



“Uluchay” Social-Economic Innovation Center

**High Retirement Age and Gender Discrimination in  
Retirement in Azerbaijan**

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## 1. INTRODUCTION AND OVERVIEW

The population of the nation is the wealth of the nation when used in a meaningful and planned manner. Considering that healthy wealth depends on a strong economy, which depends on capital, the population becomes the supplier of human capital and non-human capital. As human capital, it contributes to the workforce, education-related technologies, and innovations. On the other hand, the population is the key for the economy for its impacts on economic activities through demand and savings as a non-human capital.

The improvement of labor power via human capital become critical after the 1950s due to analyses of human capital's place in economic growth (Becker, 1993). In this framework, retirement assumes the main focus of economists and policymakers because human capital investments on elders lose their significance on returns. Obviously, previous education investments of elderly workers turn to old-fashioned and reduce the efficiency (Alders, 1999) due to the development of new technologies and methodologies in the work environment. Besides that, new investment in elder workers also becomes insignificant due to the limited working years or retirement age restrictions of countries.

Retirement age is varying across countries due to the overall age of nations. Where the elderly population's share to total is high, it is expected to have higher retirement age to maintain the human capital inside the economy. That is the reason for the high retirement age in several countries, especially in European countries, where the share of the elderly population to the total population (percentage) is %19.2, according to Eurostat. However, a similar correlation is not seen in some countries, for instance, in Azerbaijan, where the population is young, but retirement age is similar to the European Union. As a result, high retirement age generates young unemployment and decreased productivity problems.

Another interesting point on countries' retirement age policy is age discrimination. In most countries, including Azerbaijan, the retirement age for men is significantly higher than for women. However, the distribution of death and the total number of pensioners between genders opposes retirement age restrictions. As a result, positive discrimination between genders becomes a

significant issue.

In general, the high retirement age has harmful effects on the economy via young unemployment, productivity, and products of human capital investments. Moreover, when the effects are merging with gender-based retirement age discrimination, income inequality reveals as the second important issue. Furthermore, considering that the retirement age discrimination will be decreased by already decided and planned mid-run policies, women's retirement age will increase significantly in the near future. As a result, the existing high retirement age's impact on the economy will increase more than two times in the mid-run.

From this perspective, the research analyzes the reasons behind the high retirement age by making cross-country comparisons. In this scope, it considers the population's age distribution, death ratio of pensioners by genders, and the number of retirees' distribution by genders. Moreover, the research analysis also reveals the economic impact of high retirement age. As a conclusion of analyses, the research contributes to policy suggestions on the impacts of already existing and mid-run planned retirement age on the economy.

## **2. RETIREMENT ANALYSIS**

What are the determinants of retirement age policies? As an answer, two options reveal the budget of government and age distribution of the population. In the first option, limited budgets became the determinant of high retirement age; however, high retirement age reduces productivity (Alders, 1999), increases the young unemployment via occupying limited job opportunities, and also reduces the human capital investments and their related products. As a result, the economy falls into bottlenecking position.

Considering that the young unemployment in Azerbaijan is less than the world average, %15.7 is significantly high while comparing with young unemployment in Mexico, Nigeria, Pakistan,

Uzbekistan or Bulgaria.<sup>1</sup> It should be noted that retirement age is not the sole determinant of young unemployment but has a significant impact on it. Henceforth, the retirement age comparison became important in cross-country analysis.

As seen from Table 1<sup>2</sup>, the retirement age of men in Azerbaijan is significantly high, which is the reason that Azerbaijan stands in 15<sup>th</sup> place, bypassing Japan, Euro Area, Turkey, and most post-soviet countries. On the contrary, the retirement age of women in Azerbaijan has a relatively better position (stands in 70<sup>th</sup> place) but again bypassing several European and post-soviet countries and Turkey.

Moreover, according to Table 1, Azerbaijan displays significant retirement age discrimination (marked

Table 1 Retirement Age of Men and Women (separately) World Rank

Rank	Country	Men	Rank	Country	Women
1	Greece	67	1	Greece	67
2	Iceland	67	2	Iceland	67
3	Israel	67	3	Italy	67
4	Italy	67	4	Netherlands	66.33
5	Netherlands	66.33	14	United States	66
10	United States	66	15	Spain	65.67
11	Spain	65.67	16	Germany	65.67
12	Germany	65.67	17	Belgium	65
15	Azerbaijan	65	33	Japan	63
16	Belgium	65	36	Mexico	65
17	Brazil	65	39	Euro Area	64.2
23	Georgia	65	40	Hungary	63.5
25	Japan	63	49	Estonia	63.5
27	Mexico	65	50	Finland	63.5
29	Poland	65	51	Latvia	63.5
33	Euro Area	64.52	66	Lithuania	62.67
35	Bulgaria	64.33	70	Azerbaijan	62
36	Hungary	63.5	71	Brazil	60
38	Lithuania	63.83	73	France	62
39	Estonia	63.5	74	Israel	62
40	Finland	63.5	75	Norway	62
41	Latvia	63.5	78	Sweden	61
44	Kazakhstan	63	80	Bulgaria	61.5
49	Belarus	62	85	Georgia	60
50	France	62	87	Kazakhstan	59
51	Norway	62	90	Poland	60
53	Sweden	61	96	Ukraine	58
65	Russia	60.5	99	Turkey	58
66	Turkey	60	100	Belarus	57
67	Ukraine	60	103	Russia	55
68	Uzbekistan	60	105	Uzbekistan	55

as red), similar to post-soviet and neighborhood countries. However, developed economies show perfect gender-based equality (marked as green).

<sup>1</sup> However, the country comparisons somewhat become insignificant without the theoretical background behind the country selection. In this comparison, countries are selected due to the similar population distribution and similar economic conditions. Moreover, the young unemployment in Azerbaijan also significantly higher than in developed economies such as Germany, Japan, or Qatar.

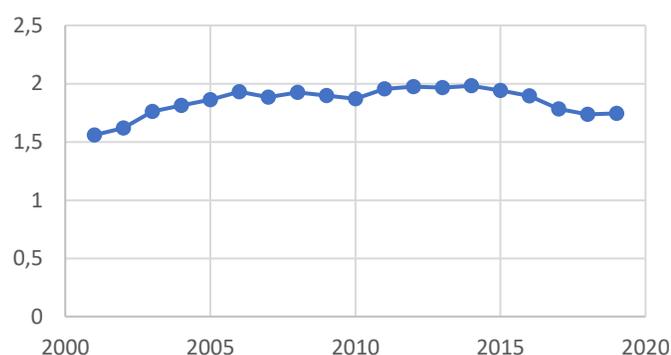
The data obtained from World Bank,

<https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=AZ-1W>, accessed: 25.02.2021

<sup>2</sup> The table was prepared by using data obtained from Trading Economics and updated regarding countries' governmental social institutions.

At this point, the reasons behind significant gender-based discrimination become essential. Considering that the history of the women to men ratio of the total number of pensioners, Chart 1 displays the age discrimination policy's result, where the total number of female retirees is significantly higher than

Chart 1 Women to Men Ratio of Number of Retirees



males. Additionally, the death reverse ratio (65+ aged men to women ratio of death) history between 1990-2019 displays an average death ratio of 1.24,<sup>3</sup> which means high men death ratio comparing to women in the retirement age. As a result of these two preliminary statistics, the retirement age policy for genders is the reason for significant gender-based discrimination against men.

Table 2 Mid-run Retirement Age Policy of The Ministry of Labour and Social Protection of Population of Azerbaijan Republic

Period	Retirement age for men	Retirement age for women
July 1, 2017 - June 30, 2018	63 years 6 months	60 years 6 months
July 1, 2018 - June 30, 2019	64 years	61 years
July 1, 2019 - June 30, 2020	64 years 6 months	61 years 6 months
July 1, 2020 - June 30, 2021	65 years	62 years
July 1, 2021 - June 30, 2022	65 years	62 years 6 months
July 1, 2022 - June 30, 2023	65 years	63 years
July 1, 2023 - June 30, 2024	65 years	63 years 6 months
July 1, 2024 - June 30, 2025	65 years	64 years
July 1, 2025 - June 30, 2026	65 years	64 years 6 months
July 1, 2026 and later	65 years	65 years

However, according to the Ministry of Labour and Social Protection of Population of Azerbaijan Republic, the mid-run retirement age policy (displayed in Table 2<sup>4</sup>) will equalize

<sup>3</sup> The data for Chart 1 and Men to Women ratio of Death is obtained from The State Statistical Committee of the Republic of Azerbaijan, <https://www.stat.gov.az/source/healthcare/>, accessed: 25.01.2021

<sup>4</sup> The table was prepared according to the Ministry of Labour and Social Protection of Population of Azerbaijan Republic, <https://www.sosial.gov.az/en/old-age>, accessed: 26.02.2021

age discrimination. The equalization of retirement age is somewhat meaningful under the scope of income inequality and gender-based discrimination. However, equalization in higher retirement age will be significantly harmful to the economy that discussed at the beginning of the section. Moreover, the increasing retirement age for women will increase the negative impacts of retirement ages on the economy more than two times while considering the women to men ratio of total pensioners.

From this perspective, the second determinant: the retirement age policies' dependency on the nation's overall age distribution, obtain its significance. The share (percentage) of the 65+ aged population to total is the proxy to the nation's overall age distribution. For example, according to the Eurostat<sup>5</sup>, % 20.3 of the European Union (EU) 's population was aged 65+. In Azerbaijan, the related percentage is 6.8.<sup>6</sup> However, the retirement age in the EU is 64.28 for men and 64.21 for women, and in Azerbaijan is 65 for men and 62 for women (until July 2021). As a result, Azerbaijan's population is approximately three times younger than the EU, but the retirement age average (total age for men and women divided by two) is almost the same. That is the reason the research highlights the significantly "high" retirement age of Azerbaijan. Moreover, in the mid-run, the average will be increased due to the convergence of women's retirement age to men.

### 3. RECOMMENDATIONS

Under the scope of human capital investments, retirement age policies affect productivity via adaption to new technologies and energy for innovations. Moreover, the policies have a significant impact on young unemployment. On the other hand, gender-based retirement age policy discriminations result in income inequality. From this perspective, and considering Azerbaijan's overall age (assumed to be a young nation), retirement age policies should be reconfigured by considering the harmful effects discussed above. Furthermore, the policies should include the effectiveness of human capital management. In this framework, policy contributions could be listed as below:

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<sup>5</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php/Population\\_structure\\_and\\_ageing](https://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing), accessed: 26.02.2021

<sup>6</sup> The data obtained from The State Statistical Committee of the Republic of Azerbaijan, <https://www.stat.gov.az/source/healthcare/>, accessed: 25.01.2021

- Rearrangement (decrement) of the retirement age restrictions while considering the age distribution of the country. The positive impacts will be seen in the young employment statistics in the short-run and in GDP in the long-run due to possible benefits of innovations, adaptation to new production technologies, and education capital-related outcomes. Moreover, the income and profit (resulting from productivity increase) taxes will be beneficial to financing the cost of relatively low retirement age.
- The retirement age discrimination should be equalized in contrast to the Ministry of Labour and Social Protection of Population of Azerbaijan Republic's mid-run policy. More clearly, the significantly high men retirement age should be decreased gradually.
- Preventing possible human capital loss due to losing experienced elderly employees should be another primary focus. In this scope, experience narration and sharing programs under the leadership of experienced former employees could be beneficial for all economically active institutions.
- For the social life of the retired people, age-specific Public Socio-Education Centers can be created. These centers will be helpful to socialize older people with art, music, or other culturally related courses and activities.<sup>7</sup>

In conclusion, the relevant policies will help to reduce all the negative impacts of retirement age on the economy and help to the socialization of the elderly population. Moreover, it will increase the working motivation and also will result in overall happiness in the country.

## References

- Alders, P. (1999). Human Capital and Retirement. *Tinbergen Institute Discussion Papers 99-056/3*.  
 Becker, G. (1993). Nobel Lecture: The Economic Way of Looking at Behavior. *Journal of Political Economy* vol 101, issue 3, 385-409.

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<sup>7</sup> For detailed information, Turkish Public Education Centers can be taken as reference.