

Client Alert on Unemployment Insurance in Azerbaijan

August 25, 2017

On 30 June 2017, the President signed a new Law on Unemployment Insurance, followed on 5 August 2017 by a Presidential Decree on the application of the new Law.

We summarize below the major aspects of the new Law on Unemployment Insurance.

The Purpose and Scope of the Law

The Law on Unemployment Insurance is intended to ensure the strengthening of the social protection of the population through the establishment of relations based on transferring risk and on new financing mechanisms in the labor market of Azerbaijan, taking preventive measures to compensate for the lost salaries of insured persons and to reduce unemployment.

The Law provides for unemployment benefits payable to employees who are unemployed due to the liquidation of a state body or legal entity or due to a staff reduction, where such employees have paid into the state insurance system (prior to the effective date of the law, those who have paid into the State Social Protection Fund and, thereafter, into the new unemployment insurance fund to be created under the Law for at least 3 years and are registered as unemployed. The law is not applicable to persons who held political offices.

The contribution rates for unemployment insurance

Once the new Law is effective, the mandatory contributions for unemployment insurance, which will apply in addition to the existing mandatory State Social Protection Fund contributions) will be as follows:

- 0.5% of the calculated salary fund of the employer (payable by the employer); plus
- 0.5% of the employee's salary (payable by the employee through withholding by the employer).

Calculation of unemployment insurance payments

The basic monthly payments to recipients of unemployment insurance are calculated as follows.

For employees having more than 12 months' of employment during the previous 24 months:

- 50% of the lost average monthly salary for those who have paid into the state insurance system from 3 to 5 years;
- 55% of the lost average monthly salary for those who have paid into the state insurance system from 5 to 10 years;
- 60% of the lost average monthly salary for those who have paid into the state insurance system for more than 10 years.

For employees having less than 12 months' employment during the previous 24 months:

- The minimum unemployment insurance payment, which is defined as the state-prescribed minimum monthly salary, shall be made.

The following supplemental unemployment insurance payments are made, together with the basic insurance amount:

- For employees who have dependent children under the age of 18 (or under the age of 23 if the child is a full-time student), the unemployment insurance payment is increased by 5% for each child, up to a maximum of 20%. If both parents are unemployed, then only one of them is entitled to claim a supplement for the dependent(s).
- For employees having less than 12 months' employment during the previous 24 months who were laid off as part of the group as a result of operational shutdowns at enterprises, the minimum unemployment insurance amount is increased by 20%.

Payments of unemployment insurance are made for a maximum of 6 months for the first application and for a maximum of 3 months for the second application, and such payments shall decrease over time, as follows.

For the first application:

- 100% of the unemployment insurance amount for the first 2 months;
- 80% of the unemployment insurance amount for the subsequent 3 to 4 months; and
- 70% of the insurance amount for the subsequent 5 to 6 months.

For the second application:

- The minimum insurance amount (i.e., the minimum monthly salary, as established by the state).

Finally, in all cases the maximum payments of unemployment insurance cannot be higher than the national average monthly salary.

Termination of payment of unemployment insurance

The payment of unemployment insurance may be terminated if the insured person is re-employed or violates the conditions of employment programs, or where the term for the payment of the unemployment insurance expires, as well as in other cases listed in the new Law.

The law will enter into force on 1 January 2018.

Your Key Contacts



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