LABOUR MARKET POLICIES

Azerbaijan

Introduction

The European Training Foundation (ETF) supports the EU Neighbourhood and Central Asia countries and the services of the European Commission with and monitoring of human capital and socio-economic developments. The overall objectives of the ETF work in the area of Active Labour Market Polices (ALMPs), labour market transitions and skills development are the following:

- Knowledge and tailored policy advice on setting-up or adapting ALMPs, work-based learning and career guidance and counselling in partner countries

- Inputs to EU programming and EU interventions (project design, formulation and content monitoring) and to bilateral and regional policy dialogue

- Monitoring of employment and labour market policy developments and work-based learning and career guidance and counselling trends

- Policy buy-in on the role and effectiveness of ALMPs in supporting the adaptation to socio-economic changes.

This report assists the delivery of a targeted advice on policy responses in the areas of education, re/upskilling and employability in Georgia. It also contributes to the ETF monitoring function in the area of ALMPs and Public Employment Services' (PES) implementation measures.

The report is an outcome of a pilot exercise of labour market policies' (LMPs) evidence collection launched by the ETF in four Eastern Partnership countries in 2022 – Armenia, Azerbaijan, Georgia and the Republic of Moldova, with the objective of the establishing a regular evidence collection mechanism and contributing to the ETF's innovative labour market policies database.

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METHODOLOGY

The combined qualitative and quantitative methods have been applied to collect the required data and information for assessment of active labour market services and measures implemented in Azerbaijan.

As a qualitative method, desk review was conducted to collect relevant data and information on labour market policies from legal and policy documents, official publications and other available reports. In order to collect statistic data on active labour market services and measures, relevant templates were sent to governmental agencies – the State Employment Agency under the Ministry of Labour Ministry of Labour and Social Protection of Population - to be filled out and interviews/consultations conducted with representatives of the SEA.

Once the required data and information collected, the processing and analysis was conducted to interpret findings.

CONTEXT

According to the State Statistical Committee (SSC), the total population of Azerbaijan was a little over 10.16 million at the beginning of 2022, of which 2.12 million or 20.9% are young people between 15 - 29 years of age. The population of Azerbaijan is younger than many other countries in the region.

More than 70.0% of the country's population is currently in the working-age range of 15 to 64, a share that is estimated to remain high until 2025. By then, the working-age population is expected to have increased by more than 350,000 people.

Overview of data on employed population provided by the State Statistical Committee shows that around 77.6% of the employed population in 2021 were working in the private sector and 22.4% in the public sector.

Although the Government of Azerbaijan was keeping the unemployment rate around 5% in recent years, the COVID-19 pandemic negatively affected it. According to data of SSC, Azerbaijan experienced the highest unemployment rate in 2020 (7.2%) since 2015, of which 57.4% were female. The share of unemployed youth aged 15-29 years old was around 11.2% in 2020. But the situation became a little bit better in 2021 with a decrease of unemployment rate to 6%.

A main obstacle to job creation in Azerbaijan is employment dependency on the agriculture sector. This low-productivity, low-growth sector remains the country's largest employer, absorbing 36.2% of the workforce, but contributing around 5.9% to GDP (2021). Rural poverty is largely explained by the reliance on subsistence agriculture. The mining industry, on the other hand, is capital-intensive and despite its contribution of almost 34.4% to GDP, does not create many jobs. Only 0.8% of the entire workforce is directly employed in the mining industry.

The labour market is experiencing a mismatch between the skills available and the skills needed in the world of work. According to the SSC, 66.3% of the economically active population did not have formal vocational or higher education in 2021. Similarly, for many of those employed there is a mismatch between their current job and qualifications. The SSC survey conducted among youth aged 15–29 years old showed that qualifications of 44% of employed youth do not match with their job at some level, 37% are employed in jobs completely different from their qualifications, and 7% are partially matched to the job in which they are employed. This suggests a mismatch between current jobs and qualifications and poor links between the world of education and the world of work.

Policy framework

Recent years the Government of Azerbaijan has adopted number of strategies and legal and policy documents to develop human capital, improve the quality of education meeting the requirements of labour market, expand employment and entrepreneurship opportunities, increase competitiveness and productivity of labour force. In this regard, as a continuation of "Azerbaijan 2020: Look into the future" Development Concept and for fulfilment of the commitments arising from the United Nations "Transforming Our World: The 2030 Agenda for Sustainable Development", "Azerbaijan 2030: National Priorities for Socio-Economic Development" was approved by the President on February 2, 2021. The following five national priorities for the country's socio-economic development should be implemented in the next decade: i) **steadily growing competitive economy**; ii) a society based on dynamic, inclusive and social justice; iii) **competitive human capital and space for modern innovations**; iv) great return to the liberated territories; v) clean environment and green growth country.

The **"National Employment Strategy 2019–2030"**, approved in October 2018 addresses a number of the challenges related to youth unemployment, productive employment and decent work, ALMMs and etc. The overall goal of the strategy is to ensure a transition of the policy from an extensive to an intensive phase of implementation, increase the employment level of the population, support full employment and decent work conditions, and increase labour productivity.

The strategy has the following objectives:
1) carrying out pro-employment economic development policy and support of micro, small and medium-sized businesses (support youth start-ups);

2) improving the legislative framework and institutional structure of the labour market to create an enabling environment for youth employment;

3) developing workforce skills and improving labour standards (increase qualification level of youth and reduce skills mismatch);

4) increasing coverage and efficiency of active labour market programs, strengthening the integration of citizens into the labour market, including youth;

5) developing social dialogue and reducing non-formal labour relations (reduce non-formal labour relations among youth);

6) improving monitoring and forecasting systems for the labour market (support youth to select professions that suit them).

Thirteen targets with indicators have been identified to measure the progress of the Employment Strategy. Those explicitly related to youth employment and implementation of ALMMs:
• reduction of unemployment among youth to the minimum level;
• achieving full and productive employment and decent work conditions for all young people;
• decreasing up 15% the rate of young people not in education, employment, or training;
• reaching 70% in employment of people registered with the State Employment Agency;
• providing vocational training to 20% of unemployed by 2030;
• increasing up to 10 the number of Regional vocational training centres;
• increasing 6 times the coverage of the self-employment program by 2020;
• increasing share of finances allocated to ALMPs.

One of the main legal documents regulating implementation of active labour market services and measures is the law on **"Employment"** approved 28 June 2018. The law identifies these services and measures in Azerbaijan: 1) registration of job seekers and unemployed; 2) job mediation; 3) E-labour exchange; 4) vacancy bank; 5) job matching; 6) career counselling/guidance services; 7) vocational training of unemployed and job seekers; 8) employment incentives program; 9) paid public works; 10) support to self-employment; 11) job fairs; 12) creation of social enterprises and additional jobs and implementation of targeted programs; 13) individual employment program.

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The State Employment Agency (SEA) including its local offices and centres of Agency for Sustainable and Operative Social Provision ("DOST" Agency) under Ministry of Labour and Social Protection of Population (MLSPP) are responsible to design, coordinate and implement active employment services and measures in Azerbaijan.

State Employment Agency

In order to ensure the employment of population, the General Employment Department was established on 01 August 1991. On the base of General Employment Department, the State Employment Service was established on 16 February 2011 to provide population with better social services. As a result of diversifying and expanding the activities of Service, the State Employment Agency was established as a public legal entity on 30 December 2019. It should be noted that public legal entity status[1] has more independence and flexibility on management of budget and financial resources.

The SEA established under MLSPP is responsible for development of labour relations and provision of employment in Azerbaijan. The Agency implements the following labour market related tasks:

1) ensure carrying out active employment measures for expanding employment opportunities for job seekers and unemployed, providing career guidance services and vocational trainings, increasing required knowledge and skills, producing qualified labour-force;

2) manage unemployment insurance funds to finance active employment measures;

3) create a vacancy bank based on information on vacant and required jobs, as well as newly created jobs submitted by employers;

4) ensure the employment of persons with special needs for social protection and having difficulty finding employment.

"DOST" Agency

"DOST" Agency as a public legal entity under the MLSPP was established by the presidential decree on 9 August 2018 and started to operate on 9 May 2019 with the opening of the first "DOST" centre at the same day. The mission of the "DOST" Agency is to ensure implementation of active employment services and measures, improve the well-being of the population, increase public care for vulnerable groups of people, implement innovative solutions to ensure this and achieve citizen satisfaction with such steps. DOST Centre provide services with a single window principle and social workers of the DOST provides several employment services with supervision of coordinator from SEA in the DOST Centres.

Table 1 describes implementation of active employment services and measures by the SEA and "DOST" Agency.

Table 1. Implementation of active employment services and measures

#	Name of services/measures	SEA	"DOST" Agency
1	Registration of job seekers and unemployed	✓	✓
2	E-labour exchange	✓	✓

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[1] The public legal entity - the organization which is not the state or municipal body, engaged in the activities carrying nation-wide and (or) social significance, created on behalf of the state and municipality. *Art. 2.2. Legal entities of the public low legislation, December 29, 2015 No. 97-VQ, amended in 2020*

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3	Vacancy bank	✓	
4	Job matching	✓	
5	Career counselling services	✓	✓
6	Vocational training	✓	✓
7	Employment incentives program	✓	
8	Paid public works	✓	✓
9	Self-employment	✓	✓
10	Job fairs	✓	✓
11	Creation of social enterprises and additional jobs and implementation of targeted programs	✓	✓
12	Individual employment program	✓	✓

Active labour market services

Registration of job seekers and unemployed is one of services implemented by SEA and "DOST" Agency. The law on "Employment" defines job seekers as a person who applied for a suitable job to an authority (organization) designated by the relevant executive authority and registered as a job seeker. By law, unemployed is defined as an able-bodied person of working age who does not have a job or income, registered with an authority (organization) designated by the relevant executive authority as an unemployed person and ready to start working. Registration as job seek or unemployed can be done via E-government or e-sosial.az web platforms. The service aims at to help job seekers and unemployed in finding work, supporting small businesses, receiving financial support from the state, and benefitting from other government employment support programs. The process starts with filling out e-application to be registered as job seeker. Within five working days from the date of registration as a job seeker, this person is registered as an unemployed if relevant job is not offered to him/her or the employer(s) refused admission to a vacancy. In order to regulate the issues on registration of job seeker and unemployed, "Rules for registration of job seekers and unemployed" was approved by Cabinet of Ministries on 25th of July, 2019.

According to statistical data provided by SEA, total number of registered job seekers and unemployed were 223557 in 2019. Comparing to statistical data of previous years (2017 and 2018), increase is observed in total number of registered job seekers and unemployed (around 100 thousand) in 2019. The share of male among job seekers and unemployed were 68.6% (2019). 75.6% of total job seekers and unemployed represent 25+ years category. Representatives of medium level education is predominant (40 %).

The Table 2 shows that the number of registered job seekers and unemployed was considerable increased in 2016 comparing with 2015 and in 2019 comparing with 2018. The reason for increase in 2016 was experiencing 2 devaluations in 2015. As a result, the number of layoffs has raised in public and private sectors. The reason behind increase in 2019 was creation of Unemployed Insurance Fund in 2018 which paid unemployment insurance benefits. In order to receive unemployment insurance benefits, the population registered as unemployed in masse.

Due to COVID-19 pandemic, the data for 2020 and 2021 is not yet available at the moment of drafting the report (October 2022).

Table 2. Number of registered jobseekers (or unemployed), by sex, age and education

	2013	2014	2015	2016	2017	2018	2019
Total	**46667**	**47755**	**59252**	**204283**	**118499**	**119230**	**223557**
Male	29661	30215	37956	146200	84668	83475	153410
Female	17006	17540	21296	58083	33831	35755	70147

under 25 years	19797	19796	22898	72837	41029	31884	54527
25 + years	26870	27959	36354	131446	77470	87346	169030
Low	9577	9675	9247	33363	18442	17979	85974
Medium	23775	24306	30151	110634	68025	76478	90587
High	13315	13774	19854	60286	32032	24773	46996

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

The SEA provides service on registration of legal entities dealing with **job mediation** for job seekers and unemployed, as well defines requirements for legal entities. Using "Employment" sub-system of the Centralized Electronic Information System (CEIS) of MLSPP, legal entities register as job mediators. In order to ensure quality assurance, compliance with legislative requirements is checked before adding the company to register. Then an e-mail about the results is sent to company. The job mediators provide the SEA with data on the number of persons applied to job and number of persons being employed by prescribed manner and form.

E-labour exchange[2] service provides permanent and temporary employment for job seekers and unemployed. The user sign in "Electronic Government" or "e-sosial" internet portals using authentication methods (FIN code and password, ASAN signature, E-signature etc.) to fill out Application form No 1 under "Employment" sub-system. This platform brings together employers with job seekers and unemployed searching permanent, seasonal and temporary jobs. Through this platform, the SEA observes the participation of job seekers and unemployed in labour exchange and their employment. The purpose in providing this service is to ensure supportive measures for sustainability of employment. As this service is open for everybody, there is no need to register as unemployed in the local offices of the SEA. Through adding personal criteria, skills, experience etc. in e-labour exchange platform, job seekers find relevant job while employers find right worker.

Vacancy bank[3] is a service provided by the SEA to meet personnel needs of employers. According to Article 18.3 of the law on "Employment", employers must submit information about vacancies with specified salaries to the Vacancies bank using the "Employment" sub-system of the CEIS, at the latest, within five business days from the date of the vacancy. The job seekers and unemployed can find relevant job using the same system. Job seekers and employers can access Vacancy bank by signing in"e-sosial" internet portal using authentication methods.

SEA supports job seekers and unemployed in **job matching**. SEA identifies relevant jobs matching education, specialty, previous work experience of registered job seekers and unemployed. The Table 3 shows that the number of persons benefitted from job matching service was considerable increased in 2019 (106 thousand) comparing with 2018 (54 thousand). The increase was directly related to establishment of Unemployment Insurance Fund in 2018. Thus, it was considered to pay for part of costs on organizing paid public works from budget of Fund. However sharp increase was observed in 2019, the rate was decreased up to 78628 in 2021. The reason behind it was directly related to negative impact of COVID-19. 73% of them were male in 2021. Around 73.5% of service users were above 25 years old. Service users holding medium level education diploma were predominant (63.6%) in 2021.

Table 3. Job matching statistics

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	**33719**	**33276**	**33083**	**59983**	**51462**	**54333**	**106196**	**97299**	**78628**
Male	21114	20741	20964	46355	36250	35007	69140	65576	57425

[2] https://e-sosial.az/#/index
[3] https://e-sosial.az/#/index

Female	12605	12535	12119	13628	15212	19326	37056	31723	21203
under 25 years	14716	14375	14568	22589	17906	15975	25391	23295	20806
25 + years	19003	18901	18515	37394	33556	38358	80805	74004	57822
Low	6436	6042	4885	9051	8041	7788	27296	15693	10731
Medium	19672	19626	19792	36740	31997	36912	72216	58942	49998
High	7611	7608	8406	14192	11424	9633	6684	22664	17899

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Active labour market measures

Career counselling services are one of the main tools to prompt youth to transition from school to the labour market. But today graduates, job seekers, unemployed persons or others face with challenges in planning career pathway due to lack of career management skills. In this regard, career guidance services play important role to understand education system and meet labour market needs. "Rules for the provision of career counselling services" approved by Cabinet of Ministries on 11 June 2019 specify the directions and methods for providing career counselling services. The counselling service is provided by SEA and "DOST" Agency. The target group includes pupils and students of education institutions and their parents, job seekers and unemployed who applied to Employment Centres. The service enables target group to get information on the current state of the labour market and information on the most in-demand professions and specialties in the labour market, available job opportunities in vocational and professional education, and opportunities for vocational training. These services are organized in the basis of interviews and tests as an individual or group. Employment centres, vocational education schools, and general education schools do not have specialized career service centres. The Law on General Education gives general guidance for organizing career services in general education schools and recently, the Cabinet of Ministers approved regulations on organizing career services in general schools. However, the Vocational Education Law does not have a clause on career services. Currently, work is being conducted on virtual career guidance tests, virtual career services, development of professional profiles, posting on the site, and a game format for high school students.

Due to the COVID-19 pandemic the SEA launched **"Alo Career"**[4], an online support service aimed at assisting the personal and professional development of individuals during the pandemic through ensuring the availability of career guidance services for the target groups, providing the quality of services and prompt response to the request. 5 webinars were held with 250 participants, 734 persons used these services and 1 332 individual meetings were held. Currently, the customer satisfaction rate is above 98%. The aims of the support services are: 1) career planning and goal setting; 2) selection of occupation; 3) labour market and job search; 4) providing recommendations and evaluating the preparation of resumes; and 5) providing necessary assistance in preparation for job interviews.

"Bacar"[5] (learn a skill) is another service of the SEA that includes a career guidance component. "Bacar" is an online platform with three components: training on self-employment and electronic processes in the selection of career pathways; online career guidance and vocational training using special innovative approaches (online tests), and simulators. The career guidance component of the project includes information about occupations, vocational diagnostics and support for career choice. The main target group includes the unemployed and jobseekers nationwide.

Providing career guidance services are funded by budget of the Unemployment Insurance Fund (UIF). Reviewing laws on Unemployment Insurance Fund (2018, 2019, 2020, 2021 and 2022) show that

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[4] https://dma.gov.az/layiheler/alo-karyera-muraciet
[5] https://dma.gov.az/layiheler/reqemsal-layiheler/bacar

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1,150,000 AZN (2018), 1,300,000 AZN (2019), and 2,000,000 AZN (2020, 2021 and 2022) have been allocated for career counselling services in Azerbaijan.

As there is not precise data on users of counselling service, below given data was approximately estimated by expert. Thus, the calculated data show that the number of total counselling service users decreased severely up to 37660 in 2020 and 1886 in 2021 due to COVID-19 pandemic. However, this rate was 134,760 in 2019. Review of relevant documents revealed that only age group of below 25 years used counselling service, mainly in secondary schools. In terms of education level, no one represented high education level among total service users.

Table 4. Counselling service statistics

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	**112135**	**100000**	**114569**	**117244**	**105300**	**118138**	**134760**	**37660**	**1886**
Male	56067.5	50000	57284.5	58622	52650	59069	67380	18830	943
Female	56067.5	50000	57284.5	58622	52650	59069	67380	18830	943
under 25 years	112135	100000	114569	117244	105300	118138	134760	37660	1886
25 + years	0	0	0	0	0	0	0	0	0
Low	56067.5	50000	57284.5	58622	52650	59069	67380	18830	943
Medium	56067.5	50000	57284.5	58622	52650	59069	67380	18830	943
High	0	0	0	0	0	0	0	0	0

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population and expert estimations

Vocational training enables job seekers and unemployed to acquire the required knowledge and skills meeting the requirements of labor market. Vocational training of job seekers and unemployed is regulated by law "Employment" (2018) and "Rules on organizing vocational training for job seekers and unemployed" approved by Cabinet of Ministries on 7 June 2019. The law defines the vocational training as retraining of a job seeker and an unemployed in accordance with the needs of the labor market at the educational institutions to obtain a specialty and/or a new specialty. Local offices of SEA and centres of "DOST" Agency are responsible for involvement of job seekers and unemployed in vocational trainings. The SEA determines the directions of occupations and specialties, the number of people to be involved for each year in accordance with the forecasts of labour market needs. Based on it, the SEA organizes short-term vocational training courses for job seekers and unemployed persons on demanded professions and specialties (English language, cook, confectioner, waiter, tailor, hairdresser, carpet weaver, computer designer, furniture installer, accountant, electrician, etc.) that meet the requirements of the labour market. The theoretical part of vocational training is carried out in a form of visual or distance and covers these modules: 1) general basics of occupation; 2) areas of speciality; 3) innovations. The practical training is conducted in a semi-group in Vocational Training Centres (VTCs) or workplace of companies.

Currently, there are 4 VTCs in Baku, Ganja, Nakhchivan and Goychay districts subordinated to SEA. The Employment Strategy envisages to increase the number of VTCs from 4 to 10 by 2030. Thus, it is expected to open a new VTC in Barda in the end of 2022 while another one in Guba in the end of 2023. Preparation and documentation work continues to start a construction of new VTC in Sheki. In addition, there is a plan to open new VTCs in the Kharabagh region. After making changes and amendments to legal documents, the duration of vocational training for job seekers and unemployed was increased up to 6 months.

The SEA expanded its capacity for online training due to the pandemic situation. Thus, online module has been prepared for organizing training for the participants of the self-employment program. The module consists of 8 hours, 32 video lessons. Timeframe of the module is 10 days. The user should use

ASAN Login to attend the online training. User can listen video lessons and conduct consultations with Mentor/Trainer to fill out individual business plan. Later, the business plan must be submitted to the grant commission after approval of trainer. It is planned to start the training in upcoming months.

Vocational training is funded by Unemployment Insurance Fund, employers' funds, own funds of job seekers, grants, donations other sources not prohibited by law. Funding of vocational training is based on principles of per capita financing. The amount of vocational training costs for each trainee in different specialties is approved by the MLSPP.

Table 5 provides numbers of people involved in vocational trainings during 2013-2021. Comparing with previous years, in 2020 and 2021 sharp decline is observed in number of citizens involved in vocational trainings due to COVID-19, respectively 1014 and 988. In 2019, totally 3168 people were involved in vocational trainings which represents 1.4% of registered jobseekers and unemployed. Although, the Employment Strategy emphasizes to involve, at least 20% of citizens who applied to SEA, in vocational training by 2030, it is not possible to calculate it due to lack of numbers of registered jobseekers and unemployed in 2020 and 2021.

Provided data show that recent years age group of 29+ years was predominant comparing to the age group of under 29 years. Thus, these indicators were 1810, 704 and 545 for age group of 29+ years in 2019, 2020 and 2021, respectively.

With regard to education level, recent years more people representing medium level education have been involved in vocational training rather than low or high level education. Thus, this rate for medium level education was 73% in 2019, 44.2% in 2020 and 58% in 2021.

Table 5. Vocational training statistics

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	**4329**	**3786**	**4147**	**3352**	**3561**	**2559**	**3168**	**1014**	**988**
Male	2262	2031	2440	1862	1735	1112	1191	563	444
Female	2067	1755	1707	1490	1826	1447	1977	451	544
under 29 years	3013	2705	2964	2047	1972	1275	1358	310	443
29 + years	1316	1081	1183	1305	1589	1284	1810	704	545
Low	413	325	123	84	176	182	110	276	151
Medium	3404	3047	3464	2727	2846	2021	2310	449	574
High	512	414	560	541	539	356	748	289	263

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Employment incentives program, jointly financed with employers, aims at providing job seekers and unemployed with employment and encourage employers in participation. It iss regulated by the law on "Employment". Thus, the SEA supports employers in financing some portion of salary. Using sub-system "Employment" of e-sosial portal, the employers (except legal entities owned by the state and municipalities) can join this program and can recruit staff via this portal. Duration of joint financing is from 3 to 12 months.

In addition, in 2021 the SEA together with Azerbaijan Youth Foundation (AYF) started new project of "Salary Subsidy for Employers" within the "Sustainable Youth Employment Program". The purpose of project was to reduce youth unemployment and encourage employers to hire young and inexperienced people. 50% of the salaries of young people employed under the project will be funded by the SEA and AYF. The programme targets young people wishing to learn, inexperienced, unemployed and job-seeking and aged 18-29 can attend in project.

Table 6 presents data on employment incentives. Although the SEA newly started this program and the data covers only 2020 and 2021, the provided number of people benefitted this program sharply increased from 42 in 2020 to 491 in 2021. While share of female was 69% in 2020, it was just 32% in 2021. Around 60% of age group of under 25 years benefitted employment incentives in 2020 (59.5%) and 2021 (58.2%). The provided data show that while 59.5% of people holding high level education diploma were user of this program in 2020, medium level education diploma holders were predominant among others in 2021 (69%).

Table 6. Employment incentives statistics

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	x	x	x	x	x	x	x	**42**	**491**
Male	x	x	x	x	x	x	x	13	332
Female	x	x	x	x	x	x	x	29	159
under 25 years	x	x	x	x	x	x	x	25	286
25 + years	x	x	x	x	x	x	x	17	205
Low	x	x	x	x	x	x	x	0	42
Medium	x	x	x	x	x	x	x	17	338
High	x	x	x	x	x	x	x	25	111

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Paid public works is one of ALMMs specified in law on "Employment". The purpose of program is to involve job seekers and unemployed people in paid public works in order to provide temporary employment. Local offices of SEA and centres of "DOST" Agency ensure the involvement of job seekers and unemployed in paid public works with contracts in enterprises regardless of the type of ownership and organizational-legal form. Paid public work is usually organized up to 2 months. But this period may be extended, if necessary. Remuneration of job seekers and unemployed involved in paid public works is paid in accordance with the Labour Code. This service is funded by enterprises that organize paid public works or by Unemployment Insurance Fund, as well as other sources allowed by law.

Overview of provided data on paid public work shows that number of job seekers and unemployed benefitted from program sharply increased in 2019 (47,599) and 2020 (49,027) comparing with previous years. The rate decreased up to 25,239 in 2021 due to COVID-19 pandemic. The data disaggregated by gender shows that male beneficiaries of program was predominant than female in 2019 (59.6%), 2020 (64%) and 2021 (80%). The share of age group of 25+ years was higher than age group of under 25 years, with 82.2% in 2019, 87.1% in 2020 and 89% in 2021. With regard to education level, while representatives of low education level were higher among others in 2019 (53.2%), beneficiaries with medium education level were higher in 2020 (76%) and 2021 (60.2%). The share of program beneficiaries representing high education level was 9.3% in 2019, 5.6% in 2020 and 5.9% in 2021.

Table 7. Paid public work statistics

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	1492	1605	1626	1147	1156	1022	47599	49027	25239
Male	1192	1240	1286	914	899	749	28372	31349	20168
Female	300	365	340	233	257	273	19227	17678	5071
under 25 years	403	450	471	321	337	219	8456	6290	2764
25 + years	1089	1155	1155	826	819	803	39143	42737	22475

Low	754	796	704	520	825	316	25357	8951	8541
Medium	515	614	676	480	130	576	17780	37304	15206
High	223	195	246	147	201	130	4462	2772	1492

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Self-employment is defined as a provision of person with a work by him/herself or under government support in law on "Employment". Support to self-employment is considered as one of the largest ALMMs and is regulated by law on "Employment" and "Rules on organization of self-employment" approved by Cabinet of Ministries on 13 May 2020. This program ensures to move from "passive" policy measures to "active" policy measures to strengthen the social protection of and improve the living standards of vulnerable families, especially low-income families. The program provides basic business training, support to prepare business plans and in-kind assets to vulnerable unemployed people to promote self-sufficiency through livelihood support and reduce dependency on public support. In the organization of self-employment of the unemployed, as a target group, preference is given to persons receiving targeted state social assistance, persons with disabilities, including children with disabilities under 18, those registered as unemployed for more than a year, persons less than two years of retirement age, unemployed released from prisons.

The organization of self-employment goes through 6 stages: 1) providing counselling and information on the organization of self-employment; 2) assistance in choosing the direction of and organizing self-employment; 3) assistance in the development of a business plan; 4) conducting trainings for individuals including evaluating the results; 5) providing unemployed with property for the organization of the chosen direction of self-employment on a contractual basis for a period of 1 (one) year; and 6) periodic monitoring of the activity implemented by a person involved in self-employment for 1 (one) year. Implementation of self-employment program is funded by Unemployed Insurance Fund.

Table 8 provides data on self-employment programs since 2017. Overview of provided data shows that an increasing trend is observed between 2017-2021. Thus, number of program beneficiaries was 9810 in 2019, 12000 in 2020 and 16232 in 2021. The reason behind increasing in number of program beneficiaries last years was related to COVID-19. The data shows that number of male beneficiaries of program is higher than females. The share of males was around 73% in last three years. With regard to age groups, 25+ years were predominant in benefitting from program. Thus, the rate was 85.4% in 2019, 83.6% in 2020 and 73.7% in 2021. More people with low education level (42%) and medium education level (40%) benefitted from program comparing with beneficiaries with high education level in 2019. The share of beneficiaries with medium education level is higher among others in 2020 (81.5%) and 2021 (77.8%). Beneficiaries holding high education level represent 11.8% in 2020 and 8.2% in 2021.

Table 8. Self-employment statistics

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	**0**	**0**	**0**	**0**	**1172**	**6399**	**9810**	**12000**	**16232**
Male	x	x	x	x	864	5065	7179	8829	11708
Female	x	x	x	x	308	1334	2631	3171	4524
under 25 years	x	x	x	x	303	1026	1426	1966	4253
25 + years	x	x	x	x	869	5373	8384	10034	11979
Low	x	x	x	x	x	x	4130	790	2259
Medium	x	x	x	x	x	x	3954	9785	12633
High	x	x	x	x	x	x	1726	1425	1340

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Job fairs play important role as an active employment measure designed to help job seekers and unemployed in finding employment through directly contacting with employers. Thus, job seekers and unemployed obtains information easily on available vacancies in relevant administrative-territorial unit. As well, job fairs support employers to hire relevant personnel with required occupational skills and experience in a short period. The needs of employers for labour force are studied in the basis of available vacancies. Job seekers and unemployed wishing to attend in the job fairs are informed about the avenue, date and time of the fair, the number of available vacancies, professions and specialties offered at the fair. Trough directly establishing contact with employers, the fairs enable job seekers and unemployed to: 1) focus on career planning; 2) involve in paid public works; 3) involve in vocational training.

The law on "Employment" defines **creation of social enterprises and additional jobs and implementation of targeted programs** as one of the ALMMs in Azerbaijan. Within this program, in order to ensure the employment of persons requiring special social protection and experiencing difficulties in finding employment, an employer can create additional jobs over quota, social enterprises and implement targeted programs. In this case, full-time vacancies available at the enterprise are not considered additional jobs. The target group of program includes young people under 20, parents raising children under 18 with disabilities, persons less than 2 years before retirement age, persons with disabilities, including children under 18 with disabilities, citizens released from prisons, IDPs, war veterans and etc.

As a one of the active employment measures, *individual employment program* was designed to return a people registered as unemployed to the labour market and to assist in finding a relevant job. The law on "Employment" and "Rules on implementation procedure of individual employment program and report form" approved by Cabinet of Ministries on 29 December 20217 are main legal documents regulating implementation of individual employment program. The program is implemented by the SEA together with "DOST" Agency. The SEA or "DOST" Agency provide counselling services to identify job search and employment opportunities for the unemployed in order to develop an individual employment program. Thus, a person registered as unemployed gets individual employment program within 5 (five) days. After getting individual employment program electronically or on a paper, unemployed starts to implement it together with local offices of the SEA. All the active employment measures defined in program should be implemented by the unemployed within the period and sequence specified in program. In the end of each month, program user should submit report using "Employment" sub-system of Centralized Information System developed by MLSPP.

Expenditure on labour market policies

Expenditures on labour market policies increased sharply after implementation of Law on Unemployment Insurance in 2018. Thus, while expenditure on labour market polices was AZN 9.9 million AZN in 2017, this number was AZN 157.8 million AZN in 2021. Compared to expenditures of 2017, it increased by 16 times.

Table 9. Expenditure on labour market policies

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenditure on labour market policies, thousand AZN	4660	4673	5718	5598	9890	89040	98451	128235	157769
Expenditure on labour market policies (% of GDP)	0.008	0.008	0.011	0.009	0.014	0.111	0.120	0.177	0.170

Table source: Laws on State Budget (2013, 2014, 2015, 2016, 2017) and Laws on Unemployment Insurance Fund (2018, 2019, 2020, 2021)

Transition from unemployment to employment

The main goal of ALMPs is to support individuals in entering labour market or preserving jobs. For this end, ALMPs include various services and measures e.g., vocational training, job search assistance, employment incentives, public works etc. When planned and implemented well, ALMP is a useful means to ensure the unemployed return to employment as fast as possible and to the best possible job match by providing the support needed to successfully re-enter the labour market. Through re-skilling and up-skilling measures, ALMP can help direct people into areas where there are skill shortages.

Table 10 describes percentage of transition from unemployment to employment disaggregated by gender, age and education. The data shows that during 2017-2019 minor increase was observed in percentage of individuals moved from unemployment to employment. While the percentage of male (40.8%) moved from unemployment to employment was slightly higher than female (39.6) in 2017, females outnumbered males in 2018 and 2019 (50.0%). The analysis shows that individuals representing medium education level is predominant among others. Despite the fact that only 42.9% individuals with medium education diploma moved from unemployment to employment in 2017, this rate was 45.6% in 2018 and 77.2% in 2019. Less shifting was observed in high education level, with 34.0% in 2017, 37.4% in 2018 and 12.6% in 2019. The reason was that offered vacancies covered mainly paid public works or low skilled jobs. That's why it was not interesting for people with higher education.

Data is not yet available for 2020 and 2021 years.

Table 10. Transition from unemployment to employment

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total	**63.0**	**49.8**	**48.8**	**27.7**	**40.4**	**43.4**	**46.1**	**m**	**m**
Male	63.6	61.9	48.8	30.4	40.8	40.6	44.3	m	m
Female	62.0	61.5	48.9	20.9	39.6	50.0	50.0	m	m
under 25 years	59.1	59.0	50.7	28.2	38.8	46.1	44.1	m	m
25 + years	65.8	63.7	47.7	27.5	41.3	42.4	46.7	m	m
Low	62.9	59.1	51.5	26.9	42.6	42.3	31.6	m	m
Medium	68.4	68.2	54.2	30.7	42.9	45.6	77.2	m	m
High	53.3	52.2	39.5	22.6	34.0	37.4	12.6	m	m

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Number of job vacancies by economic activities

Recent years MLSPP has applied innovative solutions in digitalization of employment services. One of these is creation of "Labour and Employment" sub-system under Centralized Electronic Information System (CEIS) of MLSPSS. The "Labour and Employment" sub-system acts as a unified labour relations platform for all employers and employees, job seekers, unemployed, central and local executive authorities, as well as other state institutions. Moreover, it will play an important role in concluding labour contracts in electronic form, creating a digital personnel accounting system, application of international standards in the protection of labour etc. This system with 3 different modules (ministry, citizen and employer) will enable to have clear picture on job seekers and unemployed. Despite the fact that system was launched a few months ago, it is expected that posting of vacancies will become massive from 2022.

Table 11 shows that decrease observed in total job vacancies in 2020 (13,870) comparing with 2019 (17,360). Analysis of data over years discovered that majority of job vacancies belong to Service sector. In this regard, Industry sector comes in second place with most job vacancies.

Table 11. Number of job vacancies by economic activities

	2013	2014	2015	2016	2017	2018	2019	2020	2021
TOTAL	**13608**	**14386**	**12959**	**11086**	**14049**	**13582**	**17360**	**13870**	**8619**
AGRICULTURE, FORESTRY AND FISHING	**270**	**242**	**179**	**279**	**359**	**289**	**312**	**265**	229
B. MINING AND QUARRYING	394	605	332	55	46	52	168	308	46
C. MANUFACTURING	1206	1566	853	506	595	653	1089	849	453
D. ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	573	908	671	424	453	402	472	254	207
E. WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	415	658	569	319	237	269	335	213	237
F. CONSTRUCTION	376	342	278	221	440	228	1134	576	604
INDUSTRY	**2964**	**4079**	**2703**	**1525**	**1771**	**1604**	**3198**	**2200**	1547
G. WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	611	467	332	160	450	396	939	421	418
H. TRANSPORTATION AND STORAGE	264	336	422	209	310	324	655	767	576
I. ACCOMMODATION AND FOOD SERVICE ACTIVITIES	297	181	197	88	153	81	58	222	236
J. INFORMATION AND COMMUNICATION	105	176	129	58	84	89	99	94	102
K. FINANCIAL AND INSURANCE ACTIVITIES	338	281	230	84	71	85	104	51	38
L. REAL ESTATE ACTIVITIES	27	8	26	-	11	4	-	9	1
M. PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	279	322	344	337	321	411	344	232	281
N. ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	41	41	47	35	25	106	122	293	250
O. PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	293	345	332	159	264	252	200	403	105
P. EDUCATION	1553	1302	1169	995	1731	1217	814	585	507
Q. HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	4563	4670	5100	5199	6375	6459	5661	2235	1401
R. ARTS, ENTERTAINMENT AND RECREATION	394	342	447	474	346	392	584	597	883
S. OTHER SERVICE ACTIVITIES	1604	1587	1291	1473	1760	1867	4261	5488	2029
T. ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED GOODS- AND SERVICES- PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE	0	3	3	4	11	0	2	0	16
U. ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS AND BODIES	5	4	8	7	7	6	7	8	0
SERVICE	**10374**	**10065**	**10077**	**9282**	**11919**	**11689**	**13850**	**11405**	**6843**

Table source: State Employment Agency under the Ministry of Labour and Social Protection of Population

Number of job vacancies by economic activities

Currently, the State Employment Service does not collect statistics on vacancies by occupational groups. It is expected that nothing will change in this field next 2-3 years.

Measures during COVID-19 pandemic

Review of collected data on implemented active employment services and measures show that COVID-19 pandemic has dealt a devastating blow to socio-economic areas. In order to mitigate the negative impact of pandemic and support living condition of population, the Cabinet of Ministries adopted Action Plan. One of the actions was to increase paid public works from 38000 to 88000 despite the quarantine imposed during the pandemic.

The MLSPP transferred the lump-sum payment in the amount of AZN 190 to unemployed and informally employed low-income people who lost their income during strict quarantine measure. In total, AZN 450 million were spent to provide lump-sum payments of AZN 190.

The Cabinet of Ministries extended the period of disability of the persons with disabilities until 1st of July 2020 in cities and regions under the special quarantine regime, and until 11th of September 2020 where the hardened special quarantine regime imposed.

In order to support entrepreneurs and prevent the dismissals and layoffs, AZN 206.5 million was transferred to entrepreneurs.

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The MLSPP provided 15,000 older, disabled people and those living alone with social services in Baku and other regions.

ASSESSMENT

Effectiveness of active labour market services and measures

Today technological advances causing a appear of new professions requiring new competences is one of the main factors behind the changes occurring in labour market. With outdated skills and weak learning interest, individuals cannot meet the requirements of labour market. As a result of it, they experience a long-term unemployment and demotivation. In this regard, re-skilling and up-skilling of individuals play important role in keeping up with rapidly changing demand for skills in labour market. Despite the fact that recent years the Government of Azerbaijan has taken number of measures to achieve progress in improvement of labour market, Azerbaijan still face considerable challenges in increasing employment opportunities for job seekers and employed, especially youth.

Reviewing international best practices on *career counselling* service shows that better career counselling service enables individuals to discover themselves in terms of talent, interests, competences, enthusiasm for new jobs, and qualification. As well, it plays necessary role in reducing unemployment rate and poverty. Calculation based on SSC data show that 53.5% of unemployed benefitted from counselling service in 2019. It was the highest rate last years. In order to make counselling service more attractive for and popular among individuals, especially vulnerable groups, the content of counselling service should include various activities e.g. provision of careers information and advice, skills assessment including tests, individual career counselling, working with employers, industries and relevant stakeholders, teaching of decision-making and career management skills, psycho-social support, job-search assistance, conducting career education and training, coaching and mentoring, networking and coordination with other counselling providers. While reviewing career counselling service in Azerbaijan revealed that roles of guidance and counselling activities are not specifically highlighted in employment programmes. The employment plans primarily emphasize the implementation of active employment measures. The content of the guidance is more about the provision of information on vacancies in the labour market which cannot be considered to be comprehensive content on career guidance services. Moreover, the SEA's public awareness activities about availability, importance and usefulness of counselling service are not in a required level to reach wide public.

Career guidance by the Vocational Training Department of the SEA is given by 5 employees. Other than that, career guidance services are provided in 22 regional offices of the SEA. Depending on the size of the SEA office, there is at least one specialist dealing with career guidance. Their skills in career guidance services are upgraded by short-term courses organized by the SEA.

Desk research proved that currently there is no higher education institution in Azerbaijan offering a diploma program on career guidance or professional training courses leading to upgrading counsellors' qualifications. Counsellors' skills in career guidance services are upgraded by short-term courses organized by the SEA. The training is usually organized at regional training centres of the SEA or secondary schools. The participants are trained in topics such as the implementation of practical activities for career guidance, how to provide career guidance services, presentation of occupations, diagnosis of occupational interests, etc.

In regard to quality assurance, assessment of career counselling service in Azerbaijan found that there is not comprehensive quality assurance concept/framework. The service providers get user satisfaction feedback.

Provision of career guidance services is funded through the budget of the UIF. Reviewing laws on budget of Unemployment Insurance Fund for 2018, 2019, 2020, 2021 and 2022 show that although allocation for career counselling service was around 1.3% in previous years, it is 1.1% in 2022.

Despite the fact that career counselling is one of the important and effective active labour market measures in enhancing employment, education and training opportunities and mitigating skills shortages, assessment of service discovered that the SEA face number of obstacles in provision of service. One of these obstacles is lack of good coordination and cooperation with relevant parties. Currently, there is no systemic and coherent communication and coordination mechanism in place among responsible bodies, stakeholders, employers and other involved parties to plan and provide career guidance services. The MLSPP and SEA play the central role in provision of guidance to unemployed persons, jobseekers, and youth. Measures are implemented in accordance with the Active Employment Programme. The MoE has its own specific tasks to prepare youth for active citizenship, and to freely choose their professions and type of employment.

The Education Institute of the Republic of Azerbaijan has developed a methodological tool for career guidance practitioners (for all pillars of general education) and provides online and offline training for practitioners (mainly school psychologists). The SEA could more benefit from cooperation with Education Institute in improving capacity of career counsellors.

It is obvious that *vocational training* is important in ensuring individual with employment through re-skilling and up-skilling. Despite the fact that 118,499 persons were registered as job seeker and unemployed in 2017, only 3561 persons or 3% attended in vocational training. While this rate was 2.1% in 2018, it was 1.4% in 2019. Although the SEA has taken number of steps towards improvement of quality and imagine of vocational training, it is not still attractive among people. In order to make vocational training effective and attractive, the SEA should study labour market needs and increase the number of offered courses on specialities. Moreover, it is necessary to improve the educational resources. Currently there are 87 traditional and 92 modular training courses in various sectors of the economy.

The SEA organizes short-term training course in 4 VTCs in Baku, Ganja, Nakhchivan and Goychay districts. The annual graduation capacity of the 4 centres is over 4000 in total. This is around 3-3.5% of registered job seekers and unemployed. However, it is planned to increase the number of VTCs from 4 to 10 by 2030, taking into consideration the large number of registered job seekers and unemployed, the SEA should extend its cooperation with VET institutions and employers to meet the requirements.

Despite the fact that, the allocation from budget of the UIF for vocation training was increased from 1.8% (2018) to 4.6% (2021), the number of people attended in vocational training was decreased from 2559 in 2018 to 1014 in 2021.

The current training system is lacking with quality assurance mechanisms, but the SEA is planning to establish Quality Assurance Councils in Education within the Vocational Training Centers. Quality Assurance Council will approve training plans and programs in coordination with the SEA, provide feedback on training materials, review proposals to improve the level of training, determine tuition fees and duration of additional paid courses.

Coverage of *paid public works* expanded after the financial crisis in 2016. This activity is implemented by "DOST" Agency since 2018. In total 1,147 people benefited from the paid public works program in 2016. The number of beneficiaries increased to 30,000 in 2018 with AZN 80 million allocated from the state budget for this purpose. In 2019, 38,000 job places were created. Due to the COVID-19 pandemic, the number of job places was increased from 38,000 to 88,000 in April and May 2020. The goal is the initiative will cover 200,000 people registered as unemployed in the state employment service under the MLSPP. A number of young people also benefited from this program, but there is no data on the age of the beneficiaries.

EXPERT REMARKS

Availability of data

The valid, accurate and reliable data is essential in properly evaluating effectiveness of implemented active labour market services and measures. Evaluation enables to define shortages and identify possible areas for intervene. In this regard, recent years the Government of Azerbaijan has taken number of actions to improve statistical system. Thus, "State Program on Improvement of Official Statistics in the Republic of Azerbaijan between 2018 and 2025" was approved by Presidential decree on 14 February 2018. It is expected that implementation of the actions included to Program will lead to improvements in the field of social, economic and multidisciplinary statistics, metadata and classifications, legal, administrative and information provision for producing official statistical materials, increasing user satisfaction, international cooperation, and strengthening material-technical base and human resources capability.

Improvements in statistical system make it easy to access qualitative and quantitative data on achieved results on implemented ALMMs. Thus, available statistical data on population, education, labour market including number of registered jobseekers unemployed, employment/unemployment rate, counselling, vocational training, public paid works, expenditures enable to illustrate the current situation precisely.

Despite the fact that quite enough data is available, the findings of desk review found that data on some indicators either is completely missing or partially available in Azerbaijan. In this regard, disaggregated data on counselling service is based on expert estimation. Moreover, while data on job creation, employment incentives, transition from unemployment to employment is partially available, number of job vacancies by major occupational groups is completely missing.

Another challenge is lack of data on tracer studies. For example, there is not data on percentage of individuals who get employed after benefiting counselling service or attending in vocational training. Availability of these data plays crucial role in conducting policy impact assessment.

ACRONYMS

A.L.M.M.	Active Labour Market Measures
A.L.M.P.	Active Labour Market Policy
A.Y.F.	Azerbaijan Youth Foundation
C.E.I.S.	Centralized Electronic Information System
"DOST" Agency	Agency for Sustainable and Operative Social Provision
E.T.F.	European Training Foundation.
I.D.P.	Internally Displaced Peoples
M.L.S.P.P.	Ministry of Labour and Social Protection of Population
M.o.E.	Ministry of Education
S.S.C.	State Statistical Committee
S.E.A.	State Employment Agency
U.I.F.	Unemployment Insurance Fund
V.T.C.	Vocational Training Centres

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