

# **The Ministry of Education of Azerbaijan Republic**

## **Effects of ongoing oil crisis into the Azerbaijan Labor market. Unemployment challenges and its solution ways**

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## **ABSTRACT**

The oil crisis created the concept of the Oil Embargo, which means the refusal of the oil-producing states to make oil deliveries in favor of some countries, whose policies contradict the principles of the powers rich in oil resources and part of the OPEC (in other words, it is a powerful lever for influencing certain events). Exports from the vast majority of countries in the 21st century are sufficiently diversified, so they were less affected by the sharp drop in prices for natural resources. States, in whose structure exports dominated precisely the commodities, had to face significant difficulties.

Azerbaijan is among the leaders in terms of the fall in the value of exports - along with Iraq, Kazakhstan, Qatar, Kuwait, Nigeria.

It is curious that in this list Russia is the only of the seven, which showed a decline in the value of exports by less than 55%. This paradox is explained simply: at the time of the price shock, the country was actually slipping into a crisis as a result of extremely low parameters of economic growth and international sanctions "included" a few months before the fall of oil prices. Russia can console itself only by the fact that Algeria, Bolivia, Colombia, Norway experienced a similar shock.

Further, before the end of the year, the oil market will move towards establishing an "equilibrium" price. This is provided that during this period of time there will not be any emergency or force majeure events. For the next few years, these prices will undoubtedly fluctuate, but their growth (in the long term) will slow and will be conditioned by inflation rather than by "classical" factors.

The final transformation of the energy market will take place between 2030 and 2050. Oil (to some extent) will give up its role as the main resource on the planet for other energy sources.

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# 1. INTRODUCTION

**Actuality of the study.** Stable and efficient functioning of the regional economic system is impossible without a rationally organized and successfully developing set of industries related to the extraction, processing and use of fuel and energy resources. Energy in its various forms is traditionally the most important source of development for all sectors of the regional economy, and in this regard, the sustainable operation of the fuel and energy complex is an important factor in the successful development of the entire economic system of the region.

The crisis of 2008-2009 did not have a significant impact on the supply dynamics (new summaries) in the labor market in the energy sector. Unlike other professional areas, where the fall of 2008 is characterized by a sharp jump in the volume of the resume due to massive staff reductions, in the energy sector, supply growth remained within the norm. In general, over the past three years, the supply has demonstrated a smooth positive trend, with the exception of seasonal declines in December and May. By the end of the spring of the current year, the supply volume in the labor market increased about 70% compared to pre-crisis indicators. (Aliev I.I., Gorelov H.A., 2009)

The labor market in the energy sector is characterized by low elasticity. First, energy is one of the main life-supporting sectors of the economy and therefore less vulnerable to crisis influences. Secondly, in the energy sector, mostly rare technical specialists with high qualifications are employed. The offer of such specialists in the market is extremely limited and employers are ready to take measures to retain such specialists even in unstable economic conditions. At the same time, the energy sector is one of the most attractive sectors for specialists with engineering education, which explains the consistent growth in the number of applicants applying for jobs in this field.

Although the energy sector was not subject to a wave of mass reductions, and the crisis had a slight impact on the level of personnel supply, the picture is different in the dynamics of demand (new vacancies). As can be seen from the graph, since the beginning of the economic crisis in the autumn of 2008, the volume of hiring of personnel in the energy sector has sharply decreased and by the end of the year it lost almost 60% of the August indices. This situation persisted for a year, but already in September 2009, the market showed a positive trend. Pre-crisis indicators were achieved in August last year and currently remain at this level after minor fluctuations.

The relevance of this scientific research, therefore, lies in the scientific generalization of the main problems of the impact of the energy crisis on the labor market, and on the basis of studying theoretical studies and practical experience of both domestic and foreign scientists and specialists in developing certain areas for improving the functioning of this sphere with the aim of increase the level of stable development of the economic system.

**Purpose and objectives of the study.** The purpose of the scientific research conducted by the author is a scientific generalization and analysis of the main directions of the impact of the energy crisis on the labor market. To achieve the above purpose, the following tasks are set in the thesis:

- to study economic features of the labor market;
- proceeding from the strategic role of the industry, to develop independent proposals on the formation of the optimal structure of the labor market in the process of the oil crisis;
- explore the main directions of the impact of the oil crisis on the labor market;
- to study the reaction of the labor market to the crisis;

- to analyze the labor market in times of crisis.

**The subject of research** is theoretical, methodical and organizational aspects of labor market functioning in correlation with the processes of oil crisis.

**The object of the study** is the labor market in Azerbaijan, the problems of its development in the conditions of the oil crisis.

## 1.1. LITERATURE REVIEW

Both the controversial and widespread view that crises "as diseases are one of the conditions for the existence of societies dominated by trade and industry" seems both controversial and interesting. (Grinin, L.E., Korotaev, A.V., 2009) And like any disease, the crisis leaves a mark on the economies of the affected countries, influences their further development, and at times completely changes the economic course, structure and position in the world economy system. Crises are cyclical, they will be repeated again and again. are an integral part of economic development. But it is quite possible to identify the pattern of crises, their causes and consequences in the future.

Outstanding Russian sociologist and economist N.D. Kondratiev drew attention to the fact that in the long-term dynamics of some economic indicators there is a cyclical regularity, during which the phases of their relative decline with the characteristic period of these long-term fluctuations of the order of 50 years come to replace the phases of growth of the corresponding indicators. The researcher identified long waves consisting of two phases: the ascending phase is characterized by brief depressions and a prolonged, rapid expansion; in the descending phase, prolonged, deep depressions are observed in comparatively small and short-term expansions. (Burtseva, 2014)

In 1973, the world's first energy crisis began, just in line with the descending phase of the 4th wave of Kondratieff. In terms of scale, it was, first of all, the global crisis caused by the increase in fuel prices, but at the same time, the overheating of the economies of different countries was caused by internal factors: increased currency problems, expectations of a significant increase in inflation and inflation of money into the economy. This crisis has shocked the economies of the majority of both developed and developing countries, and has become a very



important frontier in the economic development of the world and, in particular, in Russia.

After the Second World War, the dependence of developed countries on oil imports from Third World countries grew rapidly; oil has become the main source of energy due to a number of technological advantages compared to other sources, for example, coal. And in 1960, developed countries united, creating an organization of oil-exporting countries (OPEC) in order to protect their interests and pursue a concerted policy. By 1970, the OPEC member countries had significantly increased their influence in the global commodity market.

On October 6, 1973, the Fourth Arab-Israeli War began. In this regard, OPEC member countries decided on a monthly reduction in oil production by 5%, setting political conditions: Israel must cease hostilities; Oil will not be supplied to the countries supporting Israel in the war (first of all it concerned the USA, arms supplying Israel, and allies in Europe). These political conditions sounded against the backdrop of economic factors: dollar devaluation and inflation grew. The objectives of the OPEC action are: political - reducing support for Israel, increasing the influence of OPEC countries in the world; economic - the change in oil prices in favor of the OPEC countries. World politics was not ready for such shocking results, and as a result, oil prices increased 4-fold (from \$ 3 in 1973 to \$ 12 in 1974 per barrel). (Bahur, 2005)

The energy crisis of 1973 clearly showed the true extent of the dependence of most countries on oil. National economies began to experience energy "hunger", which resulted in restrictions on the supply of fuel to homes and various institutions, reduced use of transport, paralysis of part of the industry, mass layoffs and strikes, and as a result - a significant reduction in GDP of Western countries.

However, the main impact, according to the authors of the article, the 1973 energy crisis affected the USSR, initiating the dependence of the domestic economy on oil.

Before the beginning of the first energy crisis, our country, rich in oil fields, did not play a significant role in the world oil market: oil was exported only to Bulgaria, Hungary, Poland, Romania, Czechoslovakia, and in small volumes, and the terms of trade were not market, and t .from. "Friendly". But in connection with the energy crisis in the USSR, large-scale production oil production begins, and oil exports to Europe are rapidly becoming more active. As a result, oil exports become the main source of income of the USSR.

Further, unlike other countries that tried to reduce their dependence on oil products after the energy crisis, the USSR only strengthened it - not as a consumer, but as an exporter. A significant part of the generated revenues of the country's budgets became directly dependent on the price of oil on the world market.

Before the collapse of the Soviet Union, oil export revenues amounted to more than \$ 200 billion. (Ispulova S.N., 2009) But increased incomes did not bring prosperity to the country's population, did not raise living standards, did not stimulate economic development, as happened in other exporting countries. On the contrary, the growth of the budget revenues from oil raw materials helped to strengthen the wrong course of economic development, which in turn supported the established political, social, business, etc. regime in the country. Although petrodollars played their positive role in the distant disintegration of the great power.

Oil is now the main source of income for the Russian Federation: the share of oil and gas revenues is about 50% of the budget. Refusal of this policy will not be expected in the next few years, even a state

program for the development of a continental plume with an oil volume of 595 million tons was developed; the draft budget for 2012 provides for shifting the tax burden from the oil and gas sector to certain sectors of industry. But, on the other hand, the Government of the Russian Federation is already thinking about a strategic departure from the raw material orientation, because the "raw" budget has significant voluminous aggregate risks, contributing a share of uncertainty to the further development of the domestic economy. After all, Russia's revenues depend to a greater extent on external factors than on domestic ones, and Russia cannot exert a decisive influence on them.

Now the world economy is in the descending stage of the long wave of Kondratiev, as well as during the "oil" crisis of 1973. While the world is trying to recover from the global financial and economic crisis of 2008-2010, and experts are increasingly discussing the possible collapse of the euro, prerequisites for the formation of a new energy crisis. (Granovetter, 2011)

Its geopolitical role was played by the so-called. "Arab spring", which was reflected in the structural economic shifts in the countries of the Middle East and North Africa, in GNI of which a significant amount belongs to the proverbial "oil industry". In the field of world oil production and sales, a very unpredictable situation arises: inside the OPEC countries, contradictions have become aggravated, the composition of the organization is divided into two groups having diametrically opposite views on the situation in the oil markets. It was said that dissatisfaction with the West, putting pressure on Iran, Venezuela and Libya, and the desire to once again replenish state budgets at the expense of high oil prices. In addition, there are sharp political contradictions between the OPEC countries themselves. Western countries led by the United States for many years considered

OPEC as their main instrument for maintaining stability in oil markets, thanks to the US's ability to influence the policies of many oil-producing countries. But now this stability is in question. Iran and Saudi Arabia are fighting for regional domination. Libya became the object of a NATO military operation, in which Qatar and the UAE participate. All this inevitably affects the volumes of oil production and the price situation. Also, experts of OPEC countries in different ways predict the demand for oil in the short term. (Novikov, 2011) Saudi Arabia proposed increasing the quotas of daily oil production, and Iran believes that the demand for oil on the contrary will fall.

Thus, in the world energy markets a complex game is going on, connected with both operational, short-term, speculative momentary economic interests, and with new geopolitical trends of the world economy. A possible energy crisis may affect the Russian Federation, and in the direction of strengthening commodity dependence. There is a hope that European countries and the United States, given the previous experience, will not allow a repeat of the situation in 1973-1975; it is obvious that the US, the EU, China (also one of the largest oil importers) will control the current main sources of energy, including the much needed oil. Also, in the case of a new energy crisis, the West will not allow the strengthening of the role of the Russian Federation, will not allow dictating its terms and prices. Therefore, it is possible that the US will recall the model of the early 1980s, when the government agreed with Saudi Arabia on the low level of oil prices, which made it possible to economically drain the USSR and create comfortable conditions for the development of economies of Western countries. First of all, Russia depends on oil sales to Europe, and if the European countries become an additional boycott of these supplies, the Russian economy can significantly and seriously crumble. In addition, the US President's new

plan proposes to reduce the consumption of imported oil by a third. This could bring down world oil prices to \$ 10-20 per barrel. Plus, many laboratories in the world are actively working to replace oil with alternative sources of energy. (Volossky, 2007)

Of course, it will take at least 10 years to reduce the amount of oil consumed by such large developed countries. And Russia has time to move away from the raw material orientation, to find new sources of income; it is necessary to carry out reforms more actively, as a result of which the economy will become more diversified, or - in the absence of such actions - even minor crises can destabilize the situation in the country. But a possible second energy crisis is anticyclically carrying a number of dangers to the Russian economy, especially against the backdrop of economic and political instability in Europe, the main oil and gas "client." One should not forget the fact that in 1973 the energy crisis in Russia was partly "obliged" to the industry that is lagging behind the world level and the low quality of life of the population.

Features of the oil crisis directly affect the situation in the labor market of both developed and developing countries. First of all, it concerns the level and dynamics of unemployment. The problem of analyzing and comparing unemployment data is quite complicated, since not all unemployed are taken into account by official statistics. This mainly applies to developing countries, where in the pre-crisis period there was a significant army of virtually unemployed. Therefore, official data on these countries are more likely to indicate the direction of unemployment dynamics than about its real level.

As can be seen from Table 1, the crisis has acquired a protracted nature, which is associated with the increase in unemployment in developed countries. The main reason for this lies in the general decline in the effective demand of the population, which in the previous period

was supported largely because of the increase in arrears of households, business structures and the state. (Volgin, 2010) The financial crisis, temporarily paralyzing the system of lending to business structures and households, led to a sharp drop in the purchasing power of the population, which adversely affected the economies of developed countries, and especially the United States, where the consumer boom in the early 2000s was heavily triggered by credit expansion banks. Hence - the decline in economic activity and the highest unemployment rate in the last 30 years. In Western Europe, it acquired a mass character in countries whose economies were less developed and therefore less competitive in the global market. For example, in Spain and Portugal, where a significant contingent of labor is made up of low-skilled workers.

*Table 1*

**GDP dynamics and unemployment**

Country	GDP change index (2007 = 100)			The share of unemployed in economically active population, %		
	2008	2009	2010	2008	2009	2010
<b>USA</b>	100	97.3	100.1	5.8	9.2	9.6
<b>Great Britain</b>	100	94.9	96.3	5.7	8.0	7.9
<b>Germany</b>	101	96.2	99.7	7.2	7.6	6.9
<b>France</b>	100.3	97.6	99.1	7.4	9.1	9.8
<b>Italy</b>	98.7	93.7	95.4	6.8	7.6	8.5
<b>Spain</b>	100.9	97.1	97.0	11.3	18.1	20.1
<b>Portugal</b>	100	97.4	98.9	17.6	9.2	11.0
<b>Netherlands</b>	101.9	97.9	99.6	2.9	3.7	4.5
<b>Denmark</b>	99.1	94.4	95.6	3.3	5.9	7.4
<b>Sweden</b>	99.5	94.8	99.2	6.2	8.2	8.4
<b>Norway</b>	100.7	99.2	99.7	2.6	3.3	3.5
<b>Finland</b>	100.9	92.8	95.5	6.4	8.3	8.4
<b>Canada</b>	100.5	98.0	101.1	6.1	8.3	8.0
<b>Japan</b>	98.7	93.6	96.2	4.0	5.2	5.1
<b>South Korea</b>	102.3	102.3	108.8	3.2	3.8	3.7
<b>Russia</b>	105.2	96.9	93.3	6.2	8.4	7.5
<b>Brazil</b>	105.1	104.8	112.3	7.9	8.1	5.7
<b>India</b>	106.4	112.4	115.7		10.7	

A typical feature of the current crisis is the continuing increase in unemployment, even with a slight increase in GDP in 2010. This is due to a number of reasons, primarily structural restructuring of the economy. Tighter competition on the world market in the context of the crisis forces the producers to intensively develop and introduce new technologies and methods of organization and management. Among the latter - the development of outsourcing and offshoring. All this allows increasing the overall profitability of production and leads to a reduction in staff. Another important factor in increasing unemployment, despite the trend of increasing GDP, is the practice of transferring production to countries with cheaper labor, widely used by transnational corporations.

Finally, the increase in unemployment is due to the fact that young people, replenishing the labor market, do not find the necessary vacancies because of the slow pace of economic recovery. In developing countries, where due to the demographic situation, young people form a significant part of the population, the problem of youth unemployment becomes particularly acute and can be one of the sources of serious socio-political upheavals. This is evidenced by the events of early 2011 in Tunisia, Egypt, Yemen and a number of other countries in the Middle East. In all of them, the overall unemployment rate was high even in the pre-crisis period, amounting to over 9% in Egypt, 16 in Tunisia, and 35% in Yemen. Among youth this indicator is about 50%. ([http://en.wikipedia.org/List of countries by unemployment rate](http://en.wikipedia.org/List_of_countries_by_unemployment_rate))

In developed countries, among the age groups, young people were also the most vulnerable to unemployment. This is due to the sharp reduction in vacancies for the first time job seekers, as well as the lack of professional experience and necessary knowledge among young people. It is characteristic that this phenomenon turned out to be common both for highly developed countries and for countries with an average level of

development. For example, in the US in the IV quarter 2008 with a total unemployment rate of 6.9% among 16-19-year-olds it was 20.7 and among the 19-24-year-olds it was 11.3%. (Monthly Labor Review. March, 2009) In Spain, where the overall unemployment rate is much higher - in 2009 about 20%, unemployment among young people to 25 years reached 40%. One of the reasons for this was the insufficient level of their professional training - about 30% of school leavers do not receive it in the required amount. (The Economist, 2010)

The factor of education and qualification plays a very significant role in preserving work and employment in the modern labor market. The higher the education and qualification of the employee, the greater his chances of not falling into the number of unemployed. This, in particular, proves the data of official US statistics. Here for the years 2007-2008 among economically active persons over 25 years, grouped according to education, the unemployment rate (in %) has risen:

- among those who did not graduate from high school - from 7.5 to 10.6;
- among those who graduated from high school, but who did not attend college - from 2.4 to 7.1;
- among those who studied in college, but did not graduate from it - from 2 to 5.5;
- Finally, among those with a higher education diploma - from 1.2 to 3.3. (<http://www.bls.gov/opub/mlr/2009/03/art1full.pdf> )

The increased competitiveness of the more educated people in the labor market is explained not only by the innovative vector of modern economic development and the growing role of human capital, but by the greater flexibility of workers in this category, their ability to quickly learn new professions and types of labor activity. The problems of labor mobility come to the fore in the postindustrial economy, in which the



sphere of intellectual services, which is closely connected with material production and which largely transforms it with the help of information technologies, begins to play a decisive role.

Developed countries have entered a crisis with the labor market, which is quite different from what it was a quarter of a century ago. The information revolution has led to a significant change and complication of the structure of the economy. Nobel laureate J. Stiglitz compares the "new economy", based on information technologies, on the significance of changes with the industrial revolution: "Two hundred years ago the world went through an economic revolution that shifted the economy from agriculture to manufacturing a one-stage change in proportions: a shift from the production of things to the production of ideas associated with the processing of information, rather than material reserves or the maintenance of people". (Stiglitz, 2005) In the economy, in essence, a new block of knowledge-intensive services - information, financial, scientific and technical, without which innovative development is impossible, most of them are very labor intensive, is one of the main reasons for the rapid increase in employment in this sphere in the pre-crisis period in developed countries.

The general trend of increasing the proportion of people employed in the service sector was accompanied by a change in the professional and skill structure of the workforce, mainly related to the expansion of the use of information technology. The share of jobs demanding high professionalism grew, and the share of places for workers of average qualification decreased. This primarily concerned such professions, as bank clerks and secretaries. At the same time, in developed countries, in the general structure of employment, according to data for 1993-2006, there was a relative decrease in the employment of middle-income workers, with a relative increase in that of high- and low-paid workers.

In the EU, the corresponding figures were 8 percentage points (pp), on the one hand, and 6 and 2 percentage points. - with another. In the US, similar indicators were 6 pp correspondingly and 4 and 2 pp. (The Economist, 2010) The increase in the employment of low-paid workers is due to some expansion of those sectors of the service sector that do not require a high level of skills. The above tendencies of the pre-crisis development of the sectoral and vocational-skill structure of employment in developed countries received an additional impetus during the crisis. The crisis led to a significant reduction in jobs in material production, especially in such sectors as the construction of housing and automotive industry. As for the service sector, there are multidirectional trends. Employment is reduced (albeit on a smaller scale than in material production) in sectors directly related to finance, trade and their information support, but is growing in such key human development sectors as education and health. In total, in the USA, from January 2008 to February 2010, the total number of employees decreased by 8.8 million. This reduction, as a rule, refers to low and medium-skill workers. But there is still a demand for highly skilled personnel. Only in 2008 the number of employed specialists and managers increased by 836 thousand. (<http://www.bls.gov/opub/mlr/2009/03/art1full.pdf>) The growing demand for highly qualified personnel is largely due to the fact that the crisis stimulates technological and creative innovations in the economy, which increase the role of creative staff potential.

One of the differences in the labor market in the context of globalization, reinforcing the element of instability in the world economy and weakening the role of trade unions, is the growing volatility of jobs and the spread of flexible forms of hiring and temporary contracts. The crisis stimulated the widespread use of these forms, allowing the employer to maneuver the labor force in their own

interests. In developed countries, temporary employment is widespread in such industries most affected by the crisis, such as automobile, metallurgical, and textile industries. In Spain, for example, according to experts, up to one-third of jobs are temporary. (The Economist, 2010) In Japan, where the form of lifetime employment prevailed during a period of rapid economic growth, the practice of a temporary contract is also becoming more widespread. In 2008, 17.6 million people, or 34% of the economically active population, were employed here on a temporary basis. The overwhelming majority of them were women, 58% of working women were employed on a temporary basis.

The status of temporary workers is very different from the status of permanent workers. They do not receive training at enterprises, are not members of the union, their earnings are on average half that of those who work in a permanent place. As a rule, they are employed in jobs that do not require high qualification. Especially severe social consequences are stagnant unemployment, which means that a person cannot find a job for a long time. In the USA for 2007-2008 the number of people who did not have it for more than six months increased by 1 million and reached 2.4 million, or 22% of the total mass of the unemployed. As the crisis developed, the situation with stagnant unemployment continued to deteriorate. The proportion of people who experienced it increased in 2009 to 31.5%. (<http://www.chinapro.ru/rubrics/12-12/12>)

Among the major developed countries, the highest stagnant unemployment by the criterion "more than one year" is recorded in Spain, the lowest in Japan. The most significant growth was registered in the USA, the decrease in Germany. The latter is directly related to effective government measures in cooperation with trade unions and the business community in overcoming the crisis. In general, special government measures, undertaken jointly with employers and aimed at

preserving jobs, play a significant role in limiting unemployment. For the same purpose, work on a reduced schedule or non-standard employment is widely practiced. In Germany, this form of employment has acquired a particularly large scale. According to the Center for Social Policy of the University of Bremen, it covers 4.8 million people. In addition, 3.1 million employees were hired for a limited period of time, and 2.1 million were given the opportunity to earn extra money for a reduced salary. Various forms of part-time employment also take place in other developed countries. In the UK, the total number of employees in this category has risen from 7.5 million in 2008 to 7.9 million in 2010, of which 5.9 million are women. The number of temporary employees increased from 1.4 million in 2008 to 1.6 million in 2010. In the US, from April 2007 to April 2008, part-time employment increased from 2.9 million to 7.4 million people.

Various forms of incomplete and temporary employment are widespread among immigrants, which form a growing part of the labor market in developed countries. The share of newcomers in the workforce was 15.2% in the United States, 10.3 in the United Kingdom, 10.9 in the United Kingdom, 14.9 in Germany, 11.2 in France, 8.1 in Italy, 11.6 in the Netherlands, 13.3 in the Netherlands, in Sweden - 13.1, in Canada - 19.9, in Australia - 24.9%. (<http://dx.doi.org/10.1787/OJF2007en13> )

With the onset of the crisis, many of the migrants employed primarily in jobs that do not require high qualifications, were dismissed. For example, in the US, with a total unemployment rate of 6.9% in 2008, it rose to 8.9% among foreign-language workers, many of whom came from Mexico and other Caribbean countries. The unemployment rate is even higher among irregular migrants, but they are not registered by employment services.

## **2. THEORETICAL ANALYSIS**

### **2.1. THEORETICAL BASICS OF LABOR MARKET AND OIL CRISIS**

#### **2.1.1. The concept of the labor market**

The labor market is the labor market; market, which, due to the interaction of supply and demand, establishes the price of labor services; It is a system of institutions, mechanisms and norms aimed at optimal reproduction of labor resources.

The labor market consists of two components:

- market demand for labor services;
- market supply of labor services. (Ananiev, 2012)

The first component is the sum of the volume of demand for the labor resources of the entire national economy of the country at any price for these resources.

The second component of the labor market means the sum of the supply of labor resources of the entire number of workers in the country at every possible price for them.

The main factors of market demand for labor resources are:

- a) the level of prices for labor resources;
- b) demand for goods and services created through labor resources;
- c) prices and volumes of the proposed labor resources, which can become substitutes for labor services;
- d) technological changes that affect the marginal product of labor, etc.

The main factors affecting the supply of labor services are:

- a) the number and willingness of employees to sell their labor services to entrepreneurs;
- b) natural growth and migration of the able-bodied population;

- c) the alternative cost of labor services;
- d) the possibility of other sources of income other than wages.

The labor market has its own specifics. First, unlike all other markets, the labor market is the most important type of people's livelihoods. Proceeding from this, the price of labor is not just one of the forms of price for labor services, but the price of a normal process of reproduction of the worker and his dependents, their well-being. Secondly, the labor market is the most imperfect market, for, for example, full employment presupposes the existence of unemployment arising from the excess of labor supply over the demand for labor. Thirdly, the functioning of the labor market is determined by the place and role of labor in the economy and in the development of human society as a whole. There are two functions of the labor market:

- a) economic;
- b) social. (Breev, 2003)

The essence of the economic function of the labor market is to ensure a normal process of production, distribution, redistribution and use of the able-bodied population. The social function of the labor market is to ensure an optimal standard of living for workers and their families.

The process of functioning of the labor market different economic schools interpret differently and come to different conclusions regarding the causes that cause unemployment.

Concerning the conceptual approaches to the analysis of the functioning of the labor market, four main concepts stand out.

Classical concept of the labor market assumes that full employment is the norm of a market economy and therefore the state should not interfere in the problems of the labor market. This concept is based on the postulates of classical political economy. Supporters of this

approach (D. Ricardo, J. Mill, A. Marshall, A. Pigou, etc.) believe that general overproduction is impossible, because supply generates demand. As a regulator of the labor market, the price and wages can successfully be used, which, by initiating cost reductions, will prevent a decrease in the real output, employment and income. Adherents of this concept believe that competition in the labor market excludes forced unemployment, and changes in the interest rate, the elasticity of the correlation of prices and wages ensure full employment of the able-bodied population in the national economy. According to the views of the classics, state intervention in the economy and labor market problems is not only not necessary, but also harmful.

The neoclassical concept of the labor market explains the functioning of the labor market somewhat differently than the classics. In accordance with the neoclassical concept, the labor market operates on the basis of price equilibrium, and the price of labor is the main regulator of the labor market.

Supporters of this concept (J. Perry, M. Feldstein, R. Hall, etc.) argue that unemployment is voluntary, and the cause of unemployment is seen in the refusal of workers to work for lower wages. The adherents of this campaign believe that the supply and demand of labor resources is ensured by regulating the price of labor, which makes it possible to achieve an equilibrium state of supply and demand, that the price of labor reacts flexibly to the demand of the labor market. Neoclassics negatively relate to the establishment of a minimum wage by the state, to trade unions, they interpret this as an "imperfection" of the market.

The Keynesian Concept of the Labor Market is based on the fact that the solution of the labor market problems should be sought not on the supply side, but on the side of effective demand. The employment problem was the starting point for macroeconomic analysis. According

to Keynes, the level of employment is determined by the dynamics of effective demand, which, in turn, consists of the expected expenditure on consumption and the estimated investments.

According to the concept of the Keynesian labor market, the essence of state regulation is to move the equilibrium level to a level of full employment, which refers to the so-called normal unemployment rate (3 to 7% of the total workforce). The decisive factor in increasing employment, according to Keynes, is an increase in the rate of accumulation. Consequently, the state is the main stimulator of employment growth. (Kashepov , Sulakshin and Molchinov, 2008)

The Keynesian concept of the labor market argues that the labor market is in a state of permanent disequilibrium, therefore, according to this approach, there is no mechanism to ensure full employment. And, as proponents of this concept (Keynes, Gordon and others) believe, full employment is accidental, but not legitimate. Supporters of this conceptual approach favor state regulation of the labor market by increasing or decreasing aggregate demand, which will prevent a disequilibrium state of the labor market. Adherents of this concept deny the possibility of influencing the labor market by changing the interest rate and the elasticity of the correlation of prices and wages. According to the views of Keynesians, the price of labor is a rigidly fixed amount and in fact does not change, in particular, towards a lowering, and the price of labor does not act as a regulator of the labor market. In their opinion, the demand for labor is regulated not by changes in market prices for labor services, but by aggregate demand or output.

The Monetary concept of the labor market assumes that the market economy is characterized by stability and is capable of self-regulation. The presence of certain disproportions monetarists determine the causes



of external interference. This concept denies state intervention in the economy, because, they argue, it violates economic development.

The monetarist concept of the labor market is based on the fact that employment can be ensured through monetary policy. In order to establish an equilibrium in the labor market, the monetarists suggest using the discount rate of the Central Bank, the amount of mandatory reserves of commercial banks on the accounts of the Central Bank.

The main representatives of this direction of the theory of the labor market are M. Friedman, F. Keigen, D. Maizelman, K. Brunner, A. Meltser, and others. They oppose the establishment of a minimum wage by the state and the strengthening of trade union positions. (Muradov, 2006) The lack of information on the availability of vacant jobs and the unemployed, which, in their view, deepens the disequilibrium of the labor market, is viewed as a negative factor in the labor market. Monetarists believe that at any time there is a certain level of unemployment (has the property of compatibility with the equilibrium of the level of real wages), which they call "the natural rate of unemployment," deviations from it can be observed only in a short period of time. Therefore, the problems of the labor market are problems of combating the deviation of the unemployment rate from its natural rate.

The labor market, like the market for goods, services, housing, securities, finance, etc., is an integral part of the market economy. Moreover, it occupies one of the most important places in the economy, as the demand and supply in the labor market determine the transfer of labor between employment spheres, as well as the number of employed workers.

Previously, the labor management policy was not based on human interests, but on needs determined by the overall orientation of the

economy. It was subordinated to the tasks of overcoming the shortage of personnel, the search for additional sources of labor to staff the growing number of jobs. At the same time, there was an increase in managerial and support staff at enterprises and organizations.

The transition to a market economy has led to great changes in the use of labor resources. And the lack of an economically sound employment policy in the transition period, as well as a weak, constantly changing and contradictory legislative and legal framework, could not accelerate the formation and development of the labor market in Russia. Under these conditions, the study of employment policy, its nature, place and role of the labor market, development of constructive proposals for its reform, has acquired a comprehensive significance - economic, social and political. And the primary role in the process of the labor market formation to a new level is assigned to the state, since without the intervention of the state in the market mechanisms of distribution and formation of manpower resources, no country is.

### **2.1.2. Domestic labor market**

The domestic labor market is a system of information, socio-economic, organizational-right and a number of other relationships between the company's managers (employers) and employees. The main issues of the domestic labor market include: the conditions and duration of work at the enterprise, the level of remuneration of labor, the availability of incentives from the leadership for professional successes and achievements.

The domestic labor market has a close connection with the functioning of the company, its employees and managers working in the same system of labor relations. At the same time, the employer occupies a dominant position - it is he who is responsible for making the basic

decisions on the organization of the entire structure of internal interaction.

The peculiarity of the domestic market is the movement of personnel within one organization. At the same time, the placement of each employee, the level of salary and promotion depends on the administrative procedures and rules of the particular firm.

The reasons for the formation of the domestic market include:

- special requirements for personnel who must have specific training. Today, it is difficult to find a specialist who is ready to immediately master the company's unique technologies and fully perform the functions assigned to it. It is simpler to retrain an existing employee, than to start all over again with another applicant;

- high costs (both temporary and financial) for analyzing the capabilities and productivity of the future employee;

- the possibility of conducting professional training directly at the workplace without special registration of the process in documentary form. (Kyazimov, 2005)

The peculiarities of the domestic labor market include:

- conclusion of long-term labor agreements between the employer and the employee;

- filling current vacancies by training and raising "one's own" staff, who were in lower positions. In this way the company develops the principle of raising the career ladder;

- the existence of a real relationship between the length of the work (the length of the employee's experience) and its bonuses. That is, the longer a person works in an enterprise and the more he shows himself, the more he has to pay;

- the wage rate of employees minimally depends (and sometimes does not depend at all) on the ratio of supply and demand to also specialists in the external market;

- a key role in the formation of the internal labor market is played by traditions within the company, as well as rules of conduct.

One of the main tasks in the domestic labor market is its segmentation, that is, the division of labor sellers and company managers (employers) into several basic categories. The result is several segments, in each of which the competing employees are concentrated. Among them are the labor market for disabled people, the labor market for pensioners or the elderly, the market for women's labor, and so on.

The study of segmentation of the market and its development led to the need to divide into two main parts - the primary and secondary sectors. At the same time, segmentation itself is of key importance for a number of tasks: market analysis, determining the contingent of employees that have an impact on supply and demand, studying the capacity of the domestic labor market and its prospects, and so on.

In practice, segmentation is performed in a number of categories, depending on various characteristics. These include psychographic standards, geographical location, demographic and behavioral characteristics.

Particular attention should be paid to the category of people who are in dire need of employment. These include disabled people, older workers, youth from 18 to 22, women with young children. These categories include groups that deserve special attention from government agencies. (Muradov , 2000)

Unlike the commodity market, the domestic labor market needs not only general regulators (macro and microeconomic indicators), but

also socio-psychological aspects. Here there is a direct connection with labor and wages.

The domestic labor market is becoming increasingly competitive due to the limited number of jobs and low demand resulting from the development of new technologies. The view that the rural population can find a place in the city to survive, by switching from one industry or service sector to another, can be true. But how to reconcile this with the needs of already existing skilled urban labor resources? What should they worry about in the near future? Does the city have any guarantees for providing enough jobs?

Baku can be considered as one of the most successful cities in terms of re-industrialization, re-urbanization and restructuring among cities of the former USSR. Nevertheless, as a result of these improvements, new problem aspects emerged.

For most urban residents, economic success is determined by the jobs and income generated by them. The oil industry and other related supply industries have formed a new market chain, which includes the services sector and the technology sector.

The new labor market proved to be favorable for those who possessed the necessary skills, energy and ideas. The oil industry and other related industries have replenished the country's labor resources with numerous skilled workers, and also introduced workers with lower technical education level to new technologies, thereby developing their professional skills.

The number of generalists is also gradually increasing; short-term projects involving third-party qualified consultants are no longer a novelty in the labor market of Azerbaijan.

The new oil economy, along with the entrepreneurial activities of the TNC, formed a new generation of participants in the urban labor

market, which led to the development in Baku of new leading cadres, a creative class, supply chain providers, etc.

Nevertheless, the annual data on the labor market collected by the State Statistical Committee of the Republic of Azerbaijan (SCS) is largely inadequate. The numerical indicators of the GCS reflect the dynamics typical for the capital region of Baku. Almost half of the country's able-bodied population - 599,000 out of 1,382,900 - worked in Baku (the GCS data for 2016). (Official site of the State Statistical Committee of the Republic of Azerbaijan, 2017)

It should be noted that the nominal wage in Baku is 30% higher than in other cities and regions of the country. The average monthly wage in Baku is 474.80 manat, which is almost double the average in most regions of Azerbaijan. In addition, the wages of the Baku oil and gas industry workers are also higher than in other sectors.

Obviously, revenues from oil production will decrease over time and the government will need to create new economic opportunities for the region. The future of the existing workforce is still in question.

Summarizing the state of affairs for the urban labor market in the short term, I would like to draw attention to two important issues. First, the urban labor market must have access to systematic fresh data for further action. However, over the past 15-20 years, no surveys or analyzes have been conducted, which would set the task of reflecting empirical gaps in data related to the dynamics of the urban labor market. Neither the government nor other alternative research institutes have so far conducted a basic analysis of changes in urban employment and interindustry dynamics.

Without this, it is impossible to approximately calculate and estimate the real value of the labor market or make forecasts for the future. Modern urban labor resources made the transition from the old

industrial hierarchy that existed in the Soviet era to new systems, such as oil drilling, corporate management, finance, etc. In recent years, the urban labor market has been replenished with a large number of workers from rural areas. In the second half of the 1990s, agrarian labor resources migrated to Baku and large cities of Russia and Ukraine.

Despite the fact that the collapse of the state agricultural sector had a negative impact on the overall employment situation, it created new opportunities that allow the population of the most vulnerable regions of Azerbaijan to integrate into new industries.

In addition to the formal economy, the informal sector also plays an important role in shaping the urban labor market.

Secondly, it is expected that in about 20 years, Azerbaijan will become an "urbanized country". In this case, labor resources in general will be urban, and the agglomeration economy will require other approaches and analysis.

The country's economic prospects and adaptation plan are still in the process of discussion. Which industries or services can be useful for the economy of Azerbaijan in the post-oil period? We are still thinking over the answers to these questions, but the "baby boomers" of the nine-million nation are looking for opportunities for development and good living conditions today.

## **2.2. METHODOLOGY AND RESULTS OF LABOR MARKET ON THE OIL CRISIS IN AZERBAIJAN**

### **2.2.1. Methodology**

Theoretical and methodological base of scientific research was the works of domestic and foreign scientists on the problems of formation, development and reform of the energy crisis, as well as practical development of the conceptual foundations of the labor market.

In the thesis research methods were used: source analysis, system analysis, economic analysis, statistical analysis, expert evaluation method, rank correlation, economic and mathematical modeling, decision theory; graphic modeling, sociological method, theory of forecasting, theory of economic efficiency.

The oil crisis had a huge impact on the state. Since September 2008, due to the financial crisis and the drop in consumer demand, many companies and industries are closing, which in turn leads to an increase in the unemployment rate. The crisis affected all sectors of the economy, but especially affected the banking sector, which was responsible for the beginning of the crisis and is now trying to save it through government subsidies and guarantees. Due to the reduction in demand, the production sector was badly affected, and in particular the automobile industry, the production of metals, the chemical industry, and the construction sector. With rising unemployment and bleak forecasts for the euro area from 7% (2007) to 9.3% in 2009 and 10.2% in 2010 - the main issues are negotiations on collective bargaining conditions and labor market instruments that can be used to protect workers at those enterprises that temporarily suspended work.



### **2.2.2. The reaction of the labor market to the crisis**

Not so long ago, employers were tormented by the overheating of the labor market. Indeed, in mid-2008, despite the fact that the oil crisis has already reached Azerbaijan, domestic HR-managers still complained about the shortage of good specialists, inflated salary expectations of job seekers, the problem of retention of personnel - long-known attributes of staff shortages. But in a few months the situation changed dramatically: the wave of the global financial crisis swept the Azerbaijani economy, which was reflected in the labor market.

The young domestic business background of the impending economic catastrophe began to spasmodically get rid of the "fat" accumulated during the "oil prosperity" of the country. In other words, the companies undertook to minimize costs and increase profitability, which is difficult to implement in the conditions of banking paralysis (reducing purchasing power due to credit programs). In many companies, staff is a serious expense item. And therefore it is not surprising that the "economize" became, including (if not primarily) on staff. Corporate entertainment, expensive training, overseas internships - all this prudent business owners have reduced to a minimum. I had to say goodbye and with plans to expand the social package: the addition of health insurance, fitness services and insurance programs. And most importantly - forget about raising wages.

The wave of reductions that swept the country threw the previously sought-after specialists who were not interested in changing jobs, who valued their professional skills in a stable amount in a stable time. After being out of work or under threat of reduction, the specialists seriously moderated their salary expectations. Departments of recruitment sighed with relief, forgetting about yesterday's shortage of

qualified personnel, enjoying the flow of the applicant, ready to start working immediately for any money.

To reduce the costs for employees, the first to start banks, metallurgical companies, retailers, construction companies, brokerage houses. The first to suffer were top managers: costly but inefficient in times of crisis, managers were the first to lose their jobs.

Among the unemployed, most of all, it turned out to be specialists in the banking sector, which suffered from the crisis very seriously. Not so long ago, bank employees, confident in their demand and inspired by the opportunity to receive an increase in salary, freely migrated from the bank to the bank. Now, having fallen under the contraction in the home bank and knowing that in the neighboring situation it is not better, the bank employees are trying to find application of their professional knowledge in other, related fields. (Zhidkova, 2005)

In a difficult situation there were analysts, investment, stock brokers. According to analysts' forecasts, stabilization in the stock market should not be expected earlier than in six months. Employees of the ruined brokerage companies were out of work. A good alternative for them was the employment of internal financial analysts in a real sector company. Forward-looking people with a good education and understanding of financial statements will always be useful, especially when mergers and acquisitions, but not all have enough space. As analysts themselves consider, very soon private individuals interested in preserving their capital will start treating them. The growing anxiety and confusion of owners of serious savings will provoke a growing demand for consulting services.

The crisis did not bypass the real estate brokers. A sharp decline in sales in the real estate market not only left agents without work, but also led to the ruin of a dozen brokerage firms. Good salesmen, realtors can

try to sell other products. Comrades in misfortune, unemployed analysts predict an increase in construction not earlier than one and a half to two years.

There were also difficulties for media workers and specialists in public relations. There are several reasons for this. For many print and online publications, advertising was one of the most significant sources of profit, but now clients cut advertising budgets, which directly affects the profitability of the media. Managers of public relations were not the most necessary in times of crisis by employees, and therefore many companies decided to cut PR-departments. Some companies abandoned the corporate media, a number - seriously undertook the optimization of costs for the articles "corporate communications".

As studies show, there have been no fundamental changes in the Azerbaijani labor market over the past two decades. But this does not mean that the adjustment of the market to the crisis of 2015 - 2016 was an exact copy of the events of 2008-2009. (Burtseva, 2014)

The crisis of 2008 caught the state by surprise. Expecting a boom, and not a recession of the economy, the state took steps aimed at increasing the incomes of the population. In particular, on the eve of the crisis, the minimum wage was doubled, and the wages of state employees increased.

With the crisis, the state continued to struggle by increasing payments: unemployment benefits were increased and access to their benefits was facilitated, and a program for subsidizing part-time employment was launched.

This largely allowed to compensate for the actions of enterprises that responded to the crisis events of 2008-2009 with a sharp increase in underemployment.

Nevertheless, despite all the efforts made, 29,1 thousand people were left without work.

The second crisis was to be expected. Based on the previous experience of recession, the state has chosen a strategy for preserving employment, and regulation of the labor market, mainly due to the size of wages.

This became possible due to the "drift of natural unemployment" that has been going on in recent years, high informal employment, which allowed to absorb the released workers, and the leaching of foreign labor and its replacement by local labor resources.

At the same time, the state guaranteed the stability of payment of declining salaries, applying severe sanctions against those employers who delayed it.

As a consequence, during the second crisis, employment decreased by only 15,6 thousand people. According to statistics, today the level of employment of the population of Azerbaijan is 65.4%, which is an abnormally high value for the country. Which of the two options for responding to the crisis is more in line with the specifics of the Azerbaijan labor market model? Experts say that the state policy, carried out in 2008-2009, was not typical for the country. But the crisis of 2015 - 2016 was overcome by traditional methods, the sources of which are the amortization of numerous shocks in the 1990s.

Reaction of Azerbaijan labor market to oil crisis is shown following table. (Official site of the State Statistical Committee of the Republic of Azerbaijan, 2017)

*Table 2***Reaction to the crisis: 2009 and 2015**

<b>Years</b>	<b>Volume of production</b>	<b>Employment</b>	<b>Hours worked</b>	<b>Real wages</b>
<b>2009</b>				
whole economy	- 7,8	- 2,2	- 2,4	- 3,5
industry	-10,7	-6,0	-4,8	-5,7
manufacturing industries	-15,2	-8,3	-6,2	-7,4
<b>2015</b>				
whole economy	-3,0	-0,4	-0,5	-9,0
industry	-3,4	0,5	-0,4	8,2
manufacturing industries	-5,4	-0,8	-0,7	-10,3

When does the situation on the labor market in Azerbaijan normalize? Also what for this purpose it is necessary to make?

Everything will depend on the success of the reforms cited by the government. We can estimate the results of reforms not before 2020. In state documents, including the Strategic Road Map of Azerbaijan, 2020 is marked as a time of results. At present, we cannot objectively assess how well the government is taking the first steps to restore the national economy.

For example, today the government is carrying out reforms in the agrarian sector. While we do not see any changes in this industry, but, perhaps, the fruits of reforms will become visible in a couple of years. It should be noted that the development of the agricultural sector can activate the labor market. Many Azeri citizens came from the outback to Baku, because they could not earn money at home.

The production of agricultural products on a serious level requires funding, something the government did not do before. Therefore, the

residents of the AR regions massively left for the capital in search of at least some work. Only after the state collided with the global economic crisis, officials thought about stimulating the non-oil sector. I would like to hope that this time they will bring the matter to an end.

### **2.2.3. Analysis of the labor market in times of crisis**

1. The oil crisis has led to a sharp change in trends in the labor market. However, they actually appeared before the problem was "noticed" and widely voiced. Such a conclusion can be made based on the statistics of the site [vakancies.az](http://vakancies.az), showing the ratio of the number of new vacancies and summaries from April to October 2008 (from 04.08 to 10.08 on the graphs). ([vakansiya.az](http://vakansiya.az))

In particular, the sharp drop in the number of new vacancies began in July, when nobody spoke about the crisis. And about the same time began to grow the number of new resumes. It is worth noting that in this case we are talking only about absolutely new ads, that is, for the first time created in one form or another on the site. The indicator of the total number of active resumes is much higher, since people, as a rule, once creating a resume, keep it closed when not looking for work, and open at the moment when the search becomes relevant.

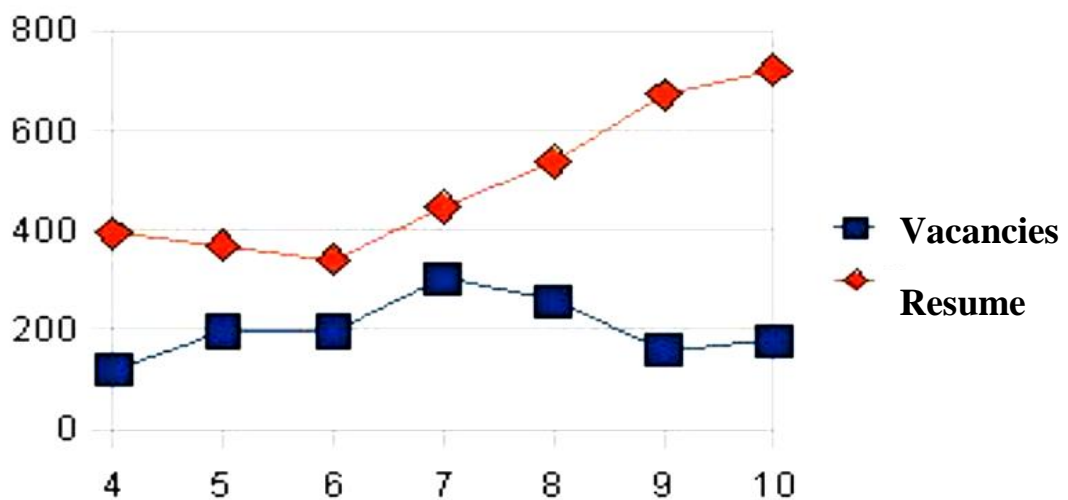
- Top management.

Perhaps, one of the most revealing segments was top management. Employment of tops has always been a challenge, it can last up to six months. And sometimes the transition of senior executives to a new place can take even a longer period, dragging on for a year and a half. According to the site [vakancies.az](http://vakancies.az), in the spring and summer the situation was quite acceptable, taking into account the specifics of the segment. As a percentage of new summaries of top managers, there were about twice as many as new vacancies. In June, the gap even declined in

favor of job seekers. However, after July, a sharp contraction of new vacancies for top managers began, the number of new resumes, on the contrary, began to grow at an enormous rate and now exceeds the new vacancies by almost 4 times.

Experts differ somewhat in relation to the further development of the segment. On the one hand, the demand for good top managers still exists and will be, since qualified managers are always in price, and in crisis times - especially.

On the other hand, the tops are now possible problems with employment. Many tops are now worried about their place, and if not now, in the near future they will need to think about it due to staff reduction, reduction of duties, motivation package. After all, they have the highest salaries, and it's no secret that they are very overpriced, especially in Baku.

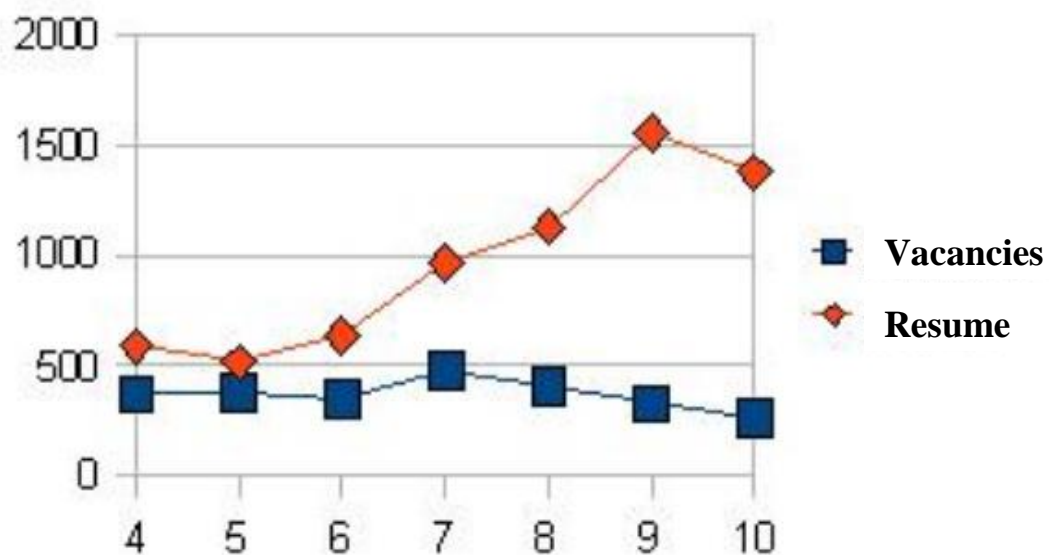


**Diagram 1: Dynamics of new vacancies and summaries in the segment "Top Management".**

- Finance and credit, banking.

The financial sector suffered the most significant losses due to the crisis. If half a year ago the number of new vacancies and resumes in it

roughly coincided, but now this gap is simply huge and clearly not in favor of job seekers. Open vacancies have become less, with work in this industry looking for 6 times more people than in April. Now banks refuse from already opened vacancies and reduce "unnecessary" posts in many directions - credit, marketing, information. (Burtseva, T.A., 2014) Of course, not everyone is dismissed, some percentage remains. But most often in banks, the NR department and the financial department are reducing. People with financial education who are now on the street, especially credit specialists, will find it difficult to get a job in the bank. Loans are now issued by individual organizations. Therefore, the only way out is to retrain and transfer to another industry.

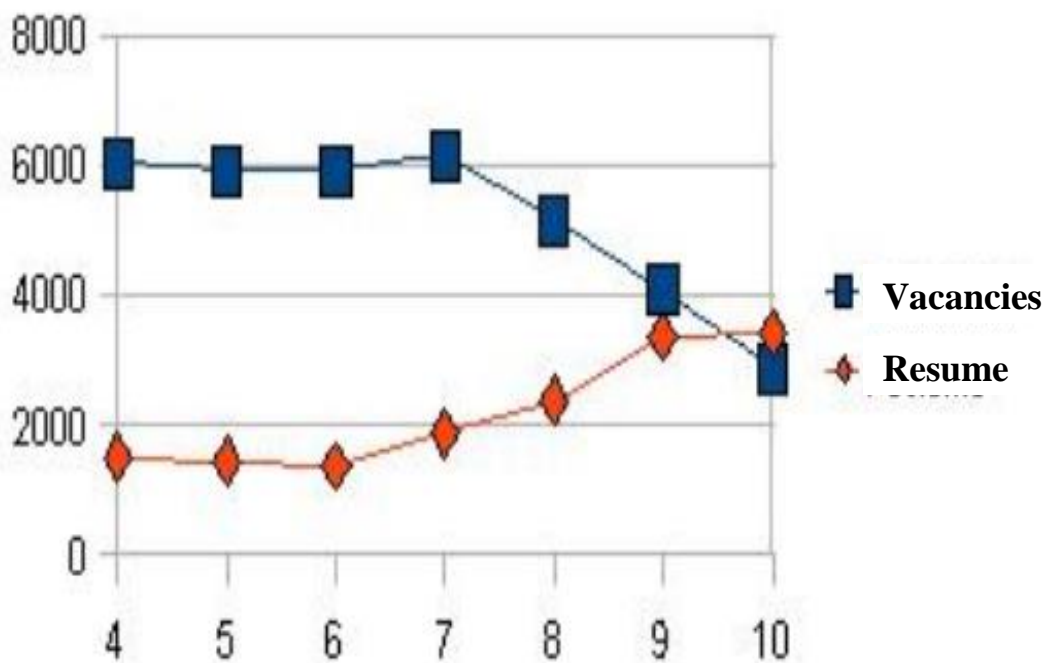


**Diagram 2: Dynamics of new vacancies and summaries in the segment "Finance and credit, banking"**

- Accounting and audit, economics.
2. The accounting segment suffered less financial, although compared to what it was before, the positions of accountants have weakened very much. A few months ago these specialists were simply "hunted", they could choose their own employer: accountants did not always have



enough, they occupied the top positions in the ranking of the most popular employees. In April, the number of new vacancies in this sector exceeded the number of new summaries by more than 3 times, and this trend persisted until July. (vakansiya.az) However, then the recession of vacancies began and the growth of the resume. And now the demand for these specialists is already less than supply, and in the near future this trend is likely to continue.



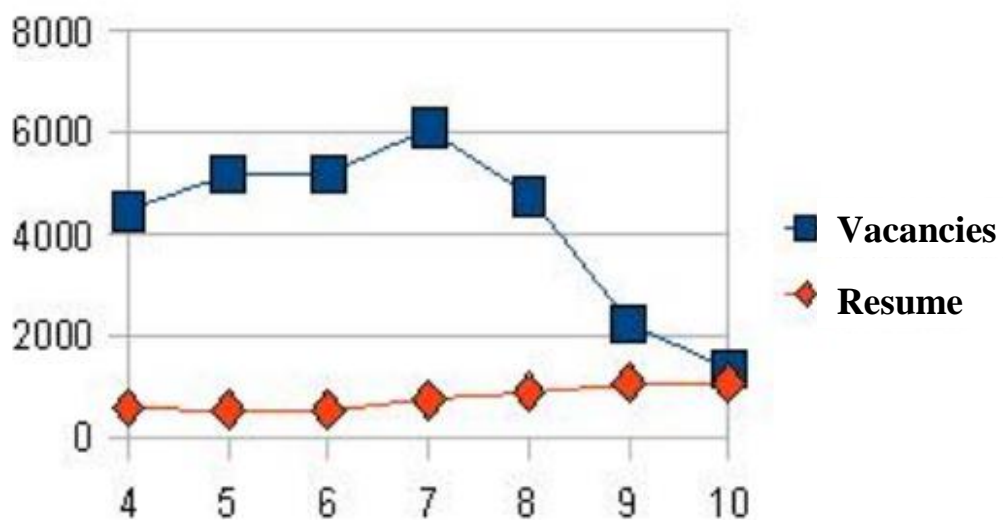
**Diagram 3: Dynamics of new vacancies and resumes in the segment "Accounting and Audit, Economics"**

- Production.

An example of the real sector of the economy is also indicative. For a very long time, the growth in the number of new CVs was low, with a fairly stable increase in the number of new vacancies. The ratio was in favor of candidates, as demand outstripped supply, and very significantly. In the spring and summer in the industry "Production" (non-food) companies steadily selected employees and the number of

vacancies exceeded the resume almost 8 times. However, over the past three months, the situation has changed dramatically: the growth of new resumes is still slowly continuing, while the number of vacancies has plummeted, negating the whole trend of the past months.

Employment becomes more difficult than it was before, because now a lot of labor is being released. If the enterprise still somehow keeps on its feet, it tries to retain employees. They dismiss those who have lower qualifications. But if the company closes completely, it is clear that highly skilled workers will also be on the market. However, they will be immediately accepted in another place where there are vacancies. Cases of mass dismissal of workers in factories and factories are already known. Experts believe that after the crisis, the companies will try to return the old workers, whom they trust. But it will be difficult to do this, because a person who has already once been outside the door, with caution will go to such a company again.



**Figure 4: Dynamics of new vacancies and resumes in the "Production" segment**

- Retail.

The crisis affected the retail trade very clearly. People cut their expenses and spend less money on things that they used to buy without thinking. A representative of one of the trading companies told the vacancies.az website that the trading sector often suffers "by chain reaction": "For example, in our company there is a certain plan for a department, a store, and we do not do it, because almost all our customers ask for a grace period of 2-3 months, otherwise they refuse to work with us."

According to vacancies.az in the pre-crisis situation, the number of new vacancies in Baku has always exceeded the number of new summaries. For example, in April, there were 1,076 resumes for 2,616 open positions in the "Retail" industry. And now, on the contrary, the number of vacancies has decreased, and the summary has increased: for 1,599 positions of employers there are 2116 offers of job seekers.

- IT, computers, work on the Internet.

It would seem that the IT industry is the least exposed to risks, but the graph shows that there are also problems with employment here. If in spring the number of new vacancies exceeded by 2 times the number of new CVs, now they are on the same level. A sharp increase in the number of new summaries indicates that the reduction in information technology is also coming.

Experts themselves try to look to the future with optimism and not give in to panic. According to the head of the department of a major IT company, there are, of course, a reduction in their sphere. But this, rather, is due to the fact that "IT people" work in different industries. For example, he himself is familiar with the IT specialist of one financial company, who was sent on unpaid leave. However, he believes that "a good specialist will easily find a job that completely suits him."

- Transport, auto business.

In the transport industry, the turning point was the same July, when the number of new vacancies began to decline significantly. From the middle of summer, the mark in 6596 vacancies fell to 3,967 in October, and the number of offers of job seekers increased from 2119 to 3520. (vakansiya.az)

- Logistics, warehouse, foreign trade activities.

A very similar trend has developed in the logistics market. Today, no one talks about the shortage of logistics, although only recently it was one of the most fashionable topics for HR managers and recruitment agencies. Moreover, even highly qualified specialists of this sector are now experiencing serious problems with employment: the supply is very high, and demand, on the contrary, is falling. If before a logisticist with good experience could find a suitable job for 1-2 weeks, now this time has increased to 1.5-2 months, or even more.

- Construction, architecture.

If we single out the industry that experienced the biggest drop in vacancies, then this is certainly construction and real estate. It was she, along with the financial sector, who primarily lived on investment money. The notorious July was a fatal month for her, after which the supply market simply collapsed (on the chart it is clearly visible). The construction of many objects is frozen. In the conditions of the crisis, job seekers in this industry became 1.5 times more, and the number of employers' offers decreased by 5 times. Now in the construction industry there is a shortage of vacancies and the situation will change soon.

- Marketing, advertising, PR.

From May to July in the field of "Marketing, Advertising, PR" there was a double increase in resumes and vacancies. But since July, the number of proposals from employers began to decrease, and the growth

of the resume continued. Currently, job seekers in this industry are 10% larger than open positions, so there is no choice.

From the analysis of all of the above, we can conclude that the crisis had a negative impact on all sectors of the labor market. Reductions in enterprises lead to the fact that the number of unemployed is growing at a rapid pace. Everywhere only they are fired, but who will take them to work? Unfortunately, now in a crisis in the country, none of the employers to take people to their company does not want, or maybe even cannot. So what do those who are left without work? Exits of course there are, you can lie at home and hope for state help, but it is not known how many you are going through. And you can go to re-qualify to those industries that the crisis so far has affected to a lesser extent. Personally, we are more attracted to the second option. The industry we consider to be in demand is IT and computers. But although the crisis - there is a crisis and maybe soon if the situation worsens (politicians say the opposite, but I do not believe them), then this industry will suffer the fate of economists and accountants.

### **3. OPPORTUNITIES LABOR MARKET IN TIMES OF CRISIS IN AZERBAIJAN**

#### **3.1. RESULTS**

The following scientific results are awarded for defense:

1. Theoretical justification of the formation and transformation of the labor market and the economic features of its functioning in a crisis. On the basis of the analysis of scientific concepts, the theoretical basis for the formation of the labor market is developed, taking into account the laws of supply and demand, the diminishing productivity of labor and the interaction of labor and education markets.

2. The specific features of the labor market in Azerbaijan and the features of functioning in crisis conditions are studied, which are the high flexibility of the labor market, excessive and inefficient employment. The imbalance of supply and demand in the labor market has been revealed. I investigated the mechanisms of state regulation of the labor market, carried out a classification of labor market factors, defined economic stimulators and the institutional basis for influencing the labor market.

3. Methods of studying employment in the current crisis of modern Azerbaijan. Using the methodology of scientific management, the impact of the oil crisis on the labor market at the national and regional levels was investigated. The types and forms of employment of the population in Azerbaijan, the structure and functions of the management of public employment services, the place and role of recruiting agencies in increasing the employment of the population have been specified.

### **3.1.1. Peculiarities of functioning of market of labor in conditions of oil crisis**

The labor market and the sphere of employment, reflecting many contradictions in the transition period, are now heavily influenced by the specifics of labor relations that have emerged under the CAJP (Code of Administrative Judicial Procedure). The development of labor relations before the beginning of the transition period is characterized by certain features.

1) Guaranteed employment and the lack of competition among the employed in the national economy from the unemployed led to a decrease in productivity and motivation of work, a loss of incentives for professional development and quality of work.

2) The state, being the owner of the overwhelming part of the means of production, was practically the only employer and monopolized the price of labor,

The wage rates were determined centrally, administratively.

3) Differentiation of wage rates was not envisaged depending on the results caused by the process of investing in human capital.

4) The high level of monopolization of the economy combined with the absence of a housing market, administrative restrictions on moving to other cities and the non-economic fixation of workers in the enterprise (housing queue, etc.) led to a restriction of labor mobility.

5) The socialist economy is characterized by a deformed structure of employment - an excessive amount of labor is employed in industry and agriculture. This is facilitated by the slow growth of labor productivity and policies aimed at the priority development of heavy industry and agriculture.

6) The existing mechanisms for resolving social conflicts were ineffective. Trade unions existed, but were part of the structure of the state or party apparatus and did not represent the interests of the workers.

7) The possibilities of migration outside the country are extremely limited. As you know, surplus labor in one country can be productively used in another in workplaces that the local population is reluctant to employ.

8) For a number of years, mass forms of forced labor have been used.

9) Excess demand for labor by state enterprises and the so-called labor shortage, contrary to economic laws, was artificially created by administrative methods. (Belov, 2012)

The inevitable result of privatization, structural changes and a reduction in the number of workers, former state enterprises, was unemployment, which literally in a few years turned into one of the most acute problems in the countries with economies in transition. The number of registered unemployed in most countries of Central and Eastern Europe is 10-15%. The exception is the Czech Republic, Russia and Belarus and Azerbaijan, where the unemployment rate remains relatively low. For our country, this is due, first of all, to the imperfection of statistical accounting, as well as the low pace of reforms and structural reforms, the widespread practice of adhering to the workforce by state-owned enterprises.

Hidden unemployment, which according to some estimates amounts to 20% of the total number of employees, has a negative impact on many aspects of economic life: it helps to maintain a low level of wages and an irrational economic structure, hampers the initiative of workers, etc.



Another trend is a significant increase in the number of those who resigned voluntarily (more than 78% of the total number dismissed in 2009). (Burtseva, 2014) The reasons for encouraging people to leave at will, are increasingly acquiring economic content. Forced part-time employment, permanent administrative leave (often without pay) are the main factors that lead to the voluntary withdrawal of employees from enterprises and organizations in search of a stable job and a normal income.

The labor market is a sphere of the market economy where its shortcomings are most clearly traced, leading to imbalances and the need for state regulation. The spontaneous market displaces socially unprotected groups of the population (young people who do not have professional education and work experience, persons with limited ability to work, women who are forced to give a large part of the time and energy to the family, elderly people) out of competition for jobs. Entire industries and individual professions may turn out to be "non-market", i.e. not bringing profit and accordingly unclaimed market economy.

The objective of regulating the labor market in a transition economy is to promote demand and support the effective supply of labor in order to: develop human resources and adapt them to structural changes to improve economic growth opportunities; promote social equality by improving both the ability to work and the opportunities for employment, especially for socially vulnerable groups; To stimulate employment during the economic downturn.

To eliminate the discrepancy between the structure of vacant workplaces and the temporarily unoccupied workforce in the vocational qualification, training and retraining of the unemployed and workers under threat of dismissal is necessary and appropriate to the needs of production.

In conditions of a high level of labor activity typical for countries with a transitional economy, with low wages and a lack of stable growth in free workplaces, the development of independent employment is of particular interest.

In the conditions of growing unemployment, a special place is occupied by the organization of public works. These programs represent unemployed public activities without special training. They are called upon to improve the material situation of poorly protected groups of the population, and also to support them morally during the transition period, until new jobs appear.

Documents and normative acts regulating the functioning of the labor market are amended in time and in accordance with the state policy.

### **3.1.2. The labor market of young professionals in a oil crisis in Azerbaijan**

It is known that the labor market of young professionals is very "timid" and responsive to negative trends in the economy. In times of crisis, few people want to hire anyone at all, and even more so young "green specialists", who also need to be taught. But there is nobody to teach them - all are fired, and those who stay are working for two, or even for three dismissed employees. Work for students and young people is now a very vulnerable place, whose positions change from day to day, while not for the better.

The first signs of an impending storm in the personnel market began to be fixed back in May 2008. Then the personnel policy towards young people began to deform for the worse in the big players of this market. There were also cuts in the budgets of companies to recruit personnel for the second half of 2008. The costs of companies for

advertising and image projects on the labor market of young specialists have decreased. (Granovetter, 2011)

The worst thing is that the crisis continues to affect, and the depth of this negative influence only grows - that is, as of the end of 2008, the "bottom" of the youth labor market has not yet reached. Thus, a drop in the market will go. Then there will be a long-awaited "bottom". And then the market will be "digging" below - you can sympathize with the graduates, they will have very not sweet.

But, of course, the job will be and free vacancies have not been canceled. Probably, there will be some internships for students, with the exception of courses on professional development and training of personnel - these expenses are most likely to be "slaughtered" by employers.

Here we must look from a different angle. What are companies doing now? - Correctly, partially close offices, reduce staff, transfer part of the staff to other positions, limit the working day, some firms dissolve part of the staff in low-paid holidays. But no one has canceled the work processes and tasks. Simply, what the company did before with the forces of "expensive" employees, now it makes the hands of cheaper trainees, assistants and trainees. Just from among the "cheap" youth (another question is how they do it, each of you spit recently after being served by such an intern who studies at your new workplace for your time and nerves). Figuratively speaking, "companies are now hiding behind the trainees" - this is the opinion of the modern gurus of the labor market. Hence, after all, there is a demand for labor resources from among young people and students. Those. they are taken. The only question is, on what terms? As a rule, these are extremely shaky, disenfranchised conditions, with less than the youth's desire, a salary, a non-standard working day, without properly formalized labor contracts.

The crisis, as it were, justifies violations of the TC, makes it necessary to "close" our eyes to injustice. It's hard to argue here - you have an opinion different from the employer's desire - go to the job exchange. So more and more employers are starting to talk about employees. And there are very few trade union cells that really work and protect the interests of workers. Therefore, we have what we have, to which all these years of unrestrained growth have gone, without looking back, without strengthening and "cementing" the won positions both in the economy and the labor market.

It's not a secret that the situation on the labor market depends more on the overall macroeconomic situation in the country and on the prices of our export commodities, mainly raw materials, on which the well-being of the majority of citizens - oil, gas, ferrous and non-ferrous metals (aluminum, copper, nickel, palladium), forest, chemical fertilizers. And the commodity market:

- 1) is cyclic;
  - 2) unpredictable;
  - 3) is subject to crises;
  - 4) promotes the situation of "price scissors", when imports at a cost ahead of exports;
  - 5) leads to the notorious "Dutch" disease, when the domestic price of real estate and other assets are swelling, which cannot be imported.
- (Bek, 2017)

To stabilize the labor market, including for youth employment, it is necessary to develop knowledge-intensive, modern industries, invest in human capital, and not in raw materials. If in this area everything will work and move, then the labor market will move accordingly. I really want to believe that the current crisis will lead to a sobering economy

and, in the long run, will have a beneficial effect on the structure of the youth labor market.

Reductions are actively "propagated" today. But mostly those who do not generate income are reduced, but, on the contrary, they spend the means of the organization. There is a reduction in staff. About mass layoffs in large cities of sales managers, it's too early to say - they still make money (which, no, and incomes are needed) for companies. Therefore, "under the knife" are office managers, extra assistants, secretaries, accountants, lawyers, purchasing managers, logisticians, foreign trade managers, engineers, servicing technical personnel. In general, a large number of specialties, spending companies' funds.

Bad business in the financial and credit sphere and in construction. But here there are still "pinpoint" layoffs. Worse things are in industrial production, where the shutdown of blast furnace or conveyor leads to a reduction in the entire production chain, i.e. leave whole shops, factories and factories.

A survey of students and graduates showed that 35% of the work interests only the level of wages - that is, she dominated the choice of vacancy and work in a particular company. The employer's brand and its reliability did not particularly worry the students. You could always "jump off" and continue your career growth (which was stated by 29% of respondents) in a competitor company or in a related field.

Now the situation is somewhat different. It's very difficult to go from company to company. Therefore, the share of those for whom the stability and reliability of the employer has become the dominant factor in the work has grown. At the same time, a poll conducted in September 2015 also confirmed that the requirements for the level of wages remained at a high level, 36% of young applicants want to worship it.

(Official site of the State Statistical Committee of the Republic of Azerbaijan, 2017)

The need for the services of students still remained. It's just that not all employers are able to provide 100% working load for young people in the current conditions. Therefore, now the students will have to work partially, perhaps even 2-3 jobs, in order to maintain the previous level of income.

Ways to earn all the same - the crisis does not stop business processes, just slows down their turnover. Now you will have to turn for them if you are accustomed to earning money. If without special experience, then it's a courier, a content manager, a promoter, a tutor, a beginner programmer, a help-desk assistant, a call center employee, a sales manager, an insurance agent, etc. There are still many opportunities. The main thing is to moderate their appetites a little during the crisis, and the employer will never pass by. After all, we must understand that a decisive moment came for the reassessment of cadres and their cost to the employer.

## CONCLUSION

The market is the basic concept of microeconomic analysis. It is on the market that firms interact, the parameters of market equilibrium and the possibilities for changing it are of primary interest to the researcher. However, in practice it is not easy to determine the boundaries of the market.

The Azerbaijan labor market is an over-segmented social field, with unequal access to the realization of employee rights, due to the institutional weakness of society. Along with the negative effects, the prevalence of informal practices has led to exceptional flexibility and mobility of the labor market. However, it is this flexibility that causes the lack of the need for investment in human capital, a low level of productivity. The depreciation of economic shocks, on the one hand, contributes to stabilization, on the other hand it hinders restructuring and development in the long run.

There are two basic concepts of the domestic labor market. Supporters of the first point of view argue that the subject of sale and purchase is labor. The second concept says that the subject of sale is the workforce. We support the second point of view. After all, if we need to freeze something, we cannot just buy a cold, we have to buy a household appliance, for example a refrigerator. So in the labor market, if we need to do something, then we find a labor force that will give us such a process as labor.

For the oil crisis, the labor market reacted immediately with a wave of cuts in the organizations of our country. In addition to the so-called "office plankton" and many good specialists were "on the street." And those who did not touch the reduction had to say goodbye to plans to expand the social package: the addition of health insurance, fitness services and insurance programs, and of course the increase in wages.

The so-called "white collars" suffered most of all: managers, bank employees, accountants, economists.

The analysis of the resume and vacancies of the site "vacancies.az" only confirms this. It can be seen that the crisis affected all areas of the labor market. A noticeably significant decrease in the number of vacancies and an increase in the number of resumes.

The Azerbaijan labor market has its own characteristics, which are most acute in the context of the crisis, the transformation of the labor market, its institutional structure. Unemployment, employment, quality of labor, migration, supply and demand balance remain the most important problem requiring comprehensive study, in particular regional labor markets, as well as determining the most effective directions of the state employment policy.

The general economic situation that has developed in the conditions of the crisis itself objectively contributes to the transformation of the labor market in the regions. Excessive labor for the time being compensates for the lack of efficiency of fixed assets (replacement effect), since a significant part of them is obsolete. But with the advent of investment and new technologies, this should stop. Small business, which pushes out unnecessary labor more actively, suffered most of all from the financial and economic crisis.

The crisis in Chinese is written with two hieroglyphs: one of them means "danger", the other - "opportunity." The same situation in the labor market of young professionals. On the one hand, it is very difficult to find a job with decent wages. On the other hand, there is a simple way to get a job with several part-time jobs. Those young professionals who earned money before the crisis, and now find a way out. But those who all the time just gathered and waited as they say "by the sea of weather" can only sympathize.



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