

Why Does Azerbaijan not Disclose the Total Number of Informal Jobs?

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Informal employment remains a major challenge for developing and underdeveloped countries of the third world. The International Labor Organization (ILO) [considers](#) it important to distinguish between “employment in the informal sector” and “informal employment.” Informal employment comprises those who work in economic units, irrespective of employment status, without going through formal (tax and statistical) registration. Informal employment can also be generated in formal sector enterprises. For example, an economic unit is officially registered as a taxpayer but employs a certain proportion of its workers without a formal arrangement. If the goods and services produced by households are intended not only for their own final consumption but also for sale, paid workers employed by households are also classified as *informally employed persons* according to the ILO’s approach.

Provisions on informal employment in Azerbaijani legislation

Before the adoption of the new *Law on Employment* in June 2018, the Azerbaijani legislation did not provide a definition of informal employment. Article 1.1.9 of the law defines the scope of informal employment as follows:

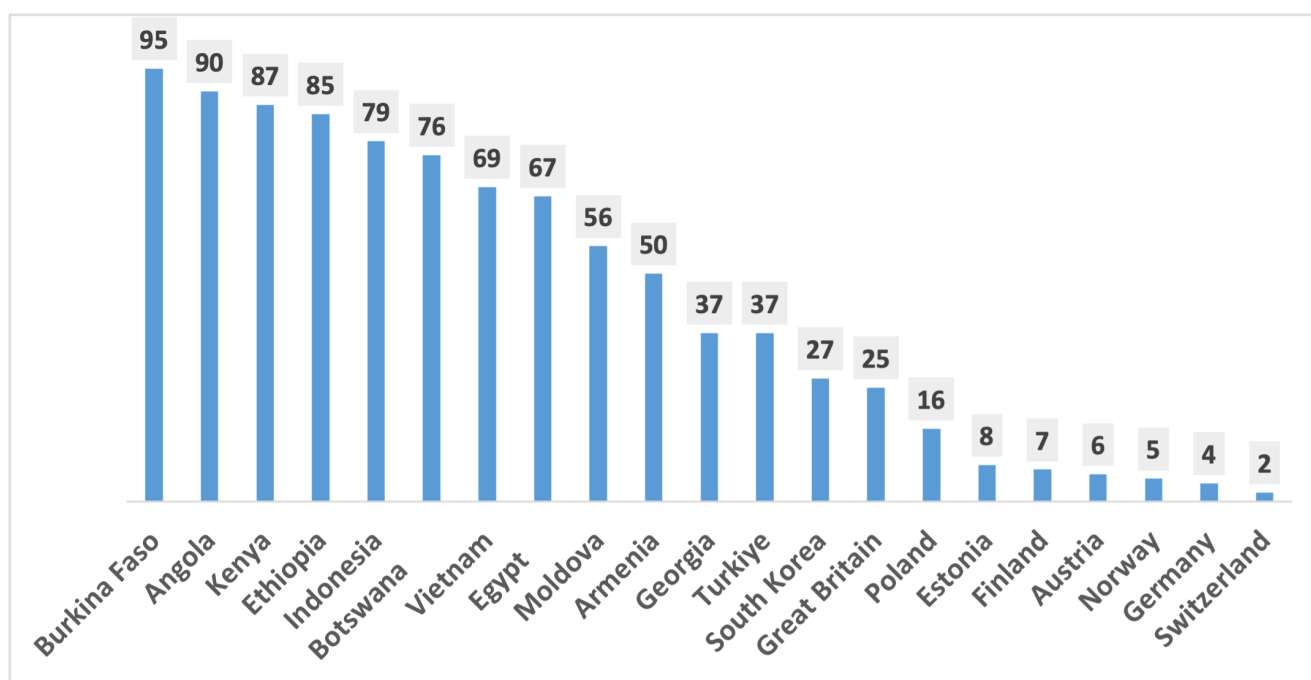
- 1) Persons working without an employment contract in accordance with the Labor Code;
- 2) Persons engaged in various types of activities without a civil law contract in accordance with the Civil Code;
- 3) Engaging in entrepreneurial activities without registration in accordance with the Tax Code;
- 4) Persons using agricultural land owned by them without registration;

5) Persons organizing family farming and receiving actual income without registration in municipalities in accordance with the *Law on Family Farming*.

The *Law on Employment* (Articles 30-32) stipulates that authorized state bodies shall bear the liability for legalizing the informal sector, and to that end, the law provided for the creation of a unified electronic information resource to control informal employment.

The [Action Plan](#) for the Prevention of Informal Employment, adopted in October 2017, provides for monitoring and assessment to determine the level of informal employment, as well as prepare necessary statistical indicators. However, there have been no official statements on the scale of informal employment in Azerbaijan over the last 7 years. Various countries other than Azerbaijan not only release these figures at the national level, but also make them available through the worldwide online database of the ILO. By the way, the below chart prepared on the basis of ILO [resources](#), reflects the scale of informal employment in various countries of differing economic development.

Share of Informal Employment in Total Employment, %



As is apparent from the above figures, in economically underdeveloped countries such as Burkina Faso, Angola and Kenya, 90-95% of the total employed population have informal employment status, while only around 2-3% are informally employed in countries with a high level of economic development, such as Switzerland, Norway and Germany. The informal employment rate is 8-16% in more developed post-Soviet Estonia and Poland, and 50-52% in Moldova and Armenia. In Azerbaijan's neighbors, Georgia and Türkiye, these figures are 37% and 28%, respectively.

According to a recent [report](#) by the ILO, six out of every ten global workers (totalling 1,6 billion) have been at one time employed by the informal economy.

Although official information on informal employment is unavailable in Azerbaijan, we are able to put together an accurate picture via indirect means. The Azerbaijani State Statistics Committee's [figures](#) for the number of the officially employed population, for example, was 5 million people in 2023, of which only 1,743 million, or about one third, worked under official labor contract. [Data](#) from the Ministry of Taxes for the same period show that officially registered and actively operating business entities numbered 725.000. The only data unavailable in this section concerns the number of landowners whose agriculture does not serve their personal consumption.

From this point of view, when informal employment is calculated according to the non-agrarian sector of economic activity, it is likely around 45-50%. By the way, under the [Employment Strategy](#) for 2019-2030, Azerbaijan plans to increase the percentage of those officially employed in non-agricultural sectors to 80% of total employment by 2030 (as of 2017, the figure was only 50%).

So while the government has not as of yet produced effective results in reducing the scale of informal employment, there

should at least be transparent statistical reporting of the issue. Continuous public disclosure of highly detailed figures on informal employment is incumbent upon any modern state that hopes to address its economic deficiencies and protect labor rights. The total number of informal economy workers should be disclosed through online resources in official statistics in the form of a separate report on their distribution by formal and informal sectors, by economic sector, by region, by gender and by level of education.