



European Training Foundation

AZERBAIJAN

**EDUCATION, TRAINING AND EMPLOYMENT
DEVELOPMENTS 2021**

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KEY POLICY DEVELOPMENTS IN EDUCATION, TRAINING AND EMPLOYMENT

In 2020, Azerbaijan was hit by the triple shocks of the COVID-19 pandemic, reduced oil prices and an armed conflict with neighbouring Armenia. The national development strategy aims to reduce its dependence on oil and gas revenues and strengthen its resilience to external shocks through investments in diversified human capital, physical infrastructure, and more robust institutions. In this context, human capital is becoming a critical factor in promoting a prosperous, innovative and inclusive society, and the role of VET is more critical than ever.

The key challenges in human capital development (HCD) relate to skills shortages due to low participation in VET, the waste of human capital due to youth unemployment, and limited human capital development opportunities for adults.

Participation in secondary VET is one of the lowest in the Eastern Partnership (EaP) region, with 12.4% in 2020, compared with around 30% in Ukraine and 40% in Moldova and Belarus. The scope of VET provision is limited due to a lack of infrastructure and adequate training staff and a low interest in VET, as seen in the low enrolment numbers. The high proportion of young people in the population's overall structure is reflected in an increase in the share of young people in the working-age population. This trend will continue for some years. However, the availability of jobs is limited. Although the youth unemployment rate has been steadily decreasing over recent years, it is almost 2.5 times higher than the overall unemployment rate. With COVID-19, youth unemployment worsened. At present, there are limited opportunities for adult learning, skills and career development in Azerbaijan. Problems include the lack of adequate adult training facilities and offers, especially outside the bigger urban centres.

The Government of Azerbaijan (GoA) is acting on these challenges. Many policy measures have been introduced to change the course. The focus is on developing the relevant policy, institutional and legislative framework for the labour market and education for the next decade and possibly beyond.

The Strategic Roadmap for Vocational Education and Training (VET) 2016-2025 sets out the short-, medium- and long-term strategy for VET development. A comprehensive framework to improve the system sets the objectives to ensure radical improvements in VET. The creation of a new positive image for VET; establishment of a management structure for VET providers based on an improved public-private partnership; creation of a rationalised and optimised network of public VET providers; an increase in the attractiveness of the VET system to the private sector; and the design and establishment of 10 VET schools that will be equipped with high-end technology in their VET profiles are key priorities ahead.

The Employment Strategy for 2017-2030, aligned with the UN Global Initiative on Decent Jobs for Youth, aims to reduce the number of unemployed youths, lower unemployment rates, increase employment in SMEs and expand youth opportunities in VET. In January 2021, a new Action Plan was approved to implement the Employment Strategy in new economic circumstances. Its focus is on increasing the scope and scale of training measures, enhancing non-formal and informal learning validation, improving the labour market monitoring and forecasting system, developing workforce skills, and improving labour standards.

In this context, supporting skills development is one of the priorities for EU assistance to Azerbaijan, focusing on vocational education and training, to help the country have a better match between labour force skills and employers' needs. The EU Annual Action Programme (AAP) 2018 Education for Employment of 14.4 MEUR which is currently being implemented, is an important EU contribution supporting the HCD agenda of Azerbaijan.

1. KEY DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

▪ Political developments and the health situation

The Republic of Azerbaijan is in the Caucasus Mountains, in the South Caucasus region of Eurasia, a geographic area between Europe and Asia. The country borders Iran and Turkey in the south, Russia in the north, Georgia in the north-west and Armenia in the west. According to the Republic of Azerbaijan Constitution, the President of the Republic of Azerbaijan is the head of state and has executive power. The prime minister and cabinet are appointed and dismissed by the President. The 125 seats in Azerbaijan's unicameral Milli Mejlis, or National Assembly, are filled through elections in single-member districts, with members serving 5-year terms.

In 2020, Azerbaijan was hit by the triple shocks of the COVID-19 pandemic, reduced oil prices and an armed conflict with neighbouring Armenia. The economic downturn and pandemic response measures have affected vulnerable populations and increased poverty and inequity. The economy experienced its second recession since 2015, contracting by an estimated 4.3% in 2020. Lockdowns halted activity in nonhydrocarbon sectors, mainly travel, hospitality and domestic trade. The high uncertainty associated with COVID-19 has exacerbated Azerbaijan's economic and social challenges. (World Bank a, June 2021)

Concerning the pandemic, Azerbaijan was relatively successful in containing the first wave of the pandemic. Between March and May 2020, the country experienced less than 5,000 cases and 58 deaths. The first wave was kept under control due to the GoA swift action following the first confirmed COVID-19 case in February 2020. Between March 2020 and January 2021, three lockdowns were initiated. In response to the immediate health needs, the Government swiftly mobilised a health sector response, working with multiple partners to secure emergency supplies. (World Bank a, June 2021)

In January 2020, the Cabinet of Ministers issued the Action Plan to prevent the spread of COVID-19 in Azerbaijan. The Task Force was established in February 2020, consisting of senior officials of the relevant authorities to coordinate the measures to respond to the pandemic. In March 2020, the President of the Republic of Azerbaijan signed the Decree establishing a Special Coronavirus Response Fund. Around USD 12 million were allocated to the Fund from the President's Contingency Fund.

By mid-September 2021, 467,000 people had been infected with COVID-19 in Azerbaijan since the pandemic outbreak. Among those, 423,000 people recovered, and 6,227 died. Currently, there are 37,241 active cases. From the start of the vaccination programme until mid-September, around 40% of the total population had been fully vaccinated.

The military confrontation between Armenia and Azerbaijan was the most severe conflict escalation in the last 25 years. Fighting broke out in Nagorno-Karabakh on September 27, 2020, following months of increasing tension. A ceasefire agreement was signed between Armenia and Azerbaijan under the patronage of Russia on November 9, 2020. The war resulted in hundreds of people being killed and thousands wounded, including many civilians. Within six weeks, the hostilities caused severe damage to residential buildings and vital civilian infrastructure. This includes schools, hospitals, roads and electricity networks, creating long-lasting humanitarian consequences. The clashes have also caused the significant displacement of the civilian population due to heavy shelling. (European Commission, 2021)

▪ Demographics

The Republic of Azerbaijan includes Nakhichevan Autonomous Republic (NAR), ten economic regions (İqtisadi Rayonla), 66 regions (rayonlar) (sometimes referred to as districts), 79 towns, 261 settlements (qəsəbələr) (small villages) and 4,246 rural settlements (kənd yaşayış məntəqələri). At the beginning of 2021, the population of Azerbaijan was around 10 million. About 53% of the population live in urban areas and 47% in rural areas. The total population of the Nakhichevan Autonomous Republic accounted for 461.500. The people of the capital, Baku, reached 2.3 million. In 2006-2020, the average annual population growth rate was around 1.2%, one of the highest in Europe. Between 2000 and 2020, the urban population increased by approximately 23% and the rural population by 17%, indicating accelerated urbanisation processes (SSCa, 2021). However, this process is not uniform: Absheron and Baku are predominantly urban, while most economic regions remain rural.

The country has a young population. At the beginning of 2021, 22.8% of the total population was 14-29 years old (SSCa, 2021). The relative size of the 15-24 age group was 19.2% in 2020. The high proportion of youth in the population's overall structure is reflected in the increase in the share of young people in the working-age population. This tendency will continue for some years. In 2017-2025, 125,200 people will be entering the labour market every year, almost 2.5 times higher than the number of jobs created annually.

Azerbaijan hosts many Internally Displaced Persons (IDPs) due to the ongoing conflict with Armenia over Nagorno-Karabakh territory (which is now 30 years old). According to the Internal Displacement Monitoring Centre (iDMC), at the end of 2020, there were 735 000 IDPs¹. Furthermore, the number of new displacements due to conflict and violence is reported to be 84 000² for 2020 as a whole (iDCM, 2021). The Government continues to dedicate substantial resources and attention to improving the situation of IDPs. Since regaining control of Nagorno Karabakh, new IDP policy measures were introduced in 2021. In 2020, net migration was around 1.1%, accounting for 167,000 arrivals of foreigners requesting permanent residence, while about 56,000 permanently left the country.

▪ Economic developments

The Government's primary objectives before the COVID-19 pandemic were to speed up economic diversification; maintain rapid growth in the non-oil sector, regardless of the level of oil revenues; increase competitiveness, and expand export opportunities. The development concept 'Azerbaijan 2020: a look into the future' (2012) underlines the country's aspiration to become a knowledge-based economy, increase its competitiveness, and diversify its economic structure. Against the background of existing and emerging external events, 12 Strategic Roadmaps adopted by a Presidential Decree in 2016 outlining the policy measures are focusing on rebalancing the country's economy by supporting new high-tech sectors.

Being an important energy partner for the EU, Azerbaijan plays a pivotal role in bringing Caspian energy resources to the EU market³. After the economic decline of 2015 and 2016, Azerbaijan's economy started to improve from 2017-2019. However, the oil-gas sector has maintained its essential role in the country's economy, representing 40.2% of GDP in 2019 and accounting for 92% of total exports. Such a significant dependence on oil revenues adds vulnerability to the implementation of any social programmes. To reduce this dependence, the Government is pursuing a policy of economic diversification and implementing specific measures. However, the COVID-19 pandemic has affected employment, the development of agriculture, tourism, etc. As a result, GDP fell by 4.3% in real terms in 2020. Therefore, the Government approved the support programme to mitigate the negative impacts of COVID-19.

¹ The total number of IDPs corresponds to the total number of people who are internally displaced because of conflict or violence as of 31 December 2020.

² This figure refers to the number of movements, and not people, as individuals can be displaced several times, and the data iDMC collects does not always reflect this.

³ Facts and Figures about EU-Azerbaijan relationship, Factsheet, available at:

https://eeas.europa.eu/sites/eeas/files/eap_factsheet_azerbaijan_eng_web.pdf, accessed August 2021.

Despite these measures, the economy has been significantly affected. In January-July 2021, AZN 7,059 billion were invested in fixed capital, 12.1% less than the corresponding period of 2020. The volume of investments in the oil and gas sector decreased by 10.4%, while the amount invested in the non-oil sector decreased by 13.4%. In January-July 2021, banks in Azerbaijan achieved a net profit of AZN 408.9 m. However, the indicator has decreased by 4.5% compared to the same period in the previous year. In January-June 2021, the average monthly nominal salary of hired employees in the country's economy increased by 0.6% compared with the corresponding period in the previous year⁴. The average wage was AZN 724.4, based on data available from the State Statistics Committee. Overall, Azerbaijan's economic recovery will be gradual, with output returning to pre-COVID-19 levels only by the end of 2022.

The economic potential of SMEs in Azerbaijan remains mainly untapped. SMEs generated 13.4% of value-added and 42.9% of total employment in 2018, compared with 60% of value-added and 60-70% of jobs in OECD countries. Regarding the country's non-oil economy, SMEs generated 23.5% of value-added and 45% of employment. (OECD et al, 2020)

Recent assessments emphasised that, with vaccination ongoing and the economy gradually reopening, growth will increase in 2021. When the recovery is firmly underway, the authorities could continue withdrawing the COVID support measures slowly. Key policy priorities include designing and implementing reforms to diversify the economy and improve its resilience to unexpected shocks. This should be accompanied by reforms to facilitate private sector development, including an improved business environment, governance, transparency, and better access to finance (IMF, 2021).

In September 2020, the President of the Republic of Azerbaijan signed a decree on establishing a new management framework for economic policy and reform. As a result, The Decree of July 15, 2016, No 995, on establishing the Financial Stability Council of the Republic of Azerbaijan, has been abolished. The new Decree paves the way for the new Economic Council. The new structure was created to form a basis for the strategic management of economic policy, reflecting the country's national development priorities in the post-pandemic period. The Economic Council consists of two presidential aides, two assistants to the First Vice President, the Ministers of Economy and Finance, the Minister of Labour and Social Protection of the Population (MLSPP), the Chairman of the Central Bank and the Executive Director of the State Oil Fund.

In the past few years, Azerbaijan has been proactive in reforming its business environment. The Government's efforts were reflected in the 2020 edition of the World Bank's *Doing Business* report, which lists Azerbaijan 34th among 190 economies (Azerbaijan was ranked 65th in 2017 and 57th in 2018), with an overall score of 76.7. The World Economic Forum's *Global Competitiveness Report 2019* ranks Azerbaijan's economy as 58th out of 141 economies globally – thus, moving Azerbaijan up by 11 places compared with 2018. (WEF, 2019)

Azerbaijan 2030: National Priorities for Socio-Economic Development, approved by the President of the Republic of Azerbaijan February 2021, includes the objectives to be implemented over the next decade: *a steadily growing competitive economy; a society based on dynamic, inclusive and social justice; competitive human capital and space for modern innovations; great return to the liberated territories; a clean environment and 'green growth' in the country.* These national priorities are also important in implementing the commitments arising from the United Nations' document 'Transforming our World: the 2030 agenda for Sustainable Development, to which Azerbaijan assigns great importance.

⁴ [The number of people engaged in the economy and salaries | Azərbaycan Respublikasının Dövlət Statistika Komitəsi](#)

2. EDUCATION AND TRAINING

2.1 Trends and challenges

- **Education expenditure, access and participation**

In 2019, Azerbaijan's public expenditure on education was 2.7% of GDP, up from 2.5% in 2018. Overall, this figure is much lower than the 4.5% in Eastern European countries and the average for higher middle-income countries. Nevertheless, there was a notable increase in the 2019 budget allocations for education (up by almost 13% compared with 2018) that confirms the Government's commitment to improving the country's human capital. In general, VET expenditure as a share of total education expenditure is low. It fell from 2.1% to 1.4% during the past five years. The objective is to reverse this trend; therefore, in 2019, a total of AZN 39.6 million was allocated to the initial VET, which was AZN 11.7 million, more than in 2018.

Azerbaijan has moderate levels of educational attainment among its adult population. In 2020, most adults (aged 25-64) had medium-level education (76%), 16.6% had completed higher education, and 7.4% had primary education or lower. In addition, the share of VET students (ISCED 3) in 2020 was 12.4%, down from 14.0% in 2019.

The total number of students in Azerbaijan has increased, reaching 2.033 million in the 2019/20 academic year. Most of them (1.61 million) were enrolled in the general education system. In addition, there were 164,000 vocational education students and 56,000 specialised secondary education students. In the same academic year, the number of students in higher education was 196,000, an increase of 49,000 since 2010⁵. However, the country has a relatively small share of students in upper secondary VET International Standard Classification of Education (ISCED) Level 3 – 14.0% in 2019. The gross enrolment rate in tertiary education is also relatively low (27.24% in 2017)⁶, especially compared with the average of 33.4% for higher middle-income countries.

- **PISA**

Students' success in later stages of education and through life is deeply affected by their performance in general basic education. The Organisation for Economic Co-operation and Development's 'Programme for International Student Assessment' (PISA), organised every three years since 2000, tests the proficiency level of 15-year-old schoolchildren in reading, mathematics and science. Azerbaijan participated in the PISA 2018 research in April-May 2018 with the testing of 6 872 schoolchildren from Baku.

The PISA survey showed that Baku (Azerbaijan) students ranked below the OECD average in all main subjects. Only 2% of students scored Level 5 or higher in mathematics (OECD average: 11%). Six Asian countries and economies had the most significant shares of students who scored Level 5 or higher: Beijing, Shanghai, Jiangsu and Zhejiang (China) (44%), Singapore (37%), Hong Kong (China) (29%), Macao (China) (28%), Chinese Taipei (23%) and Korea (21%). These students could model complex situations mathematically and select, compare and evaluate appropriate problem-solving strategies for dealing with them (OECD, 2019b; Avvisati et al., 2019). In the post-Soviet region, Azerbaijan only does better than Georgia and Kazakhstan, but only marginally. Test results were equally unimpressive in science, with a score of 398, far below the OECD average of 489. Overall, the survey among the students showed the following underachievement rates: 60.4% for reading, 50.7% for mathematics, and 57.8% for science. The survey only covered Baku – it is likely that the results

⁵ State Statistical Committee of Azerbaijan, Last update on 21 October 2020, available at <https://www.stat.gov.az/source/education/?lang=en>, accessed on 3 September 2021, 'Main indicators' section.

⁶ <http://uis.unesco.org/country/AZ>

would have been even poorer if it had also covered the rest of the country. The PISA results also highlighted a lack of creative thinking skills and weak school discipline (Gulylev, 2020).

- **NEETs**

The share of young people not in education, employment or training ('the NEET rate') represents the number of young people aged 15-24 not in education, employment or training as a percentage of the total youth population. It serves as a broader measure of potential youth labour market entrants than youth unemployment since it includes young people outside the labour force who are not in education or training. In Azerbaijan, the share of NEETs was 17.7% in 2019. There is a NEETs gender gap in Azerbaijan, with more women being NEETs than men. In 2019, 16.0% were men, and 19.6% were women. Over the past decade, the NEETs rate has shown a modest decrease. In 2010, it stood at a high of 22.1%, while in 2015, it was 18.0%. However, since 2020 and the outbreak of the COVID-19 pandemic, the NEETs rate is expected to have increased. The Employment Strategy adopted in 2018 sets important targets for young people, with the objective that by 2030 the proportion of young NEETs should have fallen to 15%.

- **Education during the COVID-19 pandemic**

Azerbaijan adopted a robust strategy to adapt education to the COVID-19 disruption and to minimise the impact of the pandemic on students. The temporary closure of all educational institutions in Azerbaijan started in March 2020. In the first week of September 2020, new curricula were approved by the Ministry of Education on the teaching and learning process in educational institutions during the quarantine regime imposed on account of the COVID-19 pandemic⁷.

Television classes have been broadcast on national television channels. Recorded television classes are also available online on a learning platform of the Ministry of Education. Weekly broadcasting interactive sessions, in addition to television classes, have been one of the approaches used. Support has been provided to the teachers and educational authorities in launching online classes for various student groups and delivering training for teachers. In addition, the Ministry of Education has rolled out a new educational platform, 'Virtual School'. Based on Microsoft Teams, Virtual School reaches schools and higher education institutions. It reshapes the way Azerbaijani students and teachers approach learning. The platform also serves the larger purpose of constantly improving teaching methods and keeps students engaged with their lessons. The improvements of the platform continued in 2021.

The closure of educational institutions, including childcare facilities, in early March 2020 had negative impacts on learning and social skills for students of all ages. Despite various initiatives launched by the Ministry of Education to ensure the continuity and sustainability of education, the digital divide reduced learning effectiveness for students without access to technology. For the new school year 2021/2022, the WHO and UNICEF are urging countries, including Azerbaijan, to keep schools open while putting in place measures to minimise the risk of COVID-19, including implementing a national vaccination strategy, which is playing a vital role in school reopening.

2.2 VET policy and institutional setting

- **The strategic and legal framework of VET and adult learning**

'Azerbaijan 2020: A look into the future' (2012) and the 'National Strategy for the Development of Education' (2013) set out the state policy on achieving higher levels of human capital development, increasing the quality of the education system and strengthening the competitiveness of knowledge-based industries. The expected diversification of the economy requires a modernised VET system. Therefore, the Ministry of Education declared VET a medium-term priority for 2016-2020. The Strategic Roadmap for the Development of Vocational Education and Training, one of the 12 Strategic

⁷ European Training Foundation, 'Mapping COVID-19: The Overview' July 2020, www.etf.europa.eu/en/news-and-events/news/mapping-covid-19-overview

Roadmaps for the National Economy and Main Economic Sectors (2016), sets out the short-, medium- and long-term strategy for VET development. In parallel with the implementation of the roadmaps, new monitoring and evaluation mechanisms started to emerge. Each of the roadmaps contained a set of targets to be reached. As an example, one of the targets of the Strategic Roadmap for VET was to increase participation in VET programmes by 50% by 2020⁸.

The New State Programme on increasing the International Competitiveness of the Higher Education System in the Republic of Azerbaijan for 2019-2023 aims to ensure the sustainable development of human capital in the country. The programme aims to develop a new generation of professionals utilising the latest scientific and innovative educational technology and modernise the content by introducing dual-diploma programmes. Although the programme's focus is higher education, vocational education will benefit from the supply of highly trained teachers and engineers⁹.

In April 2018, a Vocational Education Law was adopted for the first time in the country's history. The law defines principles of state policy in the field of vocational education. It provides an organisational, legal and economic basis for the VET system. To implement the VET reforms envisaged in 2019 and 2020, the Government actively developed secondary legislation covering various aspects of VET. This includes the development of occupational standards, rules of admission to vocational education institutions, the assessment of students and the transition from various levels of study.

Furthermore, the Vocational Education Law and the Strategic Roadmap for the Development of VET in the Republic of Azerbaijan prioritise providing a relevant legislative framework for the organisation of adult education and further training courses in vocational education institutions.

The Decree on a National Qualifications Framework for Lifelong Learning of the Republic of Azerbaijan (AzQF) was adopted in July 2018. AzQF supports Azerbaijan's convergence to the European Higher Education Area and is aligned with the European Qualifications Framework for lifelong learning. The AzQF includes qualifications for general education, initial vocational education and training, specialised secondary education (sub-bachelor education), higher education and further education/adult learning. Qualifications can be obtained through formal, non-formal and informal learning.

To meet the needs of the labour market for a qualified workforce, the Cabinet of Ministers amended the classification of specialities in vocational education (Decision 310 of October 14, 2021). In this regard, a new speciality group, 'Cosmetology', was added, which includes 'Cosmetologist, technician', 'Kosmesevt' and 'Masseur' specialities. In addition, the number of technology-related specialities has been updated and new content introduced¹⁰.

In 2021, the modernisation of the vocational education institutions under the Ministry of Education continued. The Baku State Vocational Education Center for Railways and Metro, Gabala State Vocational Education Center and Ganja State Vocational Education Center for Industry and Technology acquired the status of public legal entities. At the same time, the Ismayilli Vocational Training Center received the status of Vocational Education Center. For the 2021/2022, an online student admission process was carried out in 66 vocational schools. As a result, the number of applicants increased by 26% compared with last year, and the number of students admitted by 12.5%.

Participation of adults in education and training is limited, and there are several obstacles. The MLSPP has started significant reform of the Vocational Training Centers (VTCs). As a result, training

⁸ For more information on the strategic targets, see the Strategic Roadmap for VET, p. 16, available at <https://monitoring.az/assets/upload/files/6381dda5389fb17755bbb732a9c7d708.pdf>.

⁹ <http://www.twinning4he.edu.az/>

¹⁰ <https://nk.gov.az/az/document/5625/>

opportunities for adults and Continuing Vocational Training in Azerbaijan started to improve. Nevertheless, this will remain challenging for some time ahead¹¹.

- **VET governance and financing arrangements**

The VET governance in Azerbaijan is evolving. The State Agency on Vocational Education (SAVE), established in 2016, is the leading institution in the field. However, its authority is limited to VET institutions under the Ministry of Education (MoE). This is also affecting the development of adult education in Azerbaijan, which is not coordinated or institutionalised by being based on a unifying principle as in most European countries. Furthermore, even though SAVE has the authority to manage the VET institutions under the MoE, decision-making and policy implementation are coordinated with either the MoE or other related government institutions. Thus, for example, the financing or construction of new VET institutions, approval of VET curricula, and monitoring and quality assurance of private or public VET institutions are not implemented by SAVE.

The two recently established bodies that will play an essential role in further implementation of the AzQF are the Lifelong Learning Unit at the Institute of Education and the Education Quality Assurance Agency. The Education Institute develops educational standards and curricula and curriculum and assessment issues, and the Lifelong Learning Unit will act as a focal point for the AzQF.

The MoE allocates resources for VET schools considering various factors, such as school size, the number of students, expenditure for the school, etc. However, the allocation of resources does not take into account the infrastructure and material base needs. One of the strategic targets identified in the VET strategic roadmap is to build an outcome-based robust financing system. The objective is to incorporate a performance-based rewards mechanism for vocational education institutions and teaching staff to ensure the efficient use of funds and improve the quality of VET provision. Furthermore, priorities have been set to identify additional public, private and international funding sources to support development of the VET system. It is also important to develop a strategy for the monitoring and managing non-budgetary funds. The funding is planned to provide flexible solutions to issues such as the financial stimulation of teaching staff and an improvement of the material base, infrastructure and equipment based on modern standards.

A Fund for the Development of VET was established in August 2020. Its mandate includes the provision of financial assistance for the development of vocational education.

- **Quality, quality assurance and Work-Based Learning**

The Education Quality Assurance Agency was established in December 2019 by reorganising the former Accreditation and Nostrification Department of the Ministry of Education into the newly public legal entity. The main tasks related to managing the processes of (i) accreditation of educational institutions; (ii) recognition of foreign credential; (iii) recognition and validation of non-formal and informal learning; and (iv) providing advice and methodological support for the development of internal quality assurance systems in education institutions. For quality assurance at the VET school level, the regulations on the monitoring of vocational education institutions as of March 2018 provide for the monitoring of VET institutions in curricula, personnel, educational infrastructure and teaching processes. SAVE implements the monitoring.

The reform agenda is also affecting VET schools. In February 2019, the Cabinet of Ministers approved a new statute on VET institutions. The new statute transforms vocational institutions into public legal entities. It allows them greater freedom in providing services, including financial management. In addition, to increase participation and ensure access to education and training, the President signed a decree that increases scholarships for higher, secondary and vocational education students.

¹¹ For more information on new policy measures to improve vocational training, see section 3.2. of this paper.

Furthermore, measures have been taken to improve the quality of teaching in the VET schools. Teachers' salaries have also been doubled¹².

The relationship between the VET system and business sectors is weak and not systematic. Most VET programmes are implemented in schools where the quality is not very high due to the lack of workshops/laboratories with adequate equipment and machinery or materials. The programmes are run by 'production masters' who oversee practical training and non-teaching staff. Work-based learning (WBL) initiatives are being piloted in several international projects. The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ, a German Development Agency) has established dual-like VET pilot schemes in agriculture and tourism with financial support from the European Union (EU). In partnership with the SAVE and hotels, the British Council in Azerbaijan has piloted an apprenticeship model for the hospitality sector.

The various government initiatives, including the VET Law and the Strategic Roadmap for VET, demonstrate companies' involvement in VET. Partnership with the private sector is considered crucial to ensure the quality and relevance of VET concerning the needs of the labour market. Accordingly, SAVE has initiated cooperation with the private sector over the past few years.

- **Digital education and skills**

Digital skills and competencies are usually reflected in policies and strategies relating to all education levels. The Law on Education regulates the roles of the state and education institutions in digital skills and competencies. The statutes of SAVE, which operates under the auspices of the Ministry of Education, provide for developing a digital resource framework for VET. The policy basis for developing electronic textbooks, video lessons and other materials can be found in this document and other relevant regulatory acts. Digital skills are embedded in the existing legislation (national qualifications framework – NQF), general education legislation and State Standards for VET as key competencies for VET and lifelong learning. Azerbaijan's NQF for Lifelong Learning, approved by the Cabinet of Ministers in 2018, outlines digital skills in all descriptors.

- **Donor support to VET for young people and adults**

The AAP 2014 EU Support to Education in Azerbaijan (EUR 19 million), which finished in 2020, provided significant investment in various projects in the VET sector. The projects included upgrading higher education standards and improving the regulatory and policy framework for VET. The VET schools' grants programme that supported several of the country's regions (Ganja, Jalalabad, Barda, Gakh, Gabala and Ismayilli) aimed to enhance the impact of VET and its relevance to the private sector. Future EU-Azerbaijan cooperation will focus on modernising the education system from pre-school to tertiary education¹³.

The EU AAP 2018 Education for Employment programme of EUR 14.4 million signed in December 2019 seeks to: i) develop the legal and institutional basis at all levels of education according to the requirements of an Outcomes-Based Qualification System (OBS) for Lifelong Learning (LLL); ii) design a credit system and improve quality-assurance in VET; iii) modernise selected VET institutions for delivering competency-based training; and iv) enhance the system for skill needs/anticipation and develop mechanisms for assessment of competencies to minimise skills mismatch. Implementation of the programme started at the beginning of 2020 and will be completed by the end of 2024.

As part of this EU AAP 2018, since October 2020, the United Nations Development Programme (UNDP) has implemented an action 'VET for the future: development of VET providers' excellence in Azerbaijan' of approx. EUR 5.6 million. The objective is to support the Government of Azerbaijan in

¹² For more information on targets, see the Strategic Roadmap for VET, p. 16, available at <https://monitoring.az/assets/upload/files/6381dda5389fb17755bbb732a9c7d708.pdf>.

¹³ Recommendation No 1/2018 of the EU-Azerbaijan Cooperation Council of 28 September 2018 on the EU-Azerbaijan Partnership Priorities: https://eeas.europa.eu/sites/eeas/files/eu4business_azerbaijan_en.pdf

creating a high-quality VET system. This action is aimed at providing continuing support to the State Agency for Vocational Education (SAVE). The focus is on creating a coherent national VET system, addressing institution building, system development and system delivery issues. Overall, the focus is on three main pillars: the introduction of innovation in selected VET providers, infrastructure and equipment modernisation in selected VET providers, and the development of networking and capacity building for all VET providers in Azerbaijan. Another EU-funded Twinning Project, part of the EU AAP 2018, which is planned to start towards the end of 2021, will aim at quality improvement in vocational education by introducing self-assessment, peer reviews and performance monitoring mechanisms. It will support SAVE in the development of policy and procedures for quality assurance in the VET system.

3. LABOUR MARKET AND EMPLOYMENT

3.1 Trends and challenges

Analyses of the data before the COVID-19 pandemic indicated that Azerbaijan has a relatively high economic activity rate, a low unemployment rate and a high level of flexibility. The activity rate reached 70.9% in 2020 (up from 66.7% in 2010), with differences between the rates for men and women (78.4% and 64.4%, respectively). The employment rate was 65.8% in 2020, much higher for men (73.7%) than for women (59.0%). The overall unemployment rate increased in 2020 to 7.2%, up from 4.8% in 2019. It is higher for women (8.4%) than for men (6.0%).

The service sector is the largest source of employment, providing jobs for almost half of the workforce (49.1% in 2020). The agricultural sector accounts for the smallest share of GDP (6.9%) but employs around 36% of the workforce, suggesting subsistence-type farming and low productivity. It also generates around two-fifths of household income in rural areas. The industrial sector accounts for the lowest share of employment (14.6% in 2020) but the highest share of GDP (41.4%). Interestingly, data from 2018 show that while oil and gas are crucial for economic growth, the sector only employs 1.1% of the labour force. Growth sectors are identified as construction (7.2%), finance, real estate, and the ICT sector. Even though the latter three sectors only constitute 3.7% of total employment, they are said to be growing and flourishing sectors in Azerbaijan. Concerning web-based platform work, the most popular platform occupation among Azerbaijani workers is in the IT area and was software development and technology work¹⁴.

In the future, a boost is expected in the green economy, as Azerbaijan's key objective until the 2030 strategic vision is to ensure sustainable and green growth, including the transformation of its oil sector. By 2030, Azerbaijan targets a 35% reduction in greenhouse gas (GHG) emissions compared with the 1990 base year as its contribution to the global climate change efforts. Mitigation measures are proposed for various sectors. The transport sector, where significant investment is planned, includes the use of environmentally-friendly forms of transport, including electric vehicles for public transport, the electrification of railway lines and an expansion of the intelligent transport management system.

As a result of recent market-oriented reforms and structural changes, the number of people employed in the private sector has increased. An essential characteristic of the employment structure is a high level of self-employment, which has risen noticeably since 2000, reaching 66.6% in 2019. Self-employment has increased across all sectors, particularly in agriculture and construction. The proportion of informality is high, mainly in agriculture and other sectors, such as transport, manufacturing, trade and construction.

Employment in Azerbaijan is characterised by a high proportion of informal employment, as only around 32% of employees have labour contracts. The incidence of vulnerable employment is also high, standing at 53.2% in 2020, with a minor decrease from 57.6% in 2010. The negative features of the country's labour market include relatively high youth unemployment, a massive shift towards low-skilled occupations, a high percentage of vulnerable employment and higher growth in wages than in labour productivity.

The youth unemployment rate (15-24 age group) reached 15.1% in 2020, up from 12.4% in 2019. It is 2.6 times more than the total unemployment rate and is higher among women than men (17.3% and 13.1%, respectively). Young women are more likely to be affected by vulnerable and marginal work than men. The high unemployment rate among young people compared with general unemployment can be explained by the limited job opportunities and lack of work experience. Overall, based on the

¹⁴ For more information on platform work, see ETF, New forms of employment in the Eastern Partnership countries: platform work – Azerbaijan Country profile, 2021.

2020 results of the Labour Force Survey (LFS), around 1.37 million young people aged 15-29 were economically active, of which about 1.22 million were employed. The number of unemployed young people aged 15-29 was 154,100, of which 69,900 were men and 84,200 were women. (SSCd, 2021) In 2019, 24,000 young people were provided a job by the employment service offices, while 23,400 were registered as unemployed. (SSCc, 2020)

At the end of 2019, some 81,272 people were registered as unemployed at the State Employment Agency and receiving unemployment insurance benefits. The average monthly amount paid in December 2019 was AZN 276. Following a calculation based on ILO methodology, Azerbaijan reported 255,000 unemployed at the beginning of 2020. In the second half of the year, the number had reached 337,000.

Labour Market Information (LMI) in Azerbaijan comes from various sources, typically including the Population Census (the last one was carried out in 2019), Labour Force Survey (LFS) and enterprise reporting. An LFS is carried out according to internationally standardised methodology introduced by the International Labour Organization (ILO). The LFS sample typically covers around 1% of all households in a country, while the Population Census includes all the households. The coverage and sampling method used for the LFS usually allows for estimates that are representative, for example, at the level of larger regions, gender or age group. Enterprise reporting is based on the monitoring of enterprises, typically performed by the national statistical office. The reporting is obligatory for all enterprises in the country (or for enterprises of a specific size in terms of employees).

Another essential source of LMI in Azerbaijan is the Labour Contract Database, which the MLSPP maintains. It is a unique source of information that cannot be found in many other countries. The special features are the obligatory nature of the reporting (which the employers respect) and the availability of both demand and supply data. The database provides information about both the employer and employee. Public Employment Service data usually cover only registered jobseekers. A small number of all vacancies arising from job-to-job transitions and internal business transitions are beyond the radar of the employment services.

Since independence, the development of the oil and gas sectors have given Azerbaijan new means of combating poverty and supporting the economic wellbeing of citizens. Azerbaijan's GDP per capita rose from a post-independence low of only USD 470 in 1995 to USD 4,814 in 2019. Economic growth, social transfers and, in particular, pensions and targeted social assistance helped reduce poverty from 49% of the population in 2002 to 5.1% in 2018. Although the country is rapidly urbanising, around 47% of the population reside in rural areas. As in many other developing countries, poverty in Azerbaijan is concentrated in non-urban areas. There is a significant disparity in income between urbanised and rural areas. Household welfare deteriorated markedly in 2020. Poverty is estimated to have risen due to a rise in unemployment associated with the recession. The number of unemployed increased by an estimated 124,300 people in 2020. Fiscal measures only partially mitigated the pandemic's negative impact on households. (World Bank b p.3, 2021)

The State Social Protection Fund of the MLSPP paid social security benefits to more than 2.3 million people in May 2020. Some 350,000 family members from 83,000 families received targeted social assistance. The number of unemployed people receiving social benefits at the end of December 2020 was 401,200. The average amount paid was AZN 118.40. (SSCb, 2021)

3.2 Employment policy and institutional setting

▪ Strategy and legal framework in the employment policy field

The Employment Strategy for 2019-2030, aligned with the UN Global Initiative on Decent Jobs for Youth, based on 16 key targets, aims to reduce the NEETs, lower unemployment rates, increase employment in SMEs and expand opportunities for young people in VET. One of the key targets by 2030 is to increase the proportion of the population formally employed in the non-agriculture sector to 80%, from the baseline of 48.1% in 2017. The Strategy also targets increasing the scope and scale of training measures and the validation of non-formal and informal learning. The new Action Plan approved in January 2021 includes measures dedicated to improving the monitoring and forecasting system of the labour market, as well as developing the skills of the labour force and improving labour standards.

From 2018 the Law on Employment introduced an economic and organisational basis for state policy on the promotion of employment. In addition, it established the legal basis for the provision of Active Labour Market Programmes (ALMPs). The Ministry of Labour and Social Protection of the Population (MLSP) is actively working on developing secondary legislation to ensure the effective implementation of the new law. The law was updated significantly in 2021, covering apprenticeships and vocational training.

Decree No 1077 of June 2021 states that the State Employment Agency (SEA) is a public legal entity responsible for the organisation of active employment measures, the management of unemployment insurance funds, measures for the social protection of job seekers and the unemployed, and the control of compliance with the Law on Employment. It also operates in the field of labour market analysis and control measures relating to the detection and prevention of informal employment, providing information, and public-awareness campaigns, etc. The SEA operates under the Ministry of Labour and Social Protection of the Population of the Republic of Azerbaijan.

In July 2019, the National Observatory on Labour Market and Social Protection Affairs was established under the MLSP. It is envisaged that the observatory will collect, analyse and publish information on the supply of and demand for occupations and skills, support evidence-based policymaking, and make an essential contribution to adapting education and training provision to the needs of the labour market.

▪ Initiatives to boost employment

In Azerbaijan, career guidance is one of the active labour measures combined with the vocational training of the unemployed and job seekers, providing support to the self-employed, organising job fairs and labour exchanges, paid public works, etc., in order to boost employment. According to data from the MLSP, career guidance services were provided to around 119,000 people in 2018 and 135,000 people in 2019. This is about 2.3% and 2.6% of the economically active population in 2018 (513,000) and 2019 (519,000), respectively. However, the lockdown in 2020 and partial lockdown in 2021 due to the COVID-19 pandemic left adults without access to vocational training courses.

In May 2020, the MLSP announced plans to establish vocational training centres (VTCs) in the Guba, Barda and Sheki regions. The aim is to build a modern infrastructure for the organisation of training courses for unemployed and job-seeking citizens in these regions following the labour market requirements. Vocational courses will be organised in these centres for those who have difficulty in obtaining a suitable job due to their lack of profession or specialisation, or who need to change their career due to the lack of employment on the labour market, which is now also very pronounced owing to the COVID-19 crisis. Graduates will be provided with vocational certificates and employment in new professions. At present, the ministry has established vocational training centres in Baku, Goychay and Ganja.

The SEA provided 42,400 unemployed people and job seekers with active employment measures in January-April 2021. As a result, 38,217 of them were provided with suitable jobs. In addition, 4,158

people were involved in the self-employment programme, which allows unemployed people and jobseekers to start small businesses.

In 2021, a new Youth Employment Programme was implemented. The measures assist young people in successfully developing their careers and finding a job; create additional employment (especially in the regions), and increase competition in the labour market. Vocational and higher education graduates under the age of 29 participate in the programme and are awarded a minimum 1-year employment contract funded by the Youth Fund for a specific period. Various vulnerable groups are benefiting from the Youth Fund, particularly in the context of COVID-19.

- **Initiatives to increase the capacity of the public employment services**

The State Employment Service (SES) consists of a central office in Baku, 83 regional employment centres, and VTCs that are undergoing significant restructuring and improvement. In 2019, the MLSPP established the new Agency for Sustainable and Operational Social Security (DOST) as part of its operational structure. The first DOST centre was opened in Baku and, by 2025, 31 DOST centres will become fully functional across the country. DOST centres provide a wide range of social services, including employment services.

In 2021, citizens in Azerbaijan continue to rely on the Centralised Electronic Information System of the MLSPP that provides information on 'Employment Contract Notification', 'Targeted Assistance', 'Disability', 'Insurance', 'Pensions', 'Employment', 'e-Reference' and others. Electronic services continue to be provided to the population in these areas through various subsystems and platforms available through the MLSPP.

Career guidance services are funded by the budget of the Unemployment Insurance Fund (UIF). Reviewing laws on the Unemployment Insurance Fund (2018, 2019 and 2020) show that AZN¹⁵ 1.15 million, AZN 1.3 million and AZN 2.0 million were allocated for career guidance services in 2018, 2019 and 2020, respectively. These amounts represent 1.3% of the Fund's budget in 2018, 1.3% in 2019 and 1.6% in 2020.

The objective of the MLSPP is to strengthen the role of SEA in the organisation of short-term training courses (up to 6 months) for unemployed people and jobseekers. As part of the ongoing reforms, the legal status of the SEA was changed to that of a public legal entity in 2020. Therefore, there is a comprehensive plan on developing VTCs: i) expansion of the infrastructure of VTCs; ii) improvement of the legal/institutional system; and iii) improvement of the quality of the training content.

In 2021, four VTCs are delivering short-term training courses for adults to support them in finding a job. According to the Employment Strategy, the number of VTCs will be increased from four to 10 by 2030. At present, reconstruction works are continuing for the Baku and Goychay VTCs. It is also necessary to carry out a number of finalisations works for the Ganja VTC. New charters have been approved to boost the activities of the VTCs. As a result, in April 2021, the Territorial Tax Offices of the State Tax Service under the Ministry of Economy registered the Charters of Baku VTC, Goychay VTC and Ganja VTC, based on the MLSPP Board's decision of February 2021. The new charters transform the VTCs into public legal entities, with opportunities and flexibility in organising vocational training. The MLSPP plans to open new VTCs in the city of Baku and in the Barda, Guba and Shaki regions in 2022. In addition, there is a plan to open new VTCs in Azerbaijan's recently liberated areas, namely the Karabakh region.

- **Donor support to the employment policy field**

¹⁵ EUR 1 = AZN 1.96, Central Bank of Azerbaijan, exchange rate on 7 October 2021.

The EU support project 'Strengthening the capacity of the MLSPP', representing funding of around EUR 1.2 million in skills anticipation and workforce planning, and supporting the establishment of a National Labour Observatory, started in February 2020. Implementation of this project is expected to be completed in 2022.

In March 2020, the World Bank approved a USD 100 million loan to finance the Azerbaijan Employment Support Project. The objective is to help the most vulnerable attain employment and income by promoting self-employment opportunities in the labour market where job opportunities are currently scarce. The project will focus specifically on women, young people, people with low levels of education and internally displaced people. Implementation of this project is expected to be completed in December 2025.

The project 'Promoting Youth Employment through improved Job Search Skills' and 'Networking at Systems Laboratory for Innovation and Employment (SYSLAB) Employment Centres in Masalli and Ganja' is being implemented by the UNDP. The project addresses the challenge of fostering a more innovative spirit, reducing the unemployment rate, and strengthening technology-based SMEs in Azerbaijan. It is being implemented jointly with the MLSPP and is based on the SYSLAB methodology.

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STATISTICAL ANNEX – AZERBAIJAN

The annex includes annual data from 2010, 2015, 2019 and 2020, or the last available year.

	Indicator	2010	2015	2019	2020	
1	Total population (in thousands) ⁽¹⁾	9,054.3	9,649.3	10,024.3	10,110.1	
2	Relative size of the youth population (15-24 age group and age in the denominator 15-64%) ^{(1) (c)}	28.6	23.5	19.8	19.2	
3	GDP growth rate (%)	4.8	1.0	2.5	-4.3	
4	GDP by sector (%)	Agriculture value added	5.5	6.2	5.7	6.9
		Industry value added	60.0	44.9	48.8	41.4
		Services value added	28.2	40.7	37.0	42.5
5	Public expenditure on education (as a % of GDP)	2.8	3.0	2.5 (2018)	MD	
6	Public expenditure on education (as a % of total public expenditure)	8.7	7.6	7.4 (2018)	MD	
7	Adult literacy (%)	99.8 ^(e)	99.8	99.8 (2017)	MD	
8	Educational attainment of the adult population (aged 25-64 or 15+) (%) ^{(2) (3)}	Low	MD	7.5	7.2	7.4
		Medium	MD	76.2	76.2	76.0
		High	MD	16.3	16.6	16.6
9	Early leavers from education and training (aged 18-24) (%)	Total	MD	MD	MD	MD
		Male	MD	MD	MD	MD
		Female	MD	MD	MD	MD
10	Gross enrolment rates in upper secondary education (ISCED level 3) (%)	MD	MD	81.6 ^e	MD	
11	Share of VET students in upper secondary education (ISCED level 3) (%) ⁽⁴⁾	13.2	13.5	14.0	12.4	
12	Tertiary education attainment (aged 30-34) (%)	MD	MD	MD	MD	
13	Participation in training / lifelong learning (25-64 age group) by sex (%)	Total	MD	6.5 (2014)	MD	MD
		Male	MD	7.6 (2014)	MD	MD
		Female	MD	5.3 (2014)	MD	MD

	Indicator		2010	2015	2019	2020
14	Low achievement in reading, mathematics and science – PISA (%) ⁽⁵⁾	Reading	N/A	N/A	60.4 (2018)	N/A
		Mathematics	N/A	N/A	50.7 (2018)	N/A
		Science	N/A	N/A	57.8 (2018)	N/A
15	Activity rate (aged 15+) (%)	Total	66.7	69.7	70.7	70.9
		Male	69.7	77.6	78.3	78.4
		Female	63.9	63.0	64.1	64.4
16	Inactivity rate (aged 15+) (%)	Total	33.3	30.3	29.3	29.1
		Male	30.3	22.4	21.7	24.6
		Female	36.1	37.0	35.9	35.6
17	Employment rate (aged 15+) (%)	Total	63.0	66.3	67.3	65.8
		Male	66.7	74.4	75.2	73.7
		Female	59.5	59.3	60.4	59.0
18	Employment rate by educational attainment (% aged 15+) ⁽³⁾	Low	MD	32.3	34.1 (2017)	MD
		Medium	MD	66.6	67.1 (2017)	MD
		High	MD	74.8	75.4 (2017)	MD
19	Employment by sector (%)	Agriculture	38.2	36.4	36.0	36.3
		Industry	13.7	14.0	14.7	14.6
		Services	48.1	49.6	49.3	49.1
20	Incidence of self-employment (%)		68.1	67.8	66.7	65.3
21	Incidence of vulnerable employment (%)		57.6	55.5	54.3	53.2
22	Unemployment rate (aged 15+) (%)	Total	5.6	5.0	4.8	7.2
		Male	4.4	4.1	4.0	6.0
		Female	6.9	5.9	5.7	8.4
23	Unemployment rate by educational attainment (aged 15+) (%) ⁽³⁾	Low	MD	9.4	9.7	15.3
		Medium	MD	4.6	4.6	6.7
		High	MD	4.7	4.0	5.4
24	Long-term unemployment rate (aged 15+) (%)		3.8	3.3	3.0	MD
25		Total	14.9	13.4	12.4	15.1

	Indicator		2010	2015	2019	2020
	Youth unemployment rate (aged 15-24) (%)	Male	13.9	11.4	10.9	13.1
		Female	16.0	15.8	14.2	17.3
26	The proportion of people aged 15-24 not in employment, education or training (NEETs) (%) ^e	Total	22.1	18.0	17.7	MD
		Male	22.0	15.5	16.0	MD
		Female	22.1	20.7	19.6	MD

Last update: September 2021

Sources:

Indicators 8, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24 & 25 – The State Statistical Committee of the Republic of Azerbaijan

Indicators 1, 2, 3 & 4 – World Bank, World Development Indicators database

Indicators 5, 6, 7 & 10 – UNESCO Institute for Statistics

Indicator 14 – OECD PISA database

Indicator 26 – ILOSTAT

Notes:

(1) Mid-year estimations

(2) Values refer to the active population.

(3) Low: main and primary education; medium: secondary, vocational and specialised secondary education; high: higher education

(4) Values refer to the ratio of the total number of trainees in primary vocational education institutions compared with the total number of trainees at the full secondary education level.

(5) Results are available for Baku only.

Legend:

c = ETF calculations

e = Estimates

NA = Not applicable

MD = Missing data

ISCED = International Standard Classification of Education

PISA = Programme for International Student Assessment

ANNEX: DEFINITIONS OF INDICATORS

	Description	Definition
1	Total population (in thousands)	The total population is estimated as the number of people having their usual residence in a country on January 1 of the respective year. When information on the usually resident population is not available, countries may report legal or registered residents.
2	The relative size of the youth population (age group 15-24) (%)	This is the ratio of the youth population (aged 15-24) to the working-age population, usually aged 15-64 (74)/15+.
3	GDP growth rate (%)	The annual percentage growth rate of GDP at market prices is based on constant local currency. Aggregates are based on constant 2010 US dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.
4	GDP by sector (%)	The proportion of value-added from Agriculture, Industry and Services. Agriculture corresponds to ISIC divisions 1-5 and includes forestry, hunting, and fishing, as well as the cultivation of crops and livestock production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3 or 4.
5	Public expenditure on education (as% of GDP)	Public expenditure on education is expressed as a percentage of GDP. Generally, the public sector funds education either by directly bearing the current and capital expenses of educational institutions or by supporting students and their families with scholarships and public loans as well as by transferring public subsidies for educational activities to private firms or non-profit organisations (transfer to private households and companies). Both types of the transaction together are reported as total public expenditure on education.
6	Public expenditure on education (as% of total public expenditure)	Public expenditure on education is expressed as a percentage of total public expenditure. Generally, the public sector funds education either by directly bearing the current and capital expenses of educational institutions or by supporting students and their families with scholarships and public loans as well as by transferring public subsidies for educational activities to private firms or non-profit organisations (transfer to private households and companies). Both types of transactions together are reported as total public expenditure on education.
7	Adult literacy (%)	Adult literacy is the percentage of the population aged 15 and over who can both read and write a short, simple statement on their everyday life and understand it. Generally, 'literacy' also encompasses 'numeracy' – the ability to make simple arithmetic calculations.

	Description	Definition
8	Educational attainment of the adult population (25-64 or aged 15+) (%)	Educational attainment refers to the highest educational level achieved by individuals expressed as a percentage of all people in that age group. This is usually measured in terms of the highest educational programme successfully completed, which is typically certified by a recognised qualification. Recognised intermediate qualifications are classified at a lower level than the programme itself.
9	Early leavers from education and training (age group 18-24) (%)	Early leavers from education and training are defined as the percentage of the population aged 18-24 with, at most, lower secondary education who were not in further education or training during the four weeks preceding the survey. Lower secondary education refers to ISCED 1997 levels 0-2 and 3C short (i.e. programmes lasting under two years) for data up to 2013 and to ISCED 2011 levels 0-2 for data from 2014 onwards.
10	Gross enrolment rates in upper secondary education (ISCED level 3) (%)	The number of students enrolled in a given level of education, regardless of age, is expressed as a percentage of the official school-age population corresponding to the same level of education.
11	Share of VET students in upper secondary education (ISCED level 3) (%)	The total number of students enrolled in vocational programmes at a given level of education (in this case, upper secondary), expressed as a percentage of the total number of students enrolled in all programmes (vocational and general) at that level.
12	Tertiary education attainment (aged 30-34) (%)	Tertiary attainment is calculated as the percentage of the population aged 30-34 who have successfully completed tertiary studies (e.g. university or a higher technical institution). Educational attainment refers to ISCED 1997 levels 5-6 up to 2013 and ISCED 2011 levels 5-8 from 2014 onwards.
13	Participation in training/lifelong learning (age group 25-64) (%)	Participants in lifelong learning are people aged 25-64 who stated that they received education or training in the four weeks preceding the survey (numerator). The denominator is the total population of the same age group, excluding those who did not answer the question on participation in education and training. The information collected relates to all education or training, whether or not it is relevant to the respondent's current or possible future job. If a different reference period is used, this should be indicated.
14	Low achievement in reading, mathematics and science – PISA (%)	Low achievers are those 15-year-olds who are failing to reach level 2 on the PISA scale for reading, mathematics and science.
15	Activity rate (aged 15+) (%)	The activity rate is calculated by dividing the active population by the population of the same age group. The active population (also called 'labour force') is defined as the sum of employed and unemployed people. The inactive population consists of all people who are classified as neither employed nor unemployed.
16	Inactivity rate (aged 15+) (%)	The inactivity/out of the labour force rate is calculated by dividing the inactive population by the population of the same age group. The inactive population consists of all people who are classified as neither employed nor unemployed.
17	Employment rate (aged 15+) (%)	The employment rate is calculated by dividing the number of employed people by the population of the same age group. Employed people are all people who worked at least 1 hour for pay or profit during the reference period or were temporarily absent from such work. If a different age group is used, this should be indicated.

	Description	Definition
18	Employment rate by educational attainment (% aged 15+)	<p>The employment rate is calculated by dividing the number of employed people by the population of the same age group. Employed people are all people who worked at least one hour for pay or profit during the reference period or were temporarily absent from such work. If a different age group is used, this should be indicated.</p> <p>Educational levels refer to the highest educational level successfully completed. Three levels are considered: Low (ISCED levels 0-2), Medium (ISCED levels 3-4) and High (ISCED 1997 levels 5-6 and ISCED 2011 levels 5-8).</p>
19	Employment by sector (%)	This indicator provides information on the relative importance of various economic activities with regard to employment. Data are presented by broad branches of economic activity (i.e. Agriculture/Industry/Services) based on the International Standard Industrial Classification of All Economic Activities (ISIC). In Europe, the Statistical Classification of Economic Activities in the European Community (NACE) is consistent with the ISIC.
20	Incidence of self-employment (%)	The incidence of self-employment is expressed by the number of self-employed workers (i.e. employers + own-account workers + contributing family workers) as a proportion of the total employed.
21	Incidence of vulnerable employment (%)	The incidence of vulnerable employment is expressed by the number of own-account workers and contributing family workers as a proportion of the total employed.
22	Unemployment rate (aged 15+) (%)	The unemployment rate represents unemployed people as a percentage of the labour force. The labour force is the total number of people who are employed or unemployed. Unemployed people comprise those aged 15-64 or 15+ who were without work during the reference week; are currently available for work (were available for paid employment or self-employment before the end of the two weeks following the reference week); are actively seeking work, i.e. had taken specific steps in the 4-week period ending with the reference week to seek paid employment or self-employment, or had found a job to start later (within a period of 3 months, at most).
23	Unemployment rate by educational attainment (aged 15+) (%)	The unemployment rate represents unemployed people as a percentage of the labour force. The labour force is the total number of people who are employed or unemployed. Unemployed people comprise those aged 15-64 or 15+ who were without work during the reference week; are currently available for work (were available for paid employment or self-employment before the end of the two weeks following the reference week); are actively seeking work, i.e. had taken specific steps in the 4-week period ending with the reference week to seek paid employment or self-employment, or had found a job to start later (within 3 months, at most). Educational levels refer to the highest educational level successfully completed. Three levels are considered: Low (ISCED level 0-2), Medium (ISCED level 3-4) and High (ISCED 1997 level 5-6, and ISCED 2011 level 5-8).
24	Long-term unemployment rate (aged 15+) (%)	The long-term unemployment rate is the proportion of people in the total active population who have been unemployed for 12 months or more, expressed as a percentage. The duration of unemployment is defined as the duration of a search for a job or as the period of time since the last job was held (if this period is shorter than the duration of the search for a job).
25	Youth unemployment rate (aged 15-24) (%)	The youth unemployment ratio is calculated by dividing the number of unemployed people aged 15-24 by the total population of the same age group.

	Description	Definition
26	The proportion of people aged 15-24 not in employment, education or training (NEETs) (%)	The indicator provides information on young people aged 15-24 who meet the following two conditions: first, they are not employed (i.e. unemployed or inactive according to the ILO definition); and second, they have not received any education or training in the four weeks preceding the survey. Data are expressed as a percentage of the total population of the same age group and gender, excluding those respondents who have not answered the question on participation in education and training.

LIST OF ACRONYMS

AAP	Annual Action Programme
ADB	Asian Development Bank
ALMP	Active Labour Market Programme
ASAN	State Agency for Public Service
AZN	Azerbaijan manat (currency)
AzNQF	Azerbaijan National Qualifications Framework
EaP	Eastern Partnership
ETF	European Training Foundation
EU	European Union
EUR	Euro
GoA	Government of Azerbaijan
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HCD	Human capital development
HEI	Higher Education Institutions
ICT	Information and Communications Technology
iDMC	Internal Displacement Monitoring Centre
IDPs	Internally Displaced Persons
ILO	International Labour Organization
ISCED	International Standard Classification of Education
LFS	Labour Force Survey
LLL	Lifelong learning
LMO	Labour Market Observatory
MoE	Ministry of Education
MLSP	Ministry of Labour and Social Protection of Population
NEET	Not in employment, education or training
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment
R&D	Research and development
SABER	Systems Approach for Better Education Results
SAVE	State Agency for Vocational Education
SEA	State Employment Agency
SME	Small and medium-sized enterprise
SSC	State Statistical Committee
SYSLAB	Systems Laboratory for Innovation and Employment
UIS	UNESCO Institute for Statistics
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
VET	Vocational Education and Training
VNFIL	Validation of Non-Formal and Informal Learning
WBL	Work-Based Learning
WEF	World Economic Forum
WHO	World Health Organization

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