issued a written confirmation of the employee's probationary period[4].

In some countries, a contract for a probation period cannot be concluded in certain circumstances. For example according to article 70 of the Labor Code of the Russian Federation "probation cannot be set for pregnant women; people who have graduated from

[2] Worker's Charter Act, No. 8/1980
[3] SS 59 and 60 of the Organic Labor Act of 1990
[4] Termination of Employment Convention , 1995, Protection against Unjustified Dismissal, New Zealand Employment Contracts Act

junior, medium and senior professional education facilities and who are getting their first job in the chosen specialty; people who are elected (chosen) on a paid position that requires an election"[5] . In Czech Republic "a contract for a probation period cannot be concluded in cases where the law forbids contracts for a specified period, i.e. for school graduates, young workers and workers with disabilities"[6]. Whether it is possible to set the probation for a pregnant woman or a worker with disability in Armenia, the Labor Code of the RoA does not foresee and make it uncertain.

Article 33(3) of the Labor Code of the Russian Federation foresees termination of a labor agreement on employer's initiative in case of *repeated* non-fulfillment of job functions by an employee *without reasonable excuse if an employee has a disciplinary punishment.* Article 113(1.6) of the Labor Code of the RoA states "An employer may terminate an employment contract signed for an indefinite term and one signed for a definite term prior to the expiry of the contract for the employee's *non-performance or incomplete performance of his duties.*" The Labor Code of the RoA does not foresee reasonable explanation from an employee for his actions and it also limits the rights of employee by not considering the repetitiveness of actions.

Some case studies from the Australian Industrial Relations Commission (AIRC) and the Federal Court show instances of appropriate, and inappropriate, employment policies and practices[7] .

Probation Case

A company hired an employee as a data-entry clerk on a trial period of four weeks. At the completion of the four week period the employer told the employee that his performance was

[5] Article 70 Conditions of Probation, Labor Code of the Russian Federation
[6] Section 31 of the Labor Code of the Czech Republic
[7] by Peter Folino; http://www.seek.com.au/editorial/0-2-10_WRA_casestudies.html

unsatisfactory and the employment is terminated. The employee lodged for unfair dismissal at the Australian Industrial Relations Commission. At arbitration, the Commissioner found in favor of employee. The company was obliged to pay the employee six week's pay in compensation for lost wages. The Commissioner provided two main areas where the employer had acted improperly: they did not provide any feedback to a new employee on his performance and also didn't provide a new employee with any satisfactory measures for appropriate performance during the probation period. The Commissioner noted that employer in order to avoid the subsequent termination difficulties should have provided employee with a written, quantified job description, outlining the minimum requirements of the position (for example minimum words entered per minute and minimum levels of accuracy of entry). Besides this, the employer should have conducted a performance appraisal with the employee after two weeks. This appraisal should be in writing, and signed by both parties, with a note on the appraisal confirming that the employee understands the minimum requirements of the job. If the employer felt after two weeks that the employee was not performing satisfactorily, this should be recorded in the written appraisal with a notice that employment will be terminated after another two weeks if the standard is not met.

Lessons learned from the abovementioned case: It should be required by the law to provide a new employee with feedback and advice him, and to complete an appraisal form, which will help in future to avoid misunderstanding from both sides.

Unfair Dismissal Case

The employee was employed by Electrical Services as an electrical tradesman. The company's business was primarily repairs, but also had sales and administrative departments. Although the employee was employed in the service department, he also had extensive sales and managerial knowledge and experience. The employer reduces the employee after six

months with the company. The employer claimed that there was insufficient work in the repairs area, despite good performance in the sales area of the business. The employee was chosen as the employee "to go" because he was the most recently hired employee. The employee was successful in claiming unfair dismissal in the Commission and was awarded a total of three months pay in damages. The Commission provided two areas where the company had dealt with the employee unreasonably: the company did not investigate whether there was "suitable, alternative employment" elsewhere in the organization for the employee and the period of service criteria used by the company in its selection of the employee was unsuitable. The employee was a qualified electrician with extensive sales and managerial experience. The Commission noted that he possessed more experience in the industry than any of the remaining employees. A number of cases reinforce that it is unacceptable to select employees for redundancy on length of service alone. A number of issues must be considered, including the skills of the employee, suitability for employment in other areas of the business, the operational requirements of the business, the age of the employee and the employee's prospects for future employment. When considering redundancies, a company must be seen to make every reasonable effort to explore alternative opportunities for affected employees.

Lessons learned from the abovementioned case: It should be required by the law to consider the employee's length of service with the company and their previous work record, "last on, first off" is not satisfactory to choose who gets made redundant, and complete a formal performance review before the end of a probation period.

Procedure Evaluation

Comparing the case with a doctor with the abovementioned case in Australian Industrial Relations Commission, we can come to conclusion that our current labor code needs some improvements. It should be better balanced, provide equal opportunities and conditions which are fair and right for both sides, i.e. employers and employees. It should be clear and established in accordance with the problems which exist in reality.

Probation

Sometimes the law is not clear enough and incomplete, sometimes it's contradictory. For instance, article 91.1 of the Labor Code stipulates that "A probation period may be defined upon concluding an employment contract with the consent of the parties." and it does not make reference to article 93 which enumerates the cases when the probation shall not be envisaged. One the one side it allows to parties to make a decision, it is good. But on the other side it does not forbid the employer to apply a probation period when it is not envisaged by the law. This even can lead to employer's willfulness.

The law shall exclude some employees from probation considering the length of their working experience and adequate knowledge and skills. Article 91.3 gives this privilege in very limited cases.

According to article 92 a probationary employee has the same responsibilities as a permanent employee. Such attitude to a probationary employee is too tough, taking into account that he is a new member and is not acquainted with all nuances of the job. A probationary employee needs some time to assimilate into a new job and should be treated more gently. Among the gaps of the law is an absence of a requirement to conduct training with a new employee. An employer should introduce a new employee with the work, assist if there is any difficulty and include training if necessary.

If the results of probation are unsatisfactory an employer can terminate the contract of employment before the probation period has elapsed with a three-day written notice (article

93.1). An employee who works three months for a company may have some expectations for continuation his work and a three-day prior notice is too short time for an employee to find another job. Moreover, if the results of probation are unsatisfactory, the contract of employment is terminated without consultation with the trade union. Besides these, there is no appraisal system or minimum requirements set by the law based on what an employer shall evaluate an employee. The law does set whether an employee could appeal against the decision of an employer in the court.

Unfair Dismissal

There are two types of employment contracts according to article 94 of the Labor Code. First type is a contract with an indefinite term, in case its term of validity is not specified in the contract and the second is a contract with a definite term in case its term of validity is specified. Contracts with definite term is concluded in the case when labor relations can not be defined for an indefinite period taking into account the conditions or the nature of the work to be done unless otherwise is envisaged by this code or law (article 95.1. of the Labor Code). In spite of limitations prescribed by the law in practice most of employers conclude definite term contracts with employees. On the one side definite term contracts create competitiveness, it is encouraging, but on the other side it allows employers to dismiss employees upon the expiration of the employment contract without additional explanations. Besides, if the employer wants to increase competition among the employees it is better to evaluate them. If the results of evaluation are unsatisfactory the employer may terminate the employment. But it is very important for the employee to be sure that he/she has “permanent” job, which is a guarantee for stability. Countries within the European Union, having such bad experience, include a requirement in a definite term contract which obliges the employer to specify why the concluded contract is for fixed term. A list of specific circumstances, under which an employment contract may be concluded for a definite term, are introduced in article

95.3 of the Labor Code, but it would be better also to include teachers, doctors, mechanics (employees of this institution which are permanent) in this list.

The employment contract can be terminated upon an initiative of the employee (article 109.3 of the Labor Code). According to article 112.2 of Labor Code an employee shall be entitled to terminate an employment contract prior to its expiry by giving his employer notice in advance, where his request is justified by the employee's illness or disability acquired at work or for other valid reasons. In practice, and it's not an exception, there are a lot of cases when the employee is forced by the employer to give a request for termination of employment. The law should take some preventive measures. There should be procedures prescribed by the law which will help to ensure that a request for termination of employment has been done voluntary. For example, if there are redundancies in the company and the employee, who cannot be redundant due to some circumstances, unexpectedly is changing his job, may be asked to support his request by the letter from a new workplace.

The law should clearly specify and foresee all clauses which are related to termination of employment by an employer in order to avoid any infringement. It should protect both sides without giving privileges to anyone of them. Article 226 of the Labor Code says that "Before imposing a disciplinary sanction the employer must request the employee to provide an explanation in writing about the violation of labor discipline. If, within *the period set by the employer*, the employee fails to provide his explanation without a substantial reason, a disciplinary sanction may be imposed without an explanation." The law does not specify the period and allows an employer to set the period for getting an explanation, which is unfair.

The employer has the right before imposing a disciplinary sanction to request the employee to provide an explanation in writing about the violation of labor discipline. It's desirable that the employees' explanation will be submitted to the trade union, which will make up a

conclusion whether the explanation is reasonable and only after that, give the right to the employer to terminate the employment contract.

There are also some positive changes in the current Labor Code. For example, article 119.2 restricts the employer's rights to terminate an employment with the representative of employees without consent of the state labor inspector. If the labor inspector makes the decision on his rejection of the dismissal of the representative, the employer can then apply to the court.

It is obvious that trade unions which do not work well somehow are responsible for the violations of the employees' rights by employers.

Recommendations for Reform and Reform Implementation

It is obvious that imperfections of the laws, weaknesses of trade unions, and lack of state control are the most fundamental problems for regulating employment relationship.

With regard to law regulating the employment relationship in Armenia steps must be taken to improve and amend it in accordance with the accepted best international standards and norms.

In order to reach these objectives, the legislature shall carry out detailed policy research and analysis, to use experience from other countries: to make sure what changes are needed to promote a more harmonious labor relations, to make better the protection of the rights of the trade unions, develop a legal mechanism to protect workers rights' more effectively, to improve dispute settlement mechanisms, eliminate corruption in labor relations that lead to the exploitation of workers, etc.

Some of the provisions of the law need changes and amendments. Article 91.1 of the Labor Code, which allows the parties to define the probation upon their contest, shall clearly

exclude probation in the cases prescribed by the law in article 91.3. The law shall exclude probation for those who have enough experience, adequate knowledge and skills and especially when it's obvious he/she is overqualified for a certain job. If it's prescribed by the law, that the probationary employee has the same right as others, the law shall permit a probationary employee to claim the employer's grounds for termination. The notification for termination of the employment must be extended at least for a week. Requirements to conduct training with the probationary employee, provide him/her with feedback, to complete an appraisal form shall be established by the law. These changes will allow the parties to settle the issues more smoothly helping to avoid misunderstanding and which is more important it will help to protect the interests of both parties.

The requirement set by the law, to evaluate employees every six months will allow to prevent from most of unfair dismissal cases. Besides, an evaluation will give privileges to both sides. On the one hand it allows the employer to see the progress and growth of the employee in probation which in its turn will help to identify the weaknesses in the company and create competition among the employees. On the other hand it will allow employees to have promotion and increase in salary if they do well, and to sufficiently protect them from unexpected dismissal.

Improvements in the current Labor Code of the RoA will give an opportunity to achieve equality in the relations between employee and employers and become guarantors of human rights in the field of labor relations.

Due to poor economy conditions and unemployment in Armenia, labor organizations are too weak. These institutions are not operating with the current demands and needs. Through cooperation with trade unions employees will get more about their rights and interests. Unfortunately, there is no close cooperation of trade unions with employees and the collective bargaining is not practiced in Armenia. International countries experience shows

that the strong trade unions and the collective bargaining are the best way to protect employees' rights. It is also desirable to design effective mechanism for inspection and control over the compliance with the labor legislation.

One of them is the State Labor Inspectorate which is responsible for state control and inspection over employment relationship. The problem with the State Labor Inspectorate is that it's a new established institution which needs more time and more workforces for fulfillment its duties. Another problem with the State Labor Inspectorate which is more serious is the absence of information bank, statistics, and analysis (for instance, information referring to how many businesses operate in each city, what are the most violated issues, etc.). One of the primary tasks is to collect information and create a database. The lack of necessary information does not allow them to take appropriate measures for solving the problems and preventing them.

Trade unions are responsible for non-state control over the labor relations. In Armenia trade unions do not operate well and they are not interested in protecting the employees' rights. Recently there has been decline in their activities. The main reason of their passiveness is their dependence on employers. The union is the same employee of the same employer. They like other employees have a contract with en employer and an employer may terminate a contract with them anytime. It is true that the members of the trade unions are more protected by the law than other employees, but this protection is not a guarantee for them. For example, an employer has the right to terminate the contract with them in case when the confidence towards the employee is lost or some other reason, for example, violation of disciplinary norms. Hence the fear to lose the employment does not allow the members of the trade unions to operate in favor of employees.

The way to solve this problem is to provide them with independence and separate from employers. For example to form NGO's or specific unions, such as Union of Teachers, Union

of Doctors, or Union of Engineers, which will be independent from the employee. Moreover, they will protect the interests and rights not only for employees of one organization or company, but all employees in this field, as far as trade unions usually operate in large companies where the number of employees is 50 or more. The trade unions will work not only with the employers but also will involve the employees in their activities, i.e. to acknowledge them with their rights, privileges and benefits.

Conclusion

Employment relationship has great influence on the country's economy in whole and well-organized relationship can play a significant role toward its development. Flexible and fair system of workplace relations creates job security, which in its turn contributes to better living standards. A positive labor relationship will have a great impact on the rebuilding of our economy, encouraging business growth and increasing economic activity in Armenia.