



DECREE

OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

on approval of the "Employment Strategy of the Republic of Azerbaijan (2006-2015)"

In regard to improvement of legislation in the field of employment in the Republic of Azerbaijan, development of the labour market in the country, acceleration of job creation process and provision of decent employment for the population, hereby, I resolve:

1. "Employment Strategy of the Republic of Azerbaijan (2006-2015)" be approved (attached).

2. The Cabinet of Ministers of the Republic of Azerbaijan together with the Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan and other related state authorities:

2.1 Prepare and submit, within 6 months, to the President of the Republic of Azerbaijan Draft State Programme on implementation of the Employment Strategy of the Republic of Azerbaijan;

2.2 Solve other issues set forth in this Decree

2.3 Present Decree comes into force since the day of publication.

Ilham Aliyev
President of the Republic of Azerbaijan

Baku, 26 October 2005
No. 1068

EMPLOYMENT STRATEGY OF THE REPUBLIC OF AZERBAIJAN (2006 - 2015)

INTRODUCTION

The Republic of Azerbaijan is at the eve of the new quality stage of its social and economic development. The main goal of this stage is to build, by ensuring use of all resources, including labour resources, a new society which is economically strong and meets high social standards.

The stable growth trends observed in the economy since the end of the last century has ensured social development of the country, and created an enabling environment for improvement of the living standards, opening of new jobs and increase of employment. A noticeable success in strengthening the social protection of vulnerable groups of population was achieved during these years and economic and social problems faced during the first stage of transition started to be resolved. The important steps taken in the field of the development of market economy relations, development of entrepreneurship, and creation of favourable business environment enabled achievements in the fields of labour market and employment.

Within the circumstances of new economic realities, main provisions of legal, economic and organizational grounds of the state's employment strategy were reflected in the "Employment Law" of the Republic of Azerbaijan adopted on 2 July 2001, and Decree of 9 August 2001 by President of the Republic of Azerbaijan on application of that Law. Through increasing importance of state's policy in regulating labour markets, implementation of those provisions has played a critical role in formulating means and directions of that policy in development of employment strategy, in creation and improvement of relevant institutional environment.

Currently the strengthening of the public employment policy in the Republic of Azerbaijan aims at resolving the existing problems in this field, and ensuring efficient employment for the population. In addition to the actions taken in the field of creation of new workplaces and social protection of temporarily unemployed labour force, issues of establishing, in a modern level, the mechanisms for adaptation of labour markets to socio-economic growth pace, and more effective use of country's labour potential are also within pri-

orities of the state.

The Employment Strategy of the Republic of Azerbaijan for 2006-2015 is aimed at resolving the above-mentioned issues. The Strategy is based on the Decree of the President of the Republic of Azerbaijan, dated November 23, 2004, on "Actions for accelerating socio-economic development in the Republic of Azerbaijan" and "State Program for socio-economic development of regions of the Republic of Azerbaijan (2004-2008)" approved by the Decree of the President of the Republic of Azerbaijan, dated February 11, 2004 and, being in line with the "State Program for Poverty Reduction and Economic Development in the Republic of Azerbaijan in 2006-2015" to be developed in accordance with the Order of the President of the Republic of Azerbaijan, dated June 20, 2005, defines basis of employment policy for the next decade.

1. LABOUR MARKET OF THE REPUBLIC OF AZERBAIJAN: CURRENT SITUATION AND DEVELOPMENT TRENDS

Labour resources of the country

Deep economic crisis of late 80-ies of the last century in Azerbaijan, like in all post-socialist countries, had resulted during the first stage of the transition period in paralysis of economy, social shocks, complication of financial situation of wide population groups, reduction of demand for labour force and of social protection. This situation was aggravated by the aggression of Armenian chauvinists against our country. The occupation of 20% of lands, forced abandonment of more than 4 thousand industrial and agricultural facilities, 300 work places, and deportation of more than 1 million people from their native lands had an extremely negative impact on the social and economic situation, and aggravated the situation with employment.

The purposeful reforms implemented in the country for last 10 years have allowed for social and economic stability, and strengthening the socio-economic development trends in the country. There was a positive change in all fields of social life, and noticeable achievements were made in improving well-fare of population. However, labour market formed and operating in Azerbaijan is still under the negative impact of socio-economic factors that were characteristic for the first half of 90s. Being considerably high over 1990-

2005, the supply of labour force in the labour market of the country was influenced by many factors like economic, demographic, education, migration, etc

According to statistics, in 2004 the number of able-bodied population was 5305,5 thousand against 8265,7 thousand total population of Azerbaijan. 3820,1 thousand or 72 % of these able-bodied people were economically active. Entry of the relatively small population born during the years of the World War II into the pension age on one hand, and entry of people born during 80s of the last century into the working age on the other hand, resulted in rapid increase of labour resources in the country during 1990-2005. However, entry of people born in the 90s into the working age starting from 2006 will impact the labour markets of the country and thus will reduce the speed of increase of able-bodied population group. At the same time it should be taken into consideration that starting from 2010 majority of people born after the World War II will enter pension age and leave the group of able-bodied people, which besides decreasing growth pace of the country's labour resources will also result in aging of economically active people.

One of the factors determining quality component of the total labour force of the country is intellectual potential of the society and increasing its re-production level. According to the results of the last sample survey on the economic activeness of population, only 19,2 % of the employed are highly educated people, and 50,8% were people with complete secondary education. It is also known that at least one fifth of unemployed citizens are people with high, incomplete high, professional education and vocational training levels. Special weight of those with high and professional education among the officially registered unemployed is especially high and his figure has reached more than 60% during recent years.

During the transition period, on-the-job training and advancement networks and vocational schools had weakened. Closing of production facilities and use of obsolete technologies and equipment that do not meet modern standards in many running enterprises have resulted in lowering of professionalism and qualification of human resources. However, economic reviving and development perspectives observed in the country recently envisage technical modernization of production, and in this respect, it sets new requirements for professional level and qualification of labour force. At present, education system of the Republic of Azerbaijan is in its

reconstruction period. In this context, special attention should be given to the specialties that from the foundation of socio-economic progress: engineering education and information and telecommunication technologies, etc.

1.2. Employment and unemployment

As the result of recent market-oriented reforms, and structural changes in economy of the Republic of Azerbaijan, the share of employed people in private sector has noticeably increased. Thus, special weight of employed people in private sector reached 68.4% in 2004, compared to 43.9% in 1995.

Among those working in non-public sector 711.6 thousand were registered as self-employed, which forms 18.9% of those employed in economy. However, the completion of land reform in rural areas, and distribution of land among rural population have created a wide section of population-land owners section, and facilitates the development of farms that operate on self-employment basis. In all, development of private sector enables generation of jobs and improving the level of employment. Progress in this process will enable increase of the special weight of non-public sector of economy up to 75% in 2008.

The level of economic activeness and employment of population observed in economic regions of the Republic of Azerbaijan is diverse. For instance, level of employment in Daglig Shirvan, Sheki-Zagatalah, Yukhari (Upper) Garabagh and Aran economic zones is higher than that of the country average. In Nakhchivan and Lenkoran economic zones, however, this indicator is lower than the country average. Division of economically active, employed and unemployed population by economic zones shows that according to the special weight of population under these categories, Aran economic zone is one of the biggest economic zones in the country, with the exception of Baku city, and 23.2% of economically active, 23.6% of employed and 19.9% of unemployed people have concentrated in this zone.

Regional difference is observed not only by economic zones, but also by urban and rural areas. Thus, level of economic activeness of population is significantly higher in rural areas than in urban zones, which makes 68.2% and 58.8% respectively. The highest level of economic activeness, both in urban and rural zones, is observed

in the category of 20-44 years of age.

Observations carried out in the labour market show that at present the number of people categorized, by the methodology of International Labour Organization, as unemployed, i.e. without a job or income, actively looking for a job and ready to start working, is more than 400 thousand. This makes more than 10% of the economically active section of population. Only a small part of unemployed population had applied for a job through official registration in the state employment authorities. In 2004 only a bit more than 56,000 unemployed people were registered in state employment authorities. One of the reasons for this are the cases where labour relations between employees and employers are not put into legal frameworks. This in its turn jeopardise the current and future social protection of citizens involved in informal relations.

Increases in unemployment among youth is one of the major problems of the labour market of the country. According to the findings of the first countrywide survey on economic activeness of population conducted in May-June 2003 with financial support of UNDP and technical support of ILO, the share of people under 35 in the total number of the unemployed was 69.1%. The highest level of unemployment (23.8%) was observed in the economically active youth of 20-24 years.

The unemployment level among women is also high. Although recently the special weight of women among the unemployed has decreased from 59.7% in 1995 to 53.4% in 2003, the gender inequality in employment still remains to be one of the agenda items. According to the results of the above-mentioned observation, if in 2003 share of unemployed among the economically active men was 9.6%, the same indicator for women was 12.2%. The analysis of the statistical data shows that women usually form the majority in jobs with law status and law wage. Shortage of work places for women today is mostly reflected in insufficiency of flexible jobs (part-time, flexible working days and week, flexible schedule, work at home, etc.) relevant to the role of women both in society and in family.

One of the problems of recent years in the field of employment is existence of foreign labour force in the labour markets. Expansion of migration processes has created a necessity to resolve a number of issues that are new to the country. There is a need to take relevant actions to ensure protection of state interests of the Republic of Azerbaijan in this field, prevent illegal labour migration, social pro-

tection of labor migrants and protection of their rights, training of local human resources to meet requirements of the labour market, and use fully the potential of foreign labour migration in obtaining the experience of working under the conditions of market economy.

2.GOALS AND OBJECTIVES OF THE EMPLOYMENT STRATEGY FOR 2006-2015

The main objective of the employment strategy of the Republic of Azerbaijan for 2006-2015 is to ensure efficient employment of population by more full use of labour resources. It is envisaged to implement the following responsibilities to achieve this goal:

- create necessary environment for business, particularly for small and medium business, and self-employment of population;
- promote investment opportunities that ensure effective development of employment;
- strengthen social protection of job seeking and unemployed citizens, and implement relevant activities for legalization of unofficial labour relations;
- improve institutional infrastructure aimed at strengthening dynamic compatibility between demand and supply in the labour market;
- bring the activities of human resource development system, including network of vocational training and specialization in conformity with the requirements of labour market in dynamic development;

The employment strategy to be implemented in the forthcoming decade will be realized in two stages complementing each other.

The first stage for 2006-2010 envisages steps aimed at noticeable reduction of currently existing unemployment, strengthening social protection of unemployed and socially vulnerable groups of population, and improvement of labour market. Along with that, activities will also constantly focus on creating a favourable environment for improving quality of labour resources, increasing their competitiveness and economic activeness.

In the second stage for 2011-2015 activities will mainly focus on formation of business environment ensuring stimulation of demand for labour force and creating business environment compliant with high international standards, deepening structural reforms, and further facilitation of investment promotion, and ensuring high level of development of human potential.

3. PRIORITY DIRECTIONS OF THE EMPLOYMENT STRATEGY IN 2006-2015

3.1. *Macroeconomic policy and development of entrepreneurship*

One of the important directions in the implementation of the Employment Strategy is to eliminate factors restricting generation of new jobs and creation of institutional environment to facilitate increase of the level of employment. In this respect, effective implementation of fiscal and monetary policies as integral elements of the state regulation mechanisms as well as activities focused on development of business, especially small and medium business have a special significance.

The following priority directions are identified to this end:

- elimination of problems hindering the development of entrepreneurship, continuation of implementation of relevant activities to create sound competition for participants of foreign economic activity;

- study the impact of membership of the Republic of Azerbaijan in the World Trade Organization on the country's economy, especially to labour market and employment, and develop preventive actions;

- continuation of monetary - credit policy focused on strengthening the achievements made in the field of macroeconomic policy, prevention of inflation, maintaining stability of Manat (local currency) exchange rate, creation of foreign exchange reserves in compliance with international norms, and improving payment capacity of the country;

- improving the system of collaterals for credits given with the purpose of meeting the needs of entrepreneurs in financial resources;

- giving preference to organizations that offer local goods (works and services) in tenders conducted for state procurements;

- implementation of activities to increase competitiveness of local products in the world market;

- development of insurance system, improvement of operations of insurance companies, and formation of investment policy in the insurance market;

- involvement of international financial institutions into the development of small and medium business;

- enhancement of regional economic relations;

- facilitation of introduction of new technologies in small businesses and increasing the level of competitiveness of products made of local raw materials.

3.2. Improvement of legal framework and institutional development in the field of employment

In addition to macroeconomic factors, implementation of certain changes in the field of legislation has a special significance in ensuring the employment. In this regard, fulfilment of the following is deemed expedient:

- making relevant amendments and modifications to the "Employment Law" of the Republic of Azerbaijan to bring it to the conformity with main provisions of the European Social Charter;
- in order to determine possibility of ratifying European Social Protection Code conduct thorough study of possible compliance of the requirements of latter to the norms of national legislation;
- improvement of the legal framework in the field of employment and form institutional environment that will facilitate employment;
- adopting new legislative acts that will ensure development of and regulate self-employment described in the "Employment Law" of the Republic of Azerbaijan;
- make relevant amendments and modifications to relevant legislative acts to ensure development of entrepreneurship, investment flow, generation of new jobs, and maintenance and development of existing jobs by protecting domestic market;
- make relevant modifications to the Labour Code in order to improve its certain provisions on entering and terminating labour contracts between employees and employers, creation of needed environment and application of labour functions for workers, and other issues;
- make relevant amendments to the existing legislative norms to stimulate those employers who employ citizens with special need for social protection and face difficulties in finding jobs;
- applying relevant changes to the legislation in order to stimulate the creation of jobs in the areas that are more advanced in terms of employment of population;
- improve existing legislative base in the field of small and medium business to ensure development of this sector;

- improve existing legislation to introduce privileges in order to prevent migration of and to ensure the employment for people of boarder and mountainous regions.

3.3. Improvement of the labour market

Labour market policy will be implemented in the following directions:

- creating necessary conditions to ensure balance between the supplied labour force and existing job places;
- improvement of search-database system to ensure the provision of unemployed with relevant jobs within short period of time;
- development of human resources through improvement of professional training, retraining and advanced training systems;
- using certain portion of oil revenues to development of human factor;
- improving financial-credit policy, increase special weight of long-term loans/credits in the structure of credit investments to enable development of small and medium business;
- implementing special actions to facilitate social protection of unemployed, and ensure employment of those who have difficulties in finding jobs;
- meeting demand for work places through implementing balanced investment and tax policy;
- ensuring economic stimulation of entrepreneurship, small and medium business, as well as those involved in private labour activities (especially in areas where there is a tension in labour market);
- ensuring supervision over the observation of labour legislation in the non-public sector of economy;
- creating new work places that meet modern standards in terms of labour conditions and payment, and increase effectiveness of the existing jobs;
- increasing employment through applying flexible working regimes;
- ensuring social protection of cut-down labour force;
- developing labour market through regulation of domestic and foreign migration processes;
- creating a single information system in the field of migration;
- improving management system in the field of labour migra-

tion;

- developing classification of new specialties and specializations to bring the professional training in conformity with changing demands of labour market;
- assisting those among unemployed and job seeking citizens who try to get involved in entrepreneurship;
- creating and applying an analytical-information system on labour market to enable every individual to obtain the information on professional training (retraining), vacancies, as well as concrete offers for labour force in the regions;
- implementing phasial increase of minimum wages depending on development of economy to ensure decent living for employed;
- conducting surveys to get an accurate assessment of the real situation in terms of employment and unemployment levels.

3.4. Education policy and labour market

The integration of Azerbaijan into the international labour division, strengthening of cooperation trends among world countries, dynamic development of economy, and appearance of new production fields increases demand for highly-educated labour force in the labour market. This in its turn creates necessity for implementation of a flexible education policy that meets high requirements.

It is envisaged to implement the following activities in the field of coordinated development of both education system and employment:

- identification of demand for human resources of various specialties by conducting an analysis of current situation in the labour market and making precise forecasts;
- improvement of vocational training system to ensure the training of human resources competitive in the labour market;
- continuation of on-the-job training, improvement of continuous vocational training, application of modern training methods (distant learning, model education);
- bringing the institutional changes in the education sector in conformity with the requirements of employers for the knowledge and skills of labour force;
- preparation of new education curricula that meet modern requirements for vocational training and update classification of specialties;

- enhancement of application of new model of professional training and advancement for specialists working at the secondary education level;
- identification of opportunities for investments focused on human development.

3.5. Development of regional labour market

Development of regional labour market will be implemented in near future within the "State Programme for socio-economic development of the regions of the Republic of Azerbaijan (2004-2008)" and local employment programmes, taking into account domestic resources and other factors. Main goal of the social policy in the regions will be to fully meet moral needs of population, and improve their living standards;

Actions taken in the field of job creation on account of investments will, firstly, be directed at reduction of unemployment, strengthening social protection of unemployed, and providing them with targeted social assistance.

Employment for population will be ensured and their living standards will be improved through implementation of relevant activities for attraction of investments for rapid development of non-oil sector in the country, especially in regions, and increasing agricultural production and processing.

It is planned to implement the employment policy in the following directions by regions in order to ensure employment of population:

- implementation of activities for elimination of negative impacts of unemployment and social protection of unemployed;
- improving joint work of enterprises and organizations together with employment entities on human policy;
- development and fulfilment of local socio-economic development and employment programmes;
- creation of new jobs in non-oil sector, especially in agrarian, weaving, processing enterprises and service fields;
- building the financial infrastructures in the regions to help development and enhancement of farmers, household farms, cooperatives and small enterprises;
- creation in regions of agro-services equipped with modern equipment and technology;

- development of seed production base;
- reduction of migration of population, especially among youth on account of developing the social and utility infrastructure in rural areas;
- provision of insurance for business of farmers and enhancement of insurance market segment;
- creation of marketing network for sale of agricultural products.

3.6. Strengthening social protection of job seeking and unemployed citizens

In order to strengthen social protection of unemployed and job seeking citizens, main responsibilities of the local employment authorities will directly focus on establishment of relations with employers, full and accurate collection of information on vacancies, reduction of time spent for selection of jobs for unemployed, and shortening the unemployment period.

The following will be implemented to balance demand and supply for labour force, and to strengthen social protection of unemployed and job seeking citizens:

- strengthen targeting in the social assistance field and comply it with the minimum living standard;
- create new jobs for people with special need for social protection;
- arrange, in advance, professional training of those who are under expectation of dismissal;
- establish a unified database on vacancies;
- establish new consultancy centres and job fairs, and professional training centres for unemployed in the regions;
- disclose illegal activities of employers who do not legalize their labour relations with employees, and strengthen fight against such cases;
- increase minimum amount of unemployment allowance and gradually bringing it in conformity with the level of minimum living standards;
- identify poor people among those whom had difficulties with finding a job for a long period of time, and provide them with targeted social assistance.

3.7. Development of employment of socially vulnerable groups

Promotion employment among youth and adolescents

Main directions of activity in solving the problem of employment among youth are as follows:

- gradually achieve permanent employment of youth who had professional training;
- provide youth, who are under the threat of dismissal, with professional training and advancement on those specialties for which there is demand in the labour market, before the dismissal happens;
- identify work places by quota as defined in the legislation and strengthen incentives for employers to comply with this requirement;
- strengthen the process of provision of employment, professional training and advancement for youth released from army, providing methodological and practical assistance to start own business and arranging for special training course;
- create favourable environment to involve youth and adolescents into seasonal and public works;
- restoration and development of folk art and ancient art, and involve youth into such activities;
- implementing various activities to train young specialist to work in tourism sector, as well as actions to increase level of their qualification and professionalism;
- conduct sociological surveys with regards to unemployment among youth;
- creation of the network of business centres to support young entrepreneurs, farmers and unemployed people in rural and urban areas;
- involvement of youth in the programmes developed with new and effective technology in various fields of economy;
- in order to prevent flow of youth into urban areas create new jobs in border and mountainous regions, and provide them with advisory services to involve in to private business.

Promotion of employment of women

Special attention is required to promote the employment of women and the following activities will be implemented to this end:

- increasing employment of women through developing activities focused on social infrastructure, restoring and developing people's applied art, and creating tourism and resort zones;
- organizing professional training courses for unemployed women within the framework of flexible programmes to be implemented for the development of self-employment;
- ensuring gender equality in development of small business;
- providing women with necessary assistance to develop entrepreneurship among women;
- broad introduction of flexible employment forms (part-time work, flexible work schedule, work at home, etc.) to create additional work places for women;
- providing economic incentives for identification of jobs for women with children as envisaged in the legislation;

Strengthening employment among refugees and IDPs

Activities to strengthen the employment of refugees and IDPs will be implemented in the following directions:

- generation of new jobs in areas compact and temporary settlement, as well as in newly constructed settlements for IDPs;
- development and application of incentive mechanisms for employers to identify work places to provide for employment of refugees and IDPs;
- implementation of complex activities to enable involvement of IDPs in small business;
- establishment of Internet networks in the areas of settlement of refugees and IDPs to increase their access to information technologies;

Assistance to disabled

Main goal of state policy in this area is to create necessary conditions for full utilization of potential of the disabled. The following will be implemented to the end:

- identify work places by quota as defined in the legislation and provide for incentives for employers to comply with this

requirement to help provide citizens with jobs who are in special need of social protection, including the disabled;

- apply administrative procedures with regards to departments, enterprises and organizations refusing from providing the quota as defined in the legislation for employment of citizens who are in special need of social protection, including the disabled, or refusing to employ of this segment of population;

- make relevant modifications to the legislation to provide for incentives to those employers who create additional jobs for citizens who are in special need of social protection and have difficulties in finding jobs, including the disabled as defined in the "Employment Law" of the Republic of Azerbaijan.

Promoting employment of people released from penitentiary facilities

The following activities will be carried out to promote the employment of people whose imprisonment is over and who are released from penitentiary facilities:

- in order to organize professional training system of people to be released from penitentiary facilities in conformity with the demand for labour force in the labour market create a mechanism of arranging joint work of penitentiary facilities and employment authorities in this field and establish relevant information system;

- take practical actions, including by identifying work places in accordance with quota as defined in the legislation to help people released from penitentiary facilities to obtain new professional skills and in providing them with jobs;

3.8. Employment policy and social partnership principles

Establishment of social cooperation principles in the society has a special significance for increasing the level of employment of population, and strengthening relations between demands of labour market with supply of labour force. There has been created a necessary legislative base in recent years to enable implementation of social partnership in the area of employment. There is a special section on "Collective contract and agreement" in the Labour Code of the Republic of Azerbaijan enacted on July 1, 1999, "Employment Law" of the Republic of Azerbaijan, enacted in 2001 identifies social

partnership relations, and "Law on Trade Unions" of the Republic of Azerbaijan defines rights and responsibilities of parties in this field.

In order to strengthen the influence of social partners to the solution of employment problems in the country it is planned to:

- strengthen the process of entering to collective agreement on sector level, and collective contracts on enterprise level;
- reflect the issues of ensuring employment, human resource development and social protection of employees in collective agreements and contracts;
- implement the process of job creation on the basis of social partnership principles; and
- facilitate mutual impact mechanism envisaged in the legislation.