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Protection League**

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EMPLOYMENT POLICY IN AZERBAIJAN

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SUMMARY

Effective use of labor resources remains to be the serious problem in Azerbaijan. Most of the able-bodied population has left the country in search of jobs in neighboring states. At the same time, the regional disbalance existing in the country increased the internal migration. Able-bodied people started to migrate to the cities, particularly to capital Baku. These processes in their turn caused other social problems, as well as pseudo-urbanization problem.

This research material, which is developed in the style of Policy Paper focuses on studying the employment policy carried out in the country and the specific problems that arise in realization of this policy.

First of all, we analyzed the national legislation and identified the gaps and contradictions existing in the legislation. Hereby we also indicated the unofficial labour market in the country and its impact on determining the employment policy. We also analyzed the priorities set by the employment policy of the European Union. We pointed out both positive and negative aspects of the employment strategy of Azerbaijan Republic and proposed alternative options.

Introduction part generally describes the changes in the economic relations and the process of alteration in the consumer demand through formation of new economic relations compared to previous one as well as its impact on employment of population. The role of the demographic environment in identifying the employment policy, unemployment and its types are also described in this section.

The next part focuses on **problems related with ensuring employment in the Republic of Azerbaijan**. The **objective** and **subjective** reasons for the problems existing in ensuring employment in the country are pointed out in this part. Occupation of 20 percent of the territory and as a result about one million people fleeing from their native lands and loss of hundreds of jobs, establishment of market relations in the country and its impact on employment and high number of able-bodied population and etc. are analyzed as objective reasons, while high level of “shadow economy” in the country, existence of unofficial labour market, corruption, legislation and other documents on employment policy being imperfect are viewed as subjective reasons.

We quoted European Union’s employment policy while pointing to the problems and explained the essence of the European Union’s strategy related with solution to the problem.

We also touched the problems related with employment of specific group of people including women, youth, disabled, rural population and others along with general problems concerning employment and unemployment.

Further, we compared the **possible policy option suggested to improve the employment policy**.

The proposed options consider carrying out measures to increase the quality of labour force, ensuring access to information about the labour market, generating new jobs and retention of existing jobs, studying the age and gender structure of population, organizing labour market for temporary jobs, legalization of labour of the people with different profession involved in housework and provide advices to solve other issues.

The **conclusions and recommendations** part of the report points out that the measures planned to implement the employment policy are not concrete, indicates the need to improve the employment policy and State Program and provides specific recommendations. Our recommendations are related with both improvement of legislation and realization of practical measures.

INTRODUCTION

One of the main macroeconomic objectives of each country is to ensure employment of able-bodied population on high level. Ensuring the employment on high-level also leads to effective use of productive forces in the country.

In the countries with high level of unemployment, the economic system fails to use its production capacity fully, because of insufficient use of labour force. Unemployment also significantly damages the vitally important interests of people and drives them to struggle for survival.

The obvious outcome of the unemployment is the product, which has not been produced. The potential for production and service is lost forever in case if the economy fails to generate sufficient jobs for all of able-bodied population who are willing and able to work.

Thus, the level of unemployment serves as one of the main indicators of general economic conditions for each country.

One of the priorities of economic and social policy of every country is to keep the level of unemployment as minimum.

The economic and social policy of every country has identified its own directions to ensure employment and has the legislation system to support these directions. Although the policies defined by the states to ensure employment differ, there are general principles common for all of them. Today, each of the European Union member countries has its own employment policy and that policy is based on the established economic systems. However, the issue of determining common employment policy is now of great importance in Europe. Thus, the employment policy has passed beyond the borders in different parts of the world and formed within limits of regional or common political area. Coordination of employment policy of the countries, especially those included to common political area is of great importance under the conditions of rapid flow and transference of labour force in global world. However, it is important for every country willing to participate in global employment to have its own perfect employment policy within national boundaries.

Azerbaijan Republic is among the problem countries from the point of ensuring employment. There is high level of labour force outflow in the country, which is one of the main elements of productive force, and the country is among the “advanced” countries in export of migrant workers.

The existing problem is connected with legislation and negative trends observed in the economic development.

The Constitution of Republic of Azerbaijan sets forth ensuring the employment as one of the objectives of the State.

“Everyone has the right to work in safe and healthy conditions, to get remuneration for his/her work without any discrimination, not less than minimum wages rate established by the state”¹

“Unemployed persons have the right to receive social allowances from the state”²

“The state will do its best to liquidate unemployment”³

The “Law on Employment” of the Republic of Azerbaijan defines employment as following:

“Employment is the activity of the citizens which do not contradict the legislation of Republic of Azerbaijan and yields income”⁴

¹ Constitution of the Republic of Azerbaijan, Article 35, Part VI

² Constitution of the Republic of Azerbaijan, Article 35, Part VII

³ Constitution of the Republic of Azerbaijan, Article 35, Part VIII

Although the State has undertaken obligations to ensure employment by the Constitution, corresponding legislation and International norms to which Republic of Azerbaijan is a party, there are serious problems related with ensuring employment in practice.

Unemployment and employment were quite differently viewed during the period of socialism. It was thought that dynamic economic development and reproduction allowed to employ all of the able-bodied population in the Soviet Union.

New economic relations developed in the background of collapse of the Soviet Union and establishment of newly independent states has demanded new attitude to employment and unemployment problems. Market relations and development of the private sector, establishment of multi-structured enterprises with different form of ownership instead of unified economy system has required quite new approach to the employment. During this period the economy suffered of unprecedented decline and sale of produced goods turned out to be a problem as a result of breach of previous economic relations. As a result, big-sized enterprises with multiple employees suspended their operation and started to send their employees to leave of long duration. Volume of production decreased by several times at the production facilities and the employees had to perform their labour functions partially. The notion of *concealed unemployment* just came into being for our country during this period. In fact, thousands of employees who were registered as employed by state statistics did not perform their labour functions and were not paid. However many people - those included to this category (registered as an employee but does not perform any labour function at the corresponding enterprise) and those who were not included (unemployed before) became subjects of *inofficial* labour relations. This has brought the idea of *concealed employment* to the agenda. At present, the quantitative indicator of those involved in unofficial labour sector is close to the employees involved in official labour relations. The existence of concealed labour market creates serious social problem as well as serves as one of the factors preventing identifying employment policy in the country properly.

The State has been planning measures to legalize unofficial labour relations. These measures are set forth by the **“Employment Strategy of the Republic of Azerbaijan”** for the period of 2006-2015 years.

“The main objective of the employment strategy of the Republic of Azerbaijan for 2006-2015 is to ensure efficient employment of population through using the labour resources fully. It is envisaged to implement the following responsibilities to achieve this goal:

... - strengthen social protection of job seeking and unemployed citizens and implement relevant activities for legalization of unofficial labour relations”⁴

There is a need to change the attitude of approaching the unemployment. For instance, before the idea of full employment was understood as working of the entire able-bodied group of population. Even the soviet legislation considered liability for not working. Today, rational conception has replaced the idea of attracting all of the able-bodied people to labour zone. It means that full employment under conditions of market relations should be understood in the way that everybody who is able-bodied and willing to work is involved in paid labour according to his or her professional abilities.

From this point, employment is voluntary in Azerbaijan too. The position of the State in regards to the employment can be defined as following based on analysis of relevant Articles of the Constitution:

- Everybody has exclusive right to give orders on his or her production and creative potential. Everybody can use this potential at his or her own will. Nobody may be forced to work. Forced labour is permissible only if not otherwise prohibited by law.
- The State declares assurance of everybody’s labour rights as its positive obligation. The State shall make efforts to ensure that everybody uses his or her own production and

⁴ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005.

creative potential. If the State cannot provide such a condition then shall pay benefits to the unemployed taking into account the socio-economic conditions in the country.

It is necessary to take into account a number of factors while taking measures to ensure employment of population in Azerbaijan. For this purpose classification of the employed people and demographic forecasts are of high importance.

The employment strategy of the Republic of Azerbaijan sets the change of the demographic situation and its possible impact on quantitative and qualitative indexes of the labour resources as a problem.

“According to statistics, in 2004 the number of able-bodied population was 5305.5 thousand against 8265.7 thousand total population of Azerbaijan. 3820.1 thousand or 72% of these able-bodied people were economically active. Entry of relatively small population born during the years of the World War II into the pension age on the one hand and entry of people born during 80s of the last century into the working age on the other hand, resulted in rapid increase of labour resources in the country during 1990-2005. However, entry of people born in the 90s into the working age starting from 2006 will impact the labour markets of the country and thus will reduce the speed of increase of able-bodied population group. At the same time it should be taken into consideration that starting from 2010 majority of people born after the World War II will enter pension age and leave the group of able-bodied people, which besides decreasing growth pace of the country’s labour resources will also result in aging of economically active people”⁵

It is necessary to take into consideration a number of specific factors related with the employment problem of Azerbaijan. Development of population in the Republic has taken place in the form of traditions, custom and lifestyle thought as sacred by the corresponding religions.

The modern demographic situation in Azerbaijan is generally characterized as following:

- high birth rate
- increase of able-bodied population group
- young age of the structure of population
- active migration process.

Taking into account the low level of mechanization of labour, increase of the able-bodied population is of great importance for the national economy. However, increase of unemployment is inevitable along with increase of population under the conditions of decrease of production and during the general economic crisis. It is important to create hundreds of thousands new jobs for new employees. This is essential for the economy of Azerbaijan⁶.

One of the most important duties on facilitating the employment lies on the state authority implementing the state policy in relevant direction. Ministry of Labour and Social Protection of Population and its General Employment Department operate in the field of employment.

The period since Azerbaijan gained independence and the experience of past years of transition to market economy show that the activities of this institution does not meet requirements of the market economy in regard to employment policy. The traditional activity can neither meet demand nor supply in the labour market or is not in the power of leading this policy under the current development conditions of the country. The “job fairs” which have been proved to be ineffective, collection of statistic data about vacancies, registration of unemployed and the measures aimed at providing retraining for unemployed in many cases are done for effect.

⁵ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005.

⁶ **Labour Market and Social Protection of Population** – S.S. Mehbaliyev, R.K. Isgandarov, Baku, 2002

The activities of this state authority are also ineffective in development of legislative base, which is very important in realization of employment policy. Neither the provisions of the Labour Code on redundancy of employees nor the Law on Employment provides necessary conditions for solving the employment problems in the country.

The “Law on Employment” of Republic of Azerbaijan has defined the unemployment. Our opinion related with this definition is provided further. However, the conceptions of unemployment and its types are almost the same in the world. The well-known economists note mainly three types of unemployment: **frictional unemployment, structural unemployment and cyclical unemployment.**

Well-known economists Campbell R. McConnell and Stanley L. Brue in their “Economics: Principles, Problems, and Policies” book divided the unemployment into the above-mentioned types

Frictional unemployment. Some employees remain “between jobs” when they are given the choice to select type of activity and job. Some change their jobs voluntarily and others seek job after being dismissed. The third group are those who temporarily lost their seasonal jobs (for instance, in the construction field because of bad weather conditions and in automobile industry because of change of models). There is also category of people, especially youth who look for a job for the first time. When these people find a job or return to their previous job others replace them in the “pool of unemployed”. This type of unemployment remains forever, though certain people replace each other when remain jobless because of this or other reasons.

Economists use the **frictional unemployment** term (related with both searching and expecting new jobs) concerning job seekers and those who expect to get job soon.

Frictional unemployment is considered inevitable and as desired case.

Structural unemployment. Frictional unemployment passes to the second type of unemployment without being noticed which is called **structural unemployment.** Economists use the term of “structure” meaning “composite”. As time passes, important changes take place in the consumer demand and technology, which also change the structure of demand for labour force. As a result of such change demand for some professions decline or not demanded at all. Demand for other professions increases, including those which did not exist before. Unemployment is generated because the labour force react the processes very slowly and its structure does not meet the structure of new jobs. Because of this, some employees do not have abilities on new professions and they cannot sell their labour. Their previous skills and abilities have become old because of change of technology and consumer demand. At the same time, the geographical distribution of the jobs is also subject to changes. These processes are characteristic to structural unemployment. Difference between the frictional and structural unemployment has not been fully defined. The felt difference is that a “frictional” unemployed has professional skills to sell and “structural” unemployed cannot find a job unless he or she gets retraining or secondary education and even in some cases has to change the residence. Frictional unemployment covers relatively short period while structural unemployment lasts long and from this point is considered more serious.

Cyclical unemployment. Cyclical unemployment is connected with economic cyclic phase characterized with regress, which is lack of general and aggregate costs. Employment decreases and unemployment increases while decrease of aggregate demand for commodity and service. That is why cyclic unemployment is sometimes called as unemployment related with deficiency of demand.⁷

All of the abovementioned types of unemployment exist in Azerbaijan. However, most of the unemployment is related with cyclic unemployment. Most of the production facilities operating during the soviets had to stop their activities because of decrease or absence of demand for their products. Structural unemployment is also characteristic for our country. However, the activities carried out to decrease the quantity of the three types of unemployment are not consistent. No

⁷ “Economics: Principles, Problems, and Policies” by Campbell R. McConnell, Stanley L. Brue. Volume I. “Azerbaijan” Publishing House. Baku, 1992

any essential efforts have been made to provide retraining and new education for the able-bodied population. These problems will be elaborated further.

One of the important points of the employment policy is to incorporate priorities of the universal and regional employment policies formed in the global world to the national policy.

The employment policy in Azerbaijan, which is integrating to Europe, should be defined in a way that it could meet European and global challenges. Corresponding legislative acts, as well as the Labour Code and Employment Law of the Republic of Azerbaijan, which has taken the course of integration to Europe, do not comply with European standards and priorities of the European Union aimed at promoting employment. Unfortunately, “**Employment Strategy of Republic of Azerbaijan**” covering the period of 2006-2015 years and “**State Program on Implementation of the Employment Policy of Republic of Azerbaijan**” during 2007-2010 does not comply with the employment policy of the European Union either.

There is a need to propose new options of the employment policy to improve the existing employment policy of Azerbaijan, which integrates to Europe. The main objective of this analysis is to look into the existing problems of the national employment policy and propose new options to improve the employment policy.

PROBLEMS RELATED WITH ENSURING EMPLOYMENT IN AZERBAIJAN

The employment problems in Azerbaijan are closely related with deep social and economical factors. The consequences of ineffective use of labour resources in the country are greatly obvious even during the current period of high economic growth. The employment problems existing in the country are mainly caused by both **objective** and **subjective** factors.

“Deep economic crisis of late 80s of the last century in Azerbaijan, like in all post-socialist countries, had resulted during the first stage of the transition period in paralysis of economy, social shocks and complication of financial situation of wide population group. This situation was aggravated by the aggression of Armenian chauvinists against our country. The occupation of 20% of lands, forced abandonment of more than 4 thousand industrial and agricultural facilities, 300 work places and deportation of more than 1 million people from their native lands had an extremely negative impact on the social and economic situation, and aggravated the situation with employment”⁸ Thus, **occupation of 20 percent of the territory** is one of the serious problems preventing promotion of employment in the country.

There are also a number of subjective factors, which deepen the employment problem along with those mentioned above. The **problems related with legislation** have great significance among these factors.

Some experts conclude that the Law on Employment does not meet the requirements of modern market economy. In fact, the Law entails a number of rules related with the employment peculiar to previous economic relations. Adherence to this “tradition” does not only serve to promote employment under the current economic relations, but also creates obstacles before determining the employment policy. Meanwhile, some experts note that the Law plays positive role in solving the employment problem in the country.

⁸ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005.

A group of authors consisting of M.N. Mammadova, Z.G. Jabrayilova and E.I. Ganbarov consider as following: “One of the strategic objectives of the State is to ensure social effectiveness of the employment of population, efficient use of labour resources and form state employment policy in this direction. Corresponding legal basis has been formed for realization of this policy. That is legislative base has been brought in compliance with requirements of the international norms needed to carry out reforms and the “Law on Employment” of Republic of Azerbaijan was adopted in June of 2001 year taking into account the formation of new economic relations. The state policy pursued in the country in the field of employment has prompted realization of active employment measures following adoption of the Law”⁹.

However, Employment Strategy of Republic of Azerbaijan sets forth the objective of bringing the Law in conformity with the European Social Charter. Thus, the fact that the Law on Employment does not comply with international norms has been asserted and documented on the highest level.

At the same time the action plan on implementation of State Program for Employment Strategy of Republic of Azerbaijan for the period of 2007-2010 years charges the Cabinet of Ministers, Ministry of Labour and Social Protection of Population and Ministry of Justice to “make proposals on improvement and harmonization of the Law on Employment of the Republic of Azerbaijan with relevant provisions of European Social Charter”¹⁰.

It is unclear that the people passing military service in the armed forces are classified as employed by the Law. Those having compulsory military service and getting salary should be considered as employed. However, those passing military service for a fixed period of time cannot be considered as employed. Since pursuant to the Law, “Employment is any activity of citizens of Azerbaijan Republic, persons permanently residing in Azerbaijan without citizenship and foreigners which yield income (profit) for them”. At the same time, it is not correct to classify those owning “land share property” as employed people. There are thousands of people owning land share property in the country who cannot use their lands. Classification of such groups of people as employed makes the national statistics of the employment even faulty and misleads, which is already disordered.

Obtaining the unemployment status by legislation. Pursuant to the Law, “unemployed citizen is the able-bodied person being in working age who does not have a job or income, but ready to start working and registered as job seeker by the relevant state authority”.

As is seen the State considers only those people as unemployed who had been registered as unemployed by the state employment authorities. According to statistics, the number of such group of people has been hesitating between 54 -56 thousand for a long period. In reality, this is the distortion of the number of unemployed people in the country

The studies conducted by the International Labour Organization show that this figure is at least 5–6 times more than indicated.

The legislation approaches the unemployment not as a natural outcome of the activities of labour market and its formation process, but as a right of an unemployed citizen to seek relevant job. This on the one hand meets the requirements of the Constitution and puts the human factor and human rights as the main factor. On the other hand, the complicated procedures defined to get the status of unemployment results in abuse of power by the authorities and negative consequences in practice. Just because of this, there is a significant difference between the official indicators of unemployment and real unemployment in the country. The people are not willing to get registered as unemployed by the state authorities because of following reasons:

⁹ M.N Mammadova, Z.G. Jabrayilova, E.I. Ganbarov: Labour Market Planning and Forecasting Within Intellectual Technology. Azerbaijan National Academy of Sciences, Information Technologies Institute, Baku, Azerbaijan

¹⁰ State Program on Implementation of the Employment Strategy of the Republic of Azerbaijan (2007-2010) Approved by Resolution 2167 of the President of the Republic of Azerbaijan on May 15, 2007.

- It is too difficult to find a **suitable job** and ensure **decent employment** through the state employment authority. Even though a state employment authority has enough workforce in the data bank to be required, most of the offered positions are not suitable and do not ensure decent employment.
- It is difficult to get the unemployment status and get unemployment benefit. There are many procrastination and corruption cases here. For instance, one of the requirements set for receiving targeted social assistance is to get relevant certificate from the state employment authorities certifying the unemployment status. In fact, it has become impossible to get this certificate. As a rule, the applicants are offered unsuitable jobs and those who refuse cannot get certificate.
- Those who get the unemployment status after all of these challenges receive low amount of assistance, period of payment is not long, and besides the person with unemployment status has to pass registration every month. According to Article 24.1 of the Law on Employment “Unemployment assistance for the citizens with unemployment status shall be determined in the amount of 70 percent of the monthly average salary received during 12 months period at the last work place in case if he or she had paid work not less than 26 calendar weeks within 12 months period prior start of unemployment”. Otherwise, a relevant body of the executive power shall determine the amount of assistance. Also, according to Article 25.2 of the Law “period of assistance payment cannot exceed 26 calendar weeks within the period of 12 months”.

In fact, under these conditions the number of applicants to get the unemployment status does not coincide with the number of job seekers. Thus, as a rule those applied to the employment agencies are offered jobs. It becomes difficult to prove unsuitability of a job even if it is indeed not suitable. This is especially peculiar for the cases in Baku city, since Baku is considered as single administrative unit. Sometimes the work place offered for an unemployed in Baku city is located 50-60 kilometers away from his or her place of residence. A person who rejects such a job is offered another one after some period. A job seeker cannot get unemployment status in case if reject this offer either.

According to requirements of the Law on Employment, relevant measures should be carried out by the State to provide vocational training, and retraining for job seekers. However, the situation is not satisfactory in this field either. The legislation is not perfect this direction.

State Program on Implementation of the State Program on Employment Strategy (2007-2010) also points out the importance of measures to improve the legislation. 2.8 item of the State Program charges the Cabinet of Ministers, Ministry of Labour and Social Protection of Population, Ministry of Education and Ministry of Justice to “prepare relevant proposals for making modifications to the Employment Law about organization of vocational training, retraining and professional qualification in case of threat for working people to lose jobs as a result of staff cut or a need to change their professions in compliance with requirements of industry¹¹”.

In general, the role of legislation is essential in determining the employment policy properly and in resolving employment problems in the country. At the same time, improvement of the legislation should not be limited just with redevelopment of the Law on Employment. There is a need to bring the legislation in compliance with the requirements of national labour market. It would be also appropriate to benefit from the European experience and experience of developed countries while making changes to the legislation.

Another factor, which causes serious problem in realization of the employment policy, is the **high number of employees working in the concealed labour market or unofficial sector**. Existence of such a case not only puts hindrances before identifying the employment policy properly but also results in serious violation of human rights. “Existence of the “shadow” labour market is one of the main factors providing conditions for mass violation of labour rights in the

¹¹ State Program on Implementation of the Employment Strategy of the Republic of Azerbaijan (2007-2010) Approved by Resolution 2167 of the President of the Republic of Azerbaijan on May 15, 2007.

country. Though there is no any official or unofficial statistics, it is assumed that the number of people involved in labour activities without any official labour relations is not less than the number of people involved in official labour relations. Involvement of hundreds of thousands people in informal labour relations indicates that labour legislation is not applied in regard to these people. Labour activities of these people are out of control of State and trade unions”¹².

The **low level of minimum wage** is one of the problems related with ensuring employment and providing unemployment benefit.

- «...determining the minimum wage violates the principle stipulated by the Labour Code (Article 155, item 2). Social and economic conditions of the country are not taken into account while determining the minimum wage. **Minimum wage per hour** system, which is considered as social standard, is not applied and in this case, the international standards are not observed. Absence of supervision on proper application of labour norms and existence of double-entry book keeping system results in violation of rules, labour and wage norms stated by the given section of the Code”¹³. In fact the Government should reject the minimum wage system used as regulatory base, instead apply **minimum wage per hour system** that is accepted as new **social standard**. An able-bodied person’s **minimum living standards** should be taken into consideration while determining the minimum payment per hour¹⁴.

High level of concealed unemployment also negatively affects solving the unemployment problem. The concealed unemployment, which has been typical for the national economy for many years, conditioned ineffective use of labour market. The essence of the concealed employment is that as a result of failure to use production capacity fully (limited sale market, lack of raw materials and etc.) the work regime is passed to shortened regime. Either the employees are sent to long-term unpaid vacation or work hours are shortened. As a result, the employees who are officially registered by their work places in fact are not working or working part-time. However, these people are not accepted as unemployed but indeed belong to this category. Part-time employees are divided into two groups as following:

- “Open” part-time employment – those who work less than full workday and cannot earn enough to overcome the poverty limit.
- “Concealed” part-time employment – those who work full workday, but with low intensity.¹⁵

Recurring employment problems are also typical for the country. Low level of salaries obliges most of the able-bodied people to work at more than one works. The number of people who work for more than one employer or use unofficial methods to hold more than one office is high in overall country.

Seasonal employment. Seasonal or temporary jobs constitute most of the jobs in the country. Majority of the people involved in seasonal jobs work only during certain period of the year and in fact in other periods remain jobless. Tourist agencies, resort centers, the enterprises which do not work under the same intensity throughout the year and others are included to this category. The people involved in seasonal employment have to stop working as soon as the season ends. Most of the activities in the agricultural sector are of seasonal character.

Unequal distribution of the labour resources based on zones and pseudo-urbanization problems. The labour resources are distributed unequally all over the country. Concentration of most of the labour resources in capital Baku and Absheron peninsula negatively affects the

¹² Monitoring of State of Assurance of Labor Rights in Azerbaijan Republic: Legislation and Practice. Monitoring Report. Citizens’ Labor Rights Protection League. Baku, 2007

¹³ Monitoring of State of Assurance of Labor Rights in Azerbaijan Republic: Legislation and Practice. Monitoring Report. Citizens’ Labor Rights Protection League. Baku, 2007

¹⁴ Sahib Mammadov. Labor Relations in Republic of Azerbaijan. Baku-2007

¹⁵ State Program for Poverty Reduction and Economic Development in the Republic of Azerbaijan in 2003-2005.

national economy and prevents development of the regions. At the same time, disparity in geographical distribution of the labour force is becoming deeper as time goes on.

Labour rights violation of the employees involved in labour activity puts obstacles before bringing the employment strategy in compliance with the requirements of European Standards and European Social Charter. “Even though the National Norms are more or less satisfactory, the situation existing in practice is not pleasing. Azerbaijan Republic is among the countries where Economic and Social Rights, especially the labour rights are massively violated. The cases of labour rights violation in the country are ten times more compared to violation of other rights and freedom. At the same time restoration of violated labour rights is insignificant compared to restoration of other violated rights and freedom”¹⁶. The cases on labour rights violation of employees were analyzed and the reasons causing such violation were identified in the Monitoring Report developed by the Citizens’ Labor Rights Protection League covering the period of 2006-2007. These reasons are **legal** – related with legislation; **existence of shadow labour market, ineffectiveness of state control, ineffectiveness of public control, ineffectiveness of judicial mechanisms, double-entry book keeping accounting at enterprises, existence of unofficial sector** and others.ⁱⁱ.

The concrete measures to prevent labour rights violation are enumerated by the Points 2.4; 2.5 and 2.6 of the State Program on Implementation of the Employment Strategy of the Republic of Azerbaijan for the period of 2007-2010 and relevant bodies of executive power are assigned for this purpose.ⁱⁱⁱ

Migration problems. Both high level of internal migration and recent inflow of cheap labour force to the country mainly through illegal ways negatively affect solving the employment problems. However, inflow of foreign labour force to the country is not high and this inflow does not cause any serious threat for the labour market yet. **Employment Strategy of the Republic of Azerbaijan** for 2006-2015 years also points out importance of solving this problem. “One of the problems of recent years in the field of employment is existence of foreign labour force in the labour markets. Expansion of migration processes has created a necessity to resolve a number of issues that are new to the country. There is a need to take relevant actions to ensure protection of state interests of the Republic of Azerbaijan in this field, prevent illegal labour migration, social protection of labor migrants and protection of their rights, training of local human resources to meet requirements of the labour market, and use fully the potential of foreign labour migration in obtaining the experience of working under the conditions of market economy”¹⁷.

Problems related with ensuring employment of people from different categories

Along with general employment problems there are still serious problems related with ensuring employment of people from certain categories.

These categories include **women, youth, disabled and socially vulnerable groups, especially internally displaced people and refugees.**

Employment of women. Promoting the employment of women is also a major problem. This problem is much more visible in the regions. Traditionally women have always comprised at least half of the workforce in the country. True, that majority of women worked at low-paid works, mainly in the field of light industry, agriculture and budget funded organizations and average wage index was 30% less than men’s wage. However, changes in economic relations in

¹⁶ Monitoring of State of Assurance of Labor Rights in Azerbaijan Republic: Legislation and Practice. Monitoring Report. Citizens’ Labor Rights Protection League. Baku, 2007

¹⁷ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005.

recent years and increase of specific weight of the private sector decreased the average ratio of women employees compared to men. Certain studies point out the presence of this tendency, though the existence of unofficial sector does not allow to conduct accurate statistics.

The Employment Strategy of the Republic of Azerbaijan for 2006-2015 years notes that “the unemployment level among women is also high. Although recently the specific weight of women among the unemployed has decreased from 59.7% in 1995 to 53.4% in 2003, the gender inequality in employment still remains to be one of the agenda items. According to the results of the above-mentioned observation, if in 2003 share of unemployed among the economically active men was 9.6%, the same indicator for women was 12.2%. The analysis of the statistical data shows that women usually form the majority in jobs with low status and low wage. Shortage of work places for women today is mostly reflected in insufficiency of flexible jobs (part-time, flexible working days and week, flexible schedule, work at home, etc.) relevant to the role of women both in society and in family”¹⁸.

“There is no any provision in the Constitution of the Republic of Azerbaijan or in all other norms that might give way to any form of discrimination in labour relations in regard to women. Our country has become a party to all of the major international norms eliminating discrimination in regard to women, including corresponding Conventions of the International Labour Organization.

According to the Labour Code, prohibition of women’s working at certain jobs is considered as positive discrimination. These prohibitions are related with physiological features of women and were included to the legislation from the point of protection of women and especially protection of maternity. The Labour Code stipulates a lot of best rights and privileges related with women”¹⁹.

“The provided privileges are of great importance for women to realize their labour rights and perform their functions both as an employee and successor of the human race. However, most of these privileges are not applied because of transition to market relations, establishment of private and mixed companies and various joint stock companies. Plus, the employers try not use women’s work since the women are aware of their rights to use such privileges”²⁰

As is seen in fact the existence of privileges causes concealed discrimination. Citizens’ Labor Rights Protection League identified and summarized the existing discrimination cases against women in the monitoring conducted in 2006-2007 years.

- There are provisions in the Labour Code which prohibit discrimination cases, as well as discrimination against women. According to the Article 240 of the Labour Code, it is inadmissible to reject signing of labour contract with a woman because of her pregnancy or having a child under 3. Otherwise, the woman has the right to demand explanation from the employer or take the matter to court.

However, the above-mentioned provisions are not effective. That is these provisions have not been really applied in practice yet. Despite of the fact that there are many cases like that nobody applied to court yet. The reason is that it is impossible to prove such as case at

¹⁸ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005.

¹⁹ Monitoring of State of Assurance of Labor Rights in Azerbaijan Republic: Legislation and Practice. Monitoring Report. Citizens’ Labor Rights Protection League. Baku, 2007

²⁰ S.S. Mehbaliev, R.K. Isgandarov – **Labour Market and Social Protection of Population** – Baku, 2002

court. An employer can provide legal grounds for refusing to employ a woman because of her pregnancy or having a child under 3 (no vacancy, the offered position is not suitable for a pregnant woman and etc.).

- One of the discrimination cases against women is related with their age and appearance. Often age limits are determined for the employment of women which is illegal (for instance under age of 18-25 and etc.). Citizens' Labor Rights Protection League received multiple applications from women who complained that were not employed because of their appearance. Most of the complainants said they were rejected either because of their short height or because of overweight. Even though, in many cases the job that they would be performing had nothing to do with their age or appearance.
- The level of promotion of women is very low compared to men. This is especially characteristic for governmental organizations. For instance, despite of the fact that women comprise 70-80% of the employees working in the field of education and healthcare, only 20-35% of them hold leading positions. The women who hold executive positions in these sectors mainly work at medium-level executive positions (secondary school superintendent, head doctor of a polyclinic and maternity welfare center, sometimes head doctors of a clinic and etc.).
- There is no any direct difference between the wage of women and men. That is no case was detected which might indicate that there were difference in the payment of a man or woman holding the same position or working on the same profession (only the official wage is meant here). However, there is a difference in average wage of men and women over the country. Women do not have access to most of high-paid positions and professions. The wage in the fields where women have been traditionally working (healthcare, education, culture, light industry and etc.) is relatively low compared with other fields. The employers prefer to employ men to high-paid jobs.

Thus, despite of the fact that the national legislation prohibits discrimination against women in labour field and administrative and criminal responsibilities are envisaged for such discrimination, the gender requirements for employment are evident in practice. At present, the State does not take any measures to prevent such cases²¹.

The cases of discrimination against women in the labour field exist all over the world and it creates problems to realize employment policy in those countries.

The European Union member states have adopted special programs and documents to ensure gender equality while facilitating employment. The gender equality was proclaimed in the meetings held in Luxembourg (1997) and Lisbon (2000). One of the objectives of European Union's labour protection and security strategy adopted for the period of 2002-2006 years is to lift gender discrimination. The statements adopted by the European Commission and European Parliament in 2002 and 2004 years urge to eliminate the challenges faced by the women to increase employment.

Existence of various forms of discrimination against women causes certain problems to ensure employment of women in Europe. Though the employers try to observe the principle of "equal pay for equal work", the difference in the payment of men and women still exists. The experts ground it with a number of reasons. Among them age, marital status, number of children, level and character of education, interruption of work, type of contract, length of workday, profession, status, size of companies (big or small), quantitative indicators of gender structure and other factors prevail²².

²¹ Monitoring of State of Assurance of Labor Rights in Azerbaijan Republic: Legislation and Practice. Monitoring Report. Citizens' Labor Rights Protection League. Baku, 2007

²² **European Union: Women and Work.** Georgiy KOUZNETSOV: Scientific Research Institute of Labour Protection Problem, Russian Federation

It is noted in the documents of the European Union that EU labour market has been discriminated both vertically and horizontally. That is the women concentrate on different sectors of the economy and on different types of labour and have the same status (horizontal discrimination). In most of these sectors, the women rarely hold high-paid executive positions. In many cases, they are supervised by men. Mainly, women work at low-paid positions and contract jobs (vertical discrimination).

The same situation exists in the labour market of Azerbaijan as well. There are both horizontal and vertical discrimination here and it is much more evident compared to European Union member states.

The activities in following directions and their inclusion to legal norms are discussed to eliminate discrimination against women in labour field of the European Union:

- Bring the issues related with status and health of women to legal, social and political agenda;
- Consider the other problems of women based on global inequality and through mutual coordination;
- Facilitate inter-relation of studies on women's issues with practice;

For this purpose:

- Create information chain to achieve exchange of experience and knowledge;
- Support relevant decisions made by the women in all levels;
- Develop strategy to prevent production risks and threats;
- Strengthen the measures to improve healthcare services.

These issues might seem not to have much to do with the employment of women at first sight. However, it is not like that. In fact, we should prefer overall approach while solving the problems either related with employment of women or the people from other categories.

Youth Employment. High level of unemployment among the youth is also a serious problem. High specific weight of the youth among the able-bodied population in the country is one of the reasons that make this problem so acute. The most important is that the youth determine the future of every country and the fact that they encounter employment failure in early period of their life further negatively affects the life of these people.

According to results of various surveys, the share of young people under 35 comprises 69.1% of total unemployed in the country. The highest level of unemployment is registered among the people between 20-24. This figure makes up 30.8%. The problem of youth employment is also indicated in the Employment Strategy of the Republic of Azerbaijan for the period of 2006-2015 years. "Increase in unemployment among youth is one of the major problems of the labour market of the country. According to the findings of the first countrywide survey on economic activeness of population conducted in May-June 2003 with financial support of UNDP and technical support of ILO, the share of people under 35 in the total number of the unemployed was 69.1%"²³

There are several provisions in the Strategy to promote employment among youth and adolescent.

The State Program on Implementation of the Employment Strategy of the Republic of Azerbaijan for the period of 2007-2010 provides for certain measures to ensure employment of youth. Among these measures, the issue of promoting the policy of youth employment in Azerbaijan Republic is set as a priority and the State Program points out importance of developing action plan on youth employment and its approval. The State Program also envisages the measures of adding provisions to relevant legislation stipulating mandatory reinstatement of young people to their previous jobs after compulsory military service, providing conditions for

²³ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005.

youth to get involved in small-sized entrepreneurship and increase of vocational education. However, it is less likely that these measures will have any serious effect in near future.

The European Union policy on facilitating youth employment has been subjected to basic changes in recent years.

The point is that in Europe the older generation leaves labour market as soon as they reach 55 and young people enter labour market late. Since the higher education is long-term in Europe, as a rule the young people start to seek job after they finish education. But this is not the only factor. Starting from 70s of last year the specific weight of youth in labour market has been decreasing in Europe. That is why the European Union is making efforts to increase the employment indicators among the youth between 15-24 ages to upgrade the level of employment as a whole.

The following are considered important to increase the level of youth employment in European Union:

- Considering decrease of the labour force, now it is important that the young people enter labour market earlier;
- The knowledge obtained should be adequate to a job;
- Vocational training should be partially conducted at educational centers and on-the-job (like in Germany) and it should facilitate the access of youth to labour market;
- Civil servants and social partners should understand their responsibilities to facilitate entry of the youth to labour market²⁴.

Unfortunately, the measures considered to promote employment among the youth in Azerbaijan, including the measures stipulated by the Employment Strategy and State Program are not precise and consist of general theses.

Problems related with employment of disabled.

The restrictions standing before the entry of the disabled to the labour market are too much and from this point improvement of legislation is not enough. It is less likely that an entrepreneur operating under the market conditions will install special lift for disabled, provide ramps and lavatory at his own enterprise while none of the state-owned organizations provide such a condition for the disabled. An employer is not prepared to spend money on this just for some people. That is why the employers consider the disabled as “unfit for employment”. None of the employers plans to employ such group of people and provide privileged job conditions for them. However, corresponding legislation exists in the country to facilitate the access of the disabled to labour market.

The Law on “Prevention of Disability, Rehabilitation and Social Protection of Disabled” was adopted in 1992 year. Further this Law was amended and changed several times. The Law provisions stipulate to ensure access of the disabled to the labour market. Article 15 of the Law states that, “vocational training of the disabled is carried out in various forms, including in-home training and individual curriculum”. The IV Section of the Law is called **Employment of Disabled**. According to Article 23 of the Law “special measures in the field of employment of disabled include set of measures to assert the obligations through legislation on providing financial assistance and grant concessions to the enterprises, departments and organizations (irrespective of ownership type) which promote employment of the disabled and provide special jobs for the disabled and apply their work”.

The Law also includes provisions, which stipulate increasing vocational training of the disabled, establishing specialized enterprises to use the work of the disabled and providing conditions for medical examinations of disabled by the enterprises. The disabled who pass treatment, medical, vocational and social rehabilitation cannot be dismissed except the case of liquidation of an enterprise.

²⁴ EU-25: Future of Social Policy, Marina Baranova

The legislation puts responsibilities on the employers to provide the people who become disabled because of professional disease and because of professional accident with special jobs they can perform.

At the same time, special tax concessions are defined for the enterprises, departments and organizations to provide incentives for employment of disabled.

According to Article 25 of the Law *“besides the list developed by relevant body of executive power, quota for disabled shall be determined as specified by legislation at the enterprises, departments and organizations irrespective of their ownership type”*.

The employers who do not obey the quota shall have to make certain payments to State Social Insurance Fund. The enterprises which have 30% of the staff comprised of the disabled are exempted from 50% of the profit tax and those having 50% of the staff comprised of disabled are fully exempted from the profit tax.

Labour Code also provides for significant privilege for the disabled. The disabled irrespective of their level of disability have the right to go on 42 calendar days of paid leave at any suitable time.

“However there are still problems related with application of the Law and in most cases the requirements of the Law are not observed. Application of this Law is less likely under the widespread condition of “double-entry book keeping” (or black-book-keeping).

The employers refuse to employ a person as soon as they learn about the applicant’s disability and make excuses. The main reason is that the disabled have certain privileges (for example, the right to go on paid leave for longer period than others do) and high possibility to get infected with professional disease. The employers also shall be liable for providing the disabled with a job that may damage his or her health.

As a result, most of the disabled are obliged to hide their disability from the employers. In this case they are deprived of the privileges provided for by the Labour Code, including the right to go on 42 calendar days of paid leave and at best use the right of paid leave period considered for healthy employees.

Although the Law on “Prevention of Disability, Rehabilitation and Social Protection of Disabled” considers providing specialized jobs for the disabled, neither governmental nor private organizations make efforts to create such jobs.

According to Article 26 of the Law the enterprises are obliged to secure jobs and generate new ones for the people who lost their ability to work because of professional accident or infected by professional disease and considered as disabled. The employers who do not follow these rules shall have to make payment in the amount of 120 times of minimum wage to the State Social Protection Fund. Unfortunately, this requirement is not followed in practice. The people who got infected with professional disease or became disabled because of an employer’s fault had to lose their job later.

The disabled have specific weight among the unemployed in the country. Unemployment of such group of people leads to their de-integration, isolation and subjects them to discrimination.

Despite of the fact that the legislation was adopted many years before still it is impossible for the disabled to get employed in accordance with the law.

The Employment Strategy of the Republic of Azerbaijan for 2006-2010 years envisages certain measures to assist the disabled. These measures are as following:

- Identify work places by quota as defined in the legislation and provide for incentives for employers to comply with this requirement to help provide citizens with jobs who are in special need of social protection, including disabled;
- Apply administrative procedures with regards to departments, enterprises and organizations refusing from providing the quota as defined in the legislation for employment of citizens who are in special need of social protection or refusing to employ this segment of population;
- Make relevant modifications to the legislation to provide for incentives to those employers who create additional jobs for citizens who are in special need of social

protection and have difficulties in finding jobs, including the disabled as defined in the Law on Employment” of the Republic of Azerbaijan”²⁵.

Improvement of the legislation is also included to the measures defined by the State Program. However, there is not any real and concrete activities in the strategy or in the State Program aimed at ensuring employment of the disabled. In fact, the legislative guarantee has been provided beforehand for the measures defined by these documents.

Employment problems in agriculture. The employment faces big challenges in the field of agriculture. The rural labour market has its own characteristics. One of the peculiarities is related with limited sphere to use labour and another one is difficulties of territorial move (it is a challenge for a resident of one village to get involved in labour activity in a neighboring village). One of the problems peculiar for the agricultural sector is that most of the jobs are seasonal. As a rule, the able-bodied people in the agricultural sector leave their residence and move to the cities because of low-paid and seasonal jobs. The rural population has specific weight both in the internal migration and among those leaving the country in search of jobs in foreign states. According to statistics, in 1998 year the employees working in agricultural sector and forestry constituted 1139.6 thousand or 30.8% of the 3701.5 thousand employed people. These figures are close to the indicators of 1990 year and from this point, one can conclude that the number of people working in agricultural sector was not decreased. The quality indexes of work has been decreased in agriculture. The part-time, seasonal and short-term jobs started to form the majority.

“Analysis of distribution of unemployment over the Republic allows us to state the unemployment has the highest level in Aran economic region since it is purely agrarian area, as well as majority of the displaced citizens who fled from their native lands as result of Armenia’s aggression against Azerbaijan have been settled in this region...”²⁶

Government is also concerned of problems related with ensuring employment in agriculture. The “State Program for Socio-Economic Development of the Regions of the Republic of Azerbaijan” for 2004-2008 years envisages measures to ensure employment in rural areas. However, it is not possible to point to any serious improvement in this regard, though it is already the last year of the program’s implementation. It is not possible to mention any breakthrough in decent employment of the rural population, though the number of jobs has been increased during the period. The wages are still very low and most of the jobs are seasonal.

The **Employment Strategy of the Republic of Azerbaijan** covering the period of 2006-2015 years provides for measures to ensure employment in the regions. These measures include:

- implement activities for elimination of negative impacts of unemployment and social protection of unemployed;
- improve joint activities of enterprises and organizations with relevant employment agencies on human resource policy;
- develop and fulfill local socio-economic development and employment programs;
- create new jobs in non-oil sector, especially in agrarian, weaving, processing enterprises and service fields;
- build financial infrastructures in the regions to help development and enhancement of farmers, household farms, cooperatives and small enterprises;
- establish agro-services in the regions and supply them with modern equipment and technology;
- develop the seed production base;

²⁵ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005

²⁶ Government of Azerbaijan Report on Implementation of Revised European Social Charter to the European Committee on Social Rights, Baku 2007

- reduce migration of population, especially among youth through developing the social and utility infrastructure in rural areas;
- provide insurance for business of farmers and enhance the insurance market segment;
- create marketing network for sale of agricultural products.²⁷

High level of **internal** and **external** migration is also among the factors which prevent ensuring employment in the country and distribute the labour resources equally on regions.

Internally displaced people have specific weight in **internal migration**. 10% of the population (800, 000 people) have become internally displaced and refugees. These people were forced to move from the occupied lands and at the same time left their jobs behind. One of the negative consequences of leaving own native land is that these people lost their jobs too. This has put obstacles before ensuring the employment in the country.

Labour migration has specific weight in **external migration**. Hundreds of thousands able-bodied people are obliged to leave the country in search of job in foreign countries. As a result of this the labour market of the country has been deprived of human resources potential on various professions and specialties^{iv}.

²⁷ Employment Strategy of the Republic of Azerbaijan (2006-2015): Approved by the Resolution 1068 of the President of the Republic of Azerbaijan on October 26, 2005

POLICY OPTIONS TO IMPROVE EMPLOYMENT POLICY

The main objectives of the modern employment policy in developed countries are to attract general workforce to the effective labour distribution and in-depth system and increase the employment of the population through revealing unused abilities. In this case, the access of the new category of people to the labour market is not restricted but rather encouraged. This approach acknowledges that the employment problem cannot be solved separately, and it is a part of the problem concerning human resources development and its activity, as well as increase of the productive forces. More productive economy increases demand for the workforce, because the production increases, cost price of product lowers which provides conditions to expand the sale.

Though the Employment Policy of the Republic of Azerbaijan for 2006-2015 points out the importance of demographic environment in settlement of employment problems, these factors are not taken into account in the State Program.

In general, there is a need to analyze the existing legislation, strategy, parts of different state programs focusing on employment and develop efficient programs based on these documents. We consider realization of the activities in following directions important to achieve success in solving employment problems of Azerbaijan during the coming 10-year period:

- Improve the existing legislation regulating the issues related with ensuring employment;
- Develop more elaborated and precise programs to implement the Employment Strategy and State Programs;
- Bring the social partnership to forefront while implementing the employment policy;
- Implement concrete measures focusing on promoting employment of the low-income population and vulnerable groups

The successful realization of the abovementioned activities would be possible only through cooperation and maintaining relations between the responsible state authorities and businesses.

The following activities are important to regulate the labour market and facilitate placement.

- Ensure mutual interests of the workforce, business and the State. The policy in this field should be pursued in a way that securing interests of one side should not result in oppression of other sides.
Unfortunately, modifications made to the legislation or the events taking place in practice in recent years under the guise of ensuring employee rights will undermine the entrepreneurship in the country, which is already in desperate conditions. The big financial sanctions against violation of labour rights will not help to ensure the labour rights, instead the general inspections and strict laws will eventually undermine the interests of entrepreneurs, workers and the state as well. That is why interests of all the parties of labour relations should be taken into consideration while taking measures related both with legislation and in practice to ensure the labour rights. The existing problems should be solved through development of social partnership instead of the administrative pressures.
- The employment aspects of all the state and local programs should be analyzed from the point of their positive impact on labour market. The achievements and problems related with realization of the employment policy should be identified through regular monitoring.

Special programs on temporary employment are carried out in a number of countries, including Russian Federation, aimed at keeping the increase of unemployment under control. It is effective to carry out special measures aimed at generating new jobs through assistance by the State to ensure temporary employment of the groups with special need for social protection, including graduates, elderly population, people released from penitentiary facilities, vulnerable groups and others. The state reimburses the costs of the newly opened jobs to employers and the employers hire to those positions the people from certain categories based on notice by the employment agency. It is possible to make the efforts to ensure the employment of certain group of people, mainly the disabled, through providing interest-free loans to entrepreneurs and imposing tax concessions. Although the existing legislation envisages certain provisions to promote employment of the disabled these norms are not observed in practice. That's why the state should re-develop these norms to make them more efficient taking into account the existing reality. The statement of obligations on employment of the disabled does not solve the problem; instead, the problem can be solved through providing assistance to the employers. For instance, the State may undertake costs of the equipments installed at a newly built enterprise for free movement of the disabled. The State may also undertake expenses required for ensuring privileges for the disabled as defined by the legislation. In this case an employer will not avoid employment of the disabled. Now, an employer encounters additional expenses while employing disabled person, even though the legislation envisages certain tax concessions.

Upgrading quality of workforce. State policy should provide the able-bodied people with the opportunity to increase their vocational capacity at any time. Any able-bodied person with certain education and profession faces challenges to restore his or her activities on the given specialty and profession after not being involved in labour activity on that profession and specialty for a long period of time. This is the major problem especially for women. The women are not capable to perform their labour duties on their previous specialty and profession following the long period of being in social leave or involvement in housekeeping to take care of children until certain age. For example, a woman with legal education loses most of her knowledge on the given profession in case if she is not involved in labour activity on this profession for several years. This is quite natural under the conditions of rapid change of the legislation and legal system. However there is no any quality governmental or non-governmental organizations providing vocational training or retraining in the country. European Union achieved great progress in the field of ensuring employment within the short period of time through focusing on education and implementing various education programs.

Ensuring access to information about the labour market. It is too difficult to create an accurate labour market database while existence of the inofficial sector. Development of labour market database and providing access to this database is essential in solving the employment problems.

The following measures should be implemented by the State in this direction:

- Create various services to provide comprehensive information to the population about the jobs;
- Provide consultancy service to the laid off staff;
- Carry out increase of awareness activities all over the republic.

Generating new jobs and retention of the existing work places. Creation of new jobs has been increased in recent years. We have already pointed above the quality indexes of newly opened jobs. However, the process of close down of the existing jobs is still ongoing. Some of the closed jobs are permanent and high-paid positions. State statistical agencies prefer reporting only about the creation of new jobs while the statistics about the closed work places is not open. We believe that the state should focus on following directions to preserve the existing jobs and generate new ones.

- Any program on employment both covering the whole republic and local should be implemented relatively for short period. End of one program should be coordinated with the start of another program in order to maintain periodicity.
- The demand of population for jobs should be identified and evaluated for preparation of long-term forecasts.
- The demographic trends should be taken into consideration. Newly established production and service facilities should be located close to the areas concentrated by the labour resources.
- It is important to direct the investments to facilitate effective use of the labour force. The investors should be granted with privileges, which would stimulate them to invest in the areas populated by the labour resources.
- Long-term economic programs should be developed and implemented on development of production and service networks in the areas close to raw materials and energy sources as well as local production facilities should be established.

Studying the age and gender structure of the population. Accurate registration of the age and gender structure of population is important to identify the employment policy.

Evaluation of the age and gender structure of the employed group of population allows to identify “stress points”. For instance, if the majority of population in a certain region is comprised of the people close to pension age or unwed mothers with children then the jobs with corresponding labour conditions (less stress, flexible employment scheduling) should be created for these people. Information about the disabled would allow to calculate the number of specific jobs required for the disabled citizens and identify quota to provide the disabled with jobs.²⁸

Organization of labour market for temporary jobs. Spontaneous labour markets exist in the country for realization of temporary works. Though such markets are called as “slave market” among the population, everybody offers his labour voluntarily here. The fact that these markets are not regulated by any regulatory document has lead to multiple negative consequences. However, a relevant body of the executive power could organize labour markets like the labour exchanges they organize. This will allow the State to register the people performing temporary jobs and prevent the employers from violating an employee’s rights. None of the provisions of legislation has effect in the spontaneous labour market. As a result of this, the people attracted to temporary jobs are not insured and they are not involved in any form of legal relationship. The people who suffer injury while performing such jobs or family members of the dead as a result of the injury cannot get compensation. The people performing temporary jobs have specific weight in the unofficial labour market and it is important to regulate this sphere.

The other group of employees is those **attracted to housework with different profession.** Housemaids, cooks, nursemaids, personal drivers, guards and gardeners prevail among this category. Though the number of the employees involved in this type of work is thousands, there is not a case that labour relation with these people were officialized. In fact, the employees are not the only ones who suffer of absence of the legal relations. There are many cases when the house-owners suffered of such employees. It is important to determine simple legal ways and symbolic dues to make both sides (employer and employee) interested in legalization of this type of the employment. It will not be possible to facilitate legalization of labour relationship in this sphere while putting the existing tax and social payment burden on these people.

²⁸ **Labour Market and Social Protection of Population** – S.S. Mehbaliyev, R.K. Isgandarov, Baku, 2002

Taking measures to contribute to development of the companies and intermediary firms specialized in newly emerging and most demanded professions (nursemaid, housemaid and etc.).

New economic relations in the country have led to creation of new professions or jobs which were uncommon before. Nursemaids, housemaids and others include these professions. There is a need to develop intermediary companies or agencies to attract this category of employees in the labour market. At present, these employees are sought through the announcements placed in mass media and websites or through personal recommendations. The State should organize hiring of this category of employees by certain institutions and their assignment through these institutions. These institutions can be established attached to the employment agencies or as private organizations. For instance, if the side applying for nursemaid is provided with an employee whose health condition is not suspected, who passed medical examination and the agency is liable for this, then this kind of cooperation will contribute to development of this sphere. Hiring of housemaids and others for housework through placing order at these agencies will allow to solve a number of problems and will also lead to legalization of this sphere.

CONCLUSION AND RECOMMENDATIONS

Analysis of the employment problems in Azerbaijan indicated that unemployment problem is essential in the market economy and it is not possible to regulate effective economic activity without solving this problem.

Settlement of this problem is of great importance especially in Azerbaijan where the labour resources are used inefficiently. There is significant theoretic and practical experience in the world to regulate the labour market. We just need to benefit from this experience and develop the action plan and strategy reflecting the overall approach to solve the employment problem. Current Employment Strategy and State Program mainly consist of declarative provisions and are not concrete.

Since Azerbaijan has taken the course of integrating to Europe, we need to benefit from the Employment Strategy of European Union to identify the national employment strategy. For this purpose there is a need to develop efficient programs aimed at eliminating or reducing unemployment for the long-term period, if liquidation of the unemployment is not possible in the immediate future (although this is the target of the ongoing campaign in the country).

- Development of commercial employment agencies is also important along with development of state employment authorities. The State should stimulate the activities of these agencies and it would be appropriate to apply tax concessions for them
- Both state employment authorities and private employment agencies should not limit their activities just with providing employment service. It is important to provide vocational training and courses to increase the qualifications of job seekers. The State should provide incentives for the employers to attract them to the vocational training programs delivered for job seekers. At present some big companies have established their own training centers, which is also positive. However, only the employees of these companies have the opportunity to get retrained at these centers. Others need to pay in order to use the services of these centers. From this point, upgrading the vocational training up to modern standards would contribute to settlement of the employment problems.
- It is necessary to establish state funded training and education networks in the regions and identify quotas on certain professions and specialties for the purpose of promoting employment among the socially vulnerable people (disabled, refugees and internally displaced people, rural women and etc.) and assisting them to get vocational training and improve professional qualifications. This will also require to make relevant changes to the legislation to provide for incentives for the employers and identify tax privileges.
- Tax privileges should be determined for the enterprises with relatively low level of payment for labour, especially for the light industry. Savings drawn from such privileges should be directed for increase of wages. This will also help to reduce the difference between the average wage level of men and women over the Republic. As a rule, women employees prevail over the men employees in the light industry sector.
- Today the number of employees such as housemaids, nursemaids, personal drivers, guards of private property and others keep increasing. However, the labour legislation is not applied in regard to this category of employees. Special section should be added to the Labour Code considering the labour characteristics of this category of employees. Insurance, protection of labour and health of this category of employees upon

employment and other related issues should be governed by the legislation. There is almost no any case in practice when official labour relations were established with this category of people.

- Promoting employment among the able-bodied prisoners serving their term in penitentiaries would contribute to growth of the national economy as well as positively impact the correction and re-socialization of prisoners. For this purpose corresponding legislative base should be developed to make it mandatory to direct a part of the state orders to such institutions.
- The wages of employees should be increased in accordance with the value and results of labour, their profession and grade as well as professionalism which will allow to meet their minimum requirements. In this case the payment received from the job will become the primary source of income for the employees. This will positively affect the quality and quantity indicators of production as well as lead to increase of welfare of the population.
- State control and State guarantee should be maintained in all of the work places irrespective of form of ownership to ensure minimum remuneration of labour. Nobody should be left without payment after working.
- The State should refuse the minimum wage system used as regulatory base, instead minimum **wage per hour** system considered as new **social standard** should be applied. An able-bodied person's **minimum living standards** should be taken into consideration while determining the minimum hourly payment.
- In order to transfer social partnership from paper to practice business relations between the State, employer and employee or their representative bodies should be enhanced. First, the Law on Trade Unions should be improved. The Law on union of employers and employees should be adopted.
- The signing of collective contract and agreements should become a necessity rather than formality. The trade unions which serve as representative bodies of the employees should conduct negotiations both with the employers and their union. Unfortunately, so far there has not been any step taken in regards with legislation or in practice to develop union of employers.
- Precise control mechanism should be added to the General Collective Agreement and administrative and criminal responsibilities should be defined against violation of remuneration of labour principles.
- More concrete action plans should be developed for implementation of the Employment Strategy and State Program.

APPENDIX

Division of the unemployed based on education

(person)

Indicators	As of 01.01.2006		As of 01.01.2007	
	Total	<i>including:</i> women	Total	<i>including:</i> women
Highly educated	17276	6725	17545	6633
Secondary technical education	19587	11082	17868	9974
Secondary education	17013	9927	16856	10096
Incomplete high education	2457	1344	1593	836
Total	56343	29078	53862	27539

Division of the unemployed based on age and gender

(person)

Indicators	As of 01.01.2006		As of 01.01.2007	
	Total	<i>including:</i> women	Total	<i>including:</i> women
16-19	211	101	178	96
19-24	9733	5256	9420	5017
25-35	16393	9158	17528	8963
Above 35	29460	14563	26736	13463
Total	56343	29078	53862	27539

Division of the unemployed based on period of unemployment (person)

Indicators	As of 01.01.2006			As of 01.01.2007		
	Total	<i>including:</i>		Total	<i>including:</i>	
		Women	Youth under 35		Women	Youth under 35
Up to 1 month	236	90	141	260	80	161
From 1 to 3 months	448	149	226	545	170	337
From 3 to 6 months	5578	1977	2338	5925	1927	2370
From 6 to 12 months	12332	6834	5898	12660	7186	6898

More than 1 year	37749	20028	18280	34472	18176	17360
Total	56343	29078	26883	53862	27539	27126

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ENDNOTES

ⁱ Classification of the employed labour force is also important. In general the “employed labour force is divided into three groups. The biggest group (specific weight of this group in market economies of developed countries is 80-85 percent) is comprised of *formal employees*, second group – *entrepreneurs, bankers and other people using hired labour force*, and the third group made up of the people involved in *self-employment* – independent labour activities for commodity production and offering services and those who do not use formal workforce. For more details please see: S.S. Mehbaliyev, R.K. Isgandarov – **Labour Market and Social Protection of Population**, Baku, 2002

ⁱⁱ Monitoring of State of Assurance of Labour Rights in Azerbaijan Republic conducted by the Citizens’ Labor Rights Protection League in 2006-2007: Legislation and Practice. The reasons of labour rights violation are analyzed through different monitoring tools and final report is developed.

ⁱⁱⁱ For more detailed information please see: Employment Strategy of the Republic of Azerbaijan (2007-2010): Approved by the Decree 2167 of the President of the Republic of Azerbaijan on May 15, 2007.

^{iv} For more detailed information about the problems caused by internal and external migration, including the problems related with ensuring employment and identifying employment strategy properly, please see the **Country Evaluation Report** on Azerbaijan prepared by the UN Development Program.

