

# TORINO PROCESS

# AZERBAIJAN

APRIL 2011







## **TORINO PROCESS 2010**

Azerbaijan

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## Abbreviations

CET	Continuing Education and Training (Additional Education according to the Law on Education)
CDVET	Centre for the Development of VET
E&T	Education and Training
ETF	European Training Foundation
EU	European Union
ENPI	European Neighbourhood Policy Instrument
HE	Higher Education
ICT	Information and Communication Technology
IDP	Internally Displaced Persons
ILO	International Labour Office
IVET	Initial Vocational Education and Training (after 9 <sup>th</sup> class)
LLL	Lifelong learning
MOE	Ministry of Education
MLSSP	Ministry of Labour and Social Protection of the Population
NQF	National Qualifications Framework
RCMOL	Scientific Research and Training Centre of the Ministry of Labour
SME	Small and Medium Sized Enterprises
SSCAR	State Statistical Committee Azerbaijan
Tacis	EU Assistance Programme for Commonwealth of Independent States
TVET	Technical and Vocational Education
UNESCO	United Nations Educational, Scientific and Cultural Organization
VET	Vocational Education and Training



## A. Executive summary

The attention for vocational education and training (VET) has increased during recent years. In comparison to general education and higher education, the vocational education sector is still in an early phase of reforms. The programme on VET development (2007-12) has been looking at the optimisation of the network of VET institutions mainly by updating the infrastructure. School after school is being modernised. A new model of relationships between schools and enterprises is on the agenda; as is the content of vocational training, staff development policies and the management in the field of VET. The results so far have been mainly noticeable at the local level. In 2009 a Centre for the Development of Vocational Education (CDVET) was established in the Institute of Educational Problems to support reforms at a national level. It has not been very effective yet due to a limited mandate and staff capacities.

In September 2009 a new law on education was adopted and a new law on VET is in preparation. In tourism education both the British Council skills@work projects, a Unesco education reform project and the EU funded Tacis VET reform project have brought innovation, indicating directions of reforms and stronger partnership with local businesses. Moreover through a policy working group, the Tacis project has formulated recommendations for strengthening capacities for policy development and implementation, for a National Qualifications Framework (NQF), a more learner-centred approach, staff development, the use of information and communication technologies (ICT) and the funding of VET. A new relationship with businesses is emerging, with a handful of larger companies taking more interest in the VET sector.

The new law on education (September 2009) has provided a more comprehensive framework for education policies in Azerbaijan, and outlines the general principles, the use of educational standards, the structures and quality assurance principles of the education system, the objectives and principles for subsectors (including general education, initial vocational education, secondary specialised vocational education, HE and continuing education and training (Əlavə təhsil = additional education)). It also regulates admission, and the management of the education and training system. The law on education needs to be succeeded by new laws for initial vocational education, secondary specialised education and adult learning. New implementation rules have been formulated and the VET law is on the agenda for 2011.

Lifelong learning is an implicit goal of the education and training reforms in Azerbaijan. The new law dedicates special attention to the development of CET, including non-formal learning. The national curriculum for general education includes well defined learning outcomes. It is gradually introduced year by year since 2007. In general a move towards a more result-oriented education system is becoming visible. But there remains a gap between policy in the making and implementation. The main challenges are limited implementation capacities at national level and at school level. Moreover, inter-linkages between the subsectors within the education and training system remain weak and the new law has reconfirmed existing divisions. The law provides an overall framework and echoes international developments, but there is no shared vision yet about how the education and training systems will need to be reshaped and developed. A vision is developing to move the country from black gold to human gold, but how the education and training system can assist to this important challenge is not clear. Education reforms are still too far detached from the economy and the labour market.

Azerbaijan has been less affected by the global economic crisis than other countries, although the pace of growth has slowed down to approximately 10% per year. Fossil energy revenues have been the main source of growth, providing an unprecedented wealth. Recent growth and stability have led to a steady improvement of life expectancy, a reduction of poverty, improving education attainment levels and lower unemployment. According to indicators, people never have had it as good as now in Azerbaijan. In spite of a faster growing workforce than in any other country in Eastern Europe, most young people seem to be able to find some form of employment.

Macro-indicators do not provide the full picture. Poverty has not been eradicated yet. Jobs in the formal sector are limited. Wage employment is only a small share of the labour market and the vast majority of the workforce work in small companies, in agriculture and family businesses. The energy sector is good for two thirds of the GDP, but employs less than one in seventy workers. The international performance of other economic sectors and their share in the GDP is decreasing. This could undermine the sustainability of the many jobs that have been created recently. A worrying phenomenon is the gradually deteriorating situation of women on the labour market. Moreover as a consequence of the Nagorno Karabakh conflict Azerbaijan has one of the

highest levels of internally displaced persons. They have moved to different parts of the country, with many of them living in and around Baku but with a considerable number living in settlements close to the occupied territories. Many of them came from rural areas and have been deprived of their land and livestock. With a final settlement pending, they still face an uncertain future.

The development opportunities for school graduates are limited, considering that less than 40% specialises after completing general secondary education. The majority of them disappear in the large informal sector (good for two thirds of the work force). Those who enter into salary employment find themselves at the bottom of the company ladder, learning on the job. Informal apprenticeship is the main pathway for skills development. Those who study to specialise themselves are often ending up without a job in their field of specialisation. Higher education has been traditionally a pathway in public sector jobs. The contribution of vocational and higher education to private sector development is weak.

Entrepreneurship is important and Azerbaijan seems to have good macro business indicators, but not in relation to the skills of the workforce. For the majority of employers the skills of their employees are not decisive for growth. There is lack of trust in the formal training systems among employers, and lack of confidence in the value of VET qualifications among students and parents. The disparity between what schools can supply and what enterprises need has widened considerably. There are early signs of change, through ad hoc cooperation at the local level of schools and individual companies but also gradually at the system level. The appropriate mechanisms for a systemic change have not been identified yet. The main difficulty seems to be how to organise purposeful self-sustainable partnerships between the world of work and the education system. The Tacis TVET reform project has made many recommendations in this area but these are hard to implement given the informal character and the modest degree of organisation of the business world. Under these circumstances it is very difficult to identify sector representatives for a meaningful dialogue. Moreover, labour market information does not provide systematic indications of skill needs.

With support of Unesco an ambitious vision for a diversification strategy has been formulated "Converting Black Gold into Human Gold" but how the economy could be transformed from dependency on oil revenues and a developed informal culture into a formal economy based on more internationally competitive sectors remains unanswered. 500 students a year receive scholarships from the State Oil Fund to study abroad, but this is far from enough to develop the skills that are needed for diversification. What seems to be missing is a much stronger strategic emphasis on how the education and training system can be used to ensure the needed skills and competences for emerging sectors. Currently the diversification strategy's link to the education and training system is not very clear, in spite of projects such as the TVET Tourism project, and the Twinning project for TVET in Agriculture

Current reforms include important innovations, in each segment of the education system in bringing Azerbaijan in line with European and international changes, but lack system-wide mechanisms that can take account of regional, sectoral and national skills needs for general, vocational and higher education and adult learning. The mentioning of adult learning in the new law on education is encouraging but needs to be further developed. A positive breakthrough is the on-going work of a working group on the NQF that should complete its work by the end of 2011 and strengthen links between qualifications and the way they are formulated and used. An important start has been made to improve the facilities in schools with the national programme for VET reform 2007-13. These are highly needed as the majority of schools can not offer the conditions for quality education with poor facilities, and basic infrastructure. According to the Ministry of Education (MOE) 78 out of the 107 current vocational schools need restructuring.

Innovations in VET curricula and VET system development have been elaborated by the Tacis TVET project through a policy group of different stakeholders. These provide indicative directions for further reform with only a few recommendations ready for immediate implementation. This means that we are still at the start of the most important reforms. The pilot curricula developed with the support of Tacis and Unesco projects are being tested. A consolidated approach to curriculum development is missing. VET is divided in three policy areas for IVET, postsecondary college education and CET. The connections between these different policy areas are weak, although it is hoped that they might be strengthened through the NQF and multi-purpose vocational centres. The brand new Tourism Vocational School in Ismayilli is an example of a new regional VET Centre that is developing in close cooperation with local and regional authorities and businesses.

Capacities for reform are limited. The VET Department in the MOE remains very small. The CDVET is not yet very effective, as it also struggles with capacity limitations. There is also a big problem with an aging workforce in the VET sector, among teachers and instructors. The start of the Twinning Project in VET in Agriculture offers continued assistance to VET reform but there is a need of more integrated approaches that look at the relevance of the education and training provision as a whole. The Ministry of Labour (MLSP) is developing 200 occupational and training standards with support of the World Bank for the priority sector of tourism, food processing, construction and alternative energy but the approach has not been well connected with the VET provision.

Until the level of full secondary education (after 11 years, rather than 12) participation in education is high. The drop out rate in secondary education is not very high. The problem is not school attendance but the quality of education as the recent results of the PISA study clearly show, with Azerbaijan being among the lower performing participating countries. Moreover the fact that so few secondary school graduates care to specialise by going to VET, colleges or universities and the difficulties that those who do have in finding appropriate employment shows that there are important questions about the relevance of education. National school leaving exam and university entrance exams have been introduced successfully, but they have not strengthened relevance, because they are only emphasizing academic skills. The demand from families for HE is much higher than the offer. Colleges are seen as a second option, as they are more connected to HE than to VET. The new law foresees the introduction of a sub-bachelor degree and arrangements for a better transition for college graduates to bachelor programmes. The focus of reform has been on general education and HE. These reforms lack links to the labour market and VET has so far had only limited support.

The college and university systems have been able to attract substantial private contributions. HE has 60% fee paying students, colleges 45%, while initial VET depends completely on state financing. The state funding modalities for education are changing. HE is moving this year to a per capita funding system, strengthening the development of the system towards student preferences. State funding is being opened to private and public providers which need to compete for funding. In spite of substantial nominal increases, public investment in education is only 2.8% GDP (according to SSCAR), far below the EU average of 5,0 %.

Salaries form a large part of the education budget although the salary levels are low. As a consequence the teaching population is ageing, while the labour market is getting younger. Older teachers seem to cling on to their jobs, as the safety net for retiring teachers is far from adequate. The teacher student ratio is still low with around 13 students per teacher in VET, and 7 students per teacher in general education. For young people the teaching profession is not sufficiently attractive. Moreover, retraining systems for teachers, in particular for vocational education and training have not kept up with the needs of today, in spite of regulations to ensure regular retraining. There are plans for an overhaul of the VET teacher retraining system, following reforms for teacher retraining in primary education.

Many schools are trying to innovate at a local level. Nevertheless a 2009 British council survey in the South Caucasus Countries interviewing more than 125 students and 59 enterprises in Azerbaijan, established that only 20% employers consider that vocationally qualified students are sufficiently competent. Moreover many students are afraid that they are not able to find a job if they have they do not have the right contacts and emphasise the need for more practical training.

Earlier evidence from ETF 2005 tracer study already showed how poor schools and companies were linked, with only 28% of vocational school students finding appropriate employment after graduation. In order to improve the cooperation with companies participants in the Torino Process seminar recommended that regulation is needed to force companies to improve links with schools. But even those companies that are cooperating with schools are not happy with what vocational school graduates offer. The PISA results may have strengthened insights that education needs to enhance competences and not only knowledge. There is a willingness to start working with employers who are currently relying on their own informal training practices. Given that 64% of employers in the British Council survey thought that their training needs will change in the next five years this may come at the right time.

## Concluding remarks

There is a clear intention to strengthen the links with the labour market and there are some early indications that things are starting to change. The different individual efforts by stakeholders and projects to improve and develop VET need to be transformed into a systemic approach and rendered more sustainable. The formulation of occupational standards and the reform of qualifications linked to the introduction of the NQF could offer a new approach to introduce more relevant quality assured qualifications. There is especially a need for systematic work to strengthen the links with businesses, with economic sectors and with social partners at school, regional, sectoral and national level. In order to facilitate a more meaningful dialogue the quality of labour market information needs to be improved. Beyond the administration of VET institutions, the new VET law should dedicate more attention to the results of VET, creating a new legislative basis for the links between schools and enterprises and clarifying the role of VET as a pathway to the labour market and further learning.

Many of the ideas for reform are already identified, but need to be adapted for implementation. The VET Department in the MOE and the CDVET are very small. The capacities for reform and implementation need to be strengthened. The upgrading of facilities in vocational schools needs to continue. The implementation of reforms in schools is hampered by an aging workforce. The VET sector struggles with both a surplus and a shortage of teachers. Some reforms have started, but bigger changes are needed to improve the quality and relevance of initial training, college education, higher education and CET. Without more attention to the reform of education diversification in the economy will not happen. It requires that much more students specialise for the labour market than today. Initial training and college education need to become more attractive and higher education needs to become relevant for the labour market. Moreover, adult learning needs to be developed within a lifelong learning concept.

## B. Vision and state of the art in vocational education and training

The Chilean sociologist Eugenio Tironi has said that the answer to the question “what kind of education do we need?” is to be found in the answer to another question: “what kind of society do we want?” (Tironi 2005). Building a vision for vocational education is linked to our vision of how society and the economy is expected to develop. During the past ten years Azerbaijan has become a much more stable and richer country than in the previous decade characterised by political intransience, within which there has been no public debate about Azerbaijan’s future development. This perhaps explains why there does not seem to any public formulation of these questions yet. It is however clear that Azerbaijan wants to strengthen its links with Europe and aims to modernise society with more opportunities for all citizens. Azerbaijan wants to be less dependent on oil revenues.

VET remains mainly synonymous with secondary vocational education, although Life Long Learning is starting to play a more important role in policies. The new law on education (adopted September 2009) has provided a more comprehensive framework for education policies in Azerbaijan, and outlines the general principles, the use of educational standards, the structures and quality assurance principles of the education system, the levels and principles for subsectors (including general education, initial vocational education, secondary specialized vocational education, higher education and for the first time continuing (additional) education (Əlavə təhsil). It also regulates admission, and the management of the education system. Lifelong learning seems an implicit goal of the education and training reforms in Azerbaijan.

The national curriculum for general education includes well defined learning outcomes. This curriculum is planned to lay a foundation for all learning up to the 11<sup>th</sup> class, and thus it will influence as well the three year initial VET curriculum. Its aim is to provide inclusive education to all citizens and facilitate the development of the knowledge, skills and competences that are considered important for active citizenship and participation in the knowledge society, but it lacks an economic dimension in terms of entrepreneurship and a stronger link to the economy, that are so underdeveloped in the present VET and higher education systems.

Overall there remains a gap between policies in the making and implementation. The MOE is relatively small and has limited capacities to move beyond the administration of the network of educational institutions. The inter-linkages between the subsectors within the education and training system remain weak and the new law has also reconfirmed existing divisions. It is therefore important that the separate laws for general education, initial training, secondary specialised education and higher education and additional education effectively address the linkages between the subsectors and provide clear access and progression principles creating real progression opportunities for citizens within a lifelong learning framework. The education law provides an overall framework and echoes international developments, but there is no shared vision yet about how the education and training systems will need to be reshaped and developed over the coming years. A vision is developing to move the country from black gold to human gold, but how the education system can assist to this important challenge is not at all clear.

The programme on VET development (2007-12) is aiming at the optimisation of the network of VET institutions mainly by updating the infrastructure. School after school is modernised. A new model of economic relationship between schools and enterprises is on the agenda too; as is the content of vocational training, staff development policies and the management in the field of VET. The results so far have been mainly noticeable at the local level. In 2009 the CDVET was established in the Institute of Educational Problems to support reforms at a national level, although it has not been very effective yet due to a limited mandate and limited capacities.

There are numerous examples of developments at school level that show that VET is developing. The agricultural school visited during the preparation of this study in the northern city of Quba introduced some new profiles in its curriculum to respond to local needs. A Tourism school in Mingechevir has been partnering with a college in Scotland, which has resulted in the development of an employment engagement manual that is being shared with other schools. School number 11 in Baku is working closely together with the Hyatt hotel for the training of its staff. However these remain isolated largely unconnected examples. The reform so far has been mainly a one by one, school by school approach.

This is a very important period for the reform of vocational education and training in Azerbaijan. VET is gaining importance in the education and training system and is getting more attention. With the new framework law on education adopted, a new law on VET is in preparation. Projects like the British Council Skills@Work projects, the EU funded Tacis VET reform project in Tourism, and the Unesco project have brought innovations, that indicate the directions of reforms in vocational education and training, seeking a stronger partnership with local businesses. Recommendations for a new VET strategy that have been discussed with a policy working group about how to strengthen capacities policy development and implementation, the implications of a NQF, a more learner-centred approach, staff development needs, the use of ICT and the funding of VET. A new relationship with businesses is emerging, with a number of larger companies taking a more keen interest in the VET sector.

In October, the ETF received the following six key recommendations from national stakeholders that were collected by the VET Department of the MOE for the Torino Process. They reflect current priorities for developing a more relevant VET system.

- a) Create a strategy for the development of stronger relations between employers and educational organizations, as well as for the development of social partnership;
- b) The formation of a coordinating council to regulate the relationship between business and education system, which will include representatives from government, non-governmental agencies and businesses;
- c) Support initiatives for the development and establishment of specialised institutions for the retraining and upgrading of the labour force in accordance with changing labour market needs (including support to existing VET providers)
- d) Create a legal framework aimed at activating the participation of employers in the process of training.
- e) Create a NQF to support the accreditation and certification of qualifications
- f) Establishment and support of bodies that can represent the qualification needs including representatives from the World of Work and in particular from economic sectors

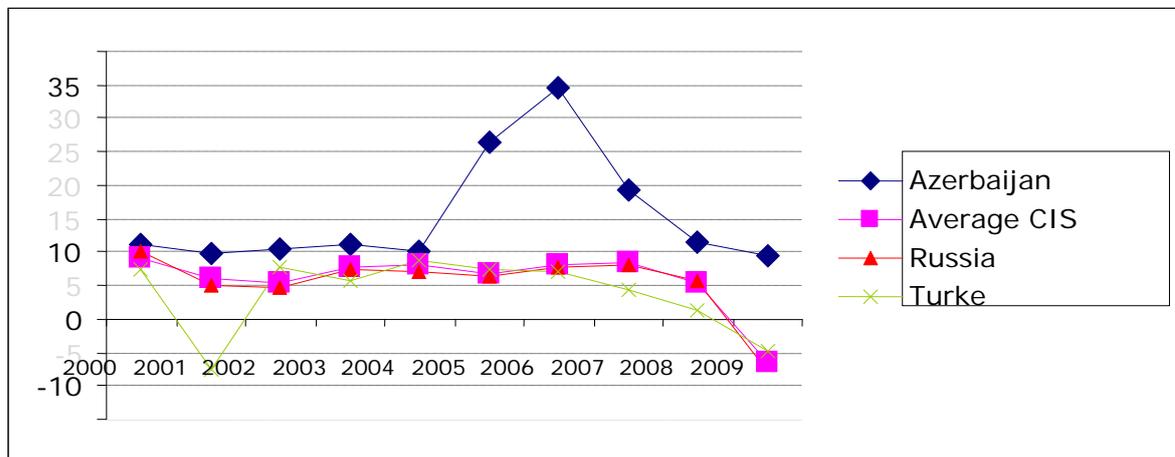
What is important about these recommendations is that they are looking for different approaches to establish a stronger relationship between business and education. A number of these recommendations have already moved into actions. The work on the NQF has started, with the nomination of a national interdepartmental working group that is supported by international experts. A review of the vocational teacher retraining system has started too. All these initiatives need follow up through the new VET law and the law on higher education to make a systemic impact.

## C. External efficiency: Addressing economic and labour market needs

### A fast growing but unbalanced economy

The main economic challenges in Azerbaijan are how to translate economic growth in sustainable employment growth and overcome the largely informal patterns of employment, creating productive jobs in the formal sector that support the diversification of the economy.

The economy and labour market of Azerbaijan are quite different from those in neighbouring countries to the West and North. The neighbours have seen their economies decline, but the economy of Azerbaijan continues to grow, although the growth rate is now again under 10%, and the double digit figures from between 2002-2008 are not reached. Azerbaijan is the only Eastern partner recording a positive growth rate of real GDP in 2009 at 9.3% (according to IMF). Year after year over the last ten years the economy of Azerbaijan has outperformed any economy in the European Union and the 29 ETF partner countries, especially since in 2005 the Baku Ceyhan pipeline came into operation.



Sources: ETF country reports; National Statistical Offices<sup>1</sup>; WB's World Development Indicators and IMF's World Economic Outlook (April 2010). <http://www.imf.org/external/pubs/ft/weo/2010/01/pdf/text.pdf>

The whole population has benefited from the economic growth, although the wealth has not been distributed in equal terms. The oil revenues facilitated macroeconomic stabilization. The collapse of large enterprises that dominated the Soviet era has been compensated by the development of a SME sector, mainly in trade and services.

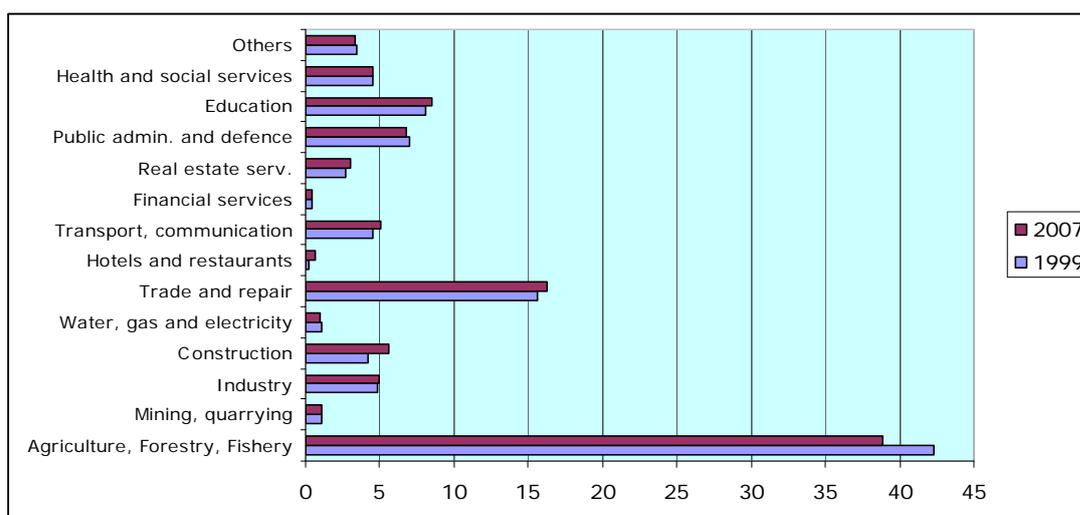
Poverty indicators and health have seriously improved. The macro indicators reveal that Azerbaijanis have never had it so good as today. However, there still remain a lot of challenges to ensure a fair distribution of the wealth, about which more in the next chapter.

Privatisation has taken many years and was performed in different stages. Azerbaijan started the process only in 1995 by mass privatisation: 15% of small companies were distributed to their employees and the rest was opened to cash auction. The second step was made in 1997, when the voucher privatisation was adopted for medium and large enterprises which lasted to well into the previous decade, and from 2000 followed by case-by-case methods of selling off or liquidating enterprises.

The large majority of land privatisation (90%) took place between 1996 and 2000, which has had a large impact on agriculture, creating a huge number of small plots. During the past ten years through local processes of cooperation, land leases and land exchange larger farms have started to reappear.

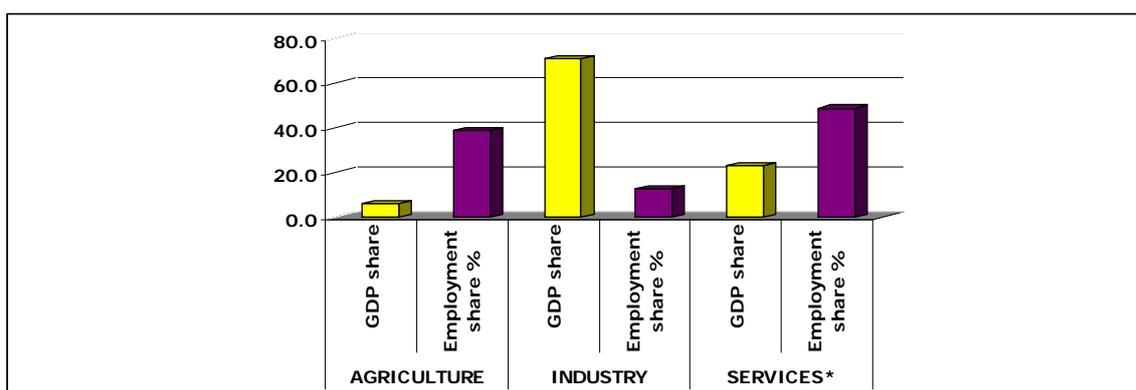
<sup>1</sup> . [http://www.nsi.bg/Gdp\\_e/GDP\\_e.htm](http://www.nsi.bg/Gdp_e/GDP_e.htm), [http://www.stat.gov.pl/gus/index\\_ENG\\_HTML.htm](http://www.stat.gov.pl/gus/index_ENG_HTML.htm),  
<http://www.cnp.ro/ro/prognoze>, <http://www.gks.ru/eng/default.asp>, <http://www.turkstat.gov.tr/Start.do>

The table below shows the shifts in employment per sector between 1999 and 2007 that has mainly taken place from agriculture to services, but does not show any dramatic shifts.



Source: ETF country reports Black Sea Labour Market Studies.

There are little indications that the economy is diversifying. There remains to be a high dependency on oil revenues. But the oil sector is not labour intensive. In terms of employment agriculture is still the leading sector, but losing ground in terms of its contribution to the GDP.



Source: ILO-KILM database and the ETF Country Reports. Notes: \* Services includes the construction sector.

## A private sector with a high degree of informality

In Azerbaijan more than two third of the labour force is working outside the formal system of state regulation and therefore informal according to the national definition. This includes the self-employed, family workers and those working on their own. Consequently, 66% of total employment in the economy is not formal according to official statistics.

This share has remained stable in spite of a growing economy. The transfer of workers from the informal to the formal economy is not increasing. The exception has been the service sector which in other countries is seen as a motor for informal employment. In industry and construction we have seen an increase of informal labour contracts. Especially young people are employed in the informal sector as well as people over the retirement age. Informal employment is particularly high in rural areas where it is estimated to be good for 85% of employment in rural areas. But in big cities it still reaches 40% of the workforce (SSCAR, 2005-2007).

Lack of work experience represents a major determinant for accepting undeclared jobs. Consequently young people between 15-25 years are much higher represented in the informal sector, than people at the end of their career. Lack of specialisation in education plays an

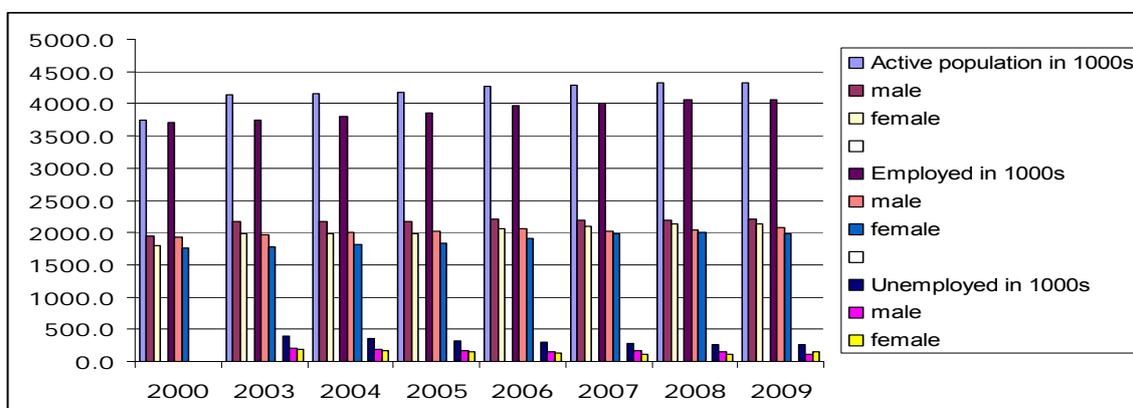
important role in informality too. 91% of people with only primary education work the informal sector (Black Sea Labour Market ETF Cross Country Report).

Less than 40% of young people specialise, by going either to initial VET, secondary specialised education or higher education (SSCAR 2010). Many of those who specialise are not able to find a job in their field of specialisation. Those who enter into salary employment find themselves at the bottom of the company ladder and are usually learning on the job. Informal apprenticeship seems to be the main pathway for skills development. Higher education has been traditionally a pathway in public sector jobs. Only 18% of individuals with a higher education degree work in the informal sector(SSCAR 2005-2007).

The contribution of vocational and higher education to private sector development is weak. Partially this is due to the labour market structure where family businesses play an important role and informal recruitment processes are widespread. Moreover, few businesses are actively involved with vocational schools, colleges and universities. This is further analysed in the last two chapters of this report.

The population of Azerbaijan is growing and the government is trying to stimulate job creation in the private sector. In recent years many new enterprises have been created. It is relatively easy to open new businesses. This is encouraged and facilitated by the state, but exporting and selling on the home market is another matter. It is therefore feared that many companies may not be sustainable. According to the Ministry of Labour 770.000 jobs were created over the last 6 years of which 70% are claimed to be permanent and 20% of these are in newly created enterprises. 80% of these jobs moreover have been created in regions. Many of these jobs are “informal sector jobs”.

As in many other partner countries the informal sector functions as a buffer for the lack of formal jobs. Azerbaijan is the only country in the ENPI-East region that has witnessed a growing labour force over the past decade. According to official data the labour force has increased by 25% while the active population grew by 16% (SSCAR 2010). Nevertheless unemployed does not seem to have increased. On the contrary official figures show a decreasing trend. There is no reason to doubt this trend, due to the absorption capacity of the informal economy.



Source SSCAR 2010 <http://www.azstat.org>

## Moderately efficient tools for monitoring and responding to labour market trends

The extent of the informal sector makes it more difficult to obtain reliable labour market information. Analysis of labour market data in recent years showed e.g. job destruction in the construction sector during recent years, while informal jobs in this sector seemed to increase. In the service sector an opposite trend could be observed. There are different systems in place to collect labour market information, but none of them so far provides an accurate overview of changes in sector employment and occupations. This is felt to be a major handicap of the existing systems, especially as the country wants to move to diversifying its economy. Below an overview of the systems that are currently in place to analyse the labour market.

Over the years the tariff qualification guidelines inherited from the Soviet Union have been adapted and the list of occupations and the classifier of specialities for technical vocational

education, secondary specialised education and higher education have been reviewed and adapted in line with the ISCO classification, like in other post-soviet republics, but these instruments have nevertheless lost their labour market significance outside the public sector.

For that reason the Ministry of Labour has taken the initiative to start the development of modern occupational standards as the basic indicators for labour market needs in terms of occupations and skills. These are to be referenced according to the new ISCO 08 classification. With the assistance of the World Bank a pilot set of 200 standards are to be developed for four priority non-oil sectors: tourism, construction, food processing, and alternative energy. These areas are seen to be of strategic importance to diversify the economy. A centre is to be established under the Ministry of Labour that should ensure that more standards are developed and updated in line with labour requirements.

The first pilot standards are developed in close cooperation with leading enterprises, but there is not yet a consensus how labour market needs are to be identified. The absence of representative sectoral organisations through existing chambers or social partner structures makes a dialogue on skill needs between the world of work and labour and education practically impossible. It is not clear how the occupational standards should be used, apart from the development of training standards for the Ministry of Labour. The number of people that are currently trained through the training centres of the Ministry is still very limited. This can therefore not justify the efforts for developing such a high number of occupational standards. The link with the IVET system that has started to develop its own pilot occupational standards to renew vocational qualifications is still to be clarified. The development of the national qualifications framework could possibly clarify these links, integrating occupational standards, training standards for the upgrading and retraining of adults and educational standards for initial and where relevant secondary specialised and higher education qualifications.

## Main Statistical Resources Available regarding the Labour Market in Azerbaijan

Population census	Labour Force Survey (LFS)	Household Budget Survey	Others
<p>- Done in 1999 and in April 2009.</p> <p>- Includes questions on ethnic structure; mother tongue; literacy and education; main causes of infant, child and maternal mortality; migration; and participation in the labour force and unemployment.</p>	<p>- Conducted by the State Statistics Committee in 2003. Second time in 2006; since 2007 carried-out quarterly.</p> <p>- Between 2003 and 2006, specific labour-related surveys based on ILO standards (part-time employment in 2004, child labour 2005, transition from education to work 2005 and on child and women labour 2006). Results used to estimate LM indicators.</p> <p>- Dissemination limited. Quarterly data provided for a limited number of public agencies only and to general public annually, with one year lag. The latest available labour market statistical yearbook (2009) refers to the 2008 LFS results.</p>	<p>- Current HBS methodology since 2000, sampling enhanced in 2006.</p> <p>- Quarterly.</p> <p>- Main topics: household size; household income and its sources; consumption of households; assets, housing, and access to public utilities; economic activity; role of agricultural goods in assets and living standards of households; education; etc.</p> <p>- Main data available annually, with a lag of one year. Detailed data, with a lag of two years.</p> <p>Other relevant non-periodical survey: <i>Household Survey on Remittances and Poverty</i> (2007), by ADB</p>	<p>Wage Survey:</p> <p>- Conducted annually since 1996, based on survey on establishments.</p> <p>- Information on wage rates and working hours in different industries by different occupations and positions. Thus, enables analysis on return to positions, industries and the working time.</p> <p>- Agriculture, fisheries, public administration, production and distribution of public utilities not covered.</p> <p>- The survey results are annually available.</p>

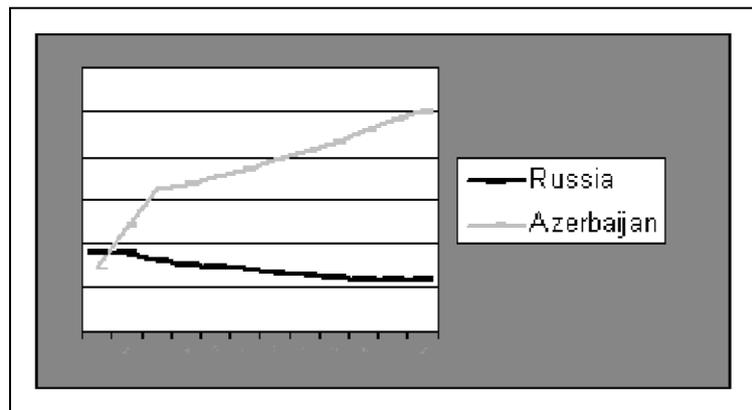
Source Black Sea Labour Market Study ETF 2010

## D. External efficiency: Promoting equity and addressing social demands for education and training

The nineties saw a serious deterioration of living standards and human development indicators, in the wake of independence and the war over Nagorno-Karabakh. During the previous decade growth and stability have led to a steady improvement of the life expectancy, a reduction of poverty, gradually improving education attainment levels and lower unemployment, in spite of a growing young population and a rapidly increasing labour force. Most young people seem to be able to find some form of employment. Azerbaijan has moved up 16 places in the UNDP HDI index in the past five years. Average life-expectancy has increased more than five years in the last 15 years, average schooling has increased from 10 to 13 years and in the same period the gross national income per capita in purchasing power has increased 450%. It seems that people never have had it as good as now in Azerbaijan. The macro-indicators do not tell the full story. Although the situation has improved considerably during the last decade, there are still many social challenges that shape the demand for skills.

### A growing and young population in need of education and jobs

Contrary to the trend in the other Eastern Partner countries, Azerbaijan has a growing population, which puts pressure on the education system and the labour market, as young people need schooling and need to find jobs. Just to illustrate how different the demographic developments are is illustrated by the corresponding graph which shows the demographic trends over the past ten years for Russia and Azerbaijan. Azerbaijan now has more than 9 million inhabitants and has grown 28% since independence, while Russia's population has declined by 7 million (-5% of the population). In Azerbaijan 23% of population is within the age bracket of 0-14 (Russia 15%), 70% within the age bracket of 15-64 (Russia 72%), and 7% for those 65+ years old (Russia 13%). This means that in relative terms that are at least 50% more young people in Azerbaijan than in Russia, while in Russia there are almost twice as many people over the age of 65.



The informal character of the economy that was described in the previous chapter has to be seen as well against the background of the labour force. The vast majority of young people leave the education system without a specialisation. According to 2009 data from the state committee for statistics 21.0% secondary school graduates obtained a bachelor degree, 11.6% of students obtained a secondary specialised education (college) degree and 7.6% of secondary school students completed initial VET. This means that about 38.9% of the students have specialised, slightly more than 37% in 2006, but with a lower number of graduates in initial VET, while the number of HE graduates is growing.

The young people without any specialisation are trained on the job in the companies where they have found employment starting at the bottom of the company ladder. Their chances for social mobility and career development beyond the company that employed them are limited. The chance is big that they will have a low income and some are at the risk of poverty.

### Internally displaced persons, internal and returning migrants have more difficulties to get access to jobs

Among the other large groups that could benefit more from integration and retraining measures are internal migrants, internally displaced persons, and returning migrants.

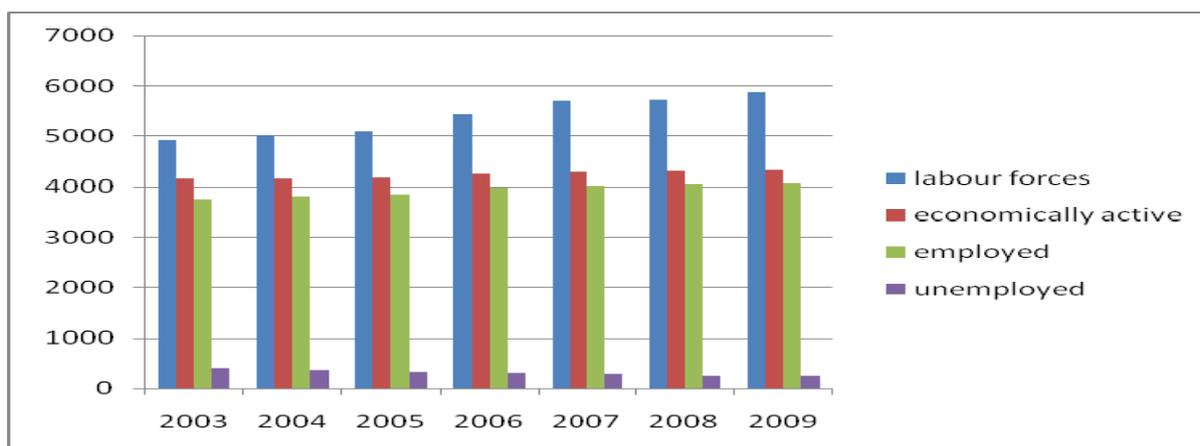
The urban-rural divide is strong in Azerbaijan. Growth is not equally divided between rural and urban populations. Land reform has led to a fragmentation of the landownership. The contribution of agriculture to the GDP has decreased significantly, although employment levels are more or less stable. Agriculture has been an important source of employment and has provided food security and hence an important source of income and stability. Rural households produce on average half of the food they consume. (Azerbaijan Agricultural Markets Study, World Bank 2005). The growth of employment in the urban areas and particularly around Baku, has led to internal migration from rural areas. The exact extent of the migration to the Baku metropolitan area is unclear. Official statistics show that the city has just over 2 million permanent residents while another half a million live in the Absheron metropolitan area around Baku. This would be an increase of 20% since 1995, when the population was at its lowest level after independence, but unofficial estimates speak of a doubling of the city's population.

This process has been amplified after the conflict in Nagorno Karabakh which has had disastrous results for Azerbaijan. 20% of the territory has been occupied by Armenian forces and more than half a million Azerbaijanis fled or were driven from their homes and land. Many of these refugees went to the Baku metropolitan area in search of work. A large share of them lives in the areas close to the occupied territories. Many of them come from rural areas and have been deprived from their houses, land and livestock. The impact of the conflict is still very tangible today. Unemployment and inadequate livelihood opportunities continue to be a problem for internally displaced persons (IDPs). A recent World Bank poverty assessment for Azerbaijan found that half of the IDPs surveyed were not working or were seeking work (World Bank, 1 March 2010). With substantial government support through the State Programme for IDPs the poverty rate among IDPs has decreased from 75 per cent to 25 per cent from 2003 to 2009 (Government of Azerbaijan, 30 November 2009). Many refugees have found temporary shelter in schools and still today, more than 16 years after the conflict 55 out of the 107 IVET schools are housing more than 14.000 IDPs (Ministry of Education, Feb 2011). Without a final settlement their future remains uncertain.

Over the past twenty years more than a million Azerbaijani workers and their families have migrated in particular to Russia. However, in comparison to its neighbours the migration flows have decreased significantly during recent years. According to national statistical data Azerbaijan has become a net receiver of migrants during the past two years, although this is not yet confirmed by internationally verifiable statistics. The contribution of migration to the GDP has been modest, around 3-4% of GDP during the last decade. But migration has been a source of remittance that benefitted in particular poorer families and hence has had particular positive effects on poverty and inequality (Rustamov, ADB 2008). As for the internal migrants a large share of migrants moved from small towns and rural areas in Azerbaijan to urban employment in Russia. The reintegration of returning migrants into formal jobs has been complicated by the fact that they are often unable to document their experience abroad and cannot get any formal recognition for it. Since 2006 migration policies have been enhanced through a State Programme on Migration and the establishment of the State Migration Service that also oversees the immigration flows to Azerbaijan. Azerbaijan is gradually becoming a receiving country for migration with migrants from Asia as the main immigrant workers. Foreign nationals are mainly employed in the oil sector but also in construction, transportation, and services.

## **Women have become more vulnerable in the labour market**

The following table shows the main labour market dynamics for the period 2003-09.



Source SSCAR, 2010

The increase of the labour force has been substantial, while the economically active population grows at a much lower pace. Unemployment has not risen, but has instead fallen substantially. The logical explanation is that more people have become inactive, but the data coming from on the labour force survey on the economically inactive population or the participation trends in education are inconclusive.

In spite of a slight downward correction in the latest LFS data, there is a trend towards more inactivity among women. Due to labour division in Azerbaijan more women are working in the health and education sector, where jobs have been frozen or cut. Male employment increased between 2005 and 2007 by 6.2 percentage points, while female employed decreased by almost 5% (ETF Country Report Black Sea Labour Market 2010). The biggest gaps in inactivity rates are observed among women of age 25 to 39. At this age cohort women are 4 to 5 times more likely to be economically active than men. Women's high inactivity rate coincides with the average age of marriage in Azerbaijan (23.7 years) and with beginning of child-bearing and caring years. Moreover as the table below shows women are more likely to end up in informal jobs.

	2003		2008		2003		2008	
	male	female	male	female	male	female	male	female
	x 1000	x 1000	x 1000	x 1000	x 1000	x 1000	x 1000	x 1000
Employers	140.0	99.0	101.0	19.0	7%	5%	1%	
Independent and family workers	709.0	566.0	970.0	0	36%	47%	62%	1,247.
Employees	1,127.0	737.0	977.0	742.0	57%	48%	37%	
<b>Total</b>	1,976.0	1,402.0	2,048.0	0	100%	100%	100%	0

LFS data, An Overview of Women's Work and Employment in Azerbaijan, UvA 2010

Another disturbing reality is that among the relatively worse-off families the net enrolment rates in secondary and tertiary education are lower for females than for males.

### Only partially successful responses to address the needs of socially disadvantaged

The labour market in Azerbaijan is for a large part informal. The education system in Azerbaijan is not well connected with the labour market. This applies to the sector as a whole including the vocational education and training provision. Moreover, EDUCATION AND TRAINING reforms so far have paid little attention to the needs of the labour market and particularly of disadvantaged groups. Some important changes have taken place recently however. The IVET system is no

longer exclusively reserved to graduates from the ninth grade. Vocational schools have started to provide short courses for young people as well as adults. For courses up to six month certificates are issued and for courses of more than six months diploma's. No statistics on the number of short course participants have been obtained. But there is even anecdotal evidence of bachelor degree holders attending initial training schools. Like in many other countries parents prefer that their children to go to general education. Initial VET is therefore only a positive choice for few families. Socially weaker groups are overrepresented in initial training, which has an important social function. Eight out of the 107 initial training schools are based in prisons. A number of NGOs are carrying out VET activities as part of their poverty alleviation measures.

VET is not very effective as an instrument for social mobility. Initial VET students can get two types of qualifications. The Diploma of Speciality is issued to all those who successfully complete the vocational exams. The attestate of full secondary education is only issued to those who pass the national end-of-school exam. Initial VET is not a real pathway to higher levels. It is possible to go from VET schools to colleges, and students, who have completed full secondary education in vocational lyceums, are eligible to continue to university too. Only 7% of vocational lyceum graduates continue to a bachelor's degree, as they have to pass the selective national admission exam. In comparison to students in general education VET students receive less hours of general education, in spite of the fact that they have one more year of education.

The government has developed state programmes for IDPs and for migrants, which contain a series of active labour market measures. The MLSPP has developed both passive and active measures to support integration in the labour market, including job fairs, business start ups and vocational training. The General Employment Department (The Public Employment Service of Azerbaijan) trained almost 5000 people in 2009, a doubling of the 2007 figures. This is a substantial increase, but remains low in comparison to the needs for retraining. Three out of four trainees were young people under 30. The General Employment Department has established two training centres for the training of unemployed and is planning to open an additional two centres. Modular short courses have been developed, on a pilot basis in cooperation with the MOE using ILO's Modules of Employable Skills approach. Guidance and Counselling activities have been initiated by the General Employment Department to stimulate young people to choose specialisations with job and career opportunities. There are plans as well to work with parents associations. To reduce the number of jobseekers among university graduates, the MOE has reduced admittance to higher education and is monitoring university graduates. Many policies have been developed during the last ten years to support active labour market measures.

Until 2006, the *Poverty Reduction and Economic Development* program (elaborated for the period 2003-2005) represented the key document for implementing policies in the field. Between 2004 and 2008, the *Programme on Socio-Economic Development of Regions* complemented the poverty reduction strategy. Both documents stipulate the use of ALMP policies for boosting employment.

The *Medium-term Economic and Social Development Programme* represents another policy instrument, which updates every year the employment situation in the economy and tries to reconcile economic growth and employment objectives. This defines the policy priorities in terms of employment for medium-term, on the basis of two additional documents: the *National Employment Strategy*, elaborated for the period 2006-2015, and the *State Programme for Implementation of the Employment Strategy*, which covers the period between 2007 and 2010.<sup>2</sup>

The employment policy in Azerbaijan has its fundamentals in a national employment strategy that sets the objectives, and in the socio-development programme which tries to correlate the employment goals with economic development objectives. In order to link the medium-term development objectives with long-term employment goals, the government elaborated a corresponding plan for implementing the strategy. On top of that, the *State Programme for Sustainable Development and Poverty Reduction* was elaborated in 2008, covering the period until 2015. There are many initiatives, but not all the policies are effective, as they are hampered by a good understanding of the needs and limited capacities for implementation.

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<sup>2</sup> See Azerbaijan Ministry of Labour and Social Protection (<http://www.azerweb.com/en/ngo.php?id=1630>).

## Employment policy framework 2003-2008

First employment policy initiative	Main strategic documents on employment policy	Adoption of Labour Code
1991: Employment law 2001: Employment law and the related Presidential Decree on implementation of the law.	2003: Poverty Reduction and Economic Development program 2001: The Medium-term Economic and Social Development Program 2006: National Employment Strategy NAS (2006-2015) 2006: State Program on Provision of the Decent Work 2006-2009 2007: Action Plan for implementation of NAS 2007-2010 2008: State Program for Sustainable Development and Poverty Reduction	1999

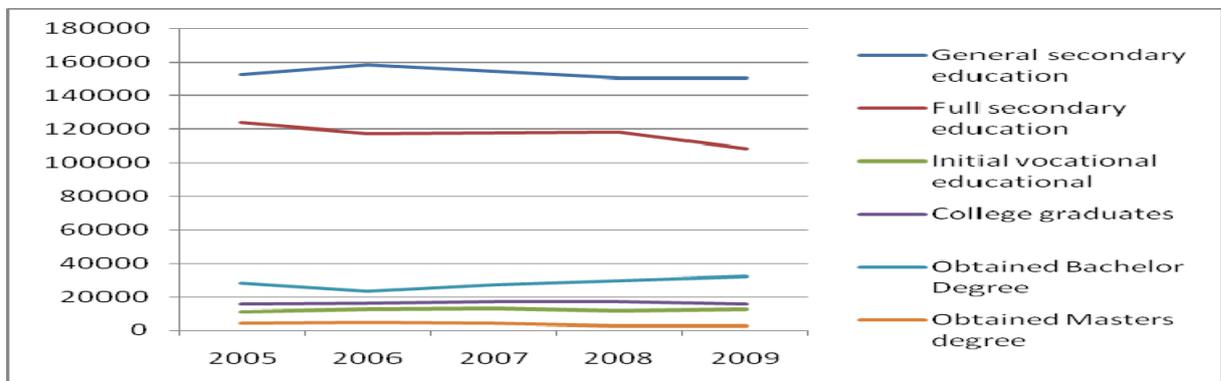
ETF, Black Sea Labour Market Study, 2010

## E. Internal efficiency, quality, governance and financing

VET is currently divided in three policy areas for initial VET, college education and continuing vocational training (*Additional Training* according the law on education). HE is predominantly academic. The connections between these different policy areas are weak, although there is hope that they could be strengthened through the NQF.

The links between vocational schools and companies are also weak and actually the whole education system is rather detached from the labour market. There is a still a strong bias towards academic knowledge acquisition with insufficient attention to the development of competences. The 2006 and 2009 PISA result confirm the need to focus more on the students' abilities to apply their knowledge and show that the education system is underperforming in comparison to most other countries that took part in PISA. Although reforms have started, the impact is not yet visible due to the fact that implementation is rather slow.

The table below shows recent trends in graduates in different segments of the education system that can be used to illustrate the most common career options made. A first qualification is obtained in Azerbaijan after general secondary (9 years) which is part of compulsory education. Full secondary can be completed after 11 years of general education or 9+3 years of vocational education in vocational lyceums. Initial vocational education offers a diploma of specialisation that can be obtained by VET students from VET schools (1-2 year) and vocational lyceums (3 years). College education can be obtained after 9+4 years or 11+2 years. Higher education (for both bachelor (4 years) and masters' programmes (4+2 years)) is open to students that have passed the national university admission exam. A diagram of the education system is provided in annex. There is a decreasing trend of secondary education graduates, while the numbers of graduates from initial VET, and colleges are low but relatively stable. The numbers of higher education graduates are steadily increasing. However it is too early to speak of a real shift towards more specialisation.



Source SSCAR 2010

### Can a more attractive and relevant VET system be an alternative for HE or no specialisation at all?

As in other transition countries the demand from families for HE exceeds the offer. Every year about 100.000 secondary school graduates participate in the national university admission exam. Less than 30.000 were admitted last year. Colleges are seen as a reserve option. Although they are not part of the formal higher education system, they are more connected to HE than IVET. The new education law foresees the introduction of a sub-bachelor degree and arrangements are in preparation to ensure a better transition for college graduates to obtain a bachelor degree.

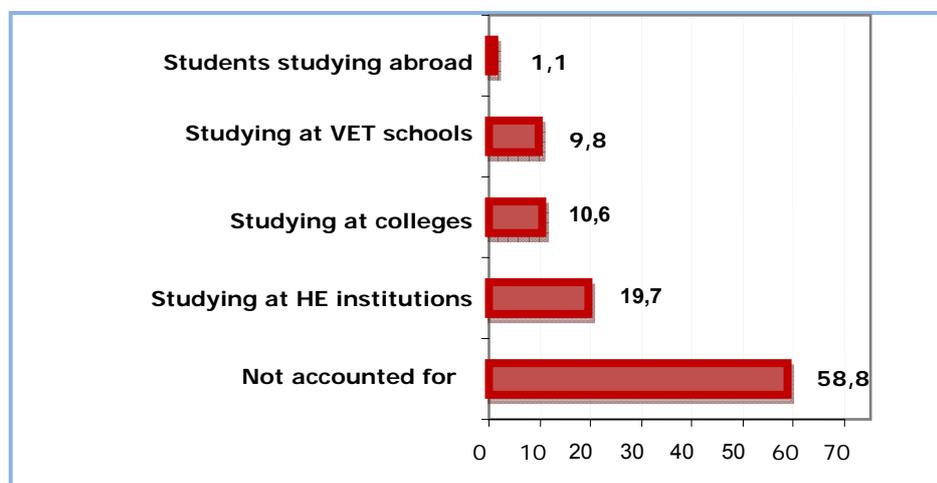
IVET does not enjoy the same positive interest. IVET reforms started only in 2007. The State Programme for Technical and Vocational Education Development 2007-12, aims to modernise the IVET provision. School after school is restructured and reequipped. This is very necessary given the state of schools. According to the Ministry of Education 78 out of the 107 current VET schools need restructuring. VET Centres offer a new model of vocational education. The brand new Tourism VET School in Ismayilli is a regional VET Centre that has been developed in close

cooperation with local and regional authorities and local businesses. It is starting to provide training to young people and adults.

Education reforms have started in general education where a new national curriculum is formulated that clearly defines learning outcomes and provides a more integrated approach of different subjects in the curriculum. Teachers are being retrained and the curriculum is introduced year by year since 2007. By 2018 it will cover the complete secondary education provision and the reforms will start influencing the IVET provision in five years from now.

The drop out rate in secondary education and VET is not high, but it remains problematic that many pupils simply do not specialise further after secondary education. The vast majority of young people leave school with general education and without any specialisation for the labour market. Currently around 15% of school students who finish lower secondary schools (9<sup>th</sup> grade) enter into vocational schools and colleges, while the rest continues their education at general secondary schools. After completing full secondary, another 25% of graduates continue specialising at colleges and universities. This is a slight improvement compared to five years ago.

### Progression after secondary education 2009



(ETF Country Report Black Sea Labour Market Study 2010)

Consequently, the majority of young people on the labour market are unskilled and need to develop their skills on the job. In a labour market that is dominated by micro enterprises and family businesses, recruitment is predominantly done through informal channels and skills do not seem to play a determining role. At present the return on investment of specialisation is limited. Many graduates of vocational schools and colleges risk unemployment. The 2008 Labour Force Survey data show a level of 13% of unemployed among VET graduates against 12% for general secondary education graduates, 11% for people without secondary education, and 7% for higher education graduates.

These figures are still positive compared to the school to work transition survey that ETF undertook in 2005 among more than 1000 graduates of vocational lyceums, vocational schools, and colleges in Baku and Sumgait. At the time of survey only 28% of the respondents were employed two year after graduation, and 6% were continuing their study, whereas 65% were technically unemployed. Of those who were employed, 64 % found work in the private sector while 36% had ended up in public employment. Only 29% were working in the field they had been trained for, with 12.2% more or less within their profession. The vocational lyceum students had the best performance with 40% being able to find a job.

This seems a clear indication that the provision of skills is far from adequate, but what is actually needed by businesses is difficult to define. According to the Business Environment Survey of the EBRD in 2005 only 7% of Azerbaijani enterprises surveyed declared that skills and education of workers is an impediment for growth, the lowest level in any of the countries participating in the survey. This percentage has increased to 12% in 2009, but is still very low.

There are important sectoral differences in the attitudes of employers. Tourism is one of the growth sectors where employers are more concerned. The Skills@Work Survey of the British

Council that took place in 2009 among 59 employers and 125 learners indicates that 56% of employers in Azerbaijan were of the opinion that young people lack the skills needed in the hotel business. The vast majority of them provides therefore extensive training on the job. Many of them (64%) expect that more training is needed as skill requirements are progressively changing. More than 70% felt therefore that government should do more and prioritise training in the tourism sector.

The MLSPP has initiated an initiative to articulate business training needs in four priority sectors that include apart from tourism, construction, food-processing and alternative energy. It has started the development of occupational standards and training standards with support of a World Bank loan, but the approach has not been connected with the IVET provision.

There are some indications of a more demand driven approach of the IVET provision. Within the framework of the Tacis TVET Reform project a number of large companies in the ICT, food processing and hospitality sector has developed cooperation with schools and the Ministry of Education. The VET Department of the MOE and the CDVET are supporting schools that are interested in introducing new profiles based on local demand. The Agricultural VET School in Quba visited for the TRP study e.g. developed a course for tax collectors at the request of local authorities.

### **Limited capacities for the implementation of reforms**

A table with international projects to support the development of VET is provided in Annex. With the support of international projects with ILO, Unesco and EU support the VET Department in the MOE is piloting new curriculum approaches, based on occupational standards, learning outcomes, and modules. The main directions for IVET reforms have been articulated through the EU funded Tacis TVET project. The main problem is now to translate these from pilot approaches and general recommendations, into concrete measures that are integrated in the IVET system. The capacities for reform are limited. The VET Department in the Ministry of Education is understaffed. The VET Centre in the Institute of the Problems of Educations also struggling with capacity limitations.

In schools the situation is not much better. There is a problem with an aging workforce in the VET sector, among teachers and instructors. The number of teachers has been relative stable for the last ten years. In initial VET the teacher student ratio is around 13 students per teacher, which is relatively efficient compared to general secondary education with 7 students per teacher due to strict qualification requirements and a fragmented curriculum. Older teachers seem to cling on to their jobs, as the safety net for retiring teachers is far from adequate. It is difficult for young teachers to enter the system. The retraining system for teachers in vocational education has declined, in spite of regulations to ensure regular retraining. There are now plans for an overhaul of the VET teacher retraining system, following reforms for teacher retraining in primary education. The Tacis VET project and the Azerbaijan Teacher Training Institute are in the process of formulating new concepts for retraining measures but the capacities and funds for retraining are very limited. The MOE hopes that it can overcome both the capacity problems and the quality of retraining by pulling existing regional and national resources together and by tendering retraining courses among private and public providers. An attestation mechanism for accrediting competent teachers is seen as another solution.

The VET sectors struggles with both a surplus and a shortage of teachers. The retraining measures may therefore not be very effective without appropriate remuneration and retirement schemes. Salaries are a major share of the education budget, but teacher salaries are below the average salaries. It is not surprising that for most young people a teaching profession is not attractive. Still there are many students in pedagogical faculties for general education subjects. It is very difficult to find good VET teachers with both the necessary qualifications and experience in industry. This type of teachers is almost entirely trained in the soviet era. The start of a new Twinning Project in VET in Agriculture offers a perspective for continued assistance to VET reform but there is a need of more integrated approaches that look at the relevance of the education and training provision as a whole.

## **Towards more relevant and better linked quality-assured qualifications**

Many VET qualifications are out-of-date. Qualifications in Azerbaijan as elsewhere have a double meaning. For learners and employers these are the official documents (certifications, diploma's and degrees) awarded after successfully completing a programme. For people working in the education sector these are the standards describing the requirements for certification. In the case of Azerbaijan such requirements are described in State Educational Standards. The quality of provision is determined through these state education standards describing the contents, material and technical basis, necessary infrastructure, the qualitative requirements of providers as well as the expected learning outcomes. The state standards have different functions. Education institutions are evaluated on the basis of these standards, as well as the scores and success rate of students. The current state education standards are based on the 'Republican Classification of Worker Occupations and Common Tariff Qualifications Reference Book'. This classification system has been inherited from the former Soviet Union and has been used to assign people to jobs and to determine salaries. The Republican Classification was adopted by the Cabinet of Ministers' decision of 25 April 1995 'and updated in 2002. The Classification determines also the structure for the classification of specialisations in vocational education, which uses a 5 level system developed in the Soviet Area based on the centralized division of work. These outdated structures are now seriously challenged by on-going reforms, international projects, the creation of occupational standards based on the ISCO-08 classification and last but not least the NQF discussions.

Azerbaijan clearly intends to develop qualifications that are in line with international and European practices. For higher education the Bologna process and the Qualifications Framework for the European Higher Education Area create a clear framework that Azerbaijan as a signatory of the Bologna process will need to implement. For other areas of learning there are no existing international commitments, but Azerbaijan clearly wants to develop a comprehensive NQF that can be referenced as well to the European Qualification Framework for Lifelong Learning (cf. Ministerial order for the establishment of a national working group, 2010). The design of the NQF is a priority that has to be completed in 2011. This should then be the basis for a decree of the Cabinet of Ministers.

An evaluation of the law on education and corresponding regulations shows that the legal framework created with the new law is very appropriate for a NQF. The normative acts outline very clear principles for certification for all state recognized qualifications including all adult learning providing a single reference. Moreover through the reforms of general education, the national curriculum, through pilot projects in VET, through occupational standards developed under the responsibility of MLSPP, and through reforms in HE the definition and use of learning outcomes is developing. They will need to be reinforced to ensure transparent and comparable qualifications. Both certificates and State Educational Standards need to describe the main learning outcomes. Moreover, as there is a development towards unitisation, modularisation and the use of credit the development of databases of accredited qualifications and units is expected to be a next step in the reforms, hence creating a common pool of qualifications and units that are part of the NQF. The certification of units is already foreseen through certificates for courses up to six months and diplomas for courses of more than six months. Degrees are only issued in HE. Currently two credit systems are foreseen; ECTS for higher education and colleges, and national credits for other courses.

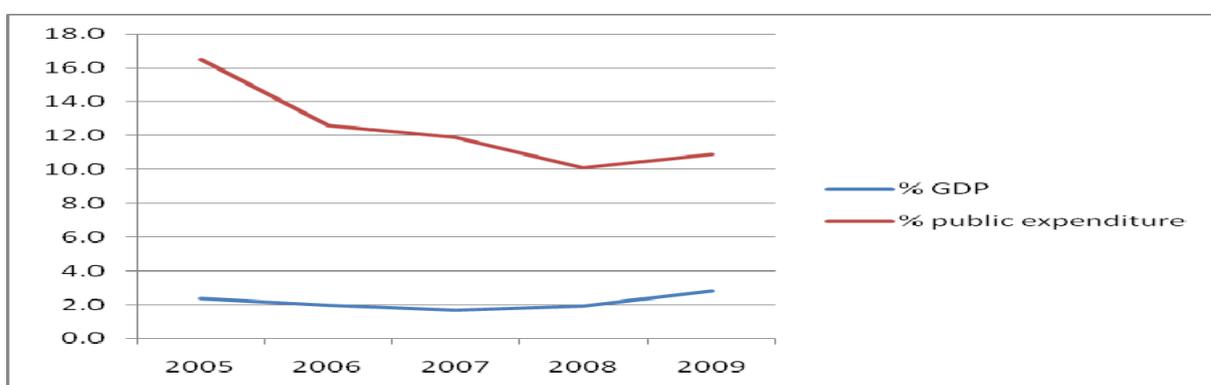
## **New policies and funding arrangements, but is it enough?**

Although many new elements have been introduced through recent education reforms, the pace of reforms is slow. The government tries to balance the needs of the supply-driven system of schools, predefined curricula and teachers with the developmental requirements for a more service oriented education system offering education and training services to different groups of learners, and enterprises. Quality seems to be determined a lot by inputs (equipment, buildings). This is understandable since the VET sector has been neglected until five years ago. There is however, a need to focus more on the results of learning. VET Schools are normally unable to answer the question what happens to their students when they leave. There needs to be a better understanding of destinations. In the European Quality Assurance framework for VET the graduation rate, the progression rate and the employment rate are the key indicators for the quality of the provision.

In 2007 the State Programme on Technical and Vocational Education development 2007-2012 was approved to modernise the VET provision and bring it closer to labour market needs. The attention to VET system modernisation is also reiterated in the new framework law on education 2009. The new law has provided a comprehensive framework for education policies in Azerbaijan, and outlines the general principles, the use of educational standards, the structures and quality assurance principles of the education system, the levels and principles for subsectors (including general education, initial vocational education, secondary specialized vocational education, higher education and for the first time continuing education (Əlavə təhsil)). It also regulates admission, and the management of the education system. Lifelong learning seems an implicit goal of the EDUCATION AND TRAINING reforms in Azerbaijan. It is hoped that the reforms that the law has reinforced will make lifelong learning a much more explicit goal.

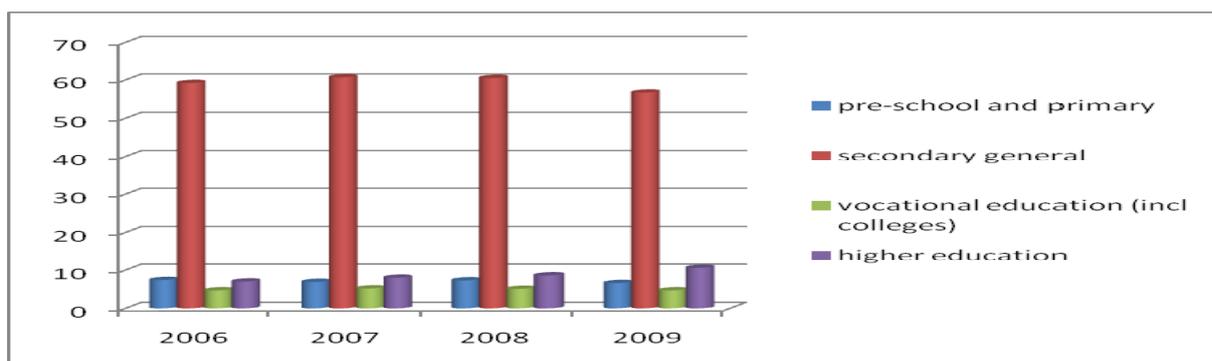
The state education budget does not show the full investment in education. There are also contributions from local and regional budgets, and from other sources. Here special mention should be made of the Haydar Aliyev Foundation. This foundation is e.g. funding the restructuring of schools. International projects are also an important source of innovation and additional funding. The college and university education system moreover have also been able to attract substantial private contributions. Higher education has 60% fee paying students, colleges 45%, while initial VET depends completely on state financing. The amount allocated by state budget to the vocational education institutions has increased from 1.3%-1.6% of the state budget between 2004 and 2009. The state funding modalities for education are changing. HE is moving this academic year to a per capita funding system, strengthening the development of the system towards student preferences. State funding is being opened to private as well as public providers which will need to compete for funding.

Investment in education has increased over the last five years especially in nominal terms. The education budget grew from 373 Million Manat in 2005 to 1478 Million Manat in 2009. The value of the Manat has been relatively constant during this period around 1.1 Manat to 1 Euro. This means therefore a tripling of the budget. In relative terms however the budget has remained relatively stable at 2.8% GDP and is still far below the EU average of 5% GDP. Moreover, education has decreased its importance within the state budget.



Source SSCAR 2010

Salaries form a large part of the education budget. Salaries in the education sector are low. As a consequence the teaching population is ageing, while the labour market is getting younger. Vocational education is a small part of the education budget as the graph below demonstrates.



Source: <http://ria.az/yeniilik/elmvetehsil/5125.html>

There are individual efforts by different stakeholders to improve and develop VET but they need to be transformed into a systemic approach and rendered more sustainable. Innovations in VET curricula and VET system development have been developed by the Tacis TVET project that has established a policy group of different stakeholders. However the current Tacis recommendations have not yet been discussed widely with different stakeholders outside the policy group and seem to be a mix of indicative directions for further reform with only a few concrete recommendations for immediate implementation. This means that we are still at the start of the most important reforms. The challenges of education reform become in particular clear when analysing the needs of the labour market. Systematic work needed to strengthen the links with businesses, with economic sectors and with social partners at school, regional, sectoral and national level.

The VET system has to overcome a negative image of an old-fashioned system with obsolete facilities, delivering poor quality and with an outdated response to the labour market. VET needs to become more relevant, strengthening links with businesses, and address the historical fragmentation of detached specialised institutions for skilled workers, technicians and professionals, to a system that can provide more integrated professional education services to different groups within a lifelong learning context. This requires a closer cooperation between VET schools, colleges, universities and other training centres. If Azerbaijan is really serious about diversifying its economy it urgently needs to address the quality and capacities of its education and training system; upgrade existing training programmes and increase the number of students that specialise in VET, colleges and higher education.

## F. Innovation, partnership and entrepreneurship

The major innovations in VET provision are the establishment of VET Centres that can function both as schools and adult learning centres. One such centre has been recently established in Ismayilli and is described above. It has been developed with a clear regional support role in mind together with local stakeholders from regional and local administrations, and private enterprises in the region. It is a clear example of a more service oriented education system offering education and training services to different groups of learners, and enterprises.

Another innovation is the move towards a NQF and towards qualifications that are based on occupational standards and the development of more flexible modular provision. These innovations still need to be consolidated into a nationally agreed approach and linked to the development of occupational standards by the Ministry of Labour.

The MOE has also invested in developing a web portal for schools to keep them better informed and to provide on-line access to new educational programmes and materials.

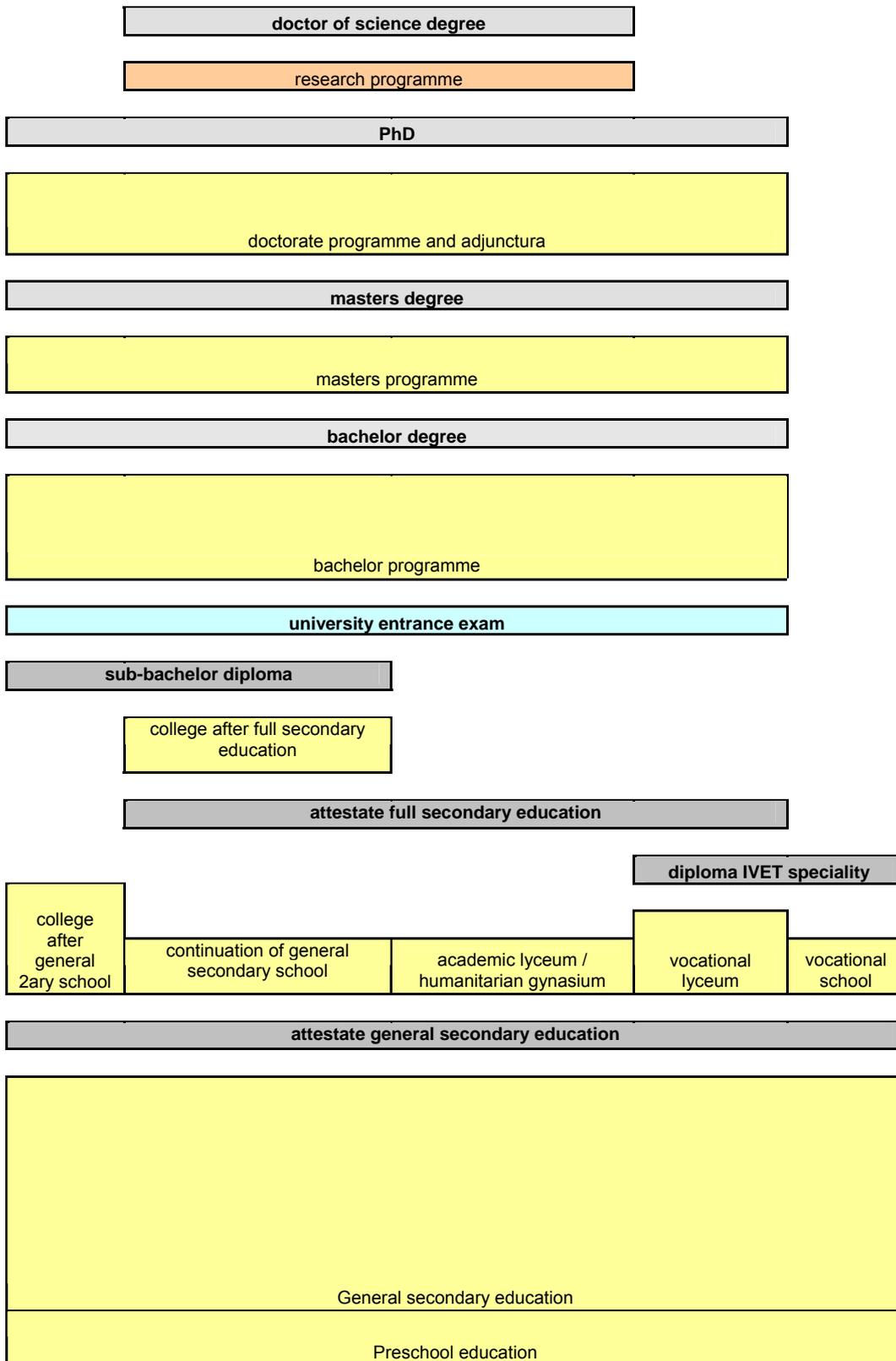
The establishment of the Centre for VET Development in the Institute of Educational Problems is another important innovation, as it pools the expertise for VET curriculum innovation and research in a single institution.

The VET Department in the Ministry is small but has shown to be flexible in supporting pilot initiatives from schools, enterprises, NGO's and international projects. Such initiatives are e.g. The work of the food holding Azersun with VET schools focusing on curriculum innovation and the retraining of VET teachers, exposing them to new production practices in the food processing sector. The aim of this pilot is to combine retraining with the development of a system of attestation of teachers and builds on an old concept but is really innovative in the present situation. The Tacis TVET project has brought many innovations, including new curricula for hospitality services, and a VET strategy. The Tourism College in Mingechevir has developed an employment engagement manual that is available to schools. Many local schools develop their own innovations such as the cooperation with farmers for the training of students in agriculture, or developing completely new special purpose curricula like the programme for tax collectors in Quba.

The MLSP has developed job fairs for school graduates and guidance and counselling for students under the title "1<sup>st</sup> step in your career". Meetings between students and potential employers are organised and parents associations are going to be sensibilised about the importance of career choices. Many people end up in micro-enterprises and the Ministry has therefore developed an entrepreneurship programme to support people to establish their own business.

There are many good ideas for innovation at different levels, and the real bottle-necks for realisation are the capacities for implementation. Azerbaijan has a very small MOE compared to other countries and only few national specialised organisations that can help to implement reforms. The solution that is currently favoured therefore is to use donor projects and to tender out such activities (like e.g. in the teacher retraining system). This is only a partial solution as there are capacity problems as well with service providers. Moreover, it does not stimulate expertise development in national institutions. It seems inevitable that with more investment in education, the supporting institutions need to grow and develop as well.

# Structure of the education system in Azerbaijan



# Donor projects to support VET reform in Azerbaijan

## **DVV 2008**

- Vocational Education and Training in the South Caucasus (2008)

## **British Council 2007-2010**

### *Skills@Work project:*

- Skills survey
- Employer engagement manual
- Partnering Tourism Colleges
- International Skills@Work Challenge

## **ETF support 2010-11 (as an example of our long term support)**

### *Analytical reports:*

- Torino Process and education and Business Study
- Black Sea labour market study

### *Capacity building and policy learning:*

- Lifelong learning in Eastern Europe
- SME Policy assessment in Eastern Europe
- Support to the national working group for NQF
- Support to the Draft VET law
- Support the VET Teacher Training system

## **Tacis Vocational and Training Reform Strategy and Pilot implementation in selected region in Azerbaijan**

### *Development of National Strategy and Action Plan for IVET Modernisation*

- Proposals elaborated with a multi stakeholder policy working group on
- Leadership and Continuing Professional development
- Employer links
- A knowledge Base for VET
- Use of ICT in VET
- National Qualifications Framework
- Validating qualifications and curricula
- Financing VET

*Development and Piloting of modern competence based IVET system*

- 5 new IVET modular programmes based on occupational standards

**Unesco 2009-10**

- Review of the VET curriculum development process
- Development of two pilot modular curricula based on occupational standards
- EU Twinning project Strengthening IVET in Agriculture 2011-2013
- Extend on-going VET strategy reform to VET sector of agriculture.
- Mid-term policy and action plan for competency-based VET system in agriculture
- Development of occupational standards & curricula related with agricultural economic sector
- Pilot implementation of formal/ non-formal trainings several agricultural VET schools and school strategies for sustainable implementation
- Curricula developers, school managers and teachers are trained and able to disseminate project outcomes
- Development of improved occupational standards re. ISCO08 & relevant training standards
- Adaption of the National Catalogue of Occupations
- Development of 200 Pilot Occupational Standards for 4 priority sectors
- Occupational Standard's Assessment
- Training Standards for retraining of adults
- Data-basing and distribution
- Capacity Building Occupational Standards Centre
- The MLSSP is the main beneficiary of the last project, the MOE in the other project

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