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Armenia

Employment and Labour Law

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This country-specific Q&A provides an overview of employment and labour laws and regulations applicable in Armenia.

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Armenia: Employment and Labour Law

1. Does an employer need a reason to lawfully terminate an employment relationship? If so, state what reasons are lawful in your jurisdiction?

The Labor Code of the Republic of Armenia (hereinafter referred to as the Labor Code) provides an exhaustive list of grounds that entitle an employer to terminate an employment contract. This means that an employer cannot dismiss an employee on any grounds other than those provided by the Labor Code.

The grounds for termination by the initiative of the employer specified in the Labor Code are as follows:

1. The liquidation of a company (termination of the activities of an individual entrepreneur).
2. Reduction in workforce or positions resulting from changes in workload, economic or technological conditions, work organisation, or production-related needs.
3. Non-compliance of the employee with the position held or the work performed.
4. Reinstatement of the employee in their previous job.
5. Repeated failure by an employee, without a valid reason, to fulfil the duties assigned to them by the employment contract or internal regulations.
6. Loss of trust in the employee.
7. Long-term incapacity for work (if the employee has been temporarily incapacitated for more than six consecutive months or for more than 180 days within the last twelve months, excluding days of maternity leave).
8. Refusal or evasion by the employee of mandatory medical examinations.
9. Recognition of the residence status of a foreign worker as invalid.
10. The employee being in the workplace under the influence of alcohol, narcotic drugs, or psychotropic substances.
11. Failure of the employee to appear at work for the entire working day without a valid reason.
12. Exclusion of the employee from work for more than ten consecutive working days or more than twenty working days during the previous three months due to failure to submit the necessary documents required to attend work during isolation declared in relation to the COVID-19 pandemic.

Accordingly, irrespective of the grounds for termination of the employment contract, the employer is required, upon ending the employment relationship, to issue a clear, duly reasoned, and properly substantiated decision specifying the legal and factual bases for the employee's dismissal. Otherwise, the dismissal order may be declared invalid by a court.

2. What, if any, additional considerations apply if large numbers of dismissals (redundancies) are planned? How many employees need to be affected for the additional considerations to apply?

In cases where a large number of dismissals are planned (which the Labor Code defines as a mass dismissal), the employer must comply not only with the statutory requirements for notifying employees of termination and ensuring that lawful grounds for termination exist, but also with an additional obligation to notify the authorized state body.

Specifically, if within a period of two months it is anticipated that more than ten percent of the total workforce— but not fewer than ten employees — will be dismissed due to the liquidation of the employer (termination of the activities of an individual entrepreneur) or due to a reduction in workforce or positions resulting from changes in workload, economic or technological conditions, work organization, or production-related needs, the employer must provide prior notice.

In such cases, no later than two months before the termination of the relevant employment contracts, the employer must submit information to:

- the state body authorized by the Government of the Republic of Armenia in the field of employment; and
- the employees' representative. The information must include the number of employees to be dismissed, as well as details regarding their professions and gender

composition.

3. What, if any, additional considerations apply if a worker's employment is terminated in the context of a business sale?

The Labor Code does not provide a change of ownership as a lawful ground for termination of employment. On the contrary, it explicitly states that the reorganization of an organization, as well as a change of persons holding obligatory or other rights in respect of it, does not constitute grounds for terminating an employment contract unless it results in a reduction in the number of employees and/or positions.

4. Do employees need to have a minimum period of service in order to benefit from termination rights? If so, what is the length of the service requirement?

In general, the guarantees provided by the Labor Code in cases of termination apply to all employees. However, in certain situations employees with longer periods of service are entitled to a longer notice period and/or higher severance pay.

Specifically, where an employment agreement is terminated due to:

- the employee's non-compliance with the position held or the work performed;
- long-term incapacity for work;
- a change in essential working conditions; or
- the employee undertaking military service and/or participating in combat operations on a voluntary basis,

the employer must pay severance calculated on the basis of the employee's length of service, as follows:

- up to one year of service — ten times the average daily wage;
- from one to five years of service — twenty-five times the average daily wage;
- from five to ten years of service — thirty times the average daily wage;
- from ten to fifteen years of service — thirty-five times the average daily wage;
- fifteen years of service or more — forty-four times the average daily wage.

With regard to notification requirements, in cases where the employment agreement is terminated due to:

- the employee's non-compliance with the position held or the work performed;
- long-term incapacity for work; or
- a change in essential working conditions,

the employer must notify the employee in writing as follows:

- up to one year of service — at least 14 days' notice;
- one to five years of service — at least 35 days' notice;
- five to ten years of service — at least 42 days' notice;
- ten to fifteen years of service — at least 49 days' notice;
- more than fifteen years of service — at least 60 days' notice.

5. What, if any, is the minimum notice period to terminate employment? Are there any categories of employee who typically have a contractual notice entitlement in excess of the minimum period?

The notice period for termination of the employment agreement differs depending on the ground of termination. Specifically, two months' prior written notice is required when:

- the employment contract is terminated on the grounds of the liquidation of the employer; or
- there is a reduction in workforce.

Three days' prior written notice is required when:

- an alien's residence permit is recognized as invalid;
- a seasonal employment contract is terminated at the initiative of the employer;
- the employee is excluded from work for more than ten consecutive working days or more than twenty working days during the previous three months due to failure to submit the necessary documents required to attend work during isolation declared in relation to the COVID-19 pandemic; or
- the employment contract is terminated because the employee has failed to submit, in accordance with the procedure and within the deadlines established by the legislation of the Republic of Armenia, the license or certificate required by law to continue professional activity.

No later than ten days prior to the expiration date of the employment agreement, notice is required when terminating a fixed-term employment contract due to the expiration of its term.

In cases where the employment contract is terminated due to the employee's non-compliance with the position held or the work performed, or due to long-term incapacity for work, the applicable notice period depends on the employee's length of service and ranges from 14 to 60 days (as set out above).

In addition, the employer and the employee may agree on a longer notice period if they consider it necessary.

6. Is it possible to make a payment to a worker to end the employment relationship instead of giving notice?

Yes. The Labor Code provides that if the employer fails to give the required notice of termination, it must pay the employee compensation in lieu of notice for each day of delay in an amount equal to the employee's average daily salary.

7. Can an employer require a worker to be on garden leave, that is, continue to employ and pay a worker during their notice period but require them to stay at home and not participate in any work?

The Labor Code does not explicitly define the concept of garden leave; however, its application does not contradict the Labor Code, provided that the employer continues to pay the employee's salary during the notice period.

8. Does an employer have to follow a prescribed procedure to achieve an effective termination of the employment relationship? If yes, describe the requirements of that procedure or procedures. Is an employee entitled to appeal against their termination?

The termination of an employment relationship is considered lawful only if the employer complies with both the substantive grounds and the procedural requirements set out in the Labor Code.

As noted above, the grounds for termination of an employment agreement are exhaustively listed in the Labor Code. Therefore, unless one of these grounds exists, the employer cannot unilaterally terminate the employment agreement.

The applicable procedure varies depending on the specific ground for termination. For example, where the employer initiates termination due to a staff reduction, the following steps must be taken:

1. Substantiate the need for staff reduction, demonstrating that it arises from changes in workload, economic or technological conditions, work organization, or production-related needs.
2. Provide at least two months' prior notice of termination, or alternatively compensate the employee for failure to comply with the notice requirement by paying the employee their average daily salary for each day of delay.
3. Offer the employee an alternative position, if available, that corresponds to the employee's professional training, qualifications, and health condition.

Failure to comply with these requirements may result in the termination being recognized as unlawful, except in the case of failure to comply with the notification requirement, which instead gives rise to the employer's obligation to compensate the employee.

In addition, a termination may be deemed unlawful if the dismissal order does not clearly indicate the factual and legal grounds for termination.

With regard to challenging a dismissal, an employee has the right to challange the dismissal order if they believe the employer has violated statutory requirements. Such a claim must be filed within two months from the date the employee received the dismissal order.

9. If the employer does not follow any prescribed procedure as described in response to question 8, what are the consequences for the employer?

If the employer fails to comply with the requirements established by the Labor Code of Armenia, a court may, in the event of a dispute, recognize the termination as unlawful. In such cases, the court may order the employee's reinstatement to their former position if the position still exists, and require the employer to pay compensation for the entire period of forced absence from work.

If reinstatement is not possible, the court may instead order the employer to pay compensation for non-

reinstatement in an amount ranging from one to twelve times the employee's average monthly salary.

10. How, if at all, are collective agreements relevant to the termination of employment?

Although collective agreements are not very common in Armenia, they may modify the termination procedure in favor of employees, particularly with respect to notice periods, severance payments, and priority rights for retention in employment.

Specifically, a collective agreement may:

- establish longer notice periods for termination of an employment contract than those provided by the Labor Code;
- provide for severance payments for a longer period or in a higher amount than those established by the Labor Code;
- introduce additional cases granting employees priority to remain in employment beyond those provided by the Labor Code.

11. Does the employer have to obtain the permission of or inform a third party (e.g local labour authorities or court) before being able to validly terminate the employment relationship? If yes, what are the sanctions for breach of this requirement?

In general, the employer does not need the permission of a third party to dismiss an employee. However, there are exceptional cases in which notifying state authorities or obtaining the consent of another party is mandatory.

Specifically, if the employer plans to dismiss more than 10 percent of the total number of employees within a two-month period (but not fewer than 10 employees), they are obliged, no later than two months in advance, to submit written information to the Unified Social Service and notify the employees' representative (trade union).

If the employee is a member of a trade union and such a requirement is provided for in the collective agreement, the employer is obliged to obtain the trade union's consent before dismissing the employee.

In the case of mass dismissals, notifying the competent authority is purely informational, and failure to fulfil this obligation does not entail any legal consequences for the employer.

As regards the requirement to obtain the consent of the employees' representative body, a decision refusing to grant such consent may be challenged by the employer in court.

12. What protection from discrimination or harassment are workers entitled to in respect of the termination of employment?

The Labor Code explicitly provides that gender, race, skin color, nationality, language, origin, citizenship, social status, religion, marital and family status, beliefs or opinions, membership in political parties or public organizations, as well as other circumstances unrelated to the employee's professional qualities, cannot constitute lawful grounds for terminating an employment contract, except in cases provided by the Labor Code and the laws of the Republic of Armenia.

If an employee believes they have been dismissed on discriminatory grounds, they may challenge the dismissal in court within two months from the date they received the dismissal order.

In such cases, the court may recognize the termination as unlawful, order the employee's reinstatement to their former position if it still exists, and require the employer to compensate the employee for the entire period of forced absence from work.

If reinstatement is not possible, the court may instead order the employer to pay compensation for non-reinstatement in an amount ranging from one to twelve times the employee's average monthly salary.

13. What are the possible consequences for the employer if a worker has suffered discrimination or harassment in the context of termination of employment?

If an employee challenges their termination on the grounds of discrimination or harassment and successfully proves such claims, the legal consequences are the same as for any unlawful termination. In particular, the court may declare the termination unlawful and order the employee's reinstatement to their former position.

In addition, the employer must compensate the employee for the entire period of forced absence from work by paying the employee's average monthly salary. If reinstatement is not possible, the court may instead award compensation ranging from one to twelve times

the employee's average monthly salary.

14. Are any categories of worker (for example, fixed-term workers or workers on family leave) entitled to specific protection, other than protection from discrimination or harassment, on the termination of employment?

The Labor Code provides specific protection against the termination of employment for certain categories of employees by prohibiting the termination of their employment contracts in the following circumstances:

- during the period of temporary disability of an employee, except in cases of long-term disability;
- during any type of leave taken by an employee;
- in respect of pregnant employees, from the moment the pregnancy certificate is submitted to the employer until one month after the end of maternity leave;
- in respect of employees caring for a child but not on leave, throughout the entire period of childcare until the child reaches the age of one, subject to certain exceptions;
- in respect of employees participating in a strike, from the moment the decision to strike is adopted and during the strike, provided that the strike is conducted in accordance with the procedure established by law;
- in respect of employees performing duties assigned by state or local self-government bodies, except in cases of conscription for military service;
- in respect of employees who are absent from work due to the prevention or immediate elimination of the consequences of natural disasters, technological accidents, epidemics, accidents, fires, or other emergency situations;
- in respect of employees who are absent from work due to the unplanned rescheduling or granting of holidays for educational institutions (including preschool institutions) when their presence is required to arrange care for a child under the age of twelve.

15. Are workers who have made disclosures in the public interest (whistleblowers) entitled to any special protection from termination of employment?

Yes.

Under the legislation of the Republic of Armenia, workers who make disclosures in the public interest (whistleblowers) are entitled to certain protections. The Law of the Republic of Armenia on the Whistleblowing System establishes safeguards intended to protect whistleblowers from retaliation related to their disclosure.

In particular, the law prohibits the application of “harmful actions” against a whistleblower or persons related to them as a result of the disclosure. Harmful actions include, among other measures, termination of the employment contract, transfer to a lower position, reduction of the employee's position, reduction of salary or bonuses, refusal to apply incentive measures, artificial overburdening with tasks, initiation of disciplinary proceedings, or any other measure that worsens the employee's financial or professional situation.

For the purpose of ensuring such protection, the competent authorities must safeguard the whistleblower's labour rights through the mechanisms and procedures established by the Labour Code.

Therefore, while the Labour Code does not provide a separate termination regime specifically for whistleblowers, Armenian law protects them from dismissal or other adverse employment measures if such actions are taken as retaliation for whistleblowing. If termination occurs as a harmful action related to whistleblowing, it may be challenged and recognized as unlawful.

16. In the event of financial difficulties, can an employer lawfully terminate an employee's contract of employment and offer re-engagement on new less favourable terms?

No. An employer cannot simply terminate an employee's contract and re-engage the same employee on less favourable terms due to financial difficulties.

Under the Labour Code, an employer is allowed to change the terms of employment in certain circumstances, including in situations involving financial difficulties. However, such changes must follow a mandatory legal procedure. In particular, the employer must demonstrate that there is a genuine and objective reason for modifying the terms of employment, including the employee's salary. The changes must be justified by alterations in the volume of production, economic conditions, or organizational circumstances.

If the employer proposes less favourable terms and the employee does not consent to them, the employer may

terminate the employment contract based on Article 109, Part 1, Clause 9.

Therefore, the law does not allow dismissal solely for the purpose of rehiring the employee under worse conditions; instead, the employer must follow the statutory procedure for changing essential employment terms and may only terminate the contract if the employee refuses the proposed changes.

17. What, if any, risks are associated with the use of artificial intelligence in an employer's recruitment or termination decisions? Have any court or tribunal claims been brought regarding an employer's use of AI or automated decision-making in the termination process?

In Armenia, there is currently no specific legal framework regulating the use of artificial intelligence (AI) in employment-related decisions, including recruitment or termination of employment.

However, the Labour Code establishes a general principle that employers must not base decisions concerning an employee solely on personal data obtained through automated processing or other electronic means. Accordingly, one of the main legal risks associated with the use of AI in recruitment or termination decisions is that an employer could violate this rule if a decision is made entirely through automated systems without meaningful human assessment.

To our knowledge, there have been no court cases in Armenia to date concerning an employer's use of AI or automated decision-making in the termination process. Nevertheless, as the use of such technologies expands, this area may become subject to future legal scrutiny and regulation.

18. What financial compensation is required under law or custom to terminate the employment relationship? How is such compensation calculated?

Regardless of the grounds for termination (including cases where the employee is dismissed for misconduct), the employer is required to make a final settlement with the employee. This includes payment of any outstanding salary and compensation for unused annual leave, if applicable.

In addition to these payments, the employer must provide severance pay in cases provided by the Labor Code. The amount of severance depends on the grounds for termination. For example, if the employment is terminated due to workforce reduction, the severance payment equals one month of the employee's average salary. In cases where the employment is terminated because the employee refuses to continue working after changes to essential terms of employment, including salary, the severance payment depends on the employee's length of service and ranges from 10 to 44 times the employee's average daily salary.

In cases where prior notice of termination is required, the employer must also pay compensation for failure to comply with the notice period requirement. This compensation is calculated based on the employee's average daily salary for each day of delay.

19. Can an employer reach agreement with a worker on the termination of employment in which the employee validly waives his rights in return for a payment? If yes, in what form, should the agreement be documented? Describe any limitations that apply, including in respect of non-disclosure or confidentiality clauses.

In Armenia, the most common and legally permissible way to terminate an employment relationship by mutual consent is under Article 109, Part 1, Clause 1 of the Labour Code, which provides for termination by agreement of the parties.

Under the Labor Code when an employment contract is terminated by agreement of the parties, one party to the employment contract must submit a written proposal to the other party to terminate the contract. If the other party agrees with the proposal, they must notify the proposing party of their consent within seven days. If the parties agree to terminate the contract, they must conclude a written agreement, which specifies the date of termination of the contract and other conditions (including compensation and other terms, if applicable).

Such agreements may provide for the payment of compensation to the employee in exchange for waiving certain claims against the employer. For the agreement to be valid, the parties must comply with the general principle established in Armenian labour law that, where labour legislation and other normative legal acts do not expressly prohibit the parties from determining their mutual rights and obligations by agreement, they may do so contractually. However, in establishing such rights and obligations, the parties must be guided by the principles

of fairness, reasonableness, and good faith.

Armenian law does not contain detailed regulation specifically governing settlement agreements in employment termination or the use of confidentiality clauses in this context. Therefore, based on the principle of freedom of contract, the parties may include non-disclosure or confidentiality provisions in the mutual termination agreement, provided that such clauses do not contradict mandatory legal provisions.

20. Is it possible to restrict a worker from working for competitors after the termination of employment? If yes, describe any relevant requirements or limitations.

Armenian legislation does not explicitly regulate restrictions on a worker's ability to work for competitors after termination. There are also no reported court cases addressing this issue, so it is unclear how such provisions would be interpreted by the courts and whether compliance with international standards would be sufficient for a court to recognize them as valid and enforceable.

21. Is it possible to restrict a worker from soliciting customers or clients, or employees of the employer, after the termination of employment? If yes, describe any relevant requirements or limitations (including any payments that must be made to the worker for the restriction to be valid and enforceable).

The legal situation regarding non-solicitation is similar to that of non-compete clauses. Armenian legislation does not regulate non-solicitation obligations after the termination of employment. There are no specific statutory requirements or limitations, and there is no established court practice on this matter, making it difficult to predict how courts would address such cases.

22. Can an employer require a worker to keep information relating to the employer confidential after the termination of employment?

Yes. Although Armenian legislation does not explicitly regulate the obligation to maintain confidentiality after the termination of employment, such obligations may be established based on the principle of freedom of contract.

In practice, the employer and the employee may include confidentiality provisions in the employment agreement or in a separate agreement that require the employee to keep certain information confidential even after the employment relationship has ended. To ensure the enforceability of such provisions, it is advisable to clearly define what constitutes confidential information and to specify the period during which the employee is required to maintain confidentiality.

23. Are employers obliged to provide references to new employers if these are requested? If so, what information must the reference include? What duties apply to employers giving references?

No. Armenian legislation does not oblige employers to provide references to new employers upon request.

24. What, in your opinion, are the most common difficulties faced by employers in your jurisdiction when terminating employment and how do you consider employers can mitigate these?

In Armenia, one of the most common difficulties employers face when terminating employment arises from the restrictive nature of the grounds for termination under the Labour Code. Unlike the “at-will employment" model in the United States, where employers can terminate employment for almost any reason, Armenian law provides an exhaustive list of statutory grounds for dismissal. This can make it challenging for employers to terminate employees even when there are objective or practical reasons to do so, potentially limiting operational flexibility.

To mitigate these challenges, employers are advised to implement clear internal policies on employee misconduct and performance standards. In cases where an employee's actions violate company policies but are not specifically listed as grounds for immediate dismissal under the Labour Code, the employer can initiate disciplinary proceedings. Since Armenian law allows termination through disciplinary measures only when an employee has at least two active disciplinary sanctions, having a structured and documented disciplinary system can help employers build a lawful basis for termination if necessary.

Additionally, employers should maintain thorough documentation of performance issues and policy violations, ensure that disciplinary procedures are applied

consistently, and provide employees with appropriate warnings and opportunities to correct their behavior. These measures help reduce legal risks and improve compliance with the Labour Code while addressing operational needs.

25. Are any legal changes planned that are likely to impact the way employers in your jurisdiction approach termination of employment? If so, please describe what impact you foresee from such changes and how employers can prepare for them?

At the moment, legal changes that may affect the approach of employers to dismissal are not planned.

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