



**Republic of Azerbaijan**



**International Labour Organization**

**DECENT WORK COUNTRY PROGRAMME  
of the Republic of Azerbaijan for 2016 – 2020**

## Introduction

Decent work is viewed as one of the primary goals of national economic and social policies in the Azerbaijan Republic. The ILO concept of decent work means promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.

The Decent Work Country Programme (DWCP) for 2016-2020 is based on national priorities identified in a number of national programmes, such as "Azerbaijan 2020: Vision into the future" Development Concept approved by the Decree of the President of the Republic of Azerbaijan dated December 29, 2012, No.800, "The State Programme on Social and Economic Development of the Regions for 2014-2018" approved by the Decree of the President of the Republic of Azerbaijan dated February 27, 2014, No.118.

The Decent Work agenda is mainstreamed in the new UN-Azerbaijan Partnership Framework (UNAPF) for 2016-2020, fully supporting its Strategic Priority Area 1: Promoting Sustainable and Inclusive Economic Development Underpinned by Increased Diversification and Decent Work. The new DWCP will also contribute to implementation of UNAPF Priority Area 2: Strengthening Institutional Capacities and Effective Public and Social Services<sup>1</sup>.

Decent work for all has increasingly been made a key objective for the Government's efforts to achieve the Sustainable Development Goals (SDGs), and the ILO will provide support to Azerbaijan to implement the 2030 Agenda. This will be addressed in line with comprehensive employment policy of the Government.

Recognizing the importance of decent work in achieving sustainable development and implementing SDGs at the national level, the ILO tripartite constituents in Azerbaijan have identified priorities for the DWCP for 2016-2020, in the process of technical consultations with the ILO on the development of the Programme. The Programme also reflects the outcomes, a brief description of outcome strategies, the key outputs and indicators to measure performance and assess progress towards decent work.

### I. Country context: diagnostic and situation analysis

Azerbaijan has achieved **extensive economic progress** over the past decade. Macroeconomic policies have secured economic stability, the oil-related

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<sup>1</sup> More specifically, Outcome 1.1: By 2020, the Azerbaijan economy is more diversified and generates enhanced sustainable growth and decent work, particularly for youth, women, people with disabilities, and other vulnerable groups; Outcome 2.1: By 2020, Azerbaijan has enhanced institutional capacities for transparent, evidence-based and gender-sensitive policy formulation and implementation; Outcome 2.2: By 2020, Azerbaijan has made progress in line with international human rights mechanisms, including the Universal Periodic Review, and other treaty obligations, and has strengthened capacities for implementation, monitoring and reporting aligned with international standards; and Outcome 2.3: By 2020, quality public and social services are accessible to all and help achieve more socially inclusive and equitable development results.

foreign direct investments have generated rapid economic growth and Azerbaijan has become an upper-middle-income country.

Azerbaijan's economy grew at an impressive rate during the 2000s, owing to the oil boom and substantial fiscal expansion. In 2001-2009 the GDP grew at an average annual rate of 16.1%. While growth of the oil sector share in GDP was 22.9% during 2001-2009, the non-oil economy grew 11.2% during the same period. The global economic crisis which began to unfold in the world in 2008, and in particular the collapse in oil prices on the international market, have meant that growth rates have slowed down in 2008 (10.8%) and 2009 (9.3%). In 2011 the GDP grew only 0.1% on the back of 10.6% fall in oil extraction. In 2012 growth picked up to 2.2% as the decline in oil production has been off-set by the encouraging expansion of non-oil sector (9.7%), led by construction and services. In 2013, the overall GDP rose again to 5.8 %, then slowed down to 2.8 % in 2014 and 1.1 % in 2015<sup>2</sup>. Azerbaijan has been able to weather the global downturn relatively well, due to the foreign currency reserves from oil sales in the boom period and the government efforts to go beyond natural resources-driven growth towards growth more strongly anchored in the private sector, the formal economy and the non-oil branches of the economy.

Seizing the opportunity afforded by the oil boom during the 2000s, Azerbaijan initiated large public sector investment programmes and supportive policies to increase social welfare of the population, as well as institutional reforms aimed at modernizing the economy. These efforts translated into an impressive **poverty reduction**. Azerbaijan's gross national per capita income (measured in comparable constant 2005 US\$) rose more than 6.4 times in 2001-2008 and a further 1.6 times during 2009-2013 reaching 5947 AZN in 2013<sup>3</sup>. The percentage of people living below the national poverty line declined from 49% in 2001 to 15.8% in 2007 and further plunged to 4.9% in 2015.<sup>4</sup> Life expectancy at birth increased by 7 years between 1980 and 2015. Despite this impressive overall decline in poverty rates there're people still remaining below or just above the poverty line.

In the past decades Azerbaijan has been taking significant measures for diversification of the economy and is currently trying to reduce its dependency of oil as main economic sector. For the diversification of its economy, for instance in sectors as ICT and tourism, the attraction of foreign direct investments (FDI) and multinationals (MNEs) to collaborate is very important.

FDI flows to the Republic of Azerbaijan have been rising steadily in recent years and reached USD 8 billion in 2014, with over 83% of these investments directed to the oil and gas sector. FDI represents approx. 10.7% of GDP<sup>5</sup>. There are many countries with investments in Azerbaijan (in order of size investments): UK, USA, Japan, Norway, Turkey, Czech Republic, France, Russia. The Azerbaijan

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<sup>2</sup> [www.cisstat.com](http://www.cisstat.com)

<sup>3</sup> World Bank Database // <http://data.worldbank.org/country/azerbaijan>

<sup>4</sup> The State Statistics Committee of the Republic of Azerbaijan

<sup>5</sup> The State Statistics Committee of the Republic of Azerbaijan

Export and Investment Promotion Foundation (AZPROMO)<sup>6</sup> was established in 2003 by the Ministry of Economy, with the aim to contribute to economic development by attracting FDI in the non-oil sectors of the economy.

Nevertheless, the economic situation that Azerbaijan is currently facing has revealed that the country's rapid economic growth has not yet translated into full eradication of poverty and a number of development challenges remain. This includes considerable regional disparities, not full support of decent and productive employment creation by economic growth, existence of informal employment, non-completion of structural transformations as well as recent commencement of rapid diversification of the economy with reliance on oil and gas sector that raises concerns in terms of the long-term sustainability of economic growth.

### **Labour market and employment**

The development of **labour market** is a key factor that influences economic growth, competitiveness, and poverty reduction. The population in the country has increased by 1.2 percent over the year and reached 9.7 mln. people as of January 1, 2016. Urban population accounted for 53.1 percent and rural residents represent 46.9 percent of the total population. 49.8 percent of population is male and 50.2 percent is female.

At present, the Republic of Azerbaijan is one of the few countries among CIS and European countries with a young age structure. Thus, as of the beginning of 2016 the share of youth (14-29 year olds) in the total age structure of population was 27.1 percent and the share of children (0-14 year olds) 22.5 percent. Along with that in 1990-2016 (as of the beginning of a year) the number of people in 0-14 age group has decreased by 7 percent. At the same time, the number of people aged 65 and older has increased by 75 percent. This dynamics reveals process of the population ageing that will have certain effects not only on the labour market, but also on social security system. The number of people of working age has also increased significantly. Thus, during the same period 56 percent increase was observed in 15-64 age group and the share of 15-64 age group in the total population went up from 62.3 percent to 71.3 percent. Thus, there will be a substantial need for creating permanent and decent jobs over coming decades.

Taking stock of the current trends, the Government of Azerbaijan has taken targeted steps with a view to creating new jobs. Those steps include the promotion of private investment and an environment that enables the creation of sustainable enterprises. During the period 2003-2015, 1.5 million jobs were created, 1 million of which were permanent<sup>7</sup>. The majority of newly created jobs, 76 per cent, were in the regions, and 88 per cent were in the non-state sectors of economy. Over the last 5 years the proportion of economically active population increased by 6.2 per cent and reached 4915.3 thousand people in 2015. During the same period the number of employed population increased by 6.8 per cent and comprised 4671.6 thousand

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<sup>6</sup> <http://azpromo.az/>

<sup>7</sup> Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan

people, the number of those employed by labour contracts increased by 8.3 per cent and reached 1502.5 thousand people. New jobs creation influenced the employment growth and the employment rate in 2015 was 62.1 per cent.

Economic structural transformations have been followed by a change in **the structure of employment**. The proportion of public sector employees declined from 56 per cent in 1995 to 25.2 per cent in 2015. In this context, the share of non-State employees and the self-employed increased.<sup>8</sup> In 2015, 76 per cent of new jobs were created by entrepreneurs and the self-employed, which is evidence of a stable economic situation in the country but poses the risk of creating an informal economy. In general, the private sector plays a key role in job creation, but it is also essential to acknowledge the importance of public sector employment.

One of the most welcome changes has been seen in the field of realizing **gender equality and enabling diversity** as of one of the steps towards achieving full, productive, freely chosen and decent employment. In the employment structure, an increase in women's economic activity and employment was observed. The gap in economic activity between men and women (a gender-related difference in labour force participation rates) was 4 percentage points in 2003,<sup>9</sup> which was reduced to 2.2 in 2015.<sup>10</sup> The gender distribution of economically active population is 51.1 per cent men and 48.9 per cent women. Unemployment rate among women is 5,9% (4,1% among men). This female unemployment figure equals to 6,9% in urban places (5% among men), in rural places to 4,8% (3,2% among men)

Azerbaijan succeeded to suppress the **unemployment rate** over the last 10 years. An ILO study revealed an unemployment rate of 17.2 per cent in 1995; the 1999 population census showed 16.25 per cent; the 2003 economic activity survey of the population by the UNDP and ILO based on sampling analysis showed 10.7 per cent; and in the subsequent years the indicator continued to fall. At the end of 2015, the State Statistics Committee reported a 5 per cent rate of unemployment (4.1 per cent among men and 5.9 per cent among women).

The **youth unemployment** (15-24 age group) reduced from 22% in 2000 to 13.4% in 2015<sup>11</sup>. However according to data of the State Statistics Committee of the Republic of Azerbaijan, the same indicator desegregated by sex and age sub-groups shows significant differences between young women and men in rural and urban areas. For example, for the 20-24 age sub-group the unemployment rate is significantly lower for young women (11.6%) than for young men (18.8%) in urban areas, while in rural areas the situation is opposite with unemployment rate of 18.8% for women and 5.4% for men of the same age sub-group. At the same time for young people of 15-19 years old in urban areas the unemployment is 40.7% among women and 28.6% among men but only 5.2% and 10%, accordingly, in rural areas.<sup>12</sup>

<sup>8</sup> Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan

<sup>9</sup> Maternity Protection and Childcare Systems in the Republic of Azerbaijan, ILO 2014

<sup>10</sup> Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan

<sup>11</sup> The State Statistics Committee of the Republic of Azerbaijan

<sup>12</sup> LABOUR MARKET STATISTICAL YEARBOOK 2013, The State Statistics Committee of the Republic of Azerbaijan <http://www.stat.gov.az/source/labour/indexen.php>

The economic sectors that generate much of the GDP (and growth) are not the same as those that generate employment. For example, the oil and gas sector generates only 1.1 per cent of jobs. Agriculture, on the other hand, accounts for almost 36.4 per cent of total employment but generates only about 6 per cent of GDP,<sup>13</sup> and has not proven to be a highly productive and efficient sector.

**Informal employment** continues to be a challenge, although a number of successful steps have been undertaken to tackle this issue (e.g., through the recent launching of an e-system to register labour contracts). The new e-system is intended to change the situation by monitoring employers' activities more closely. Nevertheless, more efforts are needed to position Azerbaijan as a diversified and knowledge-based economy with a skilled labour force.

So, despite a number of positive changes, the national labour market is still characterized by structural flaws, including a mismatch of demand and supply and relatively high youth unemployment (almost two times higher than for those aged 25 and beyond). The level of vulnerability and informal work also point to the need to increase both the quantity and quality of employment through the combination of coherent macroeconomic, labour market and social policies. These challenges particularly affect women, who are traditionally mainly concentrated in low-wage sectors, such as education, health and social services.<sup>14</sup>

Benefiting from the economic growth, though uneven and to a large extent dependent on the oil export revenues, the country sets an ambitious goal of diversification and speedy development of the non-oil sector. Addressing these challenges will require employment-centered growth strategy and a comprehensive employment policy framework. As a long-term development strategy, "The Employment Strategy of the Republic of Azerbaijan for 2006-2015" approved by the Order of the President of the Republic of Azerbaijan dated October 26, 2005, No.1068 will be followed by a new Employment Strategy for 2016-2030 to be developed and adopted by the Government in 2016.

In addition, in terms of labour market institutions, the capacity of public employment services should be strengthened to better implement a new Employment Strategy, provide coverage to a wider segment of the population, and enable the implementation of a wider range of active measures aimed at job placement, career development and tackling skills mismatch. Labour market information systems would also benefit from further refinements. Moreover, inclusive and broad-based social dialogue could play a key role in facilitating consensus on employment policies.

## **Social protection and working conditions**

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<sup>13</sup> The State Statistics Committee of the Republic of Azerbaijan

<sup>14</sup> The State Statistics Committee of the Republic of Azerbaijan, "Women and Men in Azerbaijan", Baku, 2004-2013

As already mentioned, Azerbaijan experienced extensive economic progress during the last 10 years. To ensure that the growth is widely shared, Azerbaijan instituted policies to increase **wages** and transfers to the population. Between 2000 and 2010, the minimum wage increased from an extremely low level of AZN 1.1 to 85. As of September 1, 2013, the minimum monthly wage was set at 105 AZN, a twenty-five percent increase over the previous indicator. The average monthly wage also grew 20% per year between 2000 (AZN 44.3) and 2009 (AZN 298) and cumulatively increased more than 6.7 times. It continued to rise during the crisis and post-crisis period reaching 466.9 AZN in 2015, representing a 9.8% increase over 2013<sup>15</sup>.

According to the Country Analysis prepared by UNCT in the Republic of Azerbaijan in May 2014, significant regional and gender differences in wages can be observed in the country. The average wages of women are only 54% of men's<sup>16</sup>. This situation does not originate from unequal pay for equal work, which is prohibited by law<sup>17</sup>. The main reason for the observed differences is related to predominant occupation of women in sectors like health, education, social protection where low level of wages is observed.

In 2000s, Azerbaijan started a comprehensive reform of the **social protection system** inherited from the Soviet Union. A social assistance to the poor has been separated from social insurance and pension provision, and their administration was provided by two separate state agencies. Social assistance system was under the purview of the Ministry of Labour and Social Protection of Population (MLSP), whereas social insurance was under the purview of the State Social Protection Fund (SSPF). In 2016 SSPF has been included in the structure of MLSP.

A targeted social assistance (TSA) program, introduced in 2006, reached 164,000 households with almost 750,000 members (8.2 percent of the population) by 2009. In 2013 social transfers reach nearly two-thirds of the population, either directly or indirectly, and 81.2% of the poor indicating an excellent degree of targeting.<sup>18</sup> The amount of per capita monthly social allowances and compensation increased from 34AZN in 2009 to 152 AZN (\$183) in 2013, per capita monthly grants from 96AZN to 117AZN (\$149) and per capita monthly public social aid from 22AZN to 26AZN (\$33).<sup>19</sup>

The ILO constituents consider it necessary to improve **working condition** of men and women by creating safe and decent work places. To that end, Azerbaijan is in the process of modernizing its national Occupational Safety and Health (OSH) system, aiming for a National OSH Programme in accordance with the ILO Convention No.187 within the OSH framework. The modernization incorporates the creation of the legislative base for and practical introduction of prevention-oriented

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<sup>15</sup> Wage Indicator Fund <http://www.mojazarplata.az/main/srednjaja-zarabotnaja-plata-v-azerbadzhane>

<sup>16</sup> Maternity Protection and Childcare Systems in the Republic of Azerbaijan, ILO 2014, p. 11

<sup>17</sup> Government of Azerbaijan. Labour Code of Azerbaijan Republic 1999; the Law on Provisions of Gender Equality 2006. Baku.

<sup>18</sup> Azerbaijan Country analysis, United Nations Country Team in the Republic of Azerbaijan, May 2014

<sup>19</sup> <http://www.azstat.org/MESearch/search?departament=30&lang=en>

OSH management systems (OSH MS) at enterprises. It further includes the practical application of the Labour Inspection (LI) related Conventions to enhance the operation of the LI into an advisory and professional services. The National Tripartite Social Council on Safety and Health at Work was created in 2012. Ratification of Convention No.155 on occupational safety is currently under consideration of Azerbaijan.

### **International Labour Standards**

Azerbaijan has one of the highest ratification rates in the region. It has ratified 57 ILO Conventions and 1 Protocol - all eight fundamental Conventions, all four governance Conventions and the 1995 Protocol to the Labour Inspection Convention, and 45 technical Conventions. The ratified international labour standards have to some extent been integrated into the national legal framework, but the supervisory bodies of the ILO are maintaining a dialogue with Azerbaijan to work towards full compliance in law and practice in a number of areas.

In recent years, the Government has taken steps to reform the Labour Code of the Republic of Azerbaijan and related legislation. However, a number of issues remain. For instance, national legislation specifies a minimum age of 15, although the government specified a minimum age of 16 for admission to employment or work when it ratified Convention 138 on Minimum Age. Also, further efforts need to be made to address the remaining gaps in tackling unacceptable forms of work, including child labour, and any discrimination based on gender and other grounds.

### **Social dialogue and tripartism**

The relations between workers and employers in Azerbaijan have a long history. The initial forms of social dialogue had been inspired by development of oil industry, with the first collective agreement signed between oil workers and employers in December 1904.

More recently, social dialogue in Azerbaijan covers tripartite relations. This was inspired by the country joining the International Labour Organization in 1992. Since that time Azerbaijan has ratified the ILO fundamental Conventions related to social dialogue<sup>20</sup>.

The three parties involved in social dialogue in Azerbaijan are the government, National Confederation of Entrepreneurs' (Employers') Organizations, Confederation of Trade Unions. As a result of tripartite consultations at the national level and with the ILO technical support, Labour Code of the Republic of Azerbaijan was adopted in 1999. The Labour Code provides very detailed regulation of labour relations, giving insufficient space for collective bargaining at company, sectoral or national levels.

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<sup>20</sup> The ILO Conventions Nos. 87, 98, 135, 144 and 154.

The main nationally and internationally recognized trade unions organization is the Confederation of Trade Unions of Azerbaijan (AHIK). AHIK is a member of ITUC since 2000. At the present, the Confederation unites 26 branch trade unions organizations with around 1.2 mln members; 42.7 per cent of trade unions' members are women. The majority of branch trade unions organizations are members of Global Unions Federations. As a result of social dialogue and collective negotiations between trade unions and employers, collective agreements cover the majority of workers in the country.

In 1999, the National Confederation of Entrepreneurs' (Employers') Organizations (ASK) was established by 11 big companies operating in the field of communication, insurance, banking etc. At the present, the ASK unites 1300 enterprises from 40 different sectoral branches. It has 22 regional branches. Yet, multinational companies are not represented in the ASK.

There is no full-fledged permanent tripartite body on social dialogue at the national level in Azerbaijan. In 2012, the National Tripartite Social Council on Safety and Health at Work was established, with the aim to bring together and co-ordinate the efforts of the constituents in the field of OSH. There is also a Tripartite Committee for considering a draft of the General Collective Agreement, convened for this purpose, on an ad-hoc basis. There is a common position of the Government and the Social Partners in favour of the establishment of a national tripartite council on social and economic issues, where the tripartite constituents could regularly meet and discuss critical socio-labour issues and coordinate their joint actions. As a result of tripartite discussions, Ministry of Labour and Social Protection of Population has prepared rules of procedure and a draft decree for "Regulation of Tripartite Committee for Social and Economic Affairs". Benefitting from the ILO technical expertise and support, a tripartite conference was organized by the Ministry of Labour and Social Protection of Population in the end of 2014 in Baku, during which the constituents expressed the need to urge the procedures of adoption of the decree and their commitment to finalize the establishment of the Tripartite Committee and make it fully operational.

In terms of the new system introduced in the country about 2 years ago within "electronic Government" all labour contracts, all working and employment conditions as well as mutual obligations/ rights of employees and employers are officially registered and become legally binding. This system contains data on over 60 thousand employers. It also reflects the type of work agreement, tariff rates, conditions of employment, periods of paid leave of each employee, reasons for breaking a labour contract etc. This set of information is available to each Governmental structure, and each individual employer and worker. It provides valuable statistical data on economic and social trends in all sectors. The new system of electronic governance in the field of labour relations can be used as a new channel of communication and outreach that would be important for future work.

## **II. Findings and results of the past cooperation**

The cooperation between Azerbaijan and the ILO which is increasingly developing in recent years has contributed to the understanding and recognition of the ILO concept of Decent Work and laid the foundation for developing this Decent Work Country Programme by the Government, Trade Unions Confederation and National Confederation of Entrepreneurs' (Employers') Organizations (ASK).

Over the last few years, several ILO technical cooperation projects have been implemented in Azerbaijan, covering the most important priorities and needs of the Government and social partners related to employment promotion, boosting youth employment, skills development, occupational safety and health, child labour and some other issues. The interrelation and interaction between ILO projects has also intensified, thus ensuring their effectiveness.

Among **the most important achievements** in the period 2011-2015, the following ones should be noted:

- The National Tripartite Social Council on Safety and Health at Work established, laying the grounds for creating a national tripartite body on social dialogue (2012);
- The ILO Convention No. 156 on Workers with Family Responsibilities and Convention No. 183 on Maternity Protection ratified (2010);
- Based on the findings of a policy-oriented review and analysis of legislation, policies and practices related to maternity protection, the amendments made to the Labour Code to bring it in line with international standards, more specifically the ILO Conventions No. 183 on Maternity Protection and the ILO Convention No. 100 on Equal Remuneration (2013);
- Support provided on modernizing the Public Employment Service under MLSPP in Azerbaijan, including piloting of several labour market programmes for disadvantaged and target groups, aiming at integrating these programmes in the regular activities of PES (2012-2013);
- Two ALMPs targeting young people piloted: (i) a support to entrepreneurship programme for young job-seekers in rural areas and (ii) apprenticeship programmes for young graduates in urban areas (2014-2015);
- In line with the Action Plan on non-discrimination developed by tripartite constituents, they increased capacities to exercise the principle of non-discrimination and equality at work; an awareness-raising campaign on non-discrimination and gender equality developed and implemented by ATUC in 7 regions of Azerbaijan (2013);
- The Decent Work Country Profile developed, providing the ILO constituents and other national stakeholders with a quality analysis and information on situation and progress in the field of decent work at the national level, as well as on the key problems and challenges the country faces on the way to achievement of the decent work objectives (2011).

**The findings of implementation of Decent Work agenda** in Azerbaijan in 2011-2015, as well as the evaluation of the joint work by the ILO and national constituents on social dialogue (2015) revealed some important challenges that need to be taken into account while implementing the new DWCP 2016-2020.

- The positive results achieved in Azerbaijan in 2011-2015 were possible due to the great commitment of tripartite constituents to the ILO values, the tremendous tripartite efforts in promoting the Decent Work Agenda, high professionalism and competencies of national experts. These factors are critical for successful implementation of the new DWCP as well.
- The DWCP requires a strategic and integrated approach in implementing the planned DWCP outcomes. Special efforts should be made in selecting the focus of joint interventions to increase probability of achieving most tangible results, including the development of a new national employment strategy, establishment of National Tripartite Commission, strengthening Labour Inspection. Activities in different thematic areas should not be fragmented, but aimed at achieving common goals in a broader perspective of the whole DWCP.
- Revitalization and good functioning of social dialogue mechanisms would be an important precondition of the effective implementation of the DWCP. Formalizing the functioning of the National Tripartite Commission, including the establishment of a technical Secretariat for NTC, remains one of the key priorities.
- Special attention to be given to the ILO Conventions on which there are comments/ recommendations recently made by the ILO supervisory bodies. An additional assistance should also be provided to promote ratifications of the ILO Conventions that are being considered by Azerbaijan for ratification (Nos. 102, 128, 155, 168, 184 and 187). More generally, the International Labour Standards of the ILO will provide cross-cutting guidance for the implementation of all 3 priorities identified in the DWCP.
- The use of electronic means of outreach for extending social partners' networks, through the newly established system of "electronic Government" ("e-Government") as a new channel of communication and outreach that would be important for future work.
- The need for greater visibility and improved communication with regard to DWCP in the country.
- Consider cost-sharing possibilities with constituents (in kind-contribution) as a factor of sustainability of the ILO - Azerbaijan cooperation and demonstration of a strong interest and commitment of constituents to obtain the ILO support.

### **III. Country programme priorities and outcomes**

Decent employment is viewed by the national constituents as a central goal of economic and social policies in Azerbaijan. Based on the national situation in the areas relevant to the ILO Mandate and the ILO comparative advantage, the following country priorities have been identified:

*Priority 1. Promoting decent employment opportunities and quality jobs for inclusive growth*

*Priority 2. Improving social protection and working conditions*

*Priority 3. Strengthening Labour Administration and social dialogue mechanisms*

Given their importance for the realization of the DWCP, the ILO international labour standards will provide cross-cutting guidance for the implementation of all three DWCP priorities.

### **Priority 1. Promoting decent employment opportunities and quality jobs for inclusive growth**

#### ***Outcome 1.1: National Employment Strategy promoting decent jobs and inclusive growth designed and implemented***

Azerbaijan is currently formulating employment policy for subsequent years and implementing relevant institutional reforms to ensure full and productive employment based on national priorities, perspectives of economic development and current demographic tendencies of the country. The Inter-Ministerial Working Group composed of representatives of the relevant Ministries, government agencies, Confederation of Trade Unions of Azerbaijan, National Confederation of Entrepreneurs' (Employers') Organizations, National Academy of Sciences and non-governmental organizations has been established to draft a National Employment Strategy of the Republic of Azerbaijan. The ILO experts have provided technical support to the Working Group in preparation of the draft National Employment Strategy, identification of its objectives, priorities and in design of labour market policies.

A tailor-made course on Employment Policy Formulation was delivered by the ILO for the members of the Working Group and other stakeholders in February 2016. This was a form of broad consultation on the situation and the current trends in the labour market in Azerbaijan, the results achieved so far and challenges to be addressed by the National Employment Strategy 2016-2030. The ILO experts has also provided the national constituents with an analysis<sup>21</sup> of the current macroeconomic situation in Azerbaijan, its impact on the labour market and

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<sup>21</sup> DWT/CO Moscow Working Paper "Is there a case for front-loaded fiscal consolidation in Azerbaijan: A growth and employment perspective"

international experience in formulating employment policies. This work laid the ground for preparation of the National Employment Strategy 2016-2030.

The ILO is invited to provide further inputs to this process through diagnostics and policy advice, this assisting Azerbaijan in the implementation of the 2030 Agenda. At the stage of the implementation of the Strategy the ILO involvement in collaboration with UNDP is also foreseen.

The ILO took obligation to present options for stimulating economic growth followed by growth of jobs. A package of measures to affect both demand- and supply-side, as well as institutions regulating the labour market has to be suggested for consideration of the Government.

Further support will be provided to the ILO constituents in improving existing laws and regulations that affect current labour market policies.

**Indicators:**

- Number of consultations with the ILO tripartite constituents held to support the development of a National Employment Strategy
- Number of interventions by the inter-ministerial coordination mechanism to formulate, implement and review the national employment policy
- National Employment Strategy is in place, through tripartite consultations and dialogue with national stakeholders
- Number of gender-responsive pro-employment policy measures included in the National Employment Strategy.

***Outcome 1.2: Active labour market programmes targeting young women and men are put in place and implemented by constituents***

Tripartite constituents are actively participating in the improvement of labour market policies by amending the current laws, regulations and normative documents. Social dialogue is used as an instrument in meeting the challenges of the labour market and overcoming employment deficits.

The ILO will provide support to build up capacities of labour market institutions, as well as those anticipating transition from informal to formal employment. The ILO constituents will be assisted in the development of Active Labour Market Policies (ALMPs), by applying an integrated approach to decent work, including developing measures to facilitate the transition from an informal to formal economy. This approach will combine macroeconomic and targeted labour market interventions and will address both the quantity and the quality of employment.

Youth employment promotion remains a national priority. The ILO will provide support in analysing the situation of youth on the labour market and developing ALMPs facilitating youth employment.

Capacity-building that targets Government institutions and social partners will add substantial value to all the interventions in the field of the labour market, strengthening the process of formulating and implementing labour market policies.

Special efforts will be made to ensure coherence and coordination across national initiatives on labour market improvement and involvement of other strategically important partners in its implementation.

**Indicators:**

- Number of programmes and measures for young job seekers designed with the technical support of the ILO and put in place
- Number of staff of the State Employment Service involved in advanced trainings to increase knowledge and skills in the field of providing quality services to young people
- Number of young people (disaggregated by sex) who got access to decent work opportunities as a result of the measures developed with the ILO support.

***Outcome 1.3: Self-employment labour market programmes are put in place and implemented by constituents***

One of the key priorities of the state employment policy is to enhance employment opportunities of unemployed, including by creating the relevant conditions for the development of self-employment of population. Training programmes and short-term courses aimed at supporting self-employment are important elements of labour market policies targeting unemployed people with capacity to work.

With an aim to support self-employment of population, AZN 6 mln have been allocated to the Ministry of Labour and Social Protection of Population (MLSPP) from the Presidential Reserve Fund, envisaged in the state budget of the Republic of Azerbaijan for 2016, under the decree of the President of the Republic of Azerbaijan from 7 April 2016 on the "Additional measures on ensuring population's self-employment".

In the framework of "The subsidy programme for young entrepreneurs" pilot project which is successfully implemented by the MLSPP and the ILO in Goychay district, funds for subsidies of an average of AZN 3,000 per participant and a total of over AZN 61,000 have been allocated to 21 promising young entrepreneurs. Taking into account the considerable experience of the ILO, as well as the positive outcomes of "The subsidy programme for young entrepreneurs" pilot project, the ILO will provide the relevant technical assistance (allocation of master trainers, presentation of training programme (Start and Improve Your Business), organization of trainings both for regional trainers and potential entrepreneurs) to support the above-mentioned measures aimed at increasing self-employment opportunities for unemployed.

**Indicators:**

- Number of programmes on self-employment developed and tested by the MLSPP, with the ILO support

- Number of unemployed and job-seekers (disaggregated by sex) who got access to training programmes/ courses aimed at self-employment developed with the ILO support
- Number of people (disaggregated by sex) who became self-employed as a result of training programmes.

## **Priority 2. Improving social protection and conditions of work**

### ***Outcome 2.1: New unemployment insurance system developed and became operational***

Improvement of national social protection system by introduction of the new unemployment insurance covering unemployment benefits and various labour market measures based on social insurance can be considered as one of the main policy options, aimed at improving national social protection system in Azerbaijan.

Present unemployment insurance system does not provide sufficient income guarantee at the time of job losses. There are two main challenges associated with the unemployment insurance system in Azerbaijan: its size of coverage and benefit level. With respect to the coverage, the number of recipients eligible to receive unemployment benefit is still limited. Regarding the benefit level, the present unemployment benefit amount in Azerbaijan reflects the previous income level but the maximum unemployment benefit is fixed to the level of national average monthly wage.

To support the process of reforming unemployment insurance in Azerbaijan, the ILO will provide technical assistance in reviewing the draft legislation on new unemployment insurance system in compliance with the ILO Convention No. 102 concerning Minimum Standards of Social Security, Part IV. The ILO will also provide technical support by sharing the international experience on unemployment insurance as a part of knowledge sharing and capacity building.

#### **Indicators:**

- Policy dialogue on reforming unemployment insurance system facilitated by the Tripartite working group
- Unemployment insurance system revised in line with the ILO Convention No. 102
- New Law on Unemployment Insurance developed with the involvement of social partners.

### ***Outcome 2.2. National OSH system is further modernized in line with international labour standards***

Improvement of working conditions of men and women in Azerbaijan is considered one of the important national goals. Though in recent years special efforts have been made by the government to strengthen occupational safety and health (OSH) system in Azerbaijan and the issues of OSH, ecology and environment have been addressed in a number of state programmes, no strategy or state programme identifying key priorities in the field of OSH, was adopted.

The constituents will be supported in applying a systematic approach to improving the national OSH system in line with the ILO Conventions Nos 155 and 187, including the development and adoption of the National OSH Strategy, OSH Programme and introduction of the OSH management system at enterprises. The ILO will provide constituents with the relevant capacity-building and knowledge-sharing on international practices in formulation and implementation of OSH policies.

National constituents will be also assisted in developing a consultation mechanism for social dialogue on OSH issues.

For successful implementation of this Outcome, strong synergies will be established with activities for Labour Inspection under Outcome 3.1 on workplace compliance.

#### **Indicators:**

- The National OSH strategy is in compliance with the provisions of the ILO Conventions Nos 155 and 187
- The interstate GOST 12.0.230-2007 (ILO-OSH 2001) is included into Azerbaijan's OSH legislation
- New methods are incorporated in the work of Labour Inspection
- The number of enterprises (or sectors) that apply OSH management system (GOST 12.0.230-2007), including risk assessment.

### **Priority 3. Strengthening labour administration and social dialogue mechanisms**

#### ***Outcome 3.1: Increased capacities of Labour Inspection and social partners to improve the workplace compliance***

The State Labour Inspection Service (SLIS) of Azerbaijan was created in 2011, under the direct supervision and coordination of the Ministry of Labour and Social Protection of Population. At the moment, there is a need to continue the process of modernization and capacity building for the SLIS. During the sub-regional tripartite conference on Labour Inspection in the Eastern Europe and Central Asia organized in Sochi in 2015, the tripartite constituents from Azerbaijan identified the main challenges regarding the Labour Inspection as follows: the need for policies on the balanced use of prevention and enforcement; better financial, human and technical resources for increase of institutional base; need for a comprehensive and

coordinated databases and tools, at the level of the Labour Administration and other stakeholders; training for both management level of SLIS and labour inspectors.

The ILO will provide advice and technical support to the government and social partners in the following areas:

- developing and implementing, in consultation with the social partners at national and sectoral levels, a strategy for strengthening enforcement, preventive interventions and workplace compliance;
- developing recommendations for amending the national laws and regulations for improving working conditions;
- improving institutional capacity of SLIS to enforce OSH and labour laws, including legislation referring to the worst form of work and protection of the vulnerable groups of workers;
- strengthening collaboration of the government with social partners and other institutions and partners to improve workplace compliance.

**Indicators:**

- Strategy to strengthen enforcement, prevention and workplace compliance developed, in consultations with social partners
- Number of new methods of work incorporated in the activities of Labour Inspection
- Number of new initiatives/measures taken to improve workplace compliance.

***Outcome 3.2: National tripartite mechanism for social dialogue is established and functions effectively***

There is a strong need for the establishment of a permanent tripartite body, where tripartite constituents could regularly meet to discuss critical socio-labour issues and coordinate their joint actions. At the initiative of social partners in Azerbaijan, the work has started on the creation of a national tripartite commission (NTC) on social and economic issues. For making social dialogue more effective and depending on the issues under consideration, some other national actors could be involved: the concerned ministries and government agencies.

The ILO will provide advice and technical support to tripartite constituents in establishing a NTC, defining its functions and regulations, structure, methods of work and agenda framework. The ILO will also provide technical consultations on international labour standards, in accordance with the ILO Tripartite Consultation (International Labour Standards) Convention No. 144, as well as capacity building for tripartite constituents/members of NTC. Social partners will also be supported in further strengthening social dialogue and collective bargaining at the level of sectors and enterprise level. Gender-balanced representation of the NTC will be strongly promoted by social partners.

The ILO will work with tripartite constituents, including through the NTC, to support the diversification of Azeri economy by promoting the principles of the

Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration).

To strengthen social dialogue at all levels (company, sector, region, national), the social partners will work together to introduce the relevant changes in the Labour Code to create sufficient space for substantial social dialogue and collective bargaining. It would enable both workers and employers to engage more actively in the collective bargaining process and to regulate mutual relations through the collective agreements.

**Indicators:**

- The NTC established, its Constitution adopted
- Gender-balanced composition of NTC (with at least 30% representation of women)
- Effective functioning of the NTC: creation of the Secretariat; number of meetings per year
- Number of social partners that demonstrate the increased knowledge on social dialogue issues, as a result of training provided by the ILO
- Number of changes in the Labour law aimed at regulating labour relations through social dialogue and collective bargaining mechanisms.

***Outcome 3.3: Increased capacities of the ATUC to effectively represent and protect its members and influence socio-economic policies***

Modernisation and reform of the Trade Union education and information work will be initiated and implemented with the assistance of the ILO and the ITUC. The ILO will support the ATUC in creation an effective workers' rights information and education network, which is fully accessible to the ATUC members. The ATUC will be provided with expertise on how to initiate social dialogue and conclude collective agreements, increase the number of workers covered with agreements, participate effectively in the collective bargaining process, promote gender equality and non-discrimination.

Trade unions will be provided with training to raise awareness among workers on labour rights and improve the inter-relationships between internal trade union structures to better represent and protect workers, especially vulnerable groups of workers (with focus on women) in the SMEs and informal economy. A special attention will be given to the creation and strengthening of trade unions at SMEs, promotion and development of social dialogue and collective agreements, ensuring the principles of non-discrimination and gender equality. The ILO Transition of the Informal to the Formal Economy Recommendation (No.204) will be promoted with ATUC. A new ACTRAV guide on informal economy will be tested; and union's leaders trained.

The ILO will advise the ATUC on structural reforms and provide methodological support at both the Confederation's and branch levels, in order to recruit members from informal sector of the economy.

**Indicators:**

- Number of workers, disaggregated by sex, covered by the collective agreements
- Increased ATUC membership
- Increased share of women in trade unions' decision-making bodies
- Number of collective agreements concluded in the SMEs.

***Outcome 3.4: Increased capacities of ASK to provide sustainable services and to undertake effective advocacy effort for its members***

The ILO will provide support to the National Confederation of Entrepreneurs' (Employers') Organizations (ASK) to improve its institutional and technical capacities, including on the issues of youth employment, informal economy and occupational safety and health. ASK will be provided with technical advice, training and best practices examples on introducing new services to its members or improving the existing ones, including through the better functioning of internal structures to identify and coordinate the views of members and formulate advocacy strategies and objectives based on membership needs.

For the purpose of enhancing the capacity in certain technical areas, ASK's representatives will be involved in various training programmes designed by ACTEMP and other ILO units in collaboration with the ILO International Training Centre in Turin. More specifically, training on effective management of the employers' organization and workshops on strategic planning will be conducted for the ASK management and its staff. ASK will receive the assistance in improving its governance and administration structures with the aim of improving the governance of the organization.

Technical support will be provided in expanding and/or improving existing and developing new services to ASK's members. More specifically, trainings will be organized on the development of services on the world of work issues: youth employment (both at national and regional levels), occupational safety and health (OSH), corporate social responsibility (CSR), international labour standards (ILS) and respect of fundamental principles of right at work.

To strengthen the advocacy role of ASK, the EESE toolkit will be used to increase ASK's capacity to properly analyze business environment and advocate for change based on empirical evidence. In addition, ASK will be supported in the development of relevant position papers and in its advocacy efforts to promote the interests of businesses through the improvement of financial, entrepreneurial environment. ASK will receive a technical support for research and formulation of policies aimed at elimination of informal economy and unfair competition as well as corruption and non-transparency at all levels.

These component of support combined will help make membership in ASK more attractive for employers and increase its representativeness and authority to act as genuine voice of the business of Azerbaijan.

**Indicators:**

- Number of adjustments made by ASK to its organizational and management practices
- Number of new and/or improved services developed and introduced by ASK for its members
- Number of position papers and advocacy strategies for their promotion developed by ASK
- Number of policy consultations and decision-making in the socio-economic sphere done with ASK's participation.

**IV. Implementation, monitoring and evaluation arrangements**

The Government, the National Confederation of Entrepreneurs' (Employers') Organizations (ASK) and the Confederation of Trade Unions of Azerbaijan (AHIK) have played a key role in developing the present DWCP. The DWCP country priorities, major outcomes, indicators of performance and strategies have been identified during the multi-phase consultation process between the ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia in Moscow (DWT/CO Moscow) and tripartite constituents in Azerbaijan, which have created the necessary base for its further implementation.

The implementation of the DWCP will be ensured through close collaboration with the DWT/CO in Moscow, the Regional Office for Europe, technical units at ILO headquarters in Geneva and the ILO International Training Centre in Turin, to ensure complementarity of technical and financial resources. The ILO National Coordinator in Azerbaijan will ensure the overall coordination, monitoring and better coherence of national and international efforts directed to the DWCP implementation.

Strategic partnerships with other international agencies and donor organizations in Azerbaijan will be further strengthened to support the implementation of the relevant DWCP outcomes, including by local resource mobilization. The ILO will continue its cooperation with other stakeholders in the country such as UNDP and other UN agencies, international organizations and bi-lateral donors. The ILO will establish close collaboration with the relevant theme groups and task forces within the UN agencies, to seek mutually beneficial cooperation in implementing the UNAPF 2016-2020 country outcomes, on one hand, and the present DWCP, on the other hand.

The DWCP outcomes will be achieved through the implementation of the ILO technical cooperation projects, advisory missions, information sharing, capacity-building and training activities in specific technical areas. The Government and social partners will provide their respective expert staff and premises and provide logistical support, as appropriate. Local resource mobilization for DWCP implementation is a

shared responsibility of the ILO and the Government of Azerbaijan. Financing of the activities under the DWCP will be provided within the resources of the Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan and its subordinate organizations allocated annually for these purposes in the state budget. The ILO will provide technical support and financial resources as relevant to implement the DWCP.

The implementation of DWCP will be reviewed on a regular basis by a tripartite advisory board, composed of representatives of the Ministry of Labour and Social Protection of Population, National Confederation of Employers' (Entrepreneurs') Organizations (ASK), Confederation of Trade Unions (AHIK) and the ILO National Coordinator in Azerbaijan. The main task of a tripartite advisory board is to promote the DWCP goals and monitor and review the progress of implementation of the DWCP, ensure the active participation of all the parties involved and the fulfilment of their commitments to achieve the jointly agreed outcomes. Following gender equality principles, the ILO encourages the constituents to ensure a gender-balanced composition of a tripartite advisory board.

After the signing of the DWCP, a detailed Implementation Plan and Monitoring Framework will be developed jointly by the ILO and tripartite constituents, which would include more concrete and specific information on outputs, activities, timeframe and responsibilities of the ILO, the Government and the social partners. The Implementation and Monitoring Plans will be regularly reviewed (at least once a year) by a tripartite advisory board and updated by the ILO National Coordinator; if necessary, the relevant adjustments will be made with a view to improving the DWCP implementation strategy and re-defining country programme activities.

The DWCP implementation will undergo a final review, in line with the ILO standard policies.

on behalf of the Government of the  
Republic of Azerbaijan

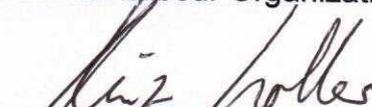


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Salim Muslumov  
Minister of Labour and  
Social Protection of Population

Baku, "30" September 2016

on behalf of the  
International Labour Organization



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Heinz Koller  
Regional Director, ILO Regional Office  
for Europe and Central Asia

Baku, "30" September 2016

on behalf of the Azerbaijan Trade  
Unions Confederation

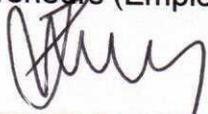


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Sattar Mekhbaliyev  
Chairman

Baku, "30" September 2016

on behalf of the National Confederation  
of Entrepreneurs (Employers)



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Mammad Musayev  
Prezident

Baku, "30" September 2016