

Objectives Guiding Azerbaijani Government Social Policy

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What are the priorities in the social policy Azerbaijan has pursued in recent years? Previously I have written three articles ([Scope and Opportunities in Social Policy in Azerbaijani](#); [The Poor and Unemployed in Azerbaijan](#); [An Analysis of the Financing Mechanism for Social Expenditure in Azerbaijan](#)) in which I wanted to illustrate the existing Azerbaijani social policy. In this article, I will try to understand the objectives guiding social policy.

In connection with [the increase](#) in the minimum wage and minimum pension in early 2023, the Ministry of Labor and Social Protection (MLSP) stated: “over the past 5 years, the minimum wage has been raised 2,7-fold from 130 AZN to 345 AZN and the minimum pension was increased 2,5-fold from 110 AZN to 280 AZN as part of revolutionary reforms in the social sphere.” An interesting aspect of the issue is that both the growth and the availability of both indicators are only partly relevant to the Ministry’s areas of activity. Firstly, the Ministry of Labor and Social Protection (MLSP) uses the *minimum wage* figure when calculating mandatory state social insurance contributions paid by individual entrepreneurs. According to the [law](#) on social insurance, the contribution to the compulsory state social insurance of insured persons who receive income from activities other than wage labor is equal to various percentages of the minimum monthly wage (50% in construction, 25% in other industries). Secondly, setting the minimum wage is beyond the ministry’s jurisdiction. As for the minimum pension, the Ministry calculates it according to the minimum required pension capital (the minimum pension is multiplied by 144 months) and determines the minimum amount of

contributions made through the State Social Protection Fund (SSPF). In other words, it is difficult to determine whether these indicators stem from the result or an achieved goal of social policy.

According to data from the State Statistics Committee (SSC), the consumer price index [increased](#) by 13,9% between January and December 2022, compared to the same period in 2021, including 20,1% recorded for food. But this is only the official information. The Central Bank (CBA) in its *Statement on Main Directions of Monetary Policy for 2023*, did not [mention](#) projected inflation rates for this year. Prices will continue to rise, and even the CBA cannot predict at what level (or is unwilling to talk about it publicly). Consequently, the government, under pressure from inflation, has had to increase social payments to the population. These steps were taken because of rising prices, but not by the Ministry of Labor and Social Protection (MLSP). That is, the latter plays no role here.

What is the government's priority in social policy? As I have argued in my three previous articles, its priority is saving , which its social policy pursued over the past 5 years suggests. The government repeatedly trims the State Social Protection Fund's spending, in an effort to turn it into a self-sufficient fund, and thereby save the state budget. But as a result of this policy, a large portion of the population has been deprived of social support. Therefore, current social policy calls for serious changes. Here I will try to present my proposals.

The following steps should be taken to improve disability legislation:

- 1) Bureaucratic procedures for determining disability must be simplified because most of them are aimed at creating an additional burden. For example, to receive a permanent disability, a person must apply for the Ministry of Labor and

Social Protection (MLSP) every 5 years. Because disability is mostly determined by the presence of a chronic illness or an unresolved problem, there is no need for an examination every 5 years.

2) When determining disability status, two entities must be contacted: the Administration of the Regional Medical Divisions, or TABIB (established to ensure the arrangement of medical services at healthcare entities), and the MLSP-owned Medical-Social Expert Commission (MSEC). The first entity is in charge of giving a medical diagnosis, while the latter is a social diagnosis (i.e., an individual's level of functional communication, their ability to work in various positions, etc.). In reality, however, the two institutions address the same problem because both are composed of physicians. Consequently, the Medical-Social Expert Commission, which is a non-medical institution, acts as a medical institution and even participates in the process of making diagnoses. Thus, disability applicants are made to go through redundant checks of their status.

(3) The legislation related to the determination of disability should be changed. The laws and regulations on disability enacted in 2017 made it difficult to claim allowances in many cases. But the MLSP introduced a new law, as well as new amendments to the law, which went into effect in 2022. [Although](#) the foundation for these changes was laid in 2017, they [were put](#) into practice in 2022. I noted in the article *An Analysis of the Financing Mechanism for Social Expenditure in Azerbaijan*, these changes resulted in a decrease in the number of disabled people in the country. While the global average is 10%, in Azerbaijan the corresponding figure shrank to 5% from 6% due to the administrative changes between 2017 and 2022.

4) The MLSP should change its approach to disability. It attaches considerable importance to the process of granting disability status, instead of preventing disability. The situation in Azerbaijan [is not by any means](#) satisfactory in

this direction. Problems are also observed in other areas, provided that congenital diseases are excluded. Therefore, it is also necessary to take steps toward improving the quality of medical services, ensuring the safety of workers (only in 2022 at least 88 people died due to accidents at work or in connection with work, and 192 [received](#) injuries). Work in this direction can reduce the number of disabled people in the future;

5) The disability allowance should be developed by a criterion that reflect the real demands of the disabled people. As of now, the disability allowance is defined by presidential decrees. According to State Statistics Committee's [calculations](#), the majority of disabled persons depend on the allowance. However, the amount of the allowance is unrelated to either the subsistence minimum, need criterion, or minimum wage. To ensure a more stable and real economic situation, the amount of benefits should be based on one or another indicator (the subsistence minimum or minimum wage) and annually approved by the state budget. Additionally, given that the living expenses of eligible persons are generally higher, this allowance should be higher.

The following steps should be taken toward pension legislation:

- 1) lowering the retirement age to 60 years, subject to life expectancy;
- 2) reducing by at least one-half the tenure of 25 years of service, which is an eligibility criterion;
- 3) reviewing the pension capital and limiting the total amount of contributions to it, taking into account real incomes in Azerbaijan;
- 4) reducing by at least one-half the period of 12 years of covered employment required to be entitled to a labor pension.

Along with changes in pension legislation, the accessibility of pensions should also be increased. I noted in the article *Scope and Opportunities in Social Policy in Azerbaijan*, less than 40% of men of working age (15+) and 25% of women are currently able to provide for their future pensions. This is mainly due to illegal employment, as well as the fact that many people provide services as individual entrepreneurs under contract. Therefore, the following steps should be taken urgently:

- 1) Employers must be required to strictly follow the requirements of the Labor Code and to sign labor contracts, not service contracts, with their employees when hiring them permanently. In addition, to being a legal requirement, this is an issue that concerns the future pension of such employees.

- 2) The rules for contributions for mandatory state social insurance must be amended, bearing in mind existing labor relations. To that end, employment services should tighten control over the signing of labor contracts, or the legislation should be subject to revision. As it stands, many employees are and/or will be ineligible to apply for a pension.

I noted in the article *The Poor and Unemployed in Azerbaijan* that the government does not see poverty, which can lead to even more problems. At the same time, children of poor families are deprived of many opportunities. Therefore, it is appropriate to take the following steps toward paying child benefits and alleviating poverty:

- 1) The criteria defining poverty should be changed. The MLSPP has described the equalization of the need criterion and the subsistence minimum rate as a success; however, the MLSPP has not explained why the two indicators have long been different, nor why the need criterion (i.e., the process used to identify the poor) has been lower than the subsistence minimum. In my

view, the need criterion should be calculated in one form or another according to the level of the subsistence minimum (provided that it is not lower than the need criterion) and the minimum wage.

2) The minimum consumer basket used to identify the subsistence minimum should be revised. The legislative document defining the subsistence minimum, which, according to law, is subject to revision every 3 years, has not been amended since 2014. During this period, Azerbaijan has experienced two episodes of currency devaluation, the COVID-19 epidemic, a 44-day war, and the worst inflation ever recorded. Nevertheless, the legislation hasn't been amended. Even a study conducted by the State Statistics Committee in 2022 [reflects](#) the discrepancy between several indicators specified in the consumer basket used to identify the subsistence minimum and real demand.

3) Amendments to improve social policy are needed to mitigate the effects of poverty on children. Support should be given either directly in the form of child benefits (up to a certain age) or another form (e.g., by providing school supplies, food allowance, etc.).

Various steps should also be taken to address unemployment with a comprehensive approach. Half of the contributions to the unemployment insurance fund are currently spent on the maintenance of entities dealing with unemployment, not on the unemployed. People are funding the maintenance of public institutions instead of insuring themselves against unemployment.

In my opinion, it will be possible to stabilize the situation to some degree by taking these steps. The steps outlined above can create a more comprehensive and flexible social policy.

[Scope and Opportunities in Social Policy in Azerbaijan](#)

The Poor and Unemployed in Azerbaijan

*An Analysis of the Financing Mechanism for Social Expenditure
in Azerbaijan*