

NEW FORMS OF EMPLOYMENT IN THE EASTERN PARTNERSHIP COUNTRIES: PLATFORM WORK – AZERBAIJAN

Country profile

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SETTING THE SCENE

Platform work is emerging in Azerbaijan, a country that has experienced fast economic growth over the past decades mostly based on its stable oil production. However, the reliance on oil and the decrease in global oil demand in 2020 could have significant effects on its economic stability in the coming years¹, especially given several vulnerabilities in other sectors of the economy and the labour market. Economic diversification has therefore been a priority of the Azerbaijani government over the past few years, with digitalisation as one of the means to this end².

Labour market and employment. The Azerbaijani labour force³ participation rate stood at 70.7% of the working age population (aged 15+) in 2019. Self-employment is widespread in Azerbaijan, comprising 66.6% of total employment in 2019. At the same time, high numbers of informal employment persist (only 32% of employees have labour contracts⁴), and vulnerable employment stood at 54.3% in 2019⁵.

Unemployment in Azerbaijan has declined continuously to 4.8% in 2019, although unemployment among women remained higher than among men (5.7% and 4.0%, respectively).⁶ A total of 23% of youth were characterised as NEETs (Not in Education, Employment or Training) in 2017⁷ and the literature indicates that they are predominantly women. Public Employment Services can offer vacancies only in the public sector meaning that State institutions cannot present all the employment opportunities in the labour market. As such, most young people try to find jobs using personal connections; a Labour Force Survey in 2016 found that 35% of young people found their jobs through family or friends⁸.

The service sector comprises 49.3% of total employment, while agriculture provides a third of all employment in Azerbaijan (36.0%), followed by the industrial sector (14.7%)⁹. Interestingly, while oil and gas are crucial for economic growth, the sector only employs 1.1% of the labour force¹⁰. Growth sectors are identified as construction (7.2%)¹¹, finance, real estate, and the ICT sector. Even though the latter three sectors only constitute 3.7% of total employment¹², they are said to be growing and

¹ The World Bank (2020). Azerbaijan. Overview. Retrieved from: <https://www.worldbank.org/en/country/azerbaijan/overview>

² Prezidenti, A. (2012). Azerbaijan 2020: Look into the Future. Concept of Development, Retrieved from: https://president.az/files/future_en.pdf

³ The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the size of the supply of labour available to engage in the production of goods and services, relative to the population at working age (ILO).

⁴ 'Vulnerable employment, total (% of total employment) (modeled ILO estimate) – Azerbaijan' Accessible via <https://data.worldbank.org/indicator/SL.EMP.VULN.ZS?locations=AZ>

⁵ ETF (2020). Key Indicators on Education, Skills and Employment 2020.

⁶ ETF (2020). Key Indicators on Education, Skills and Employment 2020.

⁷ TORINO PROCESS 2018–2020 AZERBAIJAN NATIONAL REPORT (NRF).

⁸ Jaouani, A., et al. (2020). Policies for Human Capital Development: Azerbaijan - An ETF Torino Process Assessment. European Training Foundation. Retrieved from: <https://www.etf.europa.eu/en/publications-and-resources/publications/policies-human-capital-development-azerbaijan-etf-torino>, p. 21.

⁹ Badescu, M. (2020). Key Indicators on Education, Skills and Employment 2020.

¹⁰ ILO (2016). Decent work country programme of the Republic of Azerbaijan 2016–2020. *ILO, Geneva*. Retrieved from: https://www.ilo.org/europe/projects/WCMS_531140/lang-en/index.htm

¹¹ Hampel-Milagrosa, A. and Sibal, J. (2019). Addressing skills mismatch and informal employment in Azerbaijan. Conference Paper for the Asian and Australasian Society of Labour Economics 2019 Conference. Retrieved from: <https://app.oxfordabstracts.com/events/963/submissions/141136/question/18542/programme-builder/download>

¹² Hampel-Milagrosa, A. and Sibal, J. (2019). Addressing skills mismatch and informal employment in Azerbaijan.

flourishing sectors in Azerbaijan¹³. However, the issue of a brain drain is particularly present in the IT sector which has a short supply of professionals as they choose to emigrate¹⁴.

Education and skills supply. In 2017, 88.5% of the Azerbaijani population over the age of 25 had completed at least upper secondary education¹⁵. The gross enrolment rate¹⁶ in tertiary education in 2019 was 32%¹⁷. The ETF reported that 47.2% of upper secondary students were enrolled in vocational education and training (VET) programmes in 2019¹⁸.

Among young people aged 15–29, there is an ongoing skills mismatch with the labour market. In a recent survey, 56% of the labour force was reported to be in work in line with their skills and qualifications, 7% said their position was partially matched, and 37% was reported as working outside their specialisation in 2016¹⁹. Only 21% of EU companies wishing to expand their businesses in Azerbaijan was satisfied with the availability of skilled workers, and 45% said VET education was unsatisfactory. The biggest concern for these respondents was the low level of digitalisation of education systems²⁰. The policy responses to address some of these issues include the State programme ‘Azerbaijani Youth 2016–2021’, which promotes the development of skills, career guidance and entrepreneurship among youth in order to facilitate their transition to work²¹.

Connectivity and digital skills. Azerbaijan is ranked 61st out of 141 economies on the CISCO Digital Readiness Index. Its start-up environment and technology adoption were considered key weaknesses²². As of 2018, 23.5% of all tertiary education graduates completed STEM programmes, thereby facilitating the human capital potential for the IT sector²³. According to the World International Telecommunication Union (ITU), 81.1% of inhabitants in Azerbaijan were using the internet in 2019²⁴.

ICT skills are receiving increasing attention from policymakers. For example, the Roadmap for Development of Telecommunication and Information Technologies for 2016–2025 is dedicated to fostering digital skills, developing ‘e-schools’, and creating ICT training for teachers²⁵. Consequently, the Ministry of Education has introduced coding and programming languages in the secondary

¹³ Nordeatrade (2021). The economic context of Azerbaijan. Retrieved from: <https://www.nordeatrade.com/fi/explore-new-market/azerbaijan/economical-context> and; Trend (2020). ICT among fastest growing economic sectors in Azerbaijan. AzerNews. Retrieved from: <https://www.azernews.az/business/165302.html>

¹⁴ Ermsone, D. (2019). Policies Supporting Youth Transition to Work in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. European Training Foundation. p. 11.

¹⁵ The World Bank (2020). Educational attainment, at least Completed Upper secondary, POPULATION 25+, Total (%) (cumulative). Retrieved from: <https://data.worldbank.org/indicator/SE.SEC.CUAT.UP.ZS>

¹⁶ Gross enrolment ratio is the ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds to the level of education shown.

¹⁷ The World Bank (2020). School enrolment, tertiary (% gross). Retrieved from: <https://data.worldbank.org/indicator/SE.TER.ENRR>

¹⁸ ETF (2020). Key Indicators on Education, Skills and Employment 2020.

¹⁹ Hampel-Milagrosa, A., et al. (2020) Azerbaijan: Moving Toward More Diversified, Resilient, and Inclusive Development. Addressing skills mismatch and informal employment in Azerbaijan. *Asian Development Bank*

²⁰ Jaouani, A., et al. (2020). Policies for Human Capital Development: Azerbaijan - An ETF Torino Process Assessment. European Training Foundation. Retrieved from: <https://www.etf.europa.eu/en/publications-and-resources/publications/policies-human-capital-development-azerbaijan-etf-torino>, p. 23.

²¹ Ermsone, D. (2019). Policies Supporting Youth Transition to Work in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. European Training Foundation. p. 25.

²² Cisco (2019). Cisco Digital Readiness Index 2019 - Azerbaijan. Retrieved from: https://www.cisco.com/c/m/en_us/about/corporate-social-responsibility/research-resources/digital-readiness-index.html#/country/AZE

²³ ETF (2020). Key Indicators on Education, Skills and Employment 2020.

²⁴ ITU (2020). Percentage of Individuals using the Internet. Excel data set retrieved from: <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>

²⁵ Jaouani, A., et al. (2020). Policies for Human Capital Development: Azerbaijan - An ETF Torino Process Assessment. European Training Foundation. p. 15–16.

education curriculum and a system for online learning. The Roadmap sets out the priorities of supporting the development of local infrastructures, upgrading technology education with the involvement of businesses, and increasing knowledge and skills in the ICT sector²⁶ (including the inclusion of vulnerable groups²⁷) – all of which are important for the further development of platform work. The government is cooperating also with international organisations, such as the United Nations Development Programme, to support the development of digitalisation of the economy in Azerbaijan²⁸.

THE PREVALENCE OF PLATFORM WORK²⁹

Non-traditional forms of work and employment, such as remote, self-employment, outsourcing, and freelance work on the internet, are increasingly common in Azerbaijan. However, such jobs are sporadic and short-term³⁰. This is applicable to platform work as well. According to the collected evidence, although in recent years there has been marked development in online platform work (as illustrated, e.g. by the emergence of Azerbaijani platforms), its prevalence is generally low in Azerbaijan, and lower than in other neighbouring and European countries. Many factors contribute to this, among which are the regulatory background to self-employment and freelance work, and the lack of technology take-up and broadband internet penetration.

Although no quantitative data exist on platform work specifically³¹, some insights could be drawn from the available information on self-employment and freelance work. Around 66.6% of the working population in Azerbaijan are self-employed³². A large percentage of work is in the agriculture sector, according to estimations based on data from the State Statistical Committee³³, 17% of the self-employed in Azerbaijan use the internet for work, and 33% for business purposes. This reduces the population among which official platform workers could be identified. Furthermore, according to some estimations, in 2017 at least 200 000 people were working as freelancers in Azerbaijan³⁴. According to other estimations, this number could reach 675 000 people in 2020³⁵. However, no official public statistical data are available to validate these figures. According to yet another source, Azerbaijan's percentage of freelancers per capita (0.22%)³⁶ was the lowest among the EaP countries in 2018.

²⁶ Center for Analysis of Economic Reforms and Communication Electronic Monitoring and Evaluation Portal (2016). Strategic Roadmap for Development of Telecommunications and Information Technologies in Azerbaijan Republic. Retrieved from: <https://monitoring.az/assets/upload/files/6683729684f8895c1668803607932190.pdf>

²⁷ 'Bacararsan.az' Platforması İlk Təşəbbüsünü Həyata Keçirib (2021). Leqal.az - Onlayn İctimai Siyasi Qəzet, Retrieved from: <http://leqal.az/cemiyet/4050-bacararsanaz-platformasi-ilk-tesebbusununu-heyata-kecirib.html>

²⁸ Available at: <http://reqemli.az/about>

²⁹ For more detailed information on the methodology used for this country profile, please, consult "ETF (2021, forthcoming), New Forms of Employment in the Eastern Partnership Countries: Platform Work, ETF, Turin.

³⁰ Muradov, R. (2020). Employment in the Digital Economy: Problems of the Azerbaijani Labor Market, 55th International Scientific Conference on Economic and Social Development, Baku. Retrieved from: https://www.esd-conference.com/upload/book_of_abstracts/Book_of_Abstracts_esdBaku2020_Vol3_Online.pdf

³¹ Khalilov, T., & Aliyev, E. (2020). Digital Century: New Approaches to Employment in Azerbaijan. Economic and Social Development: Book of Proceedings, pp.564–570.

³² ETF (2020). Key Indicators on Education, Skills and Employment 2020.

³³ Muradov, R. (2020). Employment in the Digital Economy: Problems of the Azerbaijani Labor Market, 55th International Scientific Conference on Economic and Social Development, Baku. Book of Proceedings, 4, pp. 219–227. Retrieved from: https://www.esd-conference.com/upload/book_of_abstracts/Book_of_Abstracts_esdBaku2020_Vol3_Online.pdf

³⁴ Echo (2017). В Азербайджане Все Больше Фрилансеров. ЭХО - Общественно-Политическое Обозрение. Retrieved from: <https://ru.echo.az/?p=61177>

³⁵ Wish.az (2020). Azərbaycanca Freelance Birjası (1-Ci Mərhələ): Wish. Kraudfandinq Və Elektron Kommersiya. Retrieved from: <https://wish.az/en/project/freelance-birjas-azrbaycanda-1-ci-mrh>

³⁶ Analyticshelp.io. (2020). Global internet freelance market overview for 2018. Retrieved from: <https://analyticshelp.io/blog/global-internet-freelance-market-overview-2018/>, based on data from the World Bank and freelancing sites, and includes only digital freelancers who work via online marketplaces

Freelancing is considered most common in the areas of software development, language translations, advisory and teaching services. At least some of them find clients through online labour platforms.

Both push and pull factors come into play to attract workers to platforms. On the one hand, it is the development of technology, possibility to work in foreign markets and globalisation more generally, which drives workers to experiment with new ways and methods of work³⁷. According to an interviewee³⁸, the main reason for the prevalence of the online platform environment in Baku is the high spread of the creative/innovative environment in the Baku/Absheron region, in which technology start-ups emerge, and the workforce in creative and software development services resides. On the other hand, it is especially attractive to people who cannot find regular jobs in the labour market. Other issues, such as the depreciation of the national currency in 2015 and decrease of salaries for the personnel of government-owned companies also increased the attractiveness of doing freelance work for international clients, added to the fact that the remuneration was paid in a more stable currency, such as the US dollar³⁹. Moreover, the COVID-19 pandemic has been particularly encouraging for remote platform work⁴⁰ (because of lockdowns and the rising unemployment⁴¹ in the traditional economy), although some on-location services (taxi services, in particular) provided via platforms have suffered substantially.

Azerbaijani workers use both on-location and web-based platforms. The well-known international on-location service platforms, such as Uber, Bolt and Wolt, are active in the Azerbaijani capital Baku. Unfortunately, the companies do not disclose the numbers of drivers using their apps to provide services. Meanwhile, the Azerbaijani home services platform - cagir.az - had over 80 workers, and parcel delivery platform - Runner - had 30 registered couriers as of March 2019 (this number has probably increased since, especially given the relevance of delivery services during the pandemic). Moreover, various new start-ups/platforms for services such as food or parcel delivery and home services are emerging. Examples include foodorder.az, fooderos.az, hungry.az and nuush.az food delivery platforms, and blink.az for a variety of transportation, delivery and home services⁴². However, the number of workers on each of them is not large: for example, available information on nuush.az indicates 18 workers, and at hungry.az there are 50–150 workers. The popularity of such a model for delivery services, involving an element of platform work, has gained more popularity in the context of COVID-19.

Platform workers from Azerbaijan are also present on the international Russian and English language remote work platforms, such as Freelancer.com, Upwork, Proz and others. A local Azerbaijani remote work platform - Freekwork - was under development during our analysis, with a launch planned for 2021⁴³. Its creators are aiming to compete for Azerbaijani workers and clients with Western and Russian online labour platforms⁴⁴. However, the prevalence of such platform work among Azerbaijanis

³⁷ <https://az.duurstede.net/2518-heres-are-the-best-online-jobs-to-make-real-money.html>

³⁸ Founder of hrschool.az, an expert on human resources and labour relations.

³⁹ Echo (2017). В Азербайджане Все Больше Фрилансеров. ЭХО - Общественно-Политическое Обозрение. Retrieved from: <https://ru.echo.az/?p=61177>

⁴⁰ Ebdulzade, S. (2020). Ən Aktual Qlobal Bazarlar • Markzone #Evdəqal • Məqalə. Markzone #Evdəqal. Retrieved from: <https://markzone.az/en-aktual-qlobal-bazarlar/>

⁴¹ Based on the State Statistical Committee (SCS) report, in August 2020 the unemployment rate reached 6.6%, which is an increase of 1.8 % compared with the latest available unemployment rate for 2019, which stood at 4.8 %. The number of unemployed reached 348.6 thousand people, which is 93.5 thousand people, or 36.6% more than on 1 April 2020, i.e., before the lockdown and restrictive measures on the movement of citizens.

⁴² See more: <https://sil.vc/startups-in-azerbaijan-top-37-apps-and-websites-to-watch-in-2020-during-coronavirus-outbreak/>

⁴³ Wish.az (2020). Azərbaycanla Freelance Birjası (1-Ci Mərhələ): Wish. Kraudfandinq Və Elektron Kommersiya Retrieved from: <https://wish.az/en/project/freelance-birjas-azrbaycanda-1-ci-mrhl>

⁴⁴ Həsənov, P. (2020). Биржа Фриланса в Азербайджане (Этап 1). Wish.az, Retrieved from: wish.az/ru/project/birzha-frilansa. The documents are available at: <https://drive.google.com/file/d/1SVnBmU3LuVAla1ndITq8VqJPQX0CpOQO/view>

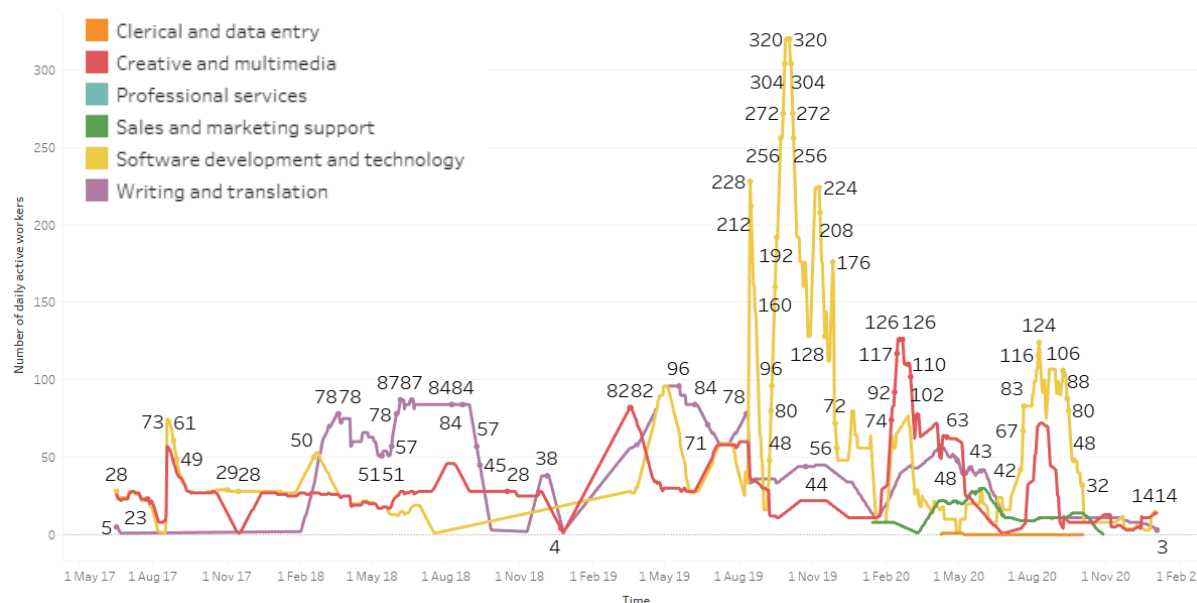
is significantly lower than in other EaP countries. This can be the key reason for the lack of available information on this phenomenon in Azerbaijan. As illustrated by the presence of freelancer groups on social media networks⁴⁵, highly skilled freelancing takes place outside the labour platforms as well.

There is no explicit recognition of the phenomenon of platform work in national policies – although developments closely related to platform work economy are receiving increasing attention, as described above.

TYPES OF ONLINE AND PLATFORM WORK

Concerning web-based platform work in Azerbaijan, the most popular platform occupation among Azerbaijani workers is in the IT area. According to OLI data on the four English language web-based freelancing platforms⁴⁶, the most popular platform occupation among Azerbaijani workers was software development and technology work. However, the daily numbers of active workers from Azerbaijan were noticeably lower (e.g. 320 active workers were in software development and translation work at the peak in November 2019; see Figure 1 below) than in other EaP countries. This can be at least partly explained by the relative underdevelopment of the sector in Azerbaijan⁴⁷.

FIGURE 1. ONLINE LABOUR INDEX DATASET: NUMBER OF DAILY ACTIVE AZERBAIJANI PLATFORM WORKERS ON THE FOUR MAIN INTERNATIONAL FREELANCE MARKETPLACES IN TIME



Source: Online Labour Index, iLabour dataset.⁴⁸

⁴⁵ For example, <https://www.facebook.com/groups/330902257040107/>

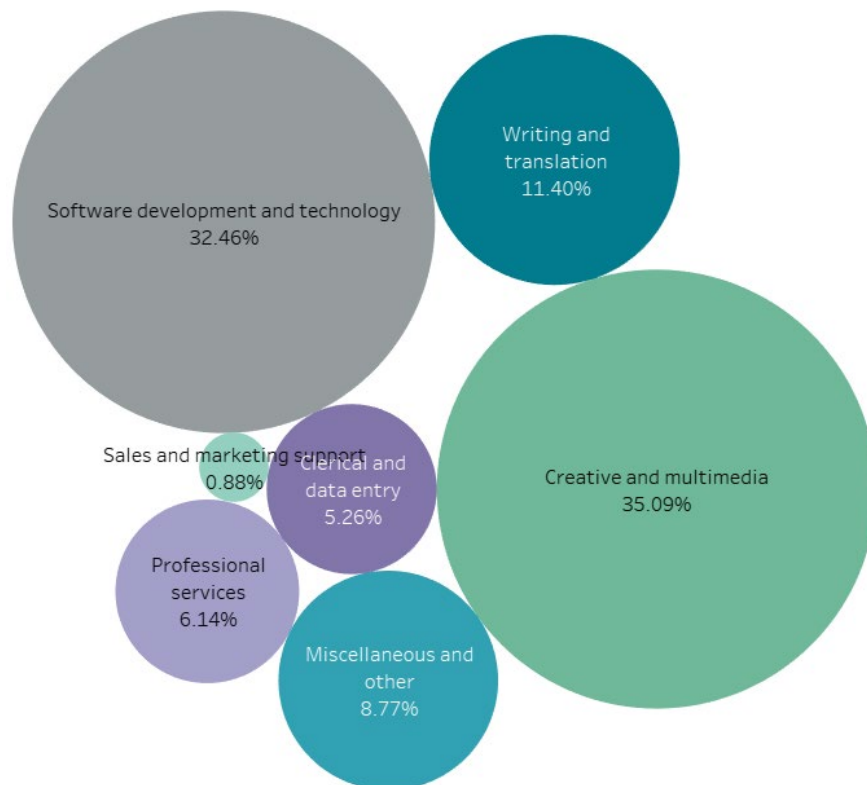
⁴⁶ Kassi, O.; Hadley, C.; Lehdonvirta, V. (2019). Online Labour Index: Measuring the Online Gig Economy for Policy and Research. figshare. Dataset. Retrieved from: <https://doi.org/10.6084/m9.figshare.3761562>.

⁴⁷ Mayors for Economic Growth (2019). Market Research of IT sector in the Eastern Partnership Countries. EUfordigital. Retrieved from: <https://eufordigital.eu/wp-content/uploads/2020/05/market-research-of-the-it-sector-eap.pdf>

⁴⁸ <http://ilabour.oii.ox.ac.uk/online-labour-index/>

In terms of the most popular platform occupations among Azerbaijani remote workers, data from Weblancer, Freelancer and Guru.com show similar trends: software development and creative work top the lists (see Figure 2 below). Additional desk research on a wider selection of English and Russian language platforms showed that workers in Azerbaijan also engage in other types of online work on labour platforms, such as writing and translation, architecture, education, music production and micro-tasking⁴⁹.

FIGURE 2. SERVICES OFFERED BY THE ACTIVE FREELANCERS FROM AZERBAIJAN ON WEBLANCER, FREELANCER AND GURU.COM



As for on-location platform work, its popularity is increasing, as is the range of services provided. Both international and Azerbaijani on-location platforms operate in Azerbaijan. The most popular services identified include:

- Transportation. Ride-hailing apps, such as Bolt (in Azerbaijan since 2017) and Uber attract workers providing taxi services.
- Work in food delivery services seems to be increasingly popular in Azerbaijan via platforms such as Wolt (originating from Finland), as well as on the Azerbaijani platforms, Hungry.az and Nuuz.az and others.

⁴⁹ Yahyali, C. (2019). Online Pul Qazanmağın Yolları. Cazibe.info. Retrieved from: <http://cazibe.info/satis/online-pul-qazanmagin-yollari-3292/>; A., Anna. (2020). Evdə Uzaqdan Qazanan Qazanclar: Seçim Və İş .” BinarOption.com. Retrieved from: <https://az.binaroption.com/stati/567-udalennyy-zarabotok-onlajn-na-domu-v-internete-varianty-i-vakansii>

- Runner⁵⁰ is the first company in Azerbaijan offering parcel delivery service. It attracts workers interested in additional income and offers flexibility in terms of working schedules and areas covered.
- Workers can offer over 100 different services via Cagir.az, including cleaning, repair work, massage, beauty, entertainment, pet care, and other services.

WORKER PROFILES

The data collected from interviews, desk research and platform data analysis provided some information about the profiles of Azerbaijani platform workers.

To begin with, Azerbaijani platform workers are mainly male, to an even greater extent than in other EaP countries. The analysis of Azerbaijani web-based worker profiles on Weblancer.net, Freelancer.com and Guru.com showed that less than 10% of them are women. On-location platforms offer significantly high job opportunities for male drivers and couriers. For example, according to interviewed platform representatives, Runner platform workers are around 90% male, and this percentage is even higher among Bolt drivers.

As in other countries, web-based freelancers are mostly young people. Analysis of active Azerbaijani worker profiles on Weblancer.net shows that the average age is 33. Although no comparable data were provided for on-location workers, the average age of on-location workers is probably lower than the Azerbaijani working population averages. This is supported by anecdotal evidence from several interviews, and information in the registration forms for platform workers as they are targeted specifically at students⁵¹, require technology savviness⁵² more common among the younger population, and, in case of delivery services by bike – physical preparedness.

As regards the skills of platform workers, the most popular tasks on web-based platforms require specialist qualifications in IT, creative and design work, writing, translation and other services. However, information on their formal qualifications is not provided on the platforms reviewed. The possibilities for professional development (training) are available through the platforms themselves (e.g. Fiverr) and various online sources, but mostly depend on the personal initiative of the freelancers. As for on-location services, interviews with Runner and Bolt drivers revealed that the majority of couriers have at least secondary education, and at least some have tertiary education, indicating to some extent the issue of overqualified workers. However, more precise information on this to draw general conclusions about these statements is not available. It can be said that the possibilities for on-the-job training in on-location platform work are limited.

Overall, the findings show that both on-location and web-based platform work tends to be a secondary employment for the majority of workers, combined with other employment activities or studies. For example, one interviewed Bolt driver works via the platform in addition to his job as an ambulance driver. They start this kind of additional work because work via apps offers flexibility and additional income.

⁵⁰ Available at: <https://www.runner.az/>

⁵¹ Available at: https://kuryerim.az/wp-content/themes/citycarrier/carrier_apply.php

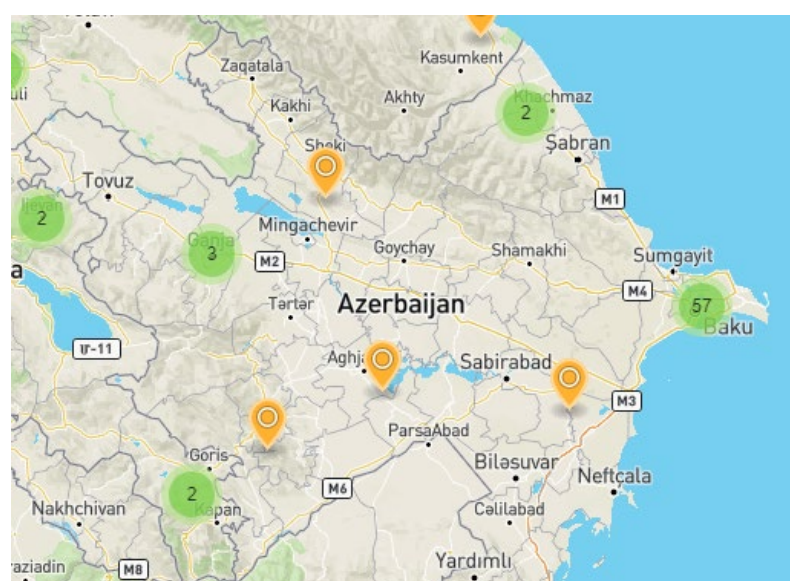
⁵² Available at: https://nuush.az/pages/kuryer_muraciet_formu

The pay of platform workers depends on the type of services provided. Based on the data of Azerbaijani workers on Freelance, Weblancer and Guru.com, the average rate of an active worker is USD 16/hour. While the average monthly net salary in Baku was around USD 340 in 2020⁵³, at a rate of USD 16/hour, a successful platform worker can earn over USD 2 000 (gross) per month, working a 40-hour week.

Information on on-location services is available on several platforms confirming the above average wages in the market. For example, Wolt couriers earn AZN 4 per hour, which would amount to AZN 640 per month working a 40-hour week (while the average salary is AZN 580). Job advertisements for couriers on other platforms also corroborate the higher level of pay for platform work⁵⁴.

Finally, a significant majority of Azerbaijani platform workers – providing both on-location and web-based services – are based in Azerbaijan's capital, Baku. This is indicated by the fact that most on-location work platforms operate in this city, and the available data on remote platform workers show that the vast majority of active workers are also based in the capital⁵⁵ (see Figure 3 below; this trend is also supported by the data from Guru.com). Nonetheless, although to a smaller extent, platform workers are also present in Ganja, Mingachevir, Sumgayit, Shirvan and other cities⁵⁶. The workers doing on-location services are Azerbaijani citizens, according to the Runner interviews.

FIGURE 3. AZERBAIJANI REMOTE WORKERS ON FREELANCEHUNT



Source: FreelanceHunt. Note: the yellow markers indicate that one freelancer is present in that area, and green markers indicate the number of workers.

⁵³ Stotz, J. (2020). Average Salary in Baku, Azerbaijan. Check in Price, Retrieved from: <https://checkinprice.com/average-and-minimum-salary-in-baku-azerbaijan/#:~:text=Average%20Salary%20in%20Baku%2C%20Azerbaijan,banks%20have%20offices%20in%20Baku.>

⁵⁴ Available at: https://kuryerim.az/wp-content/themes/citycarrier/carrier_apply.php

⁵⁵ Freelancehunt (2020). Карта Фрилансеров По Всему Миру, Карта Фрилансеров, Карта с Количеством Фрилансеров. Retrieved from: <https://freelancehunt.com/freelancers/map>

⁵⁶ Information available at: https://nuush.az/pages/kuryer_muraciet_formu; <https://bolt.eu/en/cities/> <https://www.upwork.com/az/>

STATUS OF PLATFORM WORKERS

As in most other EaP countries, regular employment in Azerbaijan is regulated by the Labour Code, and the status of sole proprietor (or individual entrepreneur⁵⁷; *fərdi sahibkar*) is covered under the Civil Code (together with civil law contracts for service provision, *xidmət müqaviləsi*⁵⁸). Generally, however, neither law adequately addresses the circumstances of people engaged in platform work. For example, employment contracts seem to be offered only for workers who work on platforms regularly and for longer periods⁵⁹, but not for those working occasionally and with flexibility. However, the lack of formalisation of freelancer status and increasing need for it in the changing labour market and economic landscape in the face of digitalisation has been recognised in recent policy research on Azerbaijan⁶⁰.

Currently, individual self-employment⁶¹ (as it is understood in the EU) and freelance work are considered informal employment in Azerbaijan, and such job positions are not legally registered or recognised. Approximately 1.5 million people in Azerbaijan are considered as individual entrepreneurs or self-employed informally. Platform workers constitute a small part of them, but it is recognised that freelancers in language translation, training, and consulting services⁶², as well as in transport tourism and other services (all services which could be provided via platforms) often operate without registration and pay no taxes.

Informal work is an economically attractive option. There are some compulsory taxes for the employed in the formal economy (14% income tax, 3% for social insurance, 0.5% for unemployment insurance, 2% membership for trade unions, etc.), which the self-employed evade. In this sense, the informal reality of freelance workers (including platform workers), especially of lower-income freelancers, allows them to increase their income⁶³.

The declaration of an economic activity and income leads to financial security for workers and social protection. The other side of the coin is that the informally self-employed (including platform workers) are deprived of unemployment benefits, social insurance, public healthcare, insurance against accidents at work, and other social benefits, which are available for the formally employed or self-employed⁶⁴. According to the interviewed experts, the lack of this safety net, at least theoretically, can deter some highly skilled people from engaging in platform work, and therefore become a barrier to the development of online work in Azerbaijan. No work accident insurance is especially relevant for on-location platform workers, such as drivers, couriers, who could have accidents when implementing tasks via platforms.

⁵⁷ Nabili, F. (2013). Sole Proprietorship in Azerbaijan. Azerbaijan Business Law Online. Retrieved from: <https://azebusinesslaw.wordpress.com/2013/12/19/sole-proprietorship-in-azerbaijan/>

⁵⁸ Law of the Republic of Azerbaijan on Employment, available at http://sosial.gov.az/uploads/images/image_750x_5d315dea1cc49.pdf

⁵⁹ Available at: <https://cagir.az/faq>

⁶⁰ Huseynov, A. (2020). How will COVID-19 affect human resources management in Azerbaijan? Is COVID-19 a threat or a chance for human resources management in Azerbaijan?. Economic and Social Development: Book of Proceedings 4 (2020): 304–312.

⁶¹ In Azerbaijan the term 'self-employment' (*özünüməşğulluq*) relates to owning a business, also as part of a specific social policy measure for the activation of the unemployed. See more information at: <http://sosial.gov.az/en/self-empl-general>

⁶² Guliyev, F. (2015). The Informal Economy in Azerbaijan. Caucasus Analytical Digest, (75).

⁶³ Abdurrahimli, F. (2020). Informal Employment as a Side Effect of Informal Economy in Azerbaijan. Retrieved from: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3521811

⁶⁴ Vergiler.az (2019). 'Fərdi sahibkarlıq fəaliyyəti ilə məşğul olan şəxslərə müavinət ödənilirmi?' Available at: <https://vergiler.az/news/taxes/6074.html>

Azerbaijan's tax legislation was undergoing major changes and new amendments to the Tax Code came into force in 2019. They were aimed at developing entrepreneurship in Azerbaijan and reducing the 'shadow' economy without increasing the tax base. However, new income tax benefits apply only to entrepreneurs engaged in retail trade, and therefore not to platform workers and freelancers⁶⁵, which fails to incentivise the latter to legalise their economic activities.

MAIN CHALLENGES AND OPPORTUNITIES

Given the advantages of platform work and the current labour market and skills development context in Azerbaijan, platform work can bring significant **opportunities**.

Firstly, platforms are observed from a **job creation perspective**. Similar to other EaP countries, Azerbaijan is faced with a lack of graduate-level jobs, and a skills mismatch⁶⁶. In this sense, international freelancing platforms offer new, open job markets for these qualified workers, often with rather competitive salaries. Opportunities for highly skilled and well-paid work for international clients without leaving Azerbaijan (through platform work or other types of outsourcing) could contribute significantly to addressing issues such as the brain drain and economic migration. Additionally, on-location work platforms can provide full-time or part-time employment opportunities for the lower-skilled workforce in cities.

Some of the existing research on platform work, in turn, suggests that platform work leads to both an improvement of **skills** acquired through deploying them and in the development of new skills needed in the traditional labour markets. This skills development would ultimately enhance job-seekers' opportunities to find employment in the future⁶⁷.

However, the further development of platform work in Azerbaijan as an option for accessible employment opportunities also faces also a number of **challenges**.

Firstly, these new forms of employment are not visible in public discourse or policy discourse, which prevents existing challenges from being tackled. Public services do not yet recognise workers engaged in these new forms of employment as a target group for support, for example, in relation to upskilling or career development measures.

In addition, successful platform workers need a **range of occupational skills** and personal competencies developed through formal education and training prior to commencing work life in the platform economy⁶⁸. In Azerbaijan, the shortage of IT specialists (i.e. workers with the highest 'premiums' in the international remote platform work marketplaces) is noticeable, even though the ICT sector within the Azerbaijani economy is rather small. This can, at least in part, explain the low prevalence of web-based platform work among Azerbaijanis. For example, in Belarus, the size of the

⁶⁵ Mammadova, L. (2019). Individual Entrepreneurs Receive Tax Benefits in Azerbaijan. AzerNews.az. Retrieved from: <https://www.azernews.az/business/143504.html>

⁶⁶ Ermsone, D. (2019). Policies Supporting Youth Transition to Work in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. European Training Foundation. p. 18.

⁶⁷ Lehtonvirta, V., Margaryan, A., & Davies, H. U. W. (2019). Skills formation and skills matching in online platform work: policies and practices for promoting crowdworkers' continuous learning (CrowdLearn), p. 11.

⁶⁸ Cedefop (2020). Developing and matching skills in the online platform economy: findings on new forms of digital work and learning from Cedefop's CrowdLearn study. Luxembourg: Publications Office. Cedefop reference series; No. 116.

IT workforce is around five times higher than in Azerbaijan which is similar in population size⁶⁹. This is also reflected in the data collected on IT specialists from these countries on the reviewed web-based labour platforms: Belarusians are significantly more active and visible on these platforms than Azerbaijanis.

Furthermore, competition on international marketplaces for the highest-paid platform jobs requires a good command of **English**. As of 2020, Azerbaijan was classified in the English Proficiency Index with very low proficiency⁷⁰. Attention to the development of foreign language skills, therefore, is essential to open up platform work opportunities to a wider range of workers in Azerbaijan, and in EaP countries generally.

Meanwhile, the current regulatory frameworks in the area of **labour and self-employment** in Azerbaijan are inadequate to accommodate and encourage platform work and other new forms of employment. The lack of legal framework for declaring freelancing activities is a likely contributor to the widespread level of informality in freelance work.

Finally, policy action in this area should be built on **evidence**. For example, little is known about the exact prevalence of different types of platform work, worker demographics and worker motivations at regional or national level, at least no Azerbaijani research was identified on these topics.

⁶⁹ Mayors for Economic Growth (2019). Market Research of IT sector in the Eastern Partnership Countries. EUfordigital. Retrieved from: <https://eufordigital.eu/wp-content/uploads/2020/05/market-research-of-the-it-sector-eap.pdf>

⁷⁰ Education First (2019). EF English proficiency index: A ranking of 100 countries and regions by English skills

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