

Approved by the Decree of the President

of the Republic of Azerbaijan
date of October 30, 2018

Employment Strategy of the Republic of Azerbaijan for 2019-2030

1. INTRODUCTION

The Employment Strategy of the Republic of Azerbaijan (2006-2015) was approved by the Decree No 1068, date of October 26, 2005 of the President of the Republic of Azerbaijan in order to ensure the employment of the population through more efficient use of the labour resources.

To achieve a complementary two-step implementation of the Employment Strategy, relevant state programs have been approved and successfully implemented for 2007-2010 and 2011-2015 years respectfully by the Presidential Decrees No 2167, date of May 15, 2007 and No 1836, data of November 15, 2011 of the Republic of Azerbaijan.

The implementation period of the Employment Strategy was accompanied with the reduction of the unemployment level from 7,3% to 5% and poverty level from 29,3 to 4,9%, whereas income of the population increased 5.2 times, minimum amount of wages increased 3.5 times and nominal average monthly wages 3.8 times. Relevant measures have been taken to strengthen the social protection of the unemployed and persons with difficulties in finding jobs, improve the labour market, increase the quality of labour resources and their competitiveness and to create favorable conditions for increasing economic activity.

Besides, further strengthening the social protection of the employees in the country, formalization of employer-employee relations, improving the control mechanisms over the provision of remuneration, as well as ensuring the effective protection of other labour rights and provisions of the participants of labour relations have been defined as one of the priority areas, to this end a Commission on Regulation and Coordination of Labour Relations has been established including executive managers of relevant state authorities and social partner organizations by the Presidential Decree No 2760, date of March 17, 2017 of the Republic of Azerbaijan, and an "Action Plan on prevention of the informal employment in the Republic of Azerbaijan" has been approved for the implementation of the practical measures by the Presidential Decree No 3287, date of October 9, 2017 of the Republic of Azerbaijan.

Law No 765-VQ, date of June 30, 2017 of the Republic of Azerbaijan on 'Unemployment Insurance' came into force on January 01, 2018, which was elaborated with the purpose of development of new risk-transfer oriented relations in the labour market and new finance tools, recovery of lost wages of the insured people and implementation of the preventive measures to prevent the occurrence of unemployment.

Achievements made in the Republic on the areas like provision of labour and employment rights, social rights, and development of social dialogue etc. are being

highly appreciated by international organizations as well. As another manifestation of high confidence and trust of the international community in the country, the Republic of Azerbaijan was elected a member of the Governing Body of the International Labour Organization (ILO) in 2017, which is one of the prestigious institutions of the world.

As the future development targets of the country, nowadays, are oriented on the issues like the development of employment indicators, generation of decent work places, ensuring the inclusiveness in the field of employment and increasing the labour market participation of the socially vulnerable groups, to this end the 'Employment Strategy of the Republic of Azerbaijan for 2019-2030' (hereinafter – the Strategy)-to be implemented in the next years will transfer the extensive phase into the intensive phase of implementation by addressing the following challenges: improvement of the legislation framework and institutional structure on regulation of the labour market which enables the development of employment and provision of decent labour; skills development; increasing labour productivity; widening the range of active employment programs; strengthening the integration of population groups with special needs of social protection into the labour market; fostering constant social dialogue; updating labour standards; and the improvement of monitoring and forecasting system for the labour market.

Legal framework for the targets identified in the Strategy, in particular identification and prevention of the informal employment, development of unified e-information resource for control of informal employment, as well as creation of vacancy bank, determination of the minimal requirements for the occupational standards, organization of the self-employment and other issues have been reflected in the Law No 1196-VQ, date of June 29, 2018 of the Republic of Azerbaijan 'on Employment'.

The Strategy of the Republic of Azerbaijan establishes main employment policies of the country for the next years based on accomplishments and current problems discovered as a result of implementation of "Employment Strategy of the Republic of Azerbaijan (2006-2015) approved by the Decree number 1068 of the President of the Republic of Azerbaijan, dated 26 October, 2005 and taking into consideration and linking "Strategic road maps for the national economy and key economic sectors" approved by the Presidential Decree No 1138, date of December 06, 2016, 'Decent Work Country Program of the Republic of Azerbaijan 2016–2020', and conventions, and recommendations of the International Labour Organization (ILO), and the United Nations (UN) ratified by the Republic of Azerbaijan, Sustainable Development Goals of the UN (2030), as well as other social-oriented state programs and strategies.

2. CURRENT SITUATION AND DEVELOPMENT TRENDS IN THE LABOUR MARKET

2.1. Demographic development and labour resources

The Republic of Azerbaijan is considered a stable developing country in demographic terms. Average annual population growth rate was up to 1,3 % during 2006-2017, which is one of the highest indicators in the European countries. Currently the birth rate is 3 times higher compared to the death rate in the country. The current

population in Azerbaijan is 9898,1 thousand as of January 01, 2018. Urban residents comprise 52.9 percent of the total population, 47.1 percent resides in rural areas, and 50,1% of the population are women.

According to the UN perspectives, the population growth in Azerbaijan will continue in the next years and will reach 10,7 million people in 2030.

Based on the forecasts for the age structure of the population, it has been established that the natural increase of the population of the country will decline relatively in subsequent years and this will lead to a decrease of the proportion of persons up to 15 years after 2025. It is forecast that, the number of people who have reached retirement age will double by 2030 compared with 2015 (841,000 people), which can increase the social burden of the country, as well as create needs for the additional measures in the social security of the older persons.

The number of people among 15-64 ages in 2017 was more than 7 million. The forecasts show that this number will be almost the same until 2025, and increase by 1,3 percent in the next five years.

Decreasing trend in size of population between ages of 15-24 entering to labour market will continue until 2025 and it is expected to increase in the next 5 years after 2025. Size of population between ages of 15-24 in 2017 was around 1.6 million and it is expected to decrease by 17% by the year 2025 and it will increase in the following years, which is expected to reach 2015 level by the year 2030

2.2. Employment, unemployment and labour productivity indicators

1,96 million jobs were created within the last 14 years in the country, 73,3% of which are full-time employment. Thus, more than 70% of the new jobs created during this period were in the regions, and great majority of the them were in non-oil sectors (construction, trade-services, manufacturing, transportation etc.).

In 2017, the number of economically active population increased by 693,7 thousand people compared to 2005 and reached 5073, 8 thousand people, 4822.1 thousand of them were employed in the economy and 251.7 thousand persons were unemployed. Employment rate among the population aged 15 and older was 62,9% in 2017, and 32,7% of the economically active population had initial vocational, secondary specialized and higher education levels.

In 2005-2017, the number of employees in the economy increased by 20.7 percent to 1525, 0 thousand, that is 31.6 percent of total employment.

Higher rate of unemployment among women and young people is one of the main challenges observed in the labour market.

The unemployment rate of youth between ages of 15-24 relatively decreased and reached 12,9% (14.9% among women) in 2017, and this number is still 2.6 times more than the national unemployment rate. In 2017 this indicator was 9,2% among youth (11,0% among women) between ages of 15-29 and this is approximately 1,8 times more than the national rate.

Economic development of Azerbaijan in recent years made the country attractive for foreign labour force and number of foreign workforce willing to be employed in

Azerbaijan increases year-by-year. In this regard, one of the main objectives of the state policy in the field of labour migration in the Republic of Azerbaijan is to protect domestic labour market and to use unskilled foreign workforce in order to maximize the use of national workforce capacity. To this end, the country has been applying labour migration quota for economic activities since 2010. Use of quotas is oriented to attraction of qualified personnel by investors, including use and training of domestic labour resources.

As a result of continuous growth in GDP of Azerbaijan in the recent years labour productivity indicator (1 man/hour) also increased in current prices from 2,35 AZN (2,6 USD) in 2006 to 7,59 AZN (4,4 USD) in 2017. During 2006-2013, labour productivity increased in current prices expressed in the USD, decreased in 2014-2016 and started to rise again in 2017. There is significant difference between labour productivity indicators of different economic activities. Despite the fact that labour productivity indicator in mining industry in 2016 was 257,7 AZN (161,4 USD) with current prices, these indicators were 1,03 AZN (0,6 USD) in agriculture, 6.3 AZN (3,9 USD) in manufacturing and 9,4 AZN (5,8 USD) in construction field. The low labour productivity in agriculture is reasoned with the poor use of the production methods, innovations and advisory services, and low qualification of most of the workforce. On the other hand, it creates a necessity to improve a system for labour productivity records aimed at the implementation of regular calculations in the mentioned areas.

Furthermore, the improvement of the vocational education system in terms of the labour market needs is also under special attention. In order to improve the national vocational education system and to eliminate the existing in-compliances between the education and labour market in terms of quality, quantity and expectations, 'Strategic Road Map for the development of vocational education and training in the Republic of Azerbaijan' has been accepted and State Agency on Vocational Education has been established under the Ministry of Education of the Republic of Azerbaijan.

Nowadays, to address the challenges associated with upgrading the national labour resources, and their adjustment to the needs of the labour market and dynamic economy, and increasing the overall efficiency in the use of workforce in the labour market, the vocational and qualification standards compliant with international and local labour market needs, and on their basis educational, training and learning programs have been developed and implemented recently. The introduction of the competency-based vocational standards is the main tool for the improvement of the competitiveness of the national workforce and its integration into the international labour market.

The current possibilities will be considered for the establishment of National Observatory on Labour Market in the Republic of Azerbaijan aimed at making effective management decisions as a result of coordinated analysis, adjustment and monitoring of data received on the balance of labour resources and vacancy base, quality analysis on the basis of a forecasting system composed of the data enabling the accurate estimation of the situation in the national labour market and identification of future trends (survey of the population's economic activity, household surveys), the expert opinions and estimations, and regular surveys among the graduates of higher, secondary vocational and vocational education.

3. THE GOAL, MAIN OBJECTIVES AND TARGETS OF THE STRATEGY

- 3.1.** The overall goal of the strategy is to ensure the transfer of the employment policy from extensive to intensive phase of implementation, increase the employment level of the population, support full employment and the decent work and increase labour productivity.
- 3.2.** The following objectives are planned to be implemented for fulfilment of the goal of the strategy:
- 3.2.1. Carrying out pro-employment economic development policy and support of micro, small and medium-sized businesses;
- 3.2.2. Improving legislative framework and institutional structure of the labour market;
- 3.2.3. Developing skills of workforce and improving the labour standards;
- 3.2.4. Increasing coverage and efficiency of active labour market programs, strengthening integration of the citizens into the labour market with special needs of social security and those who have difficulties in finding jobs;
- 3.2.5. Developing social dialogue and preventing non-formal labour relations;
- 3.2.6. Improving monitoring and forecasting system for labour market.

3.3. The strategy has the following targets

#	Target	Baseline and reference year
1	2	3
3.3.1.	By 2030, increase proportion of population formally employed in non-agriculture to 80%	Proportion of the hired employees in non-agriculture sector - 48,1%; 2017
3.3.2.	By 2030, reduce unemployment rate to 4%, including reduction of unemployment among women and youth to the minimum level	Unemployment rate- 5%; women-5,9%; youth (15-24) - 12,9%; youth (15-29) - 9,2%; 2017
3.3.3.	By 2030, reduce proportion of youth (15-24) not in Education, Employment, or Training (NEET) to 15%	Proportion of youth (15-24) not in Education, Employment, or Training - 23%; 2017
3.3.4.	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors and increase labour productivity by 2030 twofold	Labour productivity in current prices for 1 man/hour - 4,4 USD; 2017

3.3.5.	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities	Ratio of minimum wages to wages of hired employees is 22%; 2017 Ratio of minimum wages to subsistence minimum-75%; 2017
3.3.6.	By 2020, increase share of finances allocated to the active labour market programs to 0.1% of the GDP	0, 01%; 2017
3.3.7.	By 2030, increase level of provision of jobs for citizens applying to the State Employment Service to 70%.	40%; 2017
3.3.8.	By 2030, engage at least 20% of citizens applying to the State Employment Service in vocational training	3%; 2017
3.3.9.	By 2030, provide new service model in employment centres	3 employment centres; 2017
3.3.10.	By 2030, increase number of regional vocational training centres to 10	3 regional vocational centres; 2017
3.3.11.	By 2020, increase the range of self-employment programs by 6 times	1400 households, 2017
3.3.12.	By 2030, develop occupational standards for priority occupations in the labour market, develop updating mechanism for the standards and achieve development of all curricula on basis of occupational standards	300 occupational standards; 2017
3.3.13.	By 2025, develop a system for recognition of competencies obtained from non-formal and informal learning	the works on the development of system started; 2017

4. PRIORITIES OF THE EMPLOYMENT STRATEGY

4.1. Carrying out pro-employment economic development policy and support of micro, small and medium-sized businesses

Measures on carrying out pro-employment economic development policy and increasing the employment in different sectors of economy have been considered within the implementation of the strategic road maps on national economy and key sectors of economy which were approved by the Decree No 1138. date of December 06, 2016 of the President of the Republic of Azerbaijan.

4.2. Improving legislative framework and institutional structure of the labour market

Legislation base for implementing efficient policies to meet rapid changes of the labour market and establishment of institutional structure in line with the modern standards is very important. The following priorities have been determined in this regard:

- 4.2.1. Improvement of legislation on unemployment insurance in Azerbaijan and establishment of the institutional system;
- 4.2.2. Improvement of the Labour Code, "Employment" Law of the Republic of Azerbaijan and other regulatory documents on issues such as: strengthening social security of the unemployed citizens and those looking for a job, development and application of occupational standards, widening the coverage of the unemployment insurance system, skills development, establishment of virtual enterprises (practical enterprises), more efficient organization of vocation oriented education, encouragement of the competency based modular training and on-the-job training; development of lifelong learning national qualification system, recognition of competencies acquired from non-formal and informal trainings, employment of persons with disabilities, increasing labour standards, strengthening social protection of labour migrants, application of the dual education
- 4.2.3. identification of the labour migration quota and improvement of the work-permit system;
- 4.2.4. Establishment of relevant legislation and economic incentive mechanisms to stimulate employers for participation in workforce training;
- 4.2.5. increasing the control over the adherence to minimum labour standards (requirements) in the work places;
- 4.2.6. improving working conditions in the workplace, strengthening state control over compliance with occupational safety and technical safety requirements;
- 4.2.7. Increasing scope and efficiency of the institutional structure of the labour market:
 1. Introduction of new service model in line with modern standards in terms of the employment services within the 'DOST' services;

2. Development of effective activity mechanisms for cooperation of employers and the employment centres;
3. increasing the efficiency of the active employment programs;
4. organization of professional orientation, job clubs, virtual enterprises, mobile job fairs and short term training in the employment centres;
5. establishment of relevant infrastructure for delivery of the special employment services to people with disabilities and expanding the network of the professional rehabilitation centres;
6. development of an evaluation system for the assessment of the employment centres, the quality and efficiency of the managers and experts aimed at improving the management of employment centres;
7. Expanding network of vocational centres, as well as network of the regional vocational training centres for the unemployed and for job seekers.

4.3. Developing skills of workforce and improving the labour standards

Globalization, establishment of new jobs, application of modern production and management technologies, modernization of the job places increase the needs for higher skilled workers (with high competencies) and necessitates the implementation of rapid state policy in the field of the education, training and skills development. The following priorities have been determined in this regard:

- 4.3.1. Establishment of environment for the skills development to increase competitiveness and productivity of the workforce;
- 4.3.2. Development of system for validation of competencies obtained from non-formal and informal training and establishment of the workforce certification system;
- 4.3.3. Development of the outcome-based National Qualification System for Lifelong Learning, as well as improvement of vocational training and career development courses for the adults;
- 4.3.4. Establishment of mechanism for development and application of occupational and qualification standards reflecting requirements of the labour market, as well as developing competence maps by main priority sectors;
- 4.3.5. Supporting development of competency based curricula and training materials on basis of occupational standards reflecting requirements of the labour market;
- 4.3.6. Improving vocational education system (initial vocational education, secondary-specialized vocational education and higher education) to train competitive workforce for the labour market;
- 4.3.7. Development and implementation of mechanisms for organizing work-based learning and dual education.

4.4. Increasing coverage and efficiency of active labour market programs, strengthening integration of the citizens into the labour market with special needs of social security and those who have difficulties in finding jobs

Targeted active labour market programs are one of the ways to prompt adaptation to the processes taking place in labour market and to ensure inclusive employment. In this respect, expanding the scope of these programs in the following years and enhancing the efficiency is extremely crucial. Targeted active labour market programs will first of all be extended for the citizens with special security needs and those with difficulties in finding jobs. The following priorities have been determined in this regard:

- 4.4.1. Increase the capacity for expanding the coverage and efficiency of active labour market programs;
- 4.4.2. Improve career counselling and career planning services to support the integration of youth from vocational education to labour market, as well as ensuring wide use of the digital technologies and establishment of centralized career portal;
- 4.4.3. Expand the scope of support activities for establishment of self-employment and family businesses which will establish the transition mechanism from passive social protection (targeted social assistance) to active social protection (integration to labour market) to reduce the dependence of able-bodied population on social assistance and benefits;
- 4.4.4. Widen the implementation of the professional trainings, as well as the modular competency-based trainings for the adaptation of the citizens with special social needs and who have difficulties in finding jobs, and the adjustment of the quota system with modern requirements in terms of their needs;
- 4.4.5. Improving the labour exchanges and mechanism of paid public works for the purposes of effectively organizing the temporary employment of unemployed and jobseekers;
- 4.4.6. Expanding the scope of job clubs and job fairs and improving mechanisms for organization, the coordination of virtual enterprises and start-ups and increasing access to the soft financial services;
- 4.4.7. Defining and implementing new active labour market plans in line with modern standards and regional labour market needs.

4.5. Developing social dialogue and preventing non-formal labour relations

Social dialogue and partnership is crucial in strengthening the social protection of population, improving the employment level, ensuring decent work and improving the quality of labour force. In this respect, strengthening the social protection of the unemployed, job-seeking and employed population, as one of the main objectives, will always be in the spotlight. The following priorities have been determined in this regard:

- 4.5.1. Improving institutional system on trilateral social dialogue at national level, as well as increasing the efficiency of the activities of the Trilateral Commission for Social and Economic Issues;
- 4.5.2. Strengthening signing and implementation of the General Collective Agreement, Sectorial Collective Agreements and Enterprise-level Collective Contracts,

ensuring inclusive employment in these documents, paying special attention to the issues such as vocational education and training, work-based learning, occupational standards and social protection (labour standards);

- 4.5.3. Improving social partnership principals on the recruitment regulations and implementing active labour markets programs;
- 4.5.4. Incentivizing the development of corporate social responsibility;
- 4.5.5. Supporting and motivating the development of sectorial and professional associations;
- 4.5.6. Implementing complex measures (economic, legal and administrative) oriented on prevention of the informal employment.

4.6. Improving monitoring and forecasting system for labour market

Monitoring and forecasting of labour market is significantly important in terms of implementing efficient policies in the field of labour market and employment, ensuring a balance between supply and demand in the labour market, as well as adapting education system to the labour market requirements. The following priorities have been determined in this regard:

- 4.6.1. Improving and extending the single vacancy database of the Ministry of Labour and Social Protection of the Population of the Republic of Azerbaijan;
- 4.6.2. Establishing a monitoring system to assess the efficiency of active labour market programs;
- 4.6.3. Conduct quarterly sampling statistic research on the economic activity of the population, as well as identification of eliminated work places, skills assessment, studying the structure of employment in rural areas based on agricultural and non-agricultural sectors, non-formal employment, foreign labour force participation in labour market, alumni tracking, conducting researches such as improvement of labour standards, improving their implementation mechanisms, preparing labour market and employment policy based on the findings, and establishing a relevant system to use these findings in decision making process;
- 4.6.4. Establishing evaluation system to assess the impacts of public investments on the new jobs generation;
- 4.6.5. Improving the labour productivity assessment system;
- 4.6.6. Establishing monitoring and forecasting system which enables labour market analysis to identify needs for professionals and technicians, as well as skills.

5. EXPECTED OUTCOMES

- 5.1. The Strategy will ensure the achievement of the following results:
 - 5.1.1. Rapid institutional system will be established which will be in line with the processes taking place in the labour market;
 - 5.1.2. Employment and decent work opportunities of the population will be expanded;
 - 5.1.3. Inclusive employment will be ensured;
 - 5.1.4. The compliance of the education system with the labour market will be ensured;
 - 5.1.5. Link between employment and social protection will be strengthened.

6. IMPLEMENTATION, MONITORING AND EVALUATION OF THE STRATEGY

- 6.1. Clearly understanding the objectives and content of the strategy, getting public support and establishing working implementation mechanisms are the main conditions for the successful implementation of strategy.
- 6.2. **Action plan:** 2019-2030 Employment Strategy will be implemented in two phases that are completing each other and Action Plan on each phase of the Strategy implementation will be approved by the President of the Republic of Azerbaijan.
- 6.3. **Dissemination of information:** All information related to this Strategy will be disseminated to public, employers, professionals and representatives of international organizations via innovative tools that allow prompt discussions. For these purposes, electronic means will be widely used.
- 6.4. The following **strategic principles** will be taken into account during the implementation of the Strategy:
 - 6.4.1. Holistic approach: Strategy, determined on the basis of the holistic approach, intends to ensure links among goal, objectives, targets, priorities and activities. Policy activities to be implemented on the basis of holistic approach will specifically focus on capacity development, implementation of technological innovations, provision of good governance and improvement of the infrastructure;
 - 6.4.2. Equal opportunities and inclusive employment: The Strategy is based on creating equal and inclusive employment opportunities for all groups all over the country, especially for those in need of support (including women, youth and persons with disabilities);
 - 6.4.3. Reliable protection from unemployment: capacity development, recognition of competences acquired from non-formal and informal learning and improving competitiveness of workforce will be considered as the main tool for prevention of unemployment;
 - 6.4.4. Incentive approach: In the implementation of Strategy incentives approach will be prioritized over the administrative approach in terms of relations with employers and employees;

- 6.4.5. Prevention of additional costs: The implementing new policy activities on ensuring the competitiveness of employers and employees will be based on prevention of additional costs;
- 6.4.6. Social Partnership: All stakeholders will be involved in the implementation of Strategy and their maximum capacity will be used;
- 6.4.7. Public Private Partnership: Efforts will be made to take maximum advantage of public and private partnership opportunities in ensuring the development of the labour market and provision of the employment;
- 6.4.8. Environmental protection and green jobs: In terms of new job creation, special attention will be paid to environmental protection and generation of 'green' job places will prevail.

6.5. Consultation with stakeholders: Stakeholders, as well as social partners and non-governmental organizations will be engaged in the implementation of the Strategy and the evaluation of the performance thereof. The goals, content and the implementation results will be disseminated to the public via mass media and other tools.

6.6. Monitoring and evaluation of the Strategy: To ensure the efficiency and effectiveness of the implementation, the Strategy will be monitored and evaluated. Monitoring and evaluation will focus whether the content and implementation of the measures match with each other, and the expected outcomes, and the compliance with the performance period will be verified. Monitoring and evaluation will be carried out on the basis of the methodological framework which is developed according to international and local experience.

Coordinating body collects the reports from the main implementers and present the summarized report to the body responsible for the monitoring and evaluation. Monitoring and evaluation body performs the analysis of the report, as well as, if required, the information obtained from other relevant sources thereof, prepares monitoring and evaluation report and submits to the coordinating body in a defined manner.