

Employment and Unemployment as A Subject of State Regulation of The Labor Market in Azerbaijan

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Annotation: The level of employment and unemployment are important macroeconomic indicators in order to characterize the effect of the economic policy implemented in the Republic of Azerbaijan and the degree of economic development of the country. The high level of unemployment in the economy causes various complications, which negatively affects the state of socio-economic progress. It is appropriate to consider a number of directions in the field of state regulation of employment and unemployment. These are the regulation of the demand and development for workplaces, the implementation of a successful state policy in the field of education, vocational training and personnel retraining. In the study of the scientific basis of employment issues, it is selected due to the importance of maintaining the continuity of workplaces and regulating its market relations based on the relevance of objective development laws. In this field, it is also worth noting the need for specialization. Measures in the field of policy regulation in the direction of employment and unemployment mostly act as efficiency indicators of the state's social policy as well. Implementation of various projects, representation of people from relevant classes in those projects and other necessary issues carry the strategic essence of employment-oriented social policy.

The paper clarifies various issues regarding employment and unemployment in the Republic of Azerbaijan and deals with the state regulation in this direction. In the study, the approach to both problems on the current national economic priorities is more concrete and systematic. The creation of industrial parks and districts in different regions of the country will have a positive effect on the reduction of unemployment and, in parallel, on the preservation of the increasing dynamics of employment indicators. If we take into account the prospects of the territories freed from occupation in recent years, we can say that substantial results will be achieved based on the reforms and strategies carried out in the future. As it is known, state programs for the development of regions are adopted continuously and gradually in Azerbaijan. The implementation of these programs in stages will allow the establishment of production enterprises and the creation of new jobs. This, in turn, will lead to a decrease in the level of unemployment and further increase in employment opportunities.

Key words: Republic of Azerbaijan, employment, labor market, unemployment, employment strategy

I. Introduction

The main feature of the modern labor market is that it is impossible to fully guarantee permanent employment here. The demand for labor, which determines the level of employment, depends on many factors. These factors are explained as the processes of the structure of the economy, the organization of labor, the state's policy in this area, market prices, labor efficiency, competition, income criteria, flexibility of labor relations, education, professional knowledge and skills necessary for production, professional development and acquisition of new professions.

One of the main directions of the socio-economic policy implemented in the Republic of Azerbaijan in recent years is the development of the labor market and efficient use of labor force. The reforms carried out in the country have caused fundamental quality changes in the economy, dynamic economic development has been ensured. Relevant measures have been taken in the direction of ensuring the economic development of the regions, further raising the social welfare and living standards of the population, and the development of the country's economy, especially the non-oil sector. In order to ensure the employment of the population, new jobs, enterprises, infrastructure facilities, etc. was created

The concept of employment means the possibility of employment for every person who is able to work and wants to work. In other words, employment means providing occupation to those who are able to work by effectively using all available resources in the country. R.Abdullayeva shows that although employment appears as work, they differ from each other. So, if labor is a conscious, purposeful activity of people, then employment is a social attitude of an employee to join a specific labor cooperation in certain workplaces (Abdullayeva R, 2009)

According to Law Of The Azerbaijan Republic About Employment the labor market is set of the demand and supply of labor power, and active measures of employment are the measures directed to expansion, assistance in job search and self-employment, employment opportunities of rabotoiskatel and jobless persons, ensuring professional orientation, professional training, increase in their knowledge and skills, implementation of special programs for them for the purpose of forming of labor power according to work market requirements (5)

In the 1990s, the level of open unemployment was quite high, if not critical, in the context of declining production. This was mainly due to widespread unemployment. The level of total open unemployment in Azerbaijan reached its peak in 1999. Thus, in

1999, the number of unemployed people in the republic was 552.6 thousand, and this number was 6.9 percent of the total population. The fruition of the "Contract of the Century" signed in 1994, the achievement of macroeconomic stability in the country with the implemented economic reforms gave impetus to the development of the economy. As a result, all these mentioned reflected in the reduction of the general unemployment level. Thus, the number of unemployed population decreased more than twice in 2013 to 236.6 thousand people.

II. Socio-economic indicators of the labor market

Table .

Years	Number of unemployed population, thousand people	Granted the status of unemployed by the State Employment Agency, number of people
1999	552,6	45211
2000	514,7	43739
2001	476,7	48446
2002	438,6	50963
2003	400,9	54365
2004	348,7	55945
2005	317,8	56343
2006	291,2	53862
2007	281,1	50651
2008	262,2	44481
2009	260,2	41100
2010	258,3	38966
2011	250,9	38330
2012	243,1	36791
2013	236,6	36206
2014	237,8	28690
2015	243,7	28877
2016	252,8	32972
2017	251,7	38481
2018	253,8	20088
2019	252,1	81272
2020	368,7	-
2021	310,5	-
2022	293,3	-

Source: <http://www.stat.gov.az/source/labour/az/0011.xls>

Although Azerbaijan, which was not so much affected by the global economic crisis in 2008, at the beginning of 2014, due to the drop in the price of oil on world markets, the depreciation of the Azerbaijani manat against the US dollar in 2015, and then the spread of the COVID-19 pandemic, the problem of unemployment became urgent. In other words, there has been an increase in the number of people fired and the unemployed population. According to the State Statistics Committee of the Republic of Azerbaijan, at the end of December 2020, the total number of unemployed persons in the republic increased by 132.1 thousand to 368.7 thousand. The unemployment rate increased from 2.5% to 3.7% [6]. As a result, unemployment is quite natural, because the scale of unemployment should actually increase during economic crisis and subsequent situations.

In order to assess the level of unemployment, the state bodies of the Republic of Azerbaijan, including economists and specialists, also use the indicator of the number of unemployed people registered in the state employment service. According to the figures in

the table, the dynamics of total and registered unemployment in Azerbaijan were not synchronized. This development of the current situation, as it seems, was the result of the population's lack of trust in state institutions, especially in the service of the State Employment Agency. In our opinion, the increase of the share of unemployed people registered in the state employment service in the total number of unemployed population in recent years should be considered as a positive trend in the labor market of Azerbaijan in the conditions of economic recovery. However, the main way to find a job is still to refer to relatives, friends and acquaintances.

III. The main directions of state regulation in the field of employment in Azerbaijan

Employment is a subject that is constantly among the priorities of the country's economies. From time to time, considering the changing demands of the labor market, the favorable use of labor resources in the efficiency of the implemented economic reforms and other factors are taken into account to improve the legislative infrastructure in this area. There may be problems that remain valid in the field of employment. At the same time, the correct coordination of regional and national factors of the economy in the effective organization and management of employment policy can be considered as an important step in this direction.

The main legal regulatory processes related to employment in Azerbaijan are as follows:

1. The Law of the Republic of Azerbaijan "On Employment" (2001).
2. "State Program on the Implementation of the Employment Strategy of the Republic of Azerbaijan" (2006-2015)
3. "State Program on the Implementation of the Employment Strategy of the Republic of Azerbaijan" (2007-2010)
4. "State Program on the Implementation of the Employment Strategy of the Republic of Azerbaijan" (2011-2015)
5. "Employment Strategy of the Republic of Azerbaijan for 2019-2030"
6. Action Plan on the Implementation of the Employment Strategy for 2020-2025

The Action Plan for the implementation of the Employment Strategy for 2020-2025 consists of the following stages.

- improvement of the regulatory legal framework in the field of labor market regulation;
- development of workforce skills and improvement of labor standards;
- expanding the scope of active employment measures and increasing efficiency;
- development of social dialogue and prevention of informal labor relations;
- development of labor market monitoring and forecasting system [11].

Vocational training of the unemployed population is one of the active measures of the state employment policy. During the economic crisis, the population's interest in this type of employment service has increased. In the period before the economic crisis, the structure of public expenditure on employment policy in the countries of the Organization for Economic Co-operation and Development (OECD) was formed with slight advantages in favor of passive policy. So, in these countries, in 2016, 0.87% of GDP was spent on measures in the field of passive employment policy, and 0.62% of GDP was spent on active employment policy. As a result, passive policy made up 58% and active policy made up 42% in the structure of government spending on labor market regulation. In 2016, the highest share of spending on active measures in the structure of the public employment policy budget was 69% in Great Britain and 59% in Sweden. On the contrary, its lowest value was recorded in Greece at 15% [7].

It should be noted that until the economic crisis of 2008, there was a trend of a slight reduction of expenses in the field of employment policy in developed countries. Thus, it can be concluded that with a slight decrease in the state's participation in labor market regulation, the priorities have shifted towards conducting an active employment policy. The share of funds allocated to activities related to passive employment policy in the structure of expenses of the Azerbaijani government for the purpose of employment promotion is much higher than in developed countries. If this indicator was 42% in OECD countries, it was 84% in Azerbaijan. Thus, the government prioritized social protection of the unemployed rather than active measures towards the development of the domestic labor market.

The deterioration of the situation in the Azerbaijani labor market has led to an increase in the number of applicants to the State Employment Agency regarding employment issues. Compared to 2018, in 2019, the number of people who registered with the State Employment Agency and received the status of unemployed increased 4 times to 81,272 people. It is clear that the government is not able to promote employment with the same effect as in the rising stage of the economy, in the conditions of a general decrease in the demand for labor in the national labor market.

As we know, depending on the current situation in the labor market, population migration and the movement of unemployed people due to the need to find a job take place. We should especially mention the socio-economic problems related to international migration. In some cases, attracting foreign labor turns out to be the only option to fill the shortage of personnel. However, migration creates a number of challenges for both local residents and migrants themselves. The local population of

areas where migrants are settled face increasing competition with foreign workforces in the labor market. A more general problem is the increase in population density, which puts an increased burden on transport and engineering systems, commerce and social infrastructure. All this can lead to increased social tension and inter-ethnic conflicts.

Given the low rate of natural population growth, immigration plays an increasingly important role in the labor market in developed countries. In 1995-2008, in Russia, one of the powerful countries of the CIS region, the highest growth rate in the number of working migrants from the countries of the post-Soviet region was from the Central Asian Republics and Azerbaijan. During this period, the number of Kyrgyz citizens working in Russia increased 263 times, the number of Tajik citizens 261 times, the number of Uzbekistan citizens 179 times, the number of Azerbaijani citizens 59 times, and the number of Turkmen citizens 31 times. Labor migration only from Kazakhstan has increased less than 5 times, which can be explained by the relatively favorable socio-economic situation in this country. The same adequate situation has been observed in Azerbaijan recently. There is an increase in the number of people coming from countries especially Pakistan, Syria, Afghanistan, Iraq, India, Somalia, etc. to find work and a better standard of living here.

IV. The situation of the labor market in neighboring countries

Turkey, which is neighboring Azerbaijan and closer to Europe, has had to struggle with high unemployment rates almost every period since the 1960s. Unemployment, which started to increase especially after the 1980s due to globalization and technological advances, reached levels considered high by universal standards in the 1990s. With the 2001 crisis, unemployment deepened even more and the recovery in employment after the crisis was very slow and limited, unlike the recovery in economic growth. Rapid population growth, problems in education policy, insufficient investment, political and economic instability have caused this problem to worsen. Three important features stand out in the Turkish labor market. One of these features is that the rural-urban transition process that began after the 1950s is still ongoing. The transition from rural to urban areas, specific to the universal development process, brings about labor migration from agriculture to non-agriculture and the necessity of creating high amounts of employment outside of agriculture. However, despite the rapid growth process in the planned development period, industry in Turkey has not reached the desired level. Another striking feature of the Turkish labor market is that the migration process from rural to urban areas has led to an increase in an uneducated urban population, and the transition between sectors has not created a qualified change. As a third feature of the Turkish labor market, the position of women in terms of participation in the labor force emerges. It is known that traditional social values play an important role in the background of women's reluctance to participate in the labor force or to remain in employment. In order for women's participation rates to increase, the obstacle of insufficient education level must again be overcome.

In Russia, another neighboring country to Azerbaijan, the causes of unemployment differ from the modern view that in any economic system there is a certain level of working and unemployed population groups associated with the natural movement of labor resources in the labor market. In Russia, the most critical years in the history of the economic market were 1992-2000. Later, the unemployment rate began to gradually decrease, and by 2018, unemployment was 4.6%. The reasons for the current high level of unemployment among young people in Russia are defined as follows:

- lack of a data system on the specialists in demand in the labor market and the professionals trained in which fields by various educational institutions
- Most employers do not want to employ young inexperienced specialists
- lack of a system for assigning young specialists who have recently graduated from educational institutions to workplaces suitable for their professions
- lack of the necessary monetary and program base for the activities of the employment service for the employment of the young population. In these countries, employment policies implemented to combat unemployment include subsidies for the private sector, assistance to those who set up their own businesses, direct employment in the public sector, unemployment insurance, vocational training, public matching and consultancy services, etc. In this period, rapid industrialization was targeted with import substitution policies and planned development was implemented. In Turkey in particular, the First Five-Year Development Plan was organized according to income increases and employment was accepted as a secondary target. In the Second Five-Year Development Plan, the main target was to increase GNP (Görmezöz, 2007).

In the period after the reforms carried out in the country, informal employment has become widespread. According to local scientists and experts, certain manifestations of informal employment existed in Soviet Azerbaijan, but during the transition to market economic relations, the composition, scale, nature and role of informal employment in the economy changed significantly [Huseynov T.H., 2015]. Over the past 20 years, employment in the informal sector has reached significant proportions, and as a result, the informal sector has become an independent segment of the labor market, having a huge impact on the employment situation of the population and the overall socio-economic situation.

The negative social impact of informal employment is that workers do not have the opportunity to apply to labor legislation to protect their labor rights, they are deprived of state social security, they are not covered by compulsory social insurance, and in most cases they are subjected to discrimination and exploitation by employers. At the same time, the sphere of informal

employment is becoming a very stable phenomenon in the economy. This is the only possibility to avoid unemployment for some labor categories and low-skilled workers

V. Suggestions for the labor market of Azerbaijan

In the region where Azerbaijan is located, the important reasons for unemployment are explained by the high labor costs. When the studies are examined, the conclusion that reducing labor costs, which are determined by employment taxes and wages, can make a positive contribution to employment comes to the fore. However, it should not be forgotten that in order to reduce labor costs, employment taxes should be reduced instead of wages because wages are an income element that leads to an increase in domestic demand.

The following suggestions can be put forward for employment policies:

- The fact that the growth in the economy does not create employment and the differences in employment creation between sectors are very important in terms of the sectoral composition of growth. In order to increase employment, priority sectors should be determined in development strategies and sectoral policies should be developed instead of general policies;
- Priority should be given to service sectors that are the locomotives of employment in the long term, such as tourism, finance and information technology sectors, health, nursing, family and child development in investments;
- Based on the fact that the driving force in the development of a country is human capital, the share allocated to education should be increased and the education-employment relationship should be strengthened. In order to strengthen the education-employment relationship, training should be implemented in a way that meets the qualifications demanded by the market;
- It should focus on how to increase the participation of young people and women in the labor force in the medium and long term, and employment policies should be developed as special employment policies with social content focused on women and young people. Positive discrimination practices should be implemented for women and young people in recruitment;
- One of the most important problems of Azerbaijan is that it has an export structure dependent on oil and foreign countries. Measures to increase foreign trade should be increased as an indicator that will guide growth. Mutual relations with neighboring countries are one of the important developments in this process

VI. Conclusion

In our opinion, the ongoing global economic crisis and the ongoing military conflicts will naturally lead to an increase in informal employment both in Azerbaijan and in foreign countries. However, domestic experience shows that the recovery of economic growth alone will not be enough to significantly reduce unemployment. In our opinion, strengthening the labor legislation, increasing the activity of trade unions and increasing the public's trust in the state in general is no less important than this.

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