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Supporting paper

**ACCESS TO LABOR MARKET, SOCIAL EXCLUSION,
LONG-TERM UNEMPLOYMENT, YOUTH EMPLOYMENT**

Submitted by State Statistical Committee of Azerbaijan Republic *

1. The statistical indicators of the last years show that the value of gross domestic product (GDP) that characterizes economic development level of the country, in 2004 had exceeded the value of GDP for 2,1 times respectively to 1995. It produced GDP per capita to the amount of 5,1 million AZM (Manat) that exceeded the level of 1995 for 1,9 times.
2. **Aggregate employment** in the country was sufficiently stabile: 3703,4 thousand person in 1990, 3704,5 thousand person in 2000, and 3764,2 thousand person in 2004. Along with that employment wasn't decreased proportionally to the reduction of production volume because of keeping the labor force in workplaces. The enterprises have made corrections through reducing the real wages and working time duration as well as submitted workers to unpaid leaves. As a result instead of decreasing the number of employed persons, it was kept their dismissal.
3. During last years under influence of certain facts concerning with structural changes in the economy, it was observed a decreasing share of **employed in the state sector of the economy**. In 2004 this indicator made 31,4 % against to 56,1% in 1995. This decrease was typical for a majority of fields of the material production. The share of employed in non-state

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sector of the economy in 2004 made 68,6% of the total number of employed compared to 43,9% in 1995.

4. 711,6 thousand person **engaged in non-state sector** of the economy were **independently employed** that made almost one fifth part from number of all employed in the economy. It is intended that persons engaged with unregistered labor activity as well as persons having temporary employment, make a higher share.

5. **Employment of refugees:** today only one third of IDP of able-bodied age has a job. The problems of employment of this group of population are low mobility and level of professional training, insufficient number of working places corresponding to their previous qualification. For the purpose of development of the activity conducting with this category of the population, the special programs for solution of their problems are approved systematically. Today the problem of refugees and IDP is one of the most actual problems of social-economic development of Azerbaijan.

6. **According to data of sample survey on economic activity of the population of the republic**, which was held in 2003, the number of **employed population was 3377,8 thousand persons**, 369,2 thousand person less than data of periodic statistics. According to survey results, 404,7 thousand person of economically active population were unemployed, i.e. level of unemployment made 10,7%, and among women this indicator made 12,2%, among men – 9,6%. Two thirds of indicated category of the population refers to urban population and one third to the rural population. According to survey results the share of youth of age under 35 years old in total number of unemployed was 69,1%, of which 14,5% was youth having not higher completed and secondary vocational education, 1,1% - higher incomplete education, and 3,2% with primary vocational education.

7. As of 1 January 2005, the number of **persons, who officially received unemployment status in Employment Services** was 55,9 thousand person, of which 52,3% were women, 46,5% aged under 35 years old, 64,1% where persons having higher, specialized secondary and vocational education. Persons received status of unemployment made 1,46% from total number of economically active population of the country. However, the official unemployment level in separate regions of the country is significantly higher than the average republic level.

8. The unfavorable situation in the labor market is characterized by increasing of **duration of job seeking**. According to survey results, the average time spent looking for a job by the unemployed was 15,6 months in June 2003. The status of being unemployed for a year and over had 28,0% of unemployed. Among unemployed the share of persons having no labor activity experience made 65,2%, of which 72,0% were graduates of secondary school.

9. It is necessary to note the change of demand for labor force. So, if in 1997 per registered vacancy made 4 unemployed, in 2004 this ratio made 7 unemployed per vacancy. In a majority of cases, these vacancies are in the social sector with low-paid wages.

10. Formation of the labor market in a country is accompanied by its own peculiar segmentation, division or individualization, so the overall demand and supply of the economically active population is fluid. The demand is defined by the production requirements for workers of specific professions, qualifications, and especially preferring of men. The supply is formed depending on social-demographic composition of the unemployed population, their education, professional and competency structure. The imbalance of the supply and demand among the economically active population in the labor market of the country complicates the solution of the unemployment problem not only by quantity features but qualitative too.

11. The principle of trilateral agreement receives the logical development in the social-economic field of the country. It is appeared in conclusion of the trilateral General Collective Agreement. The last General Agreement has been concluded between the Cabinet of the Ministries of the Republic of Azerbaijan, National Confederation of Employers of Azerbaijan and Confederation of Trade Unions of Azerbaijan in 2004 and remains its validity up today. The agreement covers wide range of questions, such as social partnership, conducting of the economic policy, wages, incomes, and population living standards, development of labor market and social protection, social insurance, problems of labor protection and etc.

12. Active policy of the labor market

- State employment services conduct labor markets in all regions of the country.
- Labour exchange is functioned in Baku, Sumgayit and Ganja cities.
- For the period 1995-2004 it was:
 - 180,4 thousand person were placed in jobs
 - involved 28,2 thousand person in paid social works
 - organized training courses for 17,5 thousand person.

13. It is necessary to note that allocation of the working places for vulnerable groups of the population (youth, women, children, refugees, persons under pensionable age, invalids, and etc.). By changes introduced in legislative rules of the country in 1997 it was defined that one of each 25 working places in enterprises of all types of property is for an invalid. On adoption of the new law on “employment”, since 1 August 2001, the total number of working places is defined on quota for vulnerable category of citizen, including invalids, who depending on actual situation at the territorial labor market are fixed at the rate of no more than 5,0% from average payroll number of employees of the enterprises and organizations. Along with that the analysis of data of the last years shows that the work in this field is not organized properly.

14. Passive policy of labor market

For the period of 1995-2004, at employment services:

- 58,6 thousand person received unemployment status
- 72,5 thousand unemployed persons were granted with an unemployment benefit (taking into account reallocation of the benefit).

15. The law on “Social insurance” defines the list of legal and natural entities that are subject to compulsory social insurance, and size of fees in a majority of cases is defined differentially depending on activity types of these persons as well as territorial location. The addendum, introduced to law on “Social insurance” since 1 January 2002, provides with compulsory social insurance of persons using own available land area. All able-bodied members of the family are subject to social insurance.

16. A majority of natural persons engaged with entrepreneurship activity without forming of legal entity does not legalize official labor relations with their own employees, and thus deprives them of possibility to receive social assistance. Distribution of the employed population in 2004 by forms of property shows that 711,6 thousand persons are self-employed. It could be considered that this is **a category of persons that is insufficiently presented in the system of social security**, including unemployment.

17. The analysis of preliminary data of the one time registration on distribution of hired workers, completely worked in different branches of the economy on November 2003 shows, that during this period the wages of 35,4% of workers were less than 120,0 thousand AZM, i.e. less than the absolute level of poverty, determined by the state program on poverty reduction. This data characterizes the distribution of only hired workers by wage level, who make 1/3 part from total number of all employed in economy, and mainly this category of employees covers state sector, financed out of the proceeds of state budget.

18. Government reviews the size of minimum wage systematically. Since 1 September 2003 the size of minimum wage has been increased from 27500 to 45000 AZM, from 1 January 2004 – about 60000 AZM, from 1 June 2004 – about 100000 AZM, from 1 January 2005 – about 125000 AZM. It is foreseen stage-by-stage increasing of minimum wage level with the purpose of its approaching to minimum consumer budget level.

19. The main aspect of the measures directed to population social protection is provision of families with moneyed assistance by government, as well as vulnerable category of citizen. In 2002, it was spent 190,8 milliard AZM of state means for payment of all types of family allowance. With the purpose of strengthening the social protection of families, the size of these allowances is increased periodically by force of financial possibilities of the country that is evidence of comparability of data on size of means expended for these purposes in 2002, which exceeds total expenditures of state means for analogical purposes in 1995.

20. The families with children also have the right to receive allowances on care of sick child aged under 14 years old. In those cases, the allowances are issued to mother (father) or other employed family member, realizing a care of child for the whole period, during of which the child needs in care as at home and hospital.

21. The large group of socially vulnerable category of population makes internally displaced people (IDPs). Besides family allowances, the government pays to each IDP benefit about 25000 AZM for meals.

22. Great attention is paid to maternity care. Measures providing maternity care – maternity leave, creation of special labor conditions for pregnant women or nursing mothers – those are breaks for infant breastfeeding, favorable conditions of work, interdiction of work at night time, are directed so that maternity would not a reason of discrimination of women. In connection with labor legislation of the Republic, women engaged in the branches of agricultural production are provided with maternity leave for 140-180 calendar days and 126-140 calendar days for other branches depending on complication of delivery, with payment of allowances during leave at the rate of 100,0% of average wage irrespective of record of service.

23. According to the desire of the woman after maternity leave, she has a right to partly paid child care leave until the child is aged three years. During whole leave period she receives social allowances, and her **working place is kept for her**.

24. Families, having disabled child under the age of 16 years old, are provided with an additional day of rest while keeping their average earnings. In accordance with current regulations, this day of rest is also presented to one of the employed parents depending on their decision.

25. Moreover the practice shows that due to some reasons women could not always use their legal right. Some factors could influence on it. Firstly, low size of allowances paid for women during their being on leave restrains them from using of these leaves. Secondly, it is necessary to consider that a majority of women are engaged in the **non-state sector** of the economy where standards of labor legislation are **not observed**, frequently, including provision of workers with leaves both labor and social.

Strategic measures on strengthening of social protection system

26. Main issues in the field of social protection, which require solution include:
- revision of allowance system, which is differed by divisibility and complexity, but provides severely limited protection of recipients;
 - revision of assignment conditions of different types of benefits on its division into insurance benefits and social assistance;
 - studying of variants of financing of social protection system separately from insurance benefits system;
 - increasing of the coverage system, which at present is decreased due to different reasons, namely:
 - non-fulfillment of requirements of labor legislation by employers (lack of labor agreement)

- increasing of temporary employment and transition of majority part of employees to informal sector;
- introduction of address mechanism of social assistance based on revision of incomes that are related with mechanical issues.
