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Natural Resources and the Gender Gap in Azerbaijan

Lucy Wallwork, Baku

Abstract

'Resource curse' scholars have suggested not only that oil wealth may be disastrous for the political and economic fabric of a country but that its impact is gendered. They have observed that oil harms, rather than helps, women in becoming integrated into the workforce and wider society. This is because instead of unleashing the economic forces that dilute patriarchal norms, oil booms leave these norms in place and constrain women's opportunities for economic and political empowerment. These scholars, however, have singled out post-Soviet countries as exceptions to the rule, due to the legacy of the nominal commitment to gender equality handed down from their Soviet past. Here, I will explore how this may not be the case in Azerbaijan and how women have missed out on the dividends of Azerbaijan's latest oil boom.

Is Oil or Islam at Fault?

Michael Ross has been the most prominent scholar to find evidence that women fail to enjoy the dividends of oil and gas booms. He set out to prove that the commonly cited correlation between Islam and gender inequality is a spurious one. Instead, he suggests that the Middle East merely happens to be home both to a cluster of Islamic regimes and almost 50% of the world's proven oil reserves. Contrary to common wisdom, he says, explanations that cite Islam-influenced notions of 'gendered citizenship' are not the key to the disempowerment of women in the region. It is oil, not Islam, that is at fault.

His theory largely rests on the impact of oil on labour force participation. Research shows that working outside the home can expand women's social networks, provide them opportunities for collective action, and increase their influence within the household. Perhaps more importantly, pursuing a career can help women establish an identity of their own outside the home. However, Ross finds empirical evidence that the process set in motion by an oil boom can exclude women from the labour force, even when controlling for the effects of income, Islam and political institutions. A number of mechanisms have been observed that might explain why this exclusion occurs.

How Dutch Disease and Occupational Segregation Have Failed Women

'Dutch disease' is the phenomenon whereby an oil boom leads to the appreciation of the exchange rate in a country, suffocating the value-added manufacturing sector. As a result, an economy transforms away from the 'traded sector' (production activities in which industries are exposed to international competition, such as textiles or cars) and into the 'non-traded' sector (all other locally rendered services, including construction, public administration and health services). This phenomenon stands in sharp contrast to the 'success stories' of East Asian economies, which have enjoyed rapid growth

rates since the 1960s. Their growth has been based on low-wage, 'traded' and export-oriented industries, where female workers are the bedrock of the economic boom, leading to an accompanying steady erosion of traditional gender norms.

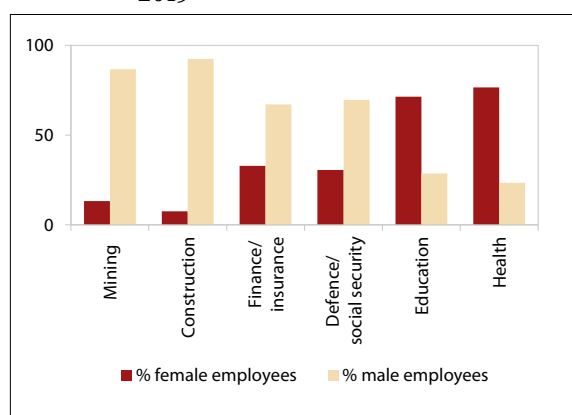
Despite the best efforts of local content obligations, the capital-intensive oil industry is notorious for employing only small numbers of locals. The distribution of employment by gender in different sectors of Azerbaijan's economy reveals that the few jobs that have been created have tended to go to men.

Azerbaijani women tend to be clustered in low-paying feminised sectors. Official statistics show that in 2014, the largest employers of women were overwhelmingly the education sector (38.4%) and the health sector (16.4%). The average (official) wages in these sectors in 2015 were AZN 298 (approximately USD 370 at the time) and AZN 198 (approximately USD 250 in mid-2014 dollars), respectively per month. The third largest employer was trade (11.5%).

In contrast, women in Azerbaijan are largely excluded from sectors such as construction, finance and security, which have expanded rapidly in tandem with oil revenues and the boom in large-scale construction projects. In 2014, at least a decade into the full-blown oil boom, only 1.6% of women were employed in the mining sector (which employs 3.5% of men) and only 1.2% of women in construction (compared to 10% of men).

The key problem presented by this occupational segregation is the wage differential. Wages in the mining and construction sectors have skyrocketed. By 2015, the average wages were several times higher in construction and mining than in education and healthcare: AZN 677 (approximately USD 645 in mid-2015 dollars) per month for construction workers and AZN 2171 (approximately USD 2068) in mining. Figures also demonstrate the dramatic stratification of wages between men and women within sectors; male construction workers earn 54% more than their female colleagues, and 'mining'

Figure 1: Occupational Segregation in Azerbaijan, 2015

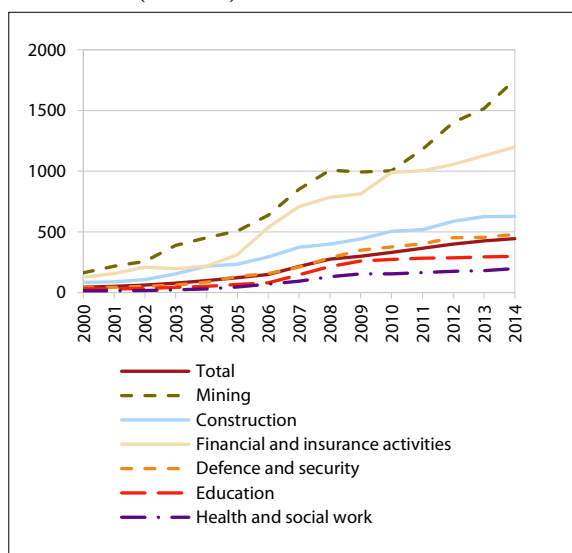


Source: Azerbaijan Statistics Committee

workers earn 70% more. Those men who do work in education earn 15% more than female teachers, reflecting the traditional male dominance of school directorships.

Figure 2 shows how wages in the male-dominated mining, construction, finance, and security/defence sectors have steadily risen since oil revenues started flowing in 2000, while wages in the female-dominated health and education sectors have stagnated.

Figure 2: Wages by Sector in Azerbaijan, 2000–15 (in AZN)



Source: Azerbaijan Statistics Committee

Of course, these official statistics paint only a partial picture, as they do not capture the wages earned in Azerbaijan's informal sector, which as of 2009 accounted

for more than one-quarter of Azerbaijan's non-agricultural workforce. This informal 'shadow' sector—typically low-paid jobs such as market vendors, shopkeepers, and shuttle traders—is dominated by women (41.7% of the non-agricultural workforce, compared to 16.6% accounted for by men).¹ An analysis of wage trajectories that took into account the informal sector would likely paint a similarly divergent picture.

The 'Opt-Out' Revolution

Another mechanism by which oil may harm the participation of women in the workforce raises the possibility of a 'reservation wage' for women in oil-producing countries. This is the minimum wage at which a woman is willing to enter the workforce, and it is thought to rise during oil-fuelled growth. As observed above, the wages in sectors traditionally populated by women have risen minimally, but the increase in wages in other sectors, particularly in natural resources (and note these data capture only formally earned income), have led to a significant rise in overall household income. As households become wealthier, the number of women 'opting out' of the work force—as their male relatives benefit from high-paying oil jobs—also rises. This effect is particularly strong in a society such as Azerbaijan, where the cumulative 'household wage' retains cultural weight over the disaggregated collection of individual wages that has begun to take precedence in analyses of Western households.

Scholars have noted that in the pre-oil 1990s, women in Soviet successor states often became the sole providers for families, as they were more willing than their husbands to 'downgrade' their work to provide for their families during troubled economic times. The oil boom appears to have reversed this pattern. This tweak to the household economic model has combined with and reinforced traditional social and community pressures that encourage women to leave the workforce and prioritise unpaid domestic labour.

Exclusion from Patronage Networks

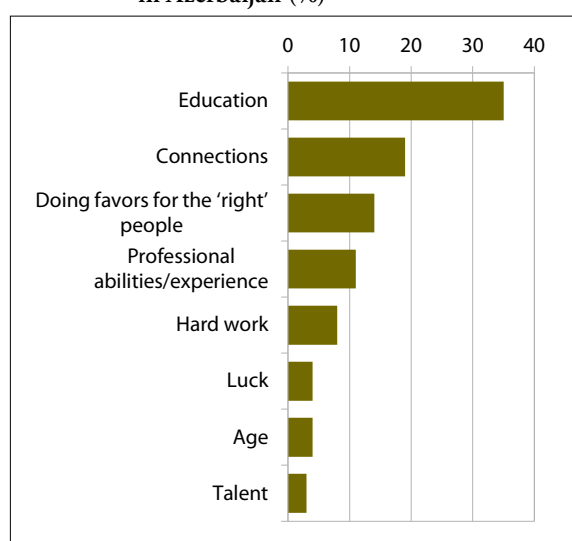
Another dimension that may help explain how women miss out on the highest paying jobs lies in the much discussed link between oil wealth and corruption. When this corruption manifests itself as patronage networks women can suffer, as they typically have only marginal access to such networks.

Caucasus Barometer data from 2013 show that to get a job in Azerbaijan, people consider 'connections' the second most important factor (following education)

1 Farid Guliyev, 'The Informal Economy in Azerbaijan', *Caucasus Analytical Digest*, no. 75, 17 July 2015.

and doing favours for the ‘right’ people as the third most important.² In a country where—according to another CRRC survey—58% of people believe that “when jobs are scarce, men should have more right to a job than a woman” (only 17% disagree), families are likely to mobilise their social networks to secure employment for male family members before turning their attention to female members.

Figure 3: Most Important Factors for Getting a Job in Azerbaijan (%)



Source: *Caucasus Barometer, 2013 (CRRC)*

We might also speculate that the bulk of informal additional earnings—the brown envelope on the desk that is not captured by statistics—also goes to men rather than women. This is because men are better positioned in Azerbaijani society to leverage their networks—Azerbaijan’s equivalent of the ‘old boys network’. While difficult to quantify, this can also play a part in the phenomenon whereby women get ‘stuck’ in entry-level positions because of their constrained ability to leverage such networks for professional progression.

Political Influence

In turn, Ross suggests that when fewer women go out to work, it has a negative impact on their political influence, in three ways. When women are exposed to the workplace, their perceptions and sense of identity transform; they are also better able to build formal and informal networks; and their role in the economic life of the country forces the government to take account of them. So how can we assess the political influence of women in Azerbaijan?

The 1918 introduction of universal suffrage in Azerbaijan under the short-lived ADR rule is often cited as evidence of women’s political influence and voice in society. However, we must begin to look beyond this narrative of formal emancipation to seek more meaningful measures of political influence, particularly in non-democratic regimes.

The percentage of women currently in parliament, almost 17%, is roughly average for the CIS region. This figure has risen from only 10.5% in 2001, in line with steady global trends toward greater representation. However, mere representation in parliament is a crude measure of political influence, and the reality is that formal roles in Azerbaijan frequently do not overlap with centres of real influence in policy making. Tellingly, there are no female cabinet ministers, and the only female Chair of a State Committee heads the politically weak and problematically named State Committee for Family, Women and Children’s Affairs. The one arena where women take an active part in the policy debate is as civil society leaders; however, the severe weakening of civil society in recent years has drowned out their voice to a large extent.

The Post-Soviet Exception?

Ross proposes that post-Soviet Central Asia may be an anomaly in this trend, suggesting that the administrative fiat used under Soviet rule may have ‘inoculated them against oil-induced patriarchy’. However, upon closer examination, the metrics he uses to find this post-Soviet exception may not tell the whole story.

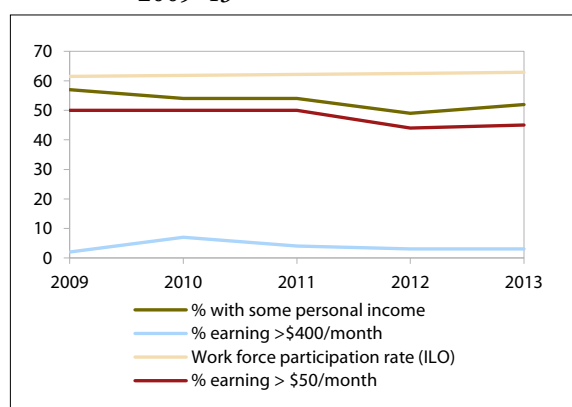
At first glance, the official data on the higher education and labour force participation rates of Azerbaijani women paint a glowing picture. Azerbaijan’s official female workforce participation rate (the metric chosen by Ross for his study) stands at 63%. In contrast, neighbouring countries with whom Azerbaijan shares cultural links, but that were untouched by the Soviet Union, lag behind: only 29% of Turkish women and only 17% of Iranian women work outside the home (World Bank/ILO).

Similarly, not only in Azerbaijan but across the whole CIS region, literacy and higher education enrolment rates are high across the board. According to the World Economic Forum’s annually compiled Gender Gap Index, Azerbaijan has achieved complete gender parity in both literacy rates and university enrolment levels, as have its post-Soviet neighbours. Again, the non-post-Soviet neighbours lag behind: the female literacy rate is only 90% in Iran and 93% in Turkey, and far fewer women attend university in both countries.

2 <<http://caucasusbarometer.org/en/cb2013az/GETJOB/>>

However, if we look not merely at participation but at *meaningful* economic empowerment, the data tell a different story. Firstly, while women may successfully graduate from university, they are significantly more likely to study humanities-oriented subjects, which excludes them from the highest paying jobs. The divergence quickly becomes clear once those women graduate. Caucasus Barometer survey data show that approximately 7% of the 52% of women with some personal income were earning less than USD 50/month, and the number of women earning over USD 400/month hovered between 2% and 7% (see figure 4). In response to a separate questionnaire item, only 2% of respondents believed that under USD 400/month is sufficient to live a ‘normal life’.

Figure 4: Personal Income of Azerbaijani Women, 2009–13



Source: ILO/Caucasus Barometer (CRRC)

This more granular picture of women’s participation in the Azerbaijani workforce demonstrates a crucial blockage in human capital resources for the economy. The State Admissions Commission, which processes university-entry exam results for students across the country, shows that in 2014, the average exam score was higher for women than for men in every region other than the southern district of Lenkaran. In addition to investing heavily in giving female citizens access to higher edu-

cation, in the early days of the oil boom the Azerbaijani government and the state oil company began funding an extensive scholarship program that sent young Azerbaijanis to leading universities in Europe and the US, a large proportion of whom were female. However, following graduation, it is clear that many of these educated women are either ‘opting out’ of the workforce or falling into low-paying sectors, which provide them with little financial independence. More broadly, this pattern represents a significant leakage of human capital investments by the state, as the young women it educates choose to stay at home or fail to reach key decision-making positions.

Conclusion

Until recently, the conventional wisdom was that economic growth over time will naturally lead to gender equality. However, not all types of growth were created equal, and there are gendered implications depending on the drivers of that growth.

When Michael Ross investigates the links between oil and women’s empowerment globally, he may be giving post-Soviet countries an easy ride. Just as we are warned that “scratch a Russian, and you will find a Tartar”, the formal emancipation of women in post-Soviet countries such as Azerbaijan may only be skin deep. When we look under the surface, serious dependencies and vulnerabilities remain, and it is likely that the inflow of oil revenues has played a part in the stagnant progress toward gender equality.

As the ongoing economic crisis forces Azerbaijan to look more seriously at a more economically diversified, post-oil future, it is worth looking at how women can participate in that future. How will they fare in the trough of the commodities cycles, compared to the peak? It is likely that the ‘reservation wage’ will drop in a post-oil era, but wages across the economy will also drop, leaving the implications for women’s workforce participation unclear. Can the country ‘gender-proof’ its economy as it shifts to a new economic model? Doing so will be key not only for the sake of social justice goals but also to reap the benefits of expensive human capital investments in the skills of the next generation of Azerbaijani women.

About the Author

Lucy Wallwork is an MA student and researcher in Public Policy at ADA University in Baku. Her current research interests include both the ‘resource curse’ phenomenon and shifting gender norms in Soviet successor states.

Recommended Reading:

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