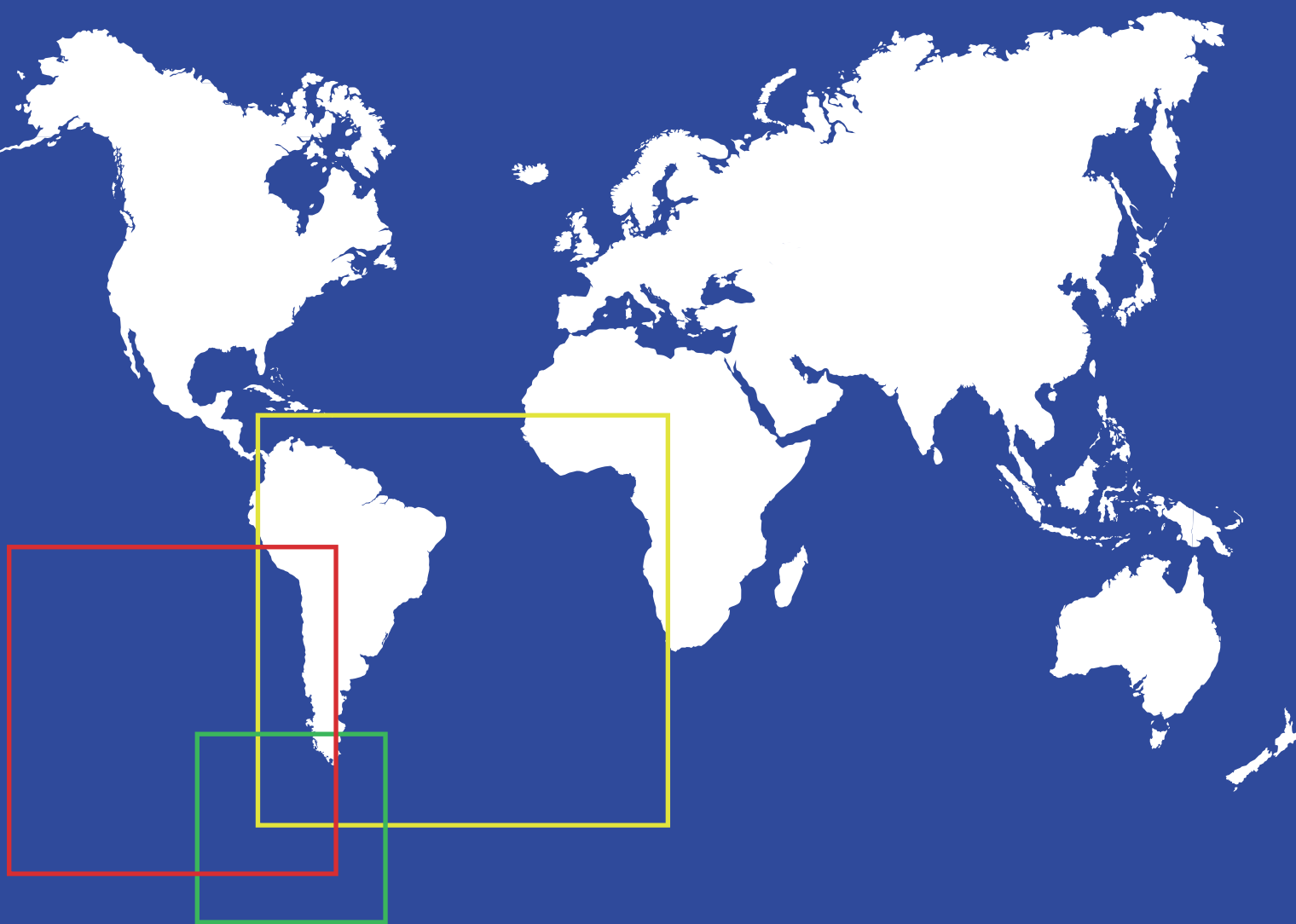




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Decent Work Country Profile AZERBAIJAN



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EXECUTIVE SUMMARY

**DECENT WORK COUNTRY PROFILE
AZERBAIJAN**

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Executive summary

Over the past ten years, Azerbaijan has made progress in a number of areas relating to the Decent Work Agenda, which combines employment promotion, rights at work, social protection and social dialogue. In other areas, the country profile identifies areas with need for further improvement. The Decent Work Country Profile for Azerbaijan looks at progress and challenges across ten thematic areas ranging from employment opportunities to combining work and family life to social dialogue. In order to capture all four dimensions of the concept of decent work, the country profile contains information on rights and legislation for decent work, presented as Legal Framework Indicators, in addition to statistical Decent Work Indicators, with much of the data produced by the State Statistical Committee of the Republic of Azerbaijan.

A natural resource boom has driven rapid economic growth and improved the economic and social context for decent work (see Chapter 1 ‘Economic and social context for decent work’). Large off-shore oil investments kicked off development of the oil sector in the 1990s, and in the mid-2000s, Baku-Tblisi-Ceyhan (BTC) pipeline and the South Caucasus Gas pipeline both came on stream. As a result, annual GDP growth averaged 15 per cent between 2000 and 2010, reaching a high of 35 per cent in 2006. During the current economic crisis the rate of growth contracted, reaching a low of 5 per cent growth in 2010.

The Government has worked hard to reduce the impact of Dutch disease, setting up the State Oil Fund of Azerbaijan to preserve macroeconomic stability and retain oil wealth for future generations. It has also implemented a series of national poverty reduction programmes and increased public expenditure in infrastructure development, education and healthcare. Enrolment in primary and secondary education is near universal and has increased significantly for tertiary education, reaching 19 per cent, with equal levels of attendance among men and women. Job creation, alongside increases in public sector pay, the legal minimum wage and targeted social assistance have resulted in a sharp decline in rates of poverty from 49 per cent in 2000 to 9 per cent in 2000.

While the oil and gas sector have grown rapidly, non-oil sectors have showed much lower rates of growth. Agriculture makes up a declining share of GDP and construction, which experienced a boom in the mid-2000s contracted sharply during the economic crisis. Looking forward, it will be increasingly important to develop the non-oil sector in Azerbaijan as oil and gas production are projected to flatten in the medium term and decline in the long term.

Azerbaijan has made progress in increasing employment in the last decade, with almost a million new jobs created since 2003, over half of which are permanent (see Chapter 2 ‘Employment opportunities’). At 59.2 per cent, the employment rate is slightly higher than the Commonwealth of Independent States (CIS) average and has remained stable over the last ten years. Men’s employment is slightly higher than women’s, although the gap has been narrowing. Unemployment was 5.9 per cent in 2010, having maintained a downward trend even during the economic crisis. However, as with many other Eastern European and CIS countries engaged in a transition from state controlled economies, economic growth has been marked by low employment content. In Azerbaijan, just 20 per cent of GDP growth is attributable to employment growth, the rest resulting from productivity gains. This has a particularly strong effect for young people as they transition from school to work. Azerbaijan has a young population, with some 40 per cent of people aged under 24 years and youth employment is low at 29 per cent having fallen from 42 per cent in 1999; efforts to promote youth employment have been strengthened. A significant challenge to the decent work agenda is the collapse of the wage economy and the concomitant rise of vulnerable and informal work, which has particularly affected women. Just one third of

women are in salaried employment, the other two thirds being engaged in vulnerable work either as own-account workers or contributing family workers, where they are more at risk to poverty and marginalization.

Over all, the past ten years have seen significant progress in terms of adequate earnings and productive work (see Chapter 3 ‘Adequate earnings and productive work’). The average monthly wage of workers has increased dramatically from 44 Azerbaijani Manats (AZN) in 2000 to 325 AZN in 2010. At the same time, the Government has increased the minimum wage, helping to lift many out of poverty. However, the share of low-wage earners has ballooned since 2000, reaching 40 per cent of the population in 2010. There are significant regional differences in wages, with earnings in Baku approximately double those in the rest of the country, as well as sectoral differences, with a small group in mining and finance earning some three times the average monthly wage, while those in agriculture, fishing, health and social services earn less than half that and overall women earn significantly less than men. Efforts are being made to increase the enforcement power of the labour inspection service and the social partners are working to engage more fully in national wage setting, as despite the huge increase in minimum wage, it is still worth just a quarter of the monthly average and well below the European Social Charter’s stipulation that minimum wages should be worth at least 60 per cent of the monthly average.

In terms of working hours, Azerbaijan has a strong legislative base to ensure health and safety and enable people to enjoy family and personal life (see Chapter 4 ‘Decent hours’). The standard working week is eight hours a day with a two day weekend, and regulations are in place to protect shift workers and those in hazardous or particularly stressful industries. Paid annual leave is a standard 21 days, with extra days granted in a variety of cases, including for under 18 year olds, mothers, people in hazardous work and depending on length of service. Rules on overtime are strict, permitting overtime in only a limited set of circumstances, and prohibiting any overtime for under 18 year olds and pregnant women or mothers of children under three. As a result, when workers are engaged in “illegal” overtime, they must rely on the goodwill of their employers to receive compensation. Data on working hours in Azerbaijan is limited, making it difficult to draw any conclusions on progress. According to official statistics, the proportion of people working more than 40 hours and 48 hours a week has decreased, while those in part time work increased until 2009 and then fell significantly in 2010. Overall women work shorter hours than men, enabling them to combine work with family responsibilities.

While more Azerbaijani women are working than ever before, their share of family responsibilities has not diminished (see Chapter 5 ‘Combining work, family and personal life’). Legislation is in place to protect workers with family responsibilities, which while supporting women also serves to reinforce traditional gender stereotypes. Benefits and leave related to child care and child birth are generous for those enrolled in social insurance schemes and family allowances provide a safety net for those who are not insured. However, they are in general only available to fathers if the mother is unable to look after the children, for example as a result of death, imprisonment or hospitalization in a mental institution. Increasing support with childcare can shift the burden of care from women and enable greater participation in the labour market. More children in Azerbaijan are attending pre-primary school, although lack of access to state provided facilities and the high cost of private pre-schools limit access for many people. The Government is working to expand access to pre-primary education through a national action plan and coordination with international partners.

Limited data on child labour and forced labour make it impossible to draw many conclusions on progress in this area (see Chapter 6 ‘Work that should be abolished’). Azerbaijan has ratified the four related fundamental conventions and in the 2006-2009 Decent Work Country Programme committed to devote further efforts to abolishing child labour and human trafficking. Working children (aged 5-17 years) make up four per cent

of the working population, with the incidence of working increasing with age. Over 80 per cent of working children are engaged in child labour, as opposed to suitable, legal work, with boys affected more than girls. Most working children are engaged in the agricultural sector and are unpaid family workers. Human trafficking is recognized as a problem, with victims trafficked into sex work, forced begging, construction and street vending. A new law to combat trafficking was adopted in 2005 and a National Action Plan for Combating Human Trafficking (2009-2013) aims to tackle the social causes of trafficking, improve victim support and reintegration, as well as to improve the coordination and effectiveness of prosecution.

Employment generation has been a key priority of the Government during the period of structural adjustment which has destabilized traditional employment patterns in Azerbaijan. Results in terms of the stability and security of work are mixed (see Chapter 7 ‘Stability and security of work’). While 900,000 new jobs have been created since 2003, of which over 50 per cent are permanent, the wage sector has collapsed and the proportion of people engaged in vulnerable work or the informal sector has increased significantly, particularly affecting women. Social protection through insurance schemes is only available to people who have contributed to an insurance scheme, leaving the vast majority of those in the most vulnerable employment with the least protection.

Azerbaijan has ratified a number of international standards to promote equal opportunity and treatment in employment including the Equal Remuneration Convention, 1951 (No. 100) and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), and has also acceded to the UN Convention on the Elimination of All Forms of Discrimination Against Women and its Optional Protocol (see Chapter 8 ‘Equal opportunity and treatment in employment’). Legislation is also in place to protect the rights of migrant workers and disabled workers. Today, women make up almost half of the labour force, there is a quota system in place to encourage employment of disabled people and regular migrant workers are granted broad based protection. However, a number of challenges remain to be addressed. The gender wage gap is large at 57 per cent and has grown since data was first collected in 2003. At the same time, the labour market is heavily gender segregated, despite women and men’s almost equal educational attainment, with women tending to work in low wage sectors and not move far up the pay ladder. The proportion of women in executive positions has stagnated at around ten per cent over the last decade.

Regarding occupational safety and health, it is difficult to draw any conclusions on Azerbaijan’s progress (see Chapter 9 ‘Safe work environment’). The State Labour Inspectorate Service collects data on occupational injuries, but is not notified of cases of occupational diseases. Occupational injuries have fluctuated widely, at a low level, over the last decade. Difficult and dangerous working conditions are most prevalent in the industrial, construction and transport industries, and unsurprisingly, given the gender segregated nature of the labour market, affect men more than women. Recognizing the importance of occupational safety and health for sustainable growth, the Government has increased investment in labour protection, including improving working conditions. Expenditure increased by 25 per cent from 2009 to 2010 to reach 31.6 million AZN.

In the area of social security, Azerbaijan has achieved major progress in expanding and deepening coverage (see Chapter 10 ‘Social security’). The social security system covers all nine branches identified in the Social Security (Minimum Standards) Convention, 1952 (No. 102). An extensive social insurance system is tied to employment history, while increasing investments into social assistance has ensured targeted support. In 2003 (the latest available year), total social security expenditure (including health care) amounted to 8.5 per cent of GDP, and the largest areas of expenditure were old-age pensions, disability benefits and health care. Social assistance expenditure has increased from 0.26 per cent of GDP in 2007 to 0.77 per cent in 2010. The pension system has undergone significant

reform, improving financial sustainability and access, as well as reducing scope for corruption, introducing an electronic records system and enabling pensioners to collect their benefits from ATM machines. The value of pension benefits has also increased at rates in excess of GDP growth, helping reduce poverty. Challenges persist concerning provision of medical care, however, as access to state health care facilities is declining.

With regards to social dialogue, workers' and employers' representation, progress has been mixed (see Chapter 11 'Social dialogue, workers' and employers' representation'). Azerbaijan has a long history of social dialogue and collective bargaining, dating back to the beginning of the 20th century and during the transition period, the Government made efforts to revitalize social dialogue and enshrine its importance in the law. Social dialogue, freedom of association and the right to organize are protected by law and economic and social policies are defined in a General Collective Agreement drawn up by the tripartite partners.

Trade union density among employees is extremely high at 86 per cent and has increased from 81 per cent in 2000, while female participation has also been increasing. Furthermore, the ability of the unemployed, pensioners and students to form trade unions is empowering for these outsider groups. However, at the same time, just a fifth of businesses have trade union representation and there is no data on collective bargaining coverage. While legally, the social partners have significant scope for action, their participation in real terms is less clear and the General Collective Agreement (2010-2011) has included a number of objectives to improve the quality of social dialogue.