

Capstone Project

**Global experience in state support for self-employment and
recommendations for Azerbaijan**

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Abstract

This policy paper looks at how other countries support self-employment. It gives recommendations to improve Azerbaijan's self-employment framework. The research looks at Germany, South Korea, and Brazil. It identifies various policy tools. These include asset-based support, digital entrepreneurship programs, and vocational-social integration models. The analysis uses a qualitative method. It combines comparative policy analysis, literature reviews, national statistics, and expert interviews. Azerbaijan has made great strides with its self-employment program run by the Ministry of Labour and Social Protection. However, the current model misses key elements. It lacks post-startup support, digital integration, and effective formalization mechanisms. Three policy options are evaluated—expanding the current program, introducing youth-focused digital entrepreneurship grants, and integrating self-employment into vocational and welfare systems—using five criteria: effectiveness, efficiency, feasibility, equity, and flexibility. The study suggests a hybrid approach that mixes all three options. This approach fits Azerbaijan’s unique institutional and economic situation. A phased implementation roadmap and multi-stakeholder strategy are proposed to enhance impact and sustainability. This paper adds to the discussion on building an inclusive labor market. It provides practical insights that match Azerbaijan’s Vision 2030 goals.

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1.Introduction

1.1 Background and Context

Modern economies depend much on self-employment, which also stimulates economic diversification, job growth, and innovation. It includes people running their own companies or working as independent contractors, therefore adding to the dynamism of labour markets (Blanchflower, 2000). The emergence of the gig economy has underlined the need of self-employment even more since platforms like Upwork and Fiverr let people provide services all around, thereby improving labour market flexibility and response to economic changes (Kässi & Lehdonvirta, 2018).

Especially in times of economic crisis when conventional labour markets collapse, self-employment is a significant method for lowering unemployment by offering alternative work alternatives (Blanchflower, 2004). It helps people to use their resources and abilities to create revenue, therefore relieving some demand on official job sectors. Moreover, self-employed people often propel economic progress by means of entrepreneurial activity resulting in the creation of fresh markets, goods, and services. This entrepreneurial vitality drives innovation, increases competitiveness, and helps to build general economic resilience (Le, 2002).

Self-employment patterns show notable differences depending on area and sector worldwide. Driven by elements including technology developments, shifting job choices, and the explosion of digital platforms allowing freelancing, self-employment has been clearly visible in OECD countries (Blanchflower, 2000). Indicating that the rate of early-stage entrepreneurial activity varies significantly among nations, reflecting different economic environments and cultural attitudes towards entrepreneurship, the Global Entrepreneurship Monitor (GEM) offers thorough data on entrepreneurial activity globally (GEM, 2021). Emerging as a major part of self-employment, the gig economy is distinguished from permanent employment by short-term contracts or freelancing activity. Digital platforms that link employees with clients provide freedom but also provide difficulties with regard to job security and benefits, therefore facilitating this change (Kässi & Lehdonvirta, 2018).

Designed by the Oxford Internet Institute, the Online Labour Index gauges the worldwide use of online freelancers, therefore underlining the increasing reliance on digital gig work in many different fields (Kässi & Lehdonvirta, 2018).

Self-employment is sometimes a significant share of the labour market in developing countries and a major income source for many households. But this kind of work is usually marked by informality, with little access to financial institutions or social security, which

presents difficulties for sustainable economic development (Gindling & Newhouse, 2014). Modern economies depend on self-employment since it provides means for income creation, creativity, and economic diversification. Though it also poses issues that call for careful policy interventions to guarantee fair and sustainable economic development, its contribution in lowering unemployment and boosting economic growth is well-documented.

1.2 Global Patterns in Self-employment

With its frequency and features depending on economic development, legal frameworks, and social considerations, self-employment has grown to be a major part of labour markets all across different countries. Although self-employment presents chances for economic freedom and creativity, macroeconomic conditions, financial resource availability, and institutional support define its frequency. Comparative study of self-employment rates among OECD nations, the European Union (EU), and developing economies shows the structural variations and shared difficulties in encouraging self-employment.

Self-employment rates in OECD, EU, and developing economies

Rates of self-employment change greatly depending on the economic environment. The OECD estimates that it makes up 15.3% of total jobs in member states. Greece (28.3%) and Italy (21.7%) lead the OECD in self-employment, thanks to their strong culture of small and family-owned businesses. On the other hand, nations like Norway (7.0%) and the United States (6.3%) have lower rates mostly because of well-established pay employment structures and thorough labour laws (OECD, 2023).

Self-employment makes up 13.5% of all employment in the European Union (EU), with nations including Poland (17.5%) and Spain (16.2%), having above-average percentages (Eurostat, 2023). Reflecting stricter labour market rules and high degrees of social security that encourage wage employment, Denmark (8.7%) and Germany (9.6%) have lower self-employment levels.

Often due to limited official work prospects, developing nations typically have rather greater self-employment rates. For instance, because of the predominance of unofficial labour markets and micro-entrepreneurship (International Labour Organisation [ILO], 2023), self-employment makes up 77% of all employment in India). Comparably, in sub-Saharan Africa, around 70% of the workforce is self-employed; most of them participate in informal

economic activities including street hawking and agriculture (World Bank, 2023). Many people pursue self-employment because of a lack of alternative work possibilities, so the high rates in these areas are often driven by necessity rather than opportunity (ILO, 2023).

Important new perspectives on the worldwide distribution and factors influencing self-employment come from the World Bank and the International Labour Organisation (ILO). World Bank figures show that as economies grow, the percentage of self-employed people usually falls. Self-employment accounts for less than 10% of total employment in high-income nations and typically exceeds 50% in low-income ones (World Bank, 2023). Factors include industrialisation, access to pay jobs, and labour protections' (ILO, 2023) advances help to explain this tendency.

Moreover, the essence of self-employment differs depending on the country. A higher proportion of self-employment in high-income nations is comprised of independent professionals, freelancers, and small business owners who freely choose self-employment because of perceived economic opportunities (OECD, 2023). On the other hand, a large number of self-employed workers in low- and middle-income nations engage in subsistence activities with little job security, poor pay, or restricted access to social protection (ILO, 2023).

An interesting development in recent years is the growing part digital labour platforms play in self-employment. Particularly in developing countries, the gig economy—which allows independent work through web sites like Upwork, Fiverr, and Uber—has expanded dramatically and helped to drive self-employment. The ILO (2023) estimates that approximately 160 million people globally, twice over the past decade, are gig workers—that is, those engaged in gig employment.

Effects of COVID-19 on the gig economy and self-employment

The COVID-19 epidemic fundamentally changed labour markets worldwide, therefore altering the dynamics of self-employment. Although the first economic crisis resulted in widespread job losses and lower income for many self-employed people, it also hastened the move towards digital and remote labour, hence extending the gig economy (World Bank, 2022).

Early on in the epidemic, self-employed people—especially those in contact-intensive sectors such retail, hospitality, and personal services—saw significant income losses. In the

first half of 2020, self-employed people in OECD nations had an average 30% drop in income; certain industries saw declines reaching 50%. Self-employed people were disproportionately impacted in underdeveloped countries, where social safety nets were less strong; over 80% of respondents reported major income interruptions (ILO, 2022).

Still, the epidemic also spurred the growth of digital self-employment. Gig work grew out of the fast acceptance of remote employment and the growing reliance on digital channels. Between 2019 and 2021, 36% more freelancers used sites like Upwork and Fiverr; most of this increase occurred in developing nations (ILO, 2022). Furthermore significantly expanding areas including e-commerce, online education, and digital marketing presents new prospects for self-employed people (World Bank, 2022).

Governments responded to the economic crisis by putting in place different support programs meant to help self-employed individuals. Among these were tax deferrals, direct financial aid programs (such as the U.S. Pay cheque Protection Program), and increased unemployment benefits for independent contractors and freelancers. Covering up to 70% of lost revenue during lockdowns, countries including Germany and France instituted significant income replacement programs for self-employed individuals (OECD, 2022). But in many underdeveloped countries, this kind of help was scarce, which increases the economic vulnerabilities of self-employed people (World Bank, 2022).

The world scene of self-employment shows notable geographical and financial differences. While self-employment rates in wealthy countries usually are lower and marked by more financial stability, developing economies show far higher rates driven mostly by necessity. < With the gig economy taking the stage, the COVID-19 epidemic changed self-employment trends even more. Policymakers have to strike a balance going forward between the need to guarantee the sustainability of self-employment by means of sufficient social safeguards, access to finance, and skill development opportunities and its encouragement as an engine of economic growth.

1.3 Research Questions and Objectives

The research questions driving this project are defined in this part together with the related goals meant to answer these questions.

Research Questions:

- What are the worldwide best practices in state encouragement of self-employment?
- What difficulties does Azerbaijan run in this field?
- How may policies be developed to improve Azerbaijan's support of self-employment?

Objectives:

The first goal is to investigate thoroughly effective state initiatives encouraging self-employment across different nations. This entails looking at policies that have successfully encouraged self-employment including financial incentives, training courses, laws, and support services. For example, many nations have instituted active labour market policies (ALMPs) to lower unemployment and improve labour income. These programs cover vocational training, job search help, wage subsidies, and support of self-employed or micro-entrepreneurs (Yeyati et al., 2019). Analysing the success of these interventions offers important new perspectives on the design and execution of policies fit for various socioeconomic situations.

The second goal is to pinpoint the particular challenges stopping Azerbaijan's self-employment growth. Analysing elements including access to money, legal obstacles, availability of entrepreneurial training, and cultural views on self-employment makes up this rating. Customising policies that meet the particular requirements of Azerbaijani self-employed people and aspirant entrepreneurs depends on an awareness of these obstacles.

The third goal is to create practical policy suggestions based on the knowledge acquired from global best practices and the contextual issues found inside Azerbaijan. These suggestions seek to create an environment that supports self-employment in all its forms: financial support systems, capacity-building projects, legislative changes, and the creation of supporting infrastructure. For instance, startup visas implemented in nations including Canada, Australia, and Estonia have drawn businesspeople with their simplified visa processes and support services. For Azerbaijan, implementing comparable policies might help to develop a strong self-employment industry.

The aim of this study intends to give a thorough knowledge of efficient governmental support systems for self-employment by methodically addressing these research topics and objectives. The results will guide the creation of customised policy interventions meant to solve current issues and advance environmentally friendly self-employment in Azerbaijan.

1.4 Methodology

Focussing on worldwide best practices and the particular difficulties experienced by Azerbaijan, this paper uses a multifarious research technique to examine governmental support systems for self-employment. The method combines comparative policy analysis, a thorough assessment of current research and case studies with data from credible national and international sources.

Structure of the Paper

This paper is organized into five chapters. Chapter 1 introduces the background, research objectives, and methodology. Chapter 2 lays out the framework. It defines self-employment and shows its economic importance. It also reviews Azerbaijan's current policies. Chapter 3 compares how different countries support self-employment. It looks closely at Germany, South Korea, and Brazil. Chapter 4 looks at three policy options for Azerbaijan. It uses criteria like effectiveness, feasibility, and how well they match national priorities. Chapter 5 wraps up with key recommendations, a plan for implementation, and thoughts on future research.

Methods of Comparative Policy Analysis

The basic framework for this study is comparative policy analysis, which allows a methodical study of how various nations carry out policies meant to boost self-employment. This approach helps one to spot trends, deviations, and contextual elements affecting policy efficacy as well as other aspects (Sidney, 2007). The study intends to identify which policies are most efficient and under what conditions they succeed by means of a comparison of several national strategies.

The study mostly addresses important policy aspects including:

- Investigating grants, tax relief programs, and subsidies that reduce entrance obstacles for self-employed people can help to provide financial incentives.
- Programs for Training and Development: Evaluating programs for entrepreneurial education and vocational training availability and influence.
- Examining the degree of bureaucratic support for self-employment and the complexity of corporate registration procedures helps one to better understand them.
- Examining programs designed for the self-employed that offer safety nets—such as health insurance and retirement plans—helps one to build resilience.

This comparative approach takes into account the socioeconomic and cultural settings that support the success of tactics as well as emphasises effective ones.

Review of Current Literary Work and Case Studies

To set the relative analysis in context, a careful reading of relevant case studies and scholarly literature is done. This entails compiling results from policy studies analysing state initiatives in fostering self-employment as well as peer-reviewed publications and policy briefs. The literature review covers:

- Understanding the fundamental theories behind governmental support for self-employment—such as labour market flexibility and economic diversification—helps one to better appreciate them (Parker, 2004).
- Examining data-driven studies tracking the effects of particular policies on self-employment rates and economic growth provides empirical evidence.
- Examining thorough records of policy implementations across several nations with an eye towards both achievements and difficulties.
- This thorough evaluation of the literature guarantees that the research is based on current understanding and points up areas that this study intends to close.
- Using OECD, World Bank, ILO, and National Source Data

The study supports the analysis by using quantitative and qualitative data from credible national agencies and international organisations:

- Providing information on labour market regulations, self-employment rates, and economic indicators among member nations, Organisation for Economic Cooperation and Development (OECD)
- World Bank: Providing worldwide databases including country-specific economic profiles, ease of business, and entrepreneurship.
- International Labour Organisation (ILO) provides data on social protection policies, labour standards, and employment trends pertinent to self-employment.
- Providing localised information on employment rates, economic sectors, and demographic insights relevant to the Azerbaijani setting, Azerbaijan State Statistical Committee

Combining information from these sources guarantees a strong, evidence-based research by means of which For example, the ILO's studies on active labour market policies (ALMPs) underline how well certain interventions—such as vocational training and assistance for micro-entrepreneurs—in lower unemployment and improve labour income—ILO, 2019.

Furthermore revealing information on the regulatory environment influencing self-employment prospects is the World Bank's ease of doing business index (World Bank, 2020). This study uses a methodological approach combining comparative policy analysis, a thorough evaluation of the literature, and the use of authoritative data sources to fully assess governmental support for self-employment. This combination of approaches guarantees a sophisticated knowledge of successful policies and the particular difficulties experienced by Azerbaijan, therefore guiding the formulation of customised policy proposals. Apart from document-based research, four semi-structured interviews with professionals in employment policy, vocational training, and social development in Azerbaijan were held. Among the interviewees were NGO leaders, vocational education experts, economists, and top government officials. The interviews revealed opportunities for policy improvements, institutional deficiencies, and obstacles to execution. Appendix A summarizes key themes from the interviews.

Limits of the Methodology

There are many limits on this study. Time limits and participant availability restricted first the breadth and depth of the expert interviews. Though they don't include all stakeholder perspectives, particularly from rural and marginalized places, they offer valuable insights. Second, the study's quantitative power was diminished by the lack of thorough national statistics on digital and informal self-employment. The study did not collect primary data from program evaluations or questionnaires. This might have deepened the results. These constraints highlight the need of further field-based and longitudinal studies to assist continuous policy formulation.

Selecting and justifying case studies

The study chooses Brazil, South Korea, and Germany as case studies of their different approaches to boost self-employment. These nations were selected considering:

- Varied economic systems: Germany is a high-income welfare state; South Korea's economy is driven by innovation; Brazil's economy is developing with a sizable unofficial sector.
- Different policy approaches: Every nation uses different methods for support of self-employment, so enabling a wide comparison view.
- Relevance for Azerbaijan - Crucially important to Azerbaijan's self-employment ecosystem, the chosen policies cover training, financial inclusion, and digital entrepreneurship.

Germany: Support for Welfare and Training-Based Self-employment

Germany was chosen because of its organised vocational training courses for self-employed people (OECD, 2023) and thorough social protection system. Key policy under examination in this paper is the Gründungszuschuss (Start-up Grant) program, which offers financial support to unemployed people moving to self-employment (Bundesagentur für Arbeit, 2023).

South Korea: Technology and Innovation-Driven Self-Employment Policies

With government-backed projects like the K-Startup Grand Challenge and Youth Entrepreneurship Academy promoting digital self-employment, start-up incubation, and access to venture capital (KOTRA, 2023; World Bank, 2023), South Korea reflects a technologically intense approach. Given Azerbaijan's aspirations for digital transformation, South Korea's approach offers a useful benchmark.

Brazil: Microfinance and Informational Tools for Self-Employment

Brazil was selected because of its emphasis on financial inclusion and microfinance—especially for self-employed people in the unofficial sector—World Bank, 2023. Programs like Crescer – National Program for Productive Microcredit and PRONAF (National Program for Strengthening Family Agriculture) give small-scale entrepreneurs financial support; this approach might be modified for Azerbaijan's rural workforce (Brazilian Development Bank, 2023).

2. Problem Description

2.1 Self-Employment: Definitions and Theoretical Framework

A complicated and multifarious economic phenomena, self-employment is vitally important for labour markets, economic growth, and entrepreneurship in general. From traditional economic ideas on entrepreneurship to behavioural insights that clarify personal decision-making processes, theoretical approaches on self-employment span a spectrum. This part investigates behavioural economics, which emphasises the psychological aspects guiding people's decisions to become self-employed, and Schumpeterian and Kirznerian entrepreneurship theories, which present different points of view on the nature of self-employment.

Schumpeterian and Kirznerian entrepreneurship differ in many ways that shed important light on the several reasons, traits, and effects of independent work. Although both theories acknowledge the need of entrepreneurial activity in economic development, they differ in their conception of opportunity recognition, innovation, and the part of competition in the market (Parker, 2018).

Schumpeterian entrepreneurship—self-employment as disruptive innovation

Developed by Joseph Schumpeter (1934), the Schumpeterian perspective of entrepreneurship sees self-employment as a means of generating disruptive innovation. From this vantage point, self-employed people—especially those involved in entrepreneurial activities—introduce new goods and services, business models, and manufacturing techniques challenging current market systems (Schumpeter, 1942).

Key traits of Schumpeterian entrepreneurs:

- Participate in creative destruction and substitute innovative ideas for out-of-date sectors.
- Aiming for market leadership, you have great degrees of risk tolerance and ambition.
- Pay more attention to scalability and competitive advantage than to simple survival (Audretsch, 2021).

Often connected with high-growth start-ups, venture capital-backed companies, and technologically advanced sectors is Schumpeterian self-employment. Strong financial markets, innovation centres, and government-sponsored research projects help countries including the United States, Israel, and South Korea to have vibrant ecosystems of Schumpeterian entrepreneurs (Acs et al., 2018).

But in underdeveloped nations, where entrepreneurs lack access to venture finance, R&D funding, and advanced infrastructure (OECD, 2022), this kind of self-employment is less common. Suggesting the need of governmental reforms to create an environment fit for Schumpeterian entrepreneurship, the self-employment scene in Azerbaijan still remains dominated by necessity-driven entrepreneurship rather than invention-led companies (World Bank, 2023).

Kirznerian entrepreneurship: self-employment as slow market discovery

Israel Kirzner (1973) put out an alternative perspective of entrepreneurship, stressing on slow market discovery, while Schumpeter's emphasis on disruptive innovation was opposite. Many of them are self-employed, according to Kirzner, but rather they find and capitalise on inefficiencies in current markets rather than necessarily producing ground-breaking ideas (Kirzner, 1997).

Important Traits of Kirznerian Businessmen:

- Rather of bold innovation, engage in small improvements.
- Point up market gaps and arbitrage prospects instead of starting whole new businesses.
- Often driven by necessity, these local demand-responsive entrepreneurs answer not for global competition but for local needs (Shane & Venkataraman, 2000).

Common in informal markets and underdeveloped nations, Kirznerian self-employment is driven by people becoming self-employed to meet small-scale market needs like retail commerce, transportation, and personal services (Naudé 2019). Many self-employed people in Azerbaijan run agricultural businesses, freelance companies, and small firms in line with Kirznerian rather than Schumpeterian entrepreneurship (SSC, 2023).

Kirznerian self-employment rarely results in high-growth businesses, therefore restricting more general economic transformation even while it offers income security and economic involvement. Policies must reward technology use, talent development, and financial resource access if Azerbaijan is to move towards a more creative self-employment environment (OECD, 2023).

Behavioural Economics and Self-Employment Choice

Conventional economic theories sometimes hold that when people choose self-employment over paid work, they make logical decisions. Behavioural economics, on the other hand, contends that self-employment decisions are greatly influenced by psychological biases, heuristics, and risk perceptions, therefore subverting this idea (Thaler & Sunstein 2008).

Risk Aversion and Self-Employment Decisions

Entrepreneurial entry is strongly influenced by risk aversion, the degree to which people prefer steady but lower-income employment over uncertain but perhaps higher-reward self-employment (Kihlstrom & Laffont, 1979). Studies reveal that whilst those who desire stability select wage work, those with low risk aversion are more likely to choose self-employment (Caliendo et al., 2015).

Economic Background and Risk Viewpoint:

While self-employment rates are comparatively lower but more sustainable in high-income nations, where bankruptcy rules and social safety nets lessen financial risks. Even among people who would normally prefer steady income employment, necessity-driven self-

employment rules in developing economies when unemployment risks are high and job security is low (World Bank, 2023).

Risk aversion is a major obstacle to Schumpeterian entrepreneurship for Azerbaijan since many people choose either official employment or unofficial, low-risk companies (Ministry of Labour and Social Protection, 2024). Policy interventions such as start-up incentives, financial risk-sharing systems, and business mentoring programs to lower perceived uncertainty (OECD, 2023) will help to address this difficulty.

Entrepreneurial Decision-Making and Cognitive Biases

Behavioural economics contend that rather than entirely rational assessments of costs and benefits, cognitive biases often impact decisions about self-employment (Kahneman, 2011). Among the most pertinent prejudices are these like:

- Entrepreneurs who overstate their prospects of success often have greater self-employment rates but also increase business failure rates (Koellinger et al., 2007).
- Many people avoid self-employment due to loss aversion, especially in countries where social protections for the self-employed are insufficient (ILO, 2022).
- Many prospective entrepreneurs nevertheless work in low-productivity occupations since they view self-employment as too dangerous or complicated, even if economic times support entrepreneurship (Acs et al., 2018).

Policymakers could address these cognitive distortions by providing organised training courses, financial literacy education, and focused awareness efforts to change opinions of entrepreneurship as a viable career route, therefore encouraging self-employment in Azerbaijan (World Bank, 2023).

Affected by entrepreneurial philosophy, risk perception, and behavioural prejudices, self-employment is a multifaceted economic phenomena. The differences between Schumpeterian and Kirznerian entrepreneurship draw attention to the differences between high-growth, innovative self-employment driven by necessity-driven, incremental entrepreneurship and vice versa. Since most self-employed people run small-scale companies instead of disruptive innovation, Azerbaijan's self-employment scene closer resembles Kirznerian ideas.

Behavioral economics also helps to understand self-employment choices. Risk aversion, overconfidence, and loss aversion impact how people start businesses. To boost Azerbaijan's self-employment scene, policies that cut financial risks are needed. They should boost skill development and create a supportive space for innovative entrepreneurs. Azerbaijan can

boost its economy by using a hybrid policy approach. This will help grow high-potential businesses and support small-scale self-employment. Together, these efforts will lead to lasting economic diversity.

2.2 Differentiating Self-Employment, Informal Employment and Entrepreneurship

In labour economics, it is necessary to define the ideas of self-employment, entrepreneurship, and informal employment since they reflect different ways of labour market involvement with different consequences and features.

Self-Employment

Self-employment is the practice of people working for themselves instead than for another person or an organisation. These people run their own companies or firms and handle money generation. Investopedia claims that a self-employed person earns revenue straight from their own business, trade, or profession rather than working for a single company paying a steady salary or wage. Among these are sole proprietors, consultants, and freelancers. Usually in charge of their work decisions, self-employed people pay the financial risks of their businesses and are in charge of following pertinent laws and taxes.

Entrepreneurship

Often defined by creativity and scalability, entrepreneurship is the process of designing, starting, running a new company. Entrepreneurs spot market prospects and organise resources to produce value via new goods or services. Although every entrepreneur might be regarded as self-employed, not every self-employed person fits the conventional definition. The main difference is the extent and goal of their actions; self-employed people may concentrate on maintaining their present operations without necessarily looking for notable expansion, while entrepreneurs usually aim for business development.

Informal Employment

Informal employment is the labour activity not under control by official labour laws and protections. This sector covers both unofficial pay jobs and self-employment. Informal self-employment is the practice of self-employed people running unregistered or unincorporated companies without official identification or respect of legal and regulatory systems. Informal pay employment is the arrangement whereby people work for companies without official

contracts, social security benefits, or legal protection. The OECD defines informal self-employment as including all non-professional self-employed operating on their own as well as employers with five or less employees citing turn 0search 7. Often linked with job uncertainty, reduced income, and lack of social safety is informal work.

Economic Theories Related to Self-Employment

Understanding self-employment calls for an analysis of several economic theories explaining people's motivations and the elements affecting their choice to be self-employed. In this sense, two well-known theories are Human Capital Theory and the difference between Opportunity and Necessity Entrepreneurship.

Human Capital Theory

Human capital theory holds that people's productivity and economic results are much influenced by their knowledge, skills, and experiences—that is, by their human capital. Within the framework of self-employment, this idea contends that those with more human capital are more likely to spot and seize business prospects, therefore fostering successful self-employment projects. Education and skill development investments improve a person's capacity for challenging work, environmental adaptation, and company innovation as well as for their own performance in Those with significant human capital could thus be more likely to choose self-employment over paid employment, expecting better returns on their investments in knowledge and skills catered for.

Entrepreneurship: Opportunity vs. Necessity

Different from need to opportunity Entrepreneurship offers understanding of the reasons for people's participation in business operations.

Opportunity entrepreneurship is the type of entrepreneurship that results from people freely seeking commercial prospects to raise their income or find personal fulfilment. Usually motivated by the belief of a profitable business opportunity and the possibility for expansion, opportunity entrepreneurs Their better degrees of knowledge and expertise help them to spot and profit from new industry trends.

Conversely, necessity entrepreneurship is the result of people being driven to launch their own companies since there are few other career paths. Often a reaction to unemployment, underemployment, or economic crisis is this kind of entrepreneurship. Necessity entrepreneurs might participate in self-employment as a means of subsistence rather than

development and may lack the same degree of resources or skills as opportunity entrepreneurs

Policymakers wishing to create initiatives supporting self-employment and entrepreneurship must first understand these differences. Customised policies help to solve the particular needs and difficulties experienced by various kinds of entrepreneurs, thereby strengthening the inclusive and strong economic environment.

Developing good policies and support systems requires a sophisticated knowledge of self-employment, entrepreneurship, and informal employment together with the economic theories clarifying people's reasons for self-employment. Understanding the several reasons and difficulties experienced by self-employed people can guide focused treatments meant to support labour market resilience and sustainable economic growth.

2.3 Importance of State Support for Self-Employment

Boosting self-employment via state action is essential for fostering social protection, creating employment options, and so boosting economic progress. Self-employed people do, however, often face major obstacles including money restrictions, skill gaps, and regulatory burdens that call for specific government assistance.

Governmental Approaches to Encourage Self-employment

By encouraging creativity and competitiveness, self-employment significantly adds to the economic dynamic. Small company owners and entrepreneurs bring fresh goods and services, therefore promoting market diversity and economic resiliency. The Heritage Foundation underlines that economic freedom—characterised by less government intervention—allows people to pursue entrepreneurial activities, hence increasing production and economic growth (Heritage Foundation, 2025). Therefore, governments that enable self-employment by means of encouraging policies can witness faster economic development. Particularly in economies struggling with unemployment, self-employment is an essential method for job generation. Self-employed people not only generate employment for themselves but also have the possibility to hire others by starting their own businesses, therefore lowering unemployment rates. The International Labour Organisation (ILO) emphasises how well active labour market policies—including support for self-employment—generate job possibilities and enhance labour market outcomes (ILO, 2019).

Thus, reducing joblessness and encouraging inclusive economic participation depend much on state assistance for self-employment.

Apart from financial concerns, self-employment is quite important for improving social protection. It provides people with a way to reach financial independence and security, especially in situations when official employment prospects are few. According to the World Bank, social security programs—which encourage self-employment—help people and families negotiate economic shocks, invest in health and education, and raise general well-being (World Bank, 2025). Governments can improve socioeconomic stability and boost social safety nets by helping self-employment.

Difficulties of Self-Employment

Starting and running self-employment businesses depends fundamentally on access to cash. Self-employed people do, however, frequently have major financial obstacles including limited access to finance and investment (E. Əliyev, personal communication, April 2025). Self-employed people often lack sufficient social safety coverage, which can aggravate financial vulnerabilities and impede their capacity to invest in their companies, the International Labour Organisation (ILO, 2020). This emphasises how urgently laws improving access to social safety and financial resources for self-employed people are needed.

For self-employed people, competency shortages are still another major obstacle. Self-employed workers sometimes suffer lower job quality and limited access to training opportunities, according to the European Foundation for the Improvement of Living and Working Conditions (Eurofound), which can hinder business development and sustainability. Empowering self-employed people to successfully run and expand their businesses depends on filling in these skill gaps.

Regulatory Load

Complicated and heavy regulations can seriously hinder efforts at self-employment. Administrative needs too high and bureaucratic inefficiencies make launching and running a firm more costly and difficult. Not only adding more paperwork but also impeding economic development, the Cato Institute underlines that regulatory burdens can have significant negative consequences on living standards (Cato Institute, 201). Fostering a suitable environment for self-employment depends critically on simplifying rules and lowering pointless administrative barriers.

Governments should take into account using the following approaches to adequately assist self-employment:

Establishing microfinance projects and grant programs can help self-employed people obtain the required funds to launch and grow their companies. According to the International Labour Organisation (ILO 2020), improving the viability of self-employment businesses depends on such financial assistance systems being absolutely necessary.

Investing in training courses catered to the demands of the self-employed would help to improve their abilities and business sense. Improving work quality and business sustainability among the self-employed depends on increasing access to training and development possibilities, according to Eurofound, 2024.

Simplifying business registration procedures and removing bureaucratic hurdles would help to lessen the impediments to self-employment. To support economic development and entrepreneurial activity, the Cato Institute supports the elimination of unwarranted legal obstacles (Cato Institute, 2021).

Expanding social protection coverage to self-employed people will help to lower financial risks and improve their economic security. To support good work and sustainable lifestyles, the International Labour Organisation (ILO) underlines the need of guaranteeing better social protection for self-employed workers (ILO, 2020).

Fostering social protection, job creation, and economic development depends on state support of self-employment. Governments may establish an enabling environment that helps people to pursue self-employment successfully by tackling the issues of capital limits, talent shortages, and regulatory burdens. Promoting sustained self-employment and equitable economic development depends critically on implementing focused financial support, skill development programs, regulatory reforms, and social protection initiatives.

2.4 Current Situation in Azerbaijan

Over the past ten years, Azerbaijan's labour market has seen notable changes; self-employment is now a major feature of the country's economic scene. Targeting self-employment to diversify the economy, lower unemployment, and improve social welfare, the government's strategic actions have sought to This part reviews current government initiatives encouraging self-employment, offers a thorough study of Azerbaijan's labour market dynamics, and evaluates the strengths and shortcomings of the present system.

2.4.1 Review of Azerbaijan's labour market and trends in self-employment

Azerbaijan has two types of labor markets. There is wage employment and also a large self-employment sector. The Azerbaijan State Statistical Committee (SSC, 2023) reports that about 5.25 million people are in the labor force. Most of them work for themselves. Recent World Bank data (2023) shows that self-employment makes up 67.55% of total jobs. This is much higher than in most OECD and EU countries, where self-employment usually ranges from 10% to 15% (OECD, 2023).

Economic structure, historical labour market patterns, and the function of unofficial employment arrangements all help to define Azerbaijan's predominance of self-employment. While most Azerbaijanis participate in small-scale entrepreneurial activities, subsistence farming, and service-based employment (SSC, 2023), the oil and gas sector, which accounts for a significant share of GDP, employs only a minority of the workforce.

Examining pay employment patterns closely reveals that, especially in education, healthcare, and state-owned businesses, the public sector continues to be a primary employer.

Nonetheless, private sector pay employment is still low, in part because of financial access problems, regulatory restrictions, and corporate environment obstacles (World Bank, 2023).

Many people so choose self-employment as a substitute for paid work, especially in rural areas where official employment prospects are few.

Azerbaijan's sectoral distribution of self-employment reflects structural dependencies and more general economic trends. The terrain of self-employment is dominated by agriculture, services, and small-scale trade; the technology sector is still underdeveloped in terms of self-employed involvement.

Agriculture: The Main Self-Employment Industry

Particularly in rural areas, Azerbaijan's self-employed workforce still revolves mostly on the agricultural sector. With the great majority of SSC (2023) self-employed farmers or small-scale producers, agriculture makes up close to 36% of total employment. Agricultural self-employment is most common due in great part to:

- Land distribution rules allowing smallholder farming yet restrict scalability.
- Restricted access to agricultural funding makes expansion of enterprises challenging for farmers.
- Seasonal employment changes whereby people either primarily or in addition to farming generate money (ILO, 2023).

- The great reliance on subsistence farming and informal agribusiness models emphasises the need of governmental interventions to modernise the sector, increase production, and include small-scale farmers into value chains (World Bank, 2023).

Service Sector: Expanding but erratic

Particularly in cities like Baku and Ganja, Azerbaijan's services sector has seen notable growth. Services self-employment covers jobs including retail commerce, transportation (including cab and delivery services), travel and freelancing (SSC, 2023). Still, many self-employed people in the services sector deal with:

- Regulatory issues including bureaucratic obstacles and licensing criteria.
- Lack of financial stability; most work outside of official job safeguards.
- Vulnerability to economic swings, especially in retail, tourism, and hotels (ILO, 2023).

Furthermore, the gig economy has only witnessed modest growth in Azerbaijan as more self-employed people participate in digital entrepreneurship, ride-sharing apps, and online freelance labour. Regulatory uncertainty and inadequate protections for gig workers remain issues, nonetheless, (OECD, 2023).

Sector: Technology: Low Self-Employment Involvement

Although Azerbaijan is working to grow its digital economy, self-employment in technology-related sectors is still somewhat low in comparison to worldwide patterns. Mostly living in metropolitan regions, IT experts, software engineers, and digital entrepreneurs make up a small but growing group of self-employed people. The primary obstacles to the expansion of self-employment in the ICT sector consist in:

- Restricted venture capital and start-up investment (World Bank, 2023).
- In advanced IT and digital entrepreneurship (OECD, 2023), skill shortages abound.
- Infrastructure and laws restricting market growth.

To encourage tech industry self-employment, nations such South Korea and Estonia have effectively used government-backed digital entrepreneurship initiatives. Using such approaches could enable Azerbaijan to boost involvement in knowledge-based self-employment industries (IMF, 2023).

High degrees of informal employment in Azerbaijan pose a serious threat to economic policy. The ILO (2023) projects that a significant number of self-employed workers operate informally, without legal business registration, tax compliance, or access to social security

safeguards. Although specific numbers are still not accessible because of reporting restrictions, estimations indicate that up to 50% of self-employed people (Baku Research Institute, 2023) are informal.

Main Features of Informal Work in Azerbaijan:

- Informal self-employed workers are exposed to economic shocks (ILO, 2023) since they do not participate in pension plans, health insurance, or unemployment benefits).
- Many small-scale entrepreneurs run without official business registration, therefore restricting their access to government support programs (OECD, 2023).
- Informal companies find it difficult to get financing and financial help, so limiting their development potential business development services (World Bank, 2023).

Government Efforts to Organise the Self-Employed Sector

The Azerbaijani government has launched a number of programs aiming at lowering informality and motivating self-employed people to register their companies:

- Lower tax rates for registered officially small firms and self-employed people (Ministry of Labour and Social Protection, 2024).
- Grants and microfinance initiatives aiming at small-scale agricultural and service entrepreneurs in finance (World Bank, 2023).
- Programs meant to teach informal workers on the advantages of formalisation and financial inclusion (OECD, 2023) include training and awareness campaigns.

Notwithstanding these initiatives, nevertheless, there remain difficulties guaranteeing complete compliance and involvement in official economic operations. More self-employed people must be brought into the official sector via a more strong legal framework combined with financial and social security incentives (ILO, 2023).

Self-employment, especially in services and agriculture, dominates Azerbaijan's labour market; technologically propelled self-employment is still developing. Informality also poses major financial difficulties; many self-employed people labour outside of accepted financial and legal systems. Dealing with these problems calls for thorough legislative actions concentrated on:

- Increasing financial availability to self-employed people, especially in rural regions.
- Promoting formalisation with tax breaks and regulatory streamlining.
- Creating initiatives in digital entrepreneurship to support knowledge-based industries' self-employment.
- Improving vocational training initiatives would help self-employed companies to increase sustainability and output.

These steps will help Azerbaijan build a more robust, inclusive, and profitable self-employment sector, therefore supporting long-term economic stability and diversification.

An Emerging Landscape: The Gig Economy in Azerbaijan

Short-term contracts and freelance employment enabled by digital platforms define the gig economy, which has seen a worldwide explosion altering established labour markets (OECD, 2023). With its strategic focus on digital transformation and economic diversification, Azerbaijan is seeing this industry grow and presents both possibilities and difficulties.

The spread of the gig economy in Azerbaijan mirrors more general dynamics of the labour market. Although some sites provide flexible schedules, questions about worker rights and pay have emerged. Moreover, labour rules in Azerbaijan have found it difficult to keep up with the explosive expansion of the gig economy. Worker advocates underline that the usual service contracts provided by gig platforms sometimes give less rights than regular employment contracts, so restricting access to necessary benefits and safeguards (Eurasianet, 2022). This regulatory void emphasises the need of legislative actions to guarantee equitable working conditions in the gig economy.

Growth of the gig economy depends on a strong internet infrastructure. NRI rankings of Azerbaijan clearly show its efforts in improving its digital capacity. Ranked 10th and 20th correspondingly, respectively, the nation does well in measures including adult literacy rate and government encouragement of investment in emerging technologies, ranking 10th and 20th globally both Portulans Institute, 2024. Still, Azerbaijan ranks 73rd and 87th respectively in areas like data capability and e-commerce laws, which presents difficulties (Portulans Institute, 2024). Fostering a fit for the gig economy depends on closing these gaps.

2.4.2 Current Government Programs Encouraging Self-employment

From its start, the self-employment program has grown rather rapidly. Previous years' inclusion of almost 95,000 jobless and unemployed people in the program reflects Ministry of Labour and Social Protection of Population, 2024. Reflecting the government's dedication to increase self-employment prospects, the program sought to include nearly 9,000 people in 2024 alone (Ministry of Labour and Social Protection of Population, 2024).

From 32 economic sectors—including agricultural and production-service-oriented sectors—participants in the program have the choice (Ministry of Labour and Social Protection of Population, 2024). This diversification enables people to choose industries fit for their qualifications and interests, so improving the chances of success in their business activities.

The execution of the program comprises several important stages:

- Participants in training courses pick up the required information and abilities to run a small business.
- Following their completion of the program, participants create business plans detailing their suggested line of action.
- Approval of their business plans results in the provision of assets (goods and materials) connected to their selected economic activities.

This help helps people to start small businesses and start operations (Ministry of Labour and Social Protection of Population, 2024).

The initiative has also given particular attention to helping underprivileged populations. Covering the years 2020 to 2025, the Employment Support Project seeks to provide chances for unemployed people from vulnerable groups—including those with disabilities, family members of martyrs, members of low-income families, and other vulnerable populations—to access small businesses in the manufacturing and service sectors (Ministry of Labour and Social Protection of Population, 2024). Under the self-employment program, small enterprises established for approximately 800 people in just one week as of December 2024, therefore demonstrating the program's wide influence and impact (Ministry of Labour and Social Protection of Population, 2024).

Current Framework's Strengths and Weaknesses

Strengths

The self-employment program offers a disciplined road for jobless people to start their own businesses. The program provides participants with the tools required to start and maintain their businesses by means of training, help in the development of business plans, and provision of required assets (Ministry of Labour and Social Protection of Population, 2024). By including 32 economic sectors into the program, participants may choose areas that fit their skills and market needs, so encouraging diversification and lessening of over-reliance on particular businesses (Ministry of Labour and Social Protection of Population, 2024). Emphasising vulnerable groups—such as those with disabilities and low-income households—the initiative shows a dedication to inclusive economic growth and social fairness (Ministry of Labour and Social Protection of Population, 2024). Quick

Implementation: The program's effectiveness and the government's will to support self-employment reflect in the capacity to start small businesses for a great number of people in a short period (Ministry of Labour and Social Protection of Population, 2024).

Weaknesses

High Informality: Although the program has had success, a good number of Azerbaijan's self-employed people still operate in the unofficial sector. This informality can restrict access to social protection and other employment advantages, therefore creating difficulties to meet decent work standards (Centre for Analysis of Economic Reforms and Communication, 2020).

Sustainability of Companies: Although the initiative helps small businesses to grow, little information exists on the long-term viability and profitability of these companies. Long-lasting economic impact depends on these companies being able to flourish outside of their initial support cycle (B. Hüseyinli, personal communication, April 2025).

Access to Finance: Many self-employed people still find it difficult even if participants get early assets to have continuous access to finance. Support of corporate growth and resilience depends on improving financial inclusion and offering means for reasonably priced credit.

Economic Diversification and Policy Consequences

The emergence of the gig economy corresponds with Azerbaijan's strategic aim of diversification of economy. Dependent historically on oil production, the nation has suffered economic vulnerabilities resulting from changes in world oil demand (European Training Foundation, 2021). The gig economy presents a way to spread revenue sources and lessen reliance on conventional industries.

Gig work's informal character can, however, make social protection and labour rights difficult. A diagnostic analysis of Azerbaijan's unofficial economy emphasises the need of laws allowing the shift from informal to official employment, thereby guaranteeing that gig workers have sufficient protection and benefits (International Labour Organisation, 2022).

In its early years, Azerbaijan's gig economy reflects both the difficulties with labour rights and regulatory systems as well as the possibility for economic diversification. Policymakers must handle the developing problems as digital platforms keep exploding to make sure the gig economy helps Azerbaijan's socioeconomic growth rather negatively.

3. International Experience and Policy Lessons

3.1 Introduction to International Comparison

Government assistance for self-employment differs by nation. Economic structures, labor market dynamics, and institutional capacities drive this shift. This chapter contrasts the three nations' policies: Germany, South Korea, and Brazil. Every nation has a unique development and institutional model. The aim is to pull useful lessons for Azerbaijan. These case studies complement the approach of the research. They offer analysis that helps create regulations for particular situations.

Germany has a rich and advanced economy. Its robust welfare and vocational training programs set it apart. These programs enable self-employment for those out of work. In this regard, programs such as "Ich-AG" are quite important (Blanchflower, 2004; OECD, 2024). Among the top economies concentrating on innovation is South Korea. It describes how to apply startup networks and digital technologies. This can increase self-employment and young business creation. Mainly on high-tech and service industries, it (Chekalyuk, 2017; Startup Policy Korea, 2023). A big middle-income nation, Brazil is quite informal. It has established assistance for microenterprises to support. It also provides training courses that are conditional. These projects seek to help need-driven businesses and legalize the informal sector (ILO, 2015; OECD, 2018).

The study contrasts several policy models to identify relevant insights for Azerbaijan. The country has an informal labor market with substantial self-employment. The analysis will guide evaluations of policy alternatives and strengthen national plans to foster inclusive and sustainable self-employment.

3.2 Case Study 1: Germany – Coordinated Support and Vocational Integration

Germany is a good example of how to assist self-employment. A strong institutional foundation supports this approach. It also demonstrates excellent collaboration within the social security system, vocational education and training (VET), and public employment services (PES). A high-income country, Germany emphasizes social market values. Its labor market and social welfare policies have included assistance for self-employment. As Azerbaijan builds sustainable and official self-employment routes, this strategy provides a good model (R. Fətullayev, personal communication, April 2025).

Introduced in 2003 under the "Hartz reforms" of the labor market, the "Ich-AG" (Me, Inc.) program was among the most remarkable German projects in this area. It sought to promote

self-employment among the jobless. It provided three years' worth of monthly subsidies. Business registration and income creation determined this assistance. The program targeted jobless individuals hoping to launch their own companies. It particularly benefited people who had obstacles to conventional employment (Blanchflower, 2004; OECD, 2024). The initiative was run by PES offices. They also provide continuous consulting assistance and necessary entrepreneurial training. At its height, more than 250,000 people gained from the program. Though it finished in 2006, it remains a major source for transitional entrepreneurship policy (Le, 2002; Parker, 2004).

Germany has a well-established dual vocational training system. It helps people get ready for self-employment and jobs. This approach surpasses the Ich-AG concept. According to Cedefop (2015), the vocational education paradigm combines on-the-job training with classroom instruction. Graduates thus acquire useful skills pertinent to the employment market. Many self-employed Germans, particularly in sectors like construction, crafts, and healthcare, are dual system graduates. Employers, vocational schools, and chambers of business cooperate. This cooperation guarantees quality and economic change adaptation. Active labor market policies (ALMPs) depend on public employment services (PES) in Germany. They provide links to microcredit programs, career coaching, and company launch guidance (OECD, 2024). Local job offices review candidates' business strategies. They might link them with nearby business mentors and offer tailored counsel as well. This strategy guarantees that support for self-employment is not only financial. It's a component of a larger system increasing employability.

Germany's support system also includes social protection for the self-employed, which is more comprehensive than in many other OECD nations. Some self-employed people in Germany have the option to join public health insurance and pension. The nation has nonetheless set policies to protect against hazards. High-risk workers, artisans, and cultural sector freelancers have to help public insurance programs (OECD, 2023). While guaranteeing long-term financial stability, this hybrid approach provides flexibility. It also serves to systematize self-employment.

Though the Ich-AG program is being discontinued, research indicates it aided companies in surviving and stabilizing income. After the subsidy period, Le (2002) and Blanchflower (2004) discovered that sponsored people were far more likely to remain self-employed. This was true in contrast to individuals who began self-employment unsupported. Participants also indicated more company formalization and improved adherence to social security and tax regulations.

Key insights from Germany's past are especially pertinent for Azerbaijan. Combining

vocational education and PES with self-employment assistance produces a seamless support mechanism. This clarifies things and lessens beneficiary administrative work. Germany, second, treats subsidies as temporary support rather than perpetual assistance. This strategy promotes sustainability and responsibility. Third, our regulation of social protection indicates that self-employment can be established. It has some obligations for insurance participation. This promotes participation rather than discouraging it. Emphasizing skills, training, and business readiness—not only money support—improves the quality and performance of microenterprises.

Self-employment is prevalent in Azerbaijan but usually informal and low in productivity (SSCRA, 2023). Germany's method offers useful ideas. Including self-employment assistance in DOST and vocational training will benefit Azerbaijan's labor market. For some industries, minimum social security can enable change from survival self-employment to stable, formal microentrepreneurship. Including advisory and mentoring services in the self-employment program of the State Employment Agency can help companies to survive and expand.

3.3 Case Study 2: South Korea – Innovation, Startups, and Digital Platforms

South Korea demonstrates how a middle-income nation can spearhead worldwide creativity. Smart policies helped it to this. These promote dynamic labor markets, digitalization, and entrepreneurship. The nation encourages self-employment, particularly for young people and in urban areas. Three factors determine this: a robust educational system, a strong technological infrastructure, and government support for new businesses. High young unemployment and urban informality are two problems Azerbaijan confronts. Public-private partnerships and digital entrepreneurship in South Korea offer insightful analysis (E. Əliyev, personal communication, April 2025).

South Korea has implemented tech-focused entrepreneurial initiatives in the last twenty years. These seek to improve desirable self-employment prospects. Established in 2017, the Ministry of SMEs and Startups (MSS) oversees initiatives including the Youth Startup Academy, K-Startup Grand Challenge, and Tech Incubator Program for Startups (TIP). These programs benefit young people without jobs and fresh graduates as well as early-stage business owners. They offer links to worldwide venture capital, co-working spaces, mentoring, finance, and so on (Chekalyuk, 2017; Startup Policy Korea, 2023). Self-employment has altered with the move to knowledge-based industries and digital services. Now it's more about creativity than low-income employment.

Government-led startup hubs all throughout South Korea have created a dynamic environment for entrepreneurial development. Places such as Pangyo Techno Valley and the

Seoul Startup Hub offer vital infrastructure and support hundreds of early-stage technology companies. Public money supports these centres. They frequently collaborate with private partners including large corporations and accelerators. According to OECD (2023), South Korea makes significant investments in company incubation. As a percentage of GDP, its public investment ranks among the highest in the OECD. This shows the country's great dedication to jobs fueled by innovation.

South Korea's approach emphasizes the role of digital freelancing tools in both entrepreneurial and labor laws. Kmong, Wishket, and Freelancer.kr are among the platforms that have formalized freelance labor in fields including design, software development, and content production (OECD, 2023). By acknowledging digital labor contracts, the government accelerates this expansion. It also provides platform employees minimal social insurance. This development has increased labor flexibility and income diversity as well as decreased informality among urban youngsters.

Digital infrastructure and connection in South Korea enable great online self-employment. Among the top nations for mobile broadband adoption, internet speed, and digital skills, it ranks (Portulans Institute, 2024). This technological basis not only supports online labor but also helps digital microbusinesses including app-based services and e-commerce flourish. Government initiatives target women, young people, and veterans of military service. They teach online company models and digital entrepreneurship (Startup Policy Korea, 2023). Notwithstanding these achievements, South Korea's self-employment programs run into difficulties. Many older retail and service workers are self-employed but not creative. Often without pension coverage, they struggle with erratic incomes (OECD, 2023). Nevertheless, a good approach is the government's emphasis on organized, tech-enabled self-employment for young people.

Important insights from South Korea are pertinent for Azerbaijan as it seeks to diversify employment and include digital platforms into its labor plan. Public investment in startup support hubs in metropolitan areas can first increase local creativity. Establishing legal structures for digital freelancing platforms reduces informality. This also encourages participation. Combining technical skills training with access to infrastructure and finance creates a robust support system for enduring self-employment.

In its "Azerbaijan 2030" plan, Azerbaijan gives digital transformation top priority (President.az, 2021). Adding digital entrepreneurship to self-employment assistance would help the nation to lower young unemployment. Urban Baku and regional hubs particularly need this. Adopting elements of South Korea's approach might help Azerbaijan to strengthen its support systems. This covers platform rules, startup grants, and co-working incubators.

These developments can produce creative and scalable solutions. Strengthening digital skills, supporting tech companies, and connecting young entrepreneurs to worldwide freelance marketplaces will certainly assist to improve self-employment quality and sustainability in the nation.

3.4 Case Study 3: Brazil – Informal Sector Inclusion and Microfinance

Brazil demonstrates how government support for self-employment can address informality and need-based entrepreneurship. Rural and low-income populations especially need this. A big middle-income nation, Brazil struggles with continuous socio-economic disparities. It has implemented several policies to handle this. These seek to legalize informal labor, widen credit availability, and assist underprivileged people participate in entrepreneurial endeavors. Brazil offers much to nations like Azerbaijan, whose self-employment is primarily informal and rural. Brazil's experience offers important new ideas for building scalable and inclusive support systems.

The size of informal economy is a defining characteristic of Brazil's labor market. Millions of workers in this field lack official contracts, social protection, or financial access. According to the International Labour Organization (ILO, 2015), informal employment in Brazil has historically accounted for about 40% of all jobs. This is particularly evident in rural areas and urban fringes. For many Brazilians, self-employment is not a choice created from opportunity but a need in the lack of official job options. This corresponds to the concept of "necessity entrepreneurship" frequently observed in poor countries (Blanchflower, 2004).

Brazil has, in turn, launched various signature projects aimed at disadvantaged and informal workers. PRONATEC—the National Program for Access to Technical Education and Employment—is a major component of this strategy. Beginning in 2011, PRONATEC provides low-income individuals free vocational education. Its primary beneficiaries are those on the Bolsa Família cash assistance programme (OECD, 2018). Skills training was connected by the government to social aid. This approach sought to increase labor market inclusion and lower poverty. It emphasized microenterprise growth and self-employment. Building microfinance institutions and cooperative banks is a major component of Brazil's agenda. Private microfinance organizations as well as Banco do Nordeste and Banco do Brasil have enhanced small business owners' access to loans. Many of these people have no official credit history or collateral. From 2011 to 2014, the Crescer Program gave microcredit loans to more than one million micro-entrepreneurs, according to the ILO (2015). This assistance enabled them to formalize or launch enterprises in services, crafts, and agriculture. Providing training and technical assistance to Brazilian entrepreneurs depends much on the

SEBRAE (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas). SEBRAE supports microentrepreneurs via its regional offices. They offer market access help, financial literacy seminars, and business planning tools. Legal simplification initiatives benefit business owners. The 2006 Microempendedor Individual (MEI) statute, for instance, allows informal business operators to register quickly. This cuts taxes and simplifies bureaucracy (ILO, 2015).

These initiatives have served to legitimize self-employment. This is particularly true for informal traders, rural people, and women. More than five million microentrepreneurs have been registered using the MEI system. This lets them use easier tax systems and social protection initiatives (OECD, 2018). The Brazilian model holds potential for necessity-based business. It can develop into official microbusinesses. Still, there are difficulties. Main problems are high default rates and insufficient scaling assistance. Success is feasible with available funding, education, and improved infrastructure.

Key insights from Brazil's experience are directly relevant to Azerbaijan's policy setting. Social assistance and vocational education combined as shown in PRONATEC and Bolsa Família offers a means to assist under-skilled, low-income populations. It gives them chances for self-employment. Azerbaijan can expand its microfinance network. It ought to assist regional financial institutions. Offering discounted loans for rural and informal businesses may also be beneficial. Third, MEI-type models could enable informal workers to enter the formal sector by simplifying registration and tax compliance.

Many people in rural Azerbaijan work for themselves. Often informal, this self-employment (SSCRA, 2023). Therefore, Brazil's multi-tiered approach might improve the efficacy of present initiatives. It would be beneficial to combine DOST services with regional vocational centers. It would be efficient to provide conditional grants or micro-loans to self-employed individuals in small trades or agriculture. This strategy shows Brazil's achievement in increasing informal business owners. SEBRAE's distributed system of non-financial assistance could also complement local entrepreneurial hubs. The Ministry of Labour and Social Protection would run these centres.

3.5 Synthesis and Lessons for Azerbaijan

Germany, South Korea, and Brazil have various approaches to encourage self-employment. These models show the economy, institutions, and social aspirations of every nation. There is great variation among these models. Some are well-organized systems in official employment marketplaces. Others emphasize unofficial tactics. They want to involve underprivileged and neglected communities. Self-employment in Azerbaijan is prevalent but primarily informal

and need-driven. Lessons from all three models can offer insightful analysis in this regard. Germany presents a robust approach emphasizing vocational education, confidence in institutions, and social safety. It includes social insurance incentives and training along with startup subsidies. This results in official and sustainable self-employment (Parker, 2004; Cedefop, 2015). South Korea emphasizes tech-driven entrepreneurship. Digital startup ecosystems, youth innovation awards, and connections to national ICT infrastructure help to make this happen (Startup Policy Korea, 2023; Portulans Institute, 2024). Brazil's approach functions in many social and economic circumstances. It demonstrates how vocational training and microfinance could assist to formalize the informal economy. This strategy also enables businesses driven by need (ILO, 2015; OECD, 2018).

Among the main transferable elements for Azerbaijan are the following:

- Regional vocational centers and DOST provide entrepreneurial training. Germany and Brazil both benefit from this strategy.
- Modeled on South Korea's Youth Startup Academy, startup grants and coaching for women and young people.
- Encourage informal enterprises to become formal by simplifying legal and administrative regulations such Brazil's MEI system.
- Digital infrastructure and freelance ecosystems to enable tech-enabled self-employment in urban areas.

These policy instruments should complement a bigger framework that harmonizes participants. This covers ministries including MLSPP, municipalities, financial institutions, and business-supporting agencies. Reforms in law are required. They should increase social protection access, safeguard digital workers, and streamline registration. These actions are essential for everyone to have better and more equitable results.

Azerbaijan can develop by adopting a mixed strategy. It should combine Brazil's social inclusiveness, Korea's emphasis on innovation, and Germany's discipline. This approach allows it to change from simple microenterprise support to a more dynamic, official self-employment plan for the future.

Table 1: Comparative Summary of Self-Employment Support Models

Feature / Country	Germany	South Korea	Brazil
Model Type	Coordinated, formal	Tech-driven, innovation-focused	Informality inclusion, poverty-alleviation
Target Group	Unemployed adults, skilled trades	Youth, tech graduates	Low-income, informal, rural
Key Instruments	Startup subsidies (Ich-AG), VET	Startup hubs, digital platforms	Microcredit, PRONATEC, SEBRAE
Training Integration	Strong (dual VET system)	Moderate (linked to startup centers)	Strong (linked to cash transfer programs)
Social Protection	Mandatory/voluntary contributions	Limited for freelancers	Simplified (MEI regime)
Digital Infrastructure	Moderate	High	Moderate
Formalization Strategy	High (legal compliance emphasis)	Medium (via platform regulation)	High (via legal registration & credit)
Relevance to Azerbaijan	High (institutional integration)	High (urban youth, ICT sector)	High (rural, informal labor integration)

4. Evaluation of Policy Options for Azerbaijan

4.1 Criteria for Evaluation

Finding the optimal measures to increase self-employment in Azerbaijan calls for robust assessment standards. These should reflect local development objectives as well as worldwide practices.

Drawing on knowledge from Germany, South Korea, and Brazil (see Table 1), six connected criteria is suggest:

- Efficiency
- Incorporation
- Cost-effectiveness
- Growth potential

- Harmony with Azerbaijan's Vision 2030
- Administrative and institutional viability

Effectiveness is the capacity of a policy to generate consistent, income-producing self-employment. In industries with expansion potential, this is particularly crucial. Inclusion reveals how much the policy affects underprivileged populations. Included in these categories are women, young people, rural inhabitants, and those with disabilities (OECD, 2018). A major issue for developing countries with constrained fiscal space, cost-efficiency deals with the ratio of results to monetary investment (ILO, 2015). Scalability evaluates the possibility of national extension beyond pilot initiatives.

The selected choices have to fit the objectives in Azerbaijan 2030: National Priorities for Socio-Economic Development. Job creation, human skill development, and digital transformation are the main goals of this strategy (President.az, 2021). Finally, institutional and administrative feasibility analyzes whether existing resources—such as DOST centers, the State Employment Agency, and vocational schools—can efficiently sustain and support the planned interventions (MLSPP, 2023; SSCRA, 2023).

4.2 Policy Option 1: Expand Asset-Based Self-Employment Program

Azerbaijan's self-employment assistance system mostly provides jobless individuals with useful tools. Particularly for low-income and vulnerable populations, this strategy holds significant promise to increase microenterprise development. By 2023, the Ministry of Labour and Social Protection of the Population (MLSPP) has supervised a program that has assisted over 95,000 individuals. In 2024, they want to include 9,200 more beneficiaries (MLSPP, 2023). Eligible individuals are given in-kind help from the model, such as equipment and cattle. This follows a defined procedure comprising training and developing a business plan. Though it still has important problems, this program has touched many individuals. It has problems with digital integration, sustainability, and corporate expansion. Policy Option 1 advocates increasing the asset-based program. This covers enhanced digital infrastructure, better post-startup assistance, and long-term development services for companies.

Global data indicates that asset transfers cannot guarantee the efficacy of self-employment initiatives. This is particularly true in informal and rural regions. Reviews of comparable Brazilian initiatives, such as Crescer and PRONATEC, reveal that higher results follow from combining asset-based support with business mentoring and market access. Businesses live

longer and make more money (ILO, 2015; OECD, 2018). Germany's Ich-AG program reveals how vital vocational training and advising services are. These services support the strength of subsidized microenterprises (Cedefop, 2015; Blanchflower, 2004). Azerbaijan's program lacks a systematic system for digital access support, mentoring, or post-startup monitoring. This absence of assistance reduces its long-term efficacy. The suggested growth plan has the following main elements.

Every beneficiary will be assigned a mentor from DOST centers or local business groups. This mentor will provide assistance for at least twelve months. Inspired by Germany's public employment services and Brazil's SEBRAE system, this approach Local business consulting services increase scalability and resilience (OECD, 2024; ILO, 2015).

Digital Access and Market Integration: Beneficiaries should receive assistance registering on digital platforms. They require help to create a social media presence and reach internet stores. This is in line with the South Korean approach to tech-enabled entrepreneurship. For young business owners and city residents, this is quite significant. Digital marketing, freelance platforms, and e-commerce all help them (Startup Policy Korea, 2023; Portulans Institute, 2024).

While agriculture is vital, the program should investigate tech-driven and service-based self-employment possibilities as well. Current government initiatives to cover fields like digital printing, self-service vehicle washes, and auto repairs are a start in this direction (MLSPP, 2024).

Over time, we require a results-oriented system to measure corporate success. This should cover digital adoption, formalisation status, employment creation, and profitability among other measures. This will guarantee the program develops from an input-distribution model to a dynamic, data-driven policy tool (World Bank, 2023).

Expanding the asset-based program in this manner helps Vision 2030 to achieve its objectives. These include of employment creation, encouraging innovation, and supporting inclusive growth (President.az, 2021). It also satisfies certain Section 4.1 assessment criteria. This is particularly true for institutional feasibility, cost-efficiency, and inclusivity. The State Employment Agency and DOST infrastructure cooperate. They offer a means to expand these interventions.

Still, this choice offers difficulties as well. In program management, more complexity could tax administrative resources. Therefore, we must increase tracking performance, IT systems, and mentor training assistance. Microenterprises could also battle sustainability. They require simpler formalization processes and reasonably priced financing.

Ultimately, increasing the asset-based self-employment program will have a more significant

influence. Focusing on post-startup support, digital tools, and data management, this strategy is sensible and scalable. It draws on Azerbaijan's robust institutions and incorporates concepts from Germany, Brazil, and South Korea. This enables the program to thrive in a rapidly changing employment environment.

4.3 Policy Option 2: Introduce Startup Grants for Youth and Urban Informal Workers

A major flaw in Azerbaijan's self-employment program is the lack of resources for informal workers and urban youth. This is particularly true for people knowledgeable in digital services and freelance labor. Policy Option 2 proposes starting subsidies for urban informal labor and young businesses. This concept draws inspiration from youth initiatives in Germany and South Korea. This strategy advances Azerbaijan's goals of digital transformation. It also tackles the unexploited entrepreneurial potential of the young, tech-savvy people of the nation.

Programs such as the Youth Startup Academy and K-Startup Grand Challenge assist young people in South Korea. They provide access to digital resources, coaching, incubation space, and financial grants (Startup Policy Korea, 2023). Public-private partnerships have been used in these projects. They assist businesses in sectors including online shopping, content development, software, and finance. The Korean model is essential. It integrates digital ecosystems with startup assistance. Using e-commerce systems and freelance labor, this enables young people to launch and expand companies (OECD, 2023). To boost local digital economies, this strategy also strongly emphasizes regional co-working centres and startup accelerators.

Germany's old Ich-AG program and broader Active Labour Market Policies (ALMPs) framework provide a special yet encouraging approach. These measures provided young, particularly jobless people, funds to launch small enterprises. Over time, the financial assistance dropped to encourage self-sufficiency (Blanchflower, 2004; Parker, 2004). Training and business development programs enabled beneficiaries to effectively run microenterprises. Translating these models to Azerbaijan implies a two-pronged approach.

Young entrepreneurs and urban informal workers—including taxi drivers and delivery riders—can get startup grants. These awards vary from 2,000 to 3,000 AZN. Given in

portions depending on reaching company objectives, they will be.

Possible circumstances are:

- Official company registration
- Finishing digital entrepreneurship training
- Evidence of early-stage income creation

This system offers behavioral incentives and financial assistance. It encourages formalization and responsibility and reduces abuse.

Azerbaijan can build municipality-based co-working spaces. Inspired by Korea's Seoul Startup Hub and Germany's regional business centres, this concept... Starting points include Baku, Ganja, and Sumgait. These centres will provide common infrastructure and fast internet. They will also conduct digital literacy seminars and legal counsel. The DOST Agency and private sector accelerators will work with us on this. This infrastructure supports tech-enabled microenterprises, e-commerce, and freelancing. Azerbaijan's self-employment system underrepresents several fields (Portulans Institute, 2024).

This strategy would fit well with Azerbaijan 2030 objectives and assist with inclusivity and scalability. Key areas of these objectives are youth development, innovation, and urban jobs (President.az, 2021). The State Employment Agency and the Ministry of Labour and Social Protection (MLSPP) could guide the initiative. Digital innovation grants, donor programs, and local governments would help them.

The suggestion also tackles the ongoing problem of informality among urban employees. SSCRA (2023) estimates that a large number of self-employed city dwellers go unregistered and without social security. The program would act as a formalizing route by providing grants dependent on registration and digital training. Brazil's MEI system shows us that simplifying business creation encourages more people sign up. Combining assistance with straightforward regulations will help us increase registration rates and enhance company performance (ILO, 2015; OECD, 2018).

Ensuring equitable funding allocation, avoiding abuse, and maintaining co-working hubs operating effectively are challenges. A robust monitoring and evaluation (M&E) system is required. This might involve follow-up surveys and digital dashboards. These technologies will enable us to monitor income growth, business registration status, and beneficiary outcomes.

Ultimately, key are grants for young people and urban informal laborers. They ought to

include digital tools and co-working areas. This strategy is forward-looking and inclusive. This choice addresses a void in Azerbaijan's self-employment plan. It also creates fresh prospects in digital and freelance sectors using worldwide best practices.

4.4 Policy Option 3: Integrate Self-Employment into Vocational and Social Programs

Azerbaijan's self-employment assistance would increase with closer relationship to its social protection and vocational education systems. This policy advocates including self-employment routes into present vocational education and welfare systems. DOST centers and vocational training colleges would particularly be involved in this. This strategy draws on Brazil's integrated training and welfare programs as well as Germany's dual vocational training. It seeks to enable needy people transition from welfare or unemployment to sustainable, skill-based self-employment (R. Fətullayev, personal communication, April 2025).

Vocational education is the foundation of labor market integration in Germany. Classroom education is combined with practical work experience in the dual system. This strategy enables individuals to launch their own companies and locate employment. In technical and commerce sectors, particularly, it works well (Cedefop, 2015). Vocational courses increasingly include entrepreneurship courses. Industry associations and chambers of commerce back this initiative. After training, they also provide certification and mentoring (OECD, 2024). Germany's Ich-AG initiative enabled jobless individuals to launch their own companies. It worked closely with governmental employment services, offered training and subsidies (Blanchflower, 2004).

Programs like PRONATEC and Bolsa Família's vocational training give Brazil a special model. These initiatives support one another even when they differ. Vocational education is directly related to social aid initiatives. This link enables low-income recipients to receive training and assistance for microenterprise growth concurrently (ILO, 2015; OECD, 2018). Brazil's SEBRAE agency provides underprivileged areas with entrepreneurial courses. They collaborate with neighborhood groups and social workers. This maintains the programs current and helps to lower access restrictions.

In Azerbaijan, we can link microenterprise support and entrepreneurial training to the social services of the DOST Agency. This combination might be quite efficient. Employment services, disability benefits, and low-income family registration are centralized in DOST centers.

The government can assist the long-term unemployed, veterans, those with impairments, low-income persons, and others. Establishing a planned entrepreneurship path would help them to provide fresh routes off welfare and into useful employment (MLSPP, 2023).

Important components of this integrated approach could be:

1. Modular Business Vocational schools emphasize important industries such agriculture, building, digital services, and crafts during their training. Private sector players could help to co-design these modules to guarantee market relevance.
2. Pathway Creation via Social Welfare Entry Points allows those in MLSPP's social assistance databases to apply for self-employment training and startup support instantly. This reflects Brazil's approach to transforming social dependency into entrepreneurial possibility (OECD, 2018).
3. DOST centers and regional employment offices provide local certification and mentoring. Beneficiaries receive assistance with digital literacy, legal registration, and business plan creation. Completion of training and business establishment could qualify one for certification, therefore promoting legitimacy and market confidence.
4. Toolkits or Targeted Microgrants for graduates who finish the program successfully. These could be connected to industries with significant informal employment—such as tailoring, mechanics, agri-processing—and given in-kind to reduce abuse.

This policy choice addresses directly Azerbaijan's Vision 2030 goal of human capital development and inclusive growth (President.az, 2021). It is simple to handle and reasonably priced to use existing institutional infrastructure and social service registries. Global data also indicates that self-employment is most effective when part of broader social inclusion and skills development plans (Parker, 2004; ILO, 2015).

Among the difficulties are:

- Coordinating courses among several agencies.
- Guaranteeing uniformity in training delivery.
- Dealing with stigma attached to welfare involvement.

The advantages of formalizing informal labor, developing practical skills, and increasing economic mobility for underprivileged populations exceed the obstacles.

Ultimately, including self-employment into social welfare and vocational programs offers a

wide and inclusive approach to reduce informality and support sustainable lifestyles in Azerbaijan.

4.5 Comparative Evaluation and Ranking

To find the best way to boost self-employment support in Azerbaijan, this paper evaluates three policy options.

Contrast them with these Section 4.1 criteria:

- Efficiency
- Incorporation
- Cost-effectiveness
- Growth potential
- Conformity to Vision 2030
- Institutional viability

Although every choice has particular advantages, none is without compromises. A composite ranking therefore points to a hybrid model. This model combines the finest components for more efficacy.

Policy Option 1 increases the present asset-based self-employment initiative. It is simple to apply and rather inclusive. Its compatibility with current MLSPP and DOST infrastructure accounts for this (MLSPP, 2023). The system is already running, hence it is also fairly affordable. Lack of post-startup support and an emphasis on agriculture and conventional services limit its long-term success and expansion, however.

Policy Option 2 provides startup funds for urban informal workers and young people. It is particularly effective for reaching tech-savvy young people and boosting tech-driven microenterprises. It fits President.az, 2021; Portulans Institute, 2024) aims for digital transformation and youth employment under Vision 2030. Issues with complicated execution and cost-effectiveness need for focus. This is particularly true for maintaining co-working spaces operational and guaranteeing grant responsibility. Robust monitoring systems can assist to control these problems (OECD, 2023).

Policy Option 3 includes self-employment routes in social and vocational programs. This choice emphasizes assisting underprivileged people, performs well inside organizations, and has significant development potential. It is affordable and inclusive since it uses current infrastructure and registries (OECD, 2018; Cedefop, 2015). Still, the requirement for curricular change, inter-agency cooperation, and capacity building could cause it to produce outcomes more slowly.

Table 2 Comparative Evaluation of Policy Options for Self-Employment in Azerbaijan

Policy Option	Effectiveness	Efficiency	Feasibility	Equity	Flexibility
Option 1: Expand Asset-Based Program	Moderate: Strengthens existing model; limited innovation without post-support	High: Utilizes existing infrastructure (MLSPP, DOST)	High: Easily integrated into current operational structures	High: Reaches low-income, rural, and vulnerable populations	Moderate: Less adaptive to new sectors or digital economy
Option 2: Youth-Focused Digital Startup Grants	High: Targets growth sectors; promotes innovation and digital integration	Moderate: Requires higher initial investment and monitoring	Moderate: Needs new systems (grant vetting, co-working hubs)	Moderate–High: Supports youth, urban freelancers, but may exclude rural groups	High: Adaptable to market changes and scalable across urban centers
Option 3: Integration into Vocational and Social Programs	High: Systemic approach fosters long-term employment capacity	High: Builds on vocational/safety-net infrastructure	Moderate–High: Requires inter-ministerial cooperation and curriculum updates	High: Designed to include socially disadvantaged and unemployed	Moderate: Reform-intensive, but enables medium-term structural flexibility

Table 2 shows that each choice has its pros and cons. Option 1 is possible and cheap for institutions, but it doesn't allow much room for creativity. Option 2 is more flexible and fits with Azerbaijan's aspirations for going digital, but it needs more resources up front. Option 3 promises the greatest structural and inclusive change, but it will take longer and require collaboration between several agencies. So, a hybrid approach that intelligently blends their capabilities is the best choice. So, a diversified approach is best. This plan includes: (1) the asset-based framework from Policy Option 1, (2) help for digital enterprises and grants for young people from Policy Option 2, and (3) vocational-social integration from Policy Option 3. This kind of tiered strategy finds a balance between depth and scale, as well as short-term activation and long-term sustainability.

Azerbaijan has the ability to create a robust self-employment system. Combining financial incentives, institutional assistance, and skills development can help this. It will enable future expansion by addressing present shortcomings and opening doors.

5. Conclusion and Policy Recommendations

5.1 Summary of Key Findings

This paper examines international state assistance for self-employment. It also investigates by means of policy comparison how this connects to Azerbaijan. The study examined case studies from Brazil, South Korea, and Germany. It revealed various ways to encourage sustained self-employment. Through vocational education and social protection, Germany demonstrated how crucial support systems are (Cedefop, 2015; OECD, 2024). Digital platforms, startup funding, and youth innovation hubs all helped South Korea to shift the game (Startup Policy Korea, 2023; Portulans Institute, 2024). Brazil blended conditional welfare programs, vocational training, and microfinance. This strategy sought to codify necessity-driven entrepreneurship (ILO, 2015; OECD, 2018).

Azerbaijan's self-employment system mostly depends on assets. Its emphasis is on assisting underprivileged people with in-kind support and fundamental training (MLSPP, 2023). Though it lacks means to guarantee sustainability, digital integration, and formalization, it scales effectively.

The research identified three good policy choices:

1. Expand the present program to cover post-startup support.
2. Introduce grants for digital entrepreneurship aimed at young people.
3. Embed self-employment within social and vocational programs.

The assessment of these choices led to a recommendation for a hybrid model. This approach includes digital, institutional, and financial enablers. It is especially suited to the socio-economic setting of Azerbaijan.

5.2 Strategic Recommendations for Azerbaijan

Based on the comparative analysis and evaluation criteria, the following three strategic policy actions are recommended:

1. Expand the Asset-Based Self-Employment Program with Post-Startup Support

Azerbaijan's self-employment program has helped many people. However, its long-term success is hindered by a lack of follow-up services. Integrate post-startup mentoring, digital marketing support, and easier access to local markets into the program. DOST centers could take ideas from Germany's job services and Brazil's SEBRAE model. They might organize regular check-ins, mentorship, and performance evaluations (Blanchflower, 2004; ILO, 2015). These services would help beneficiaries navigate business challenges and access growth opportunities.

2. Create Youth-Focused Digital Entrepreneurship Grants

Youth unemployment in Azerbaijan remains a structural issue. The country can copy South Korea's successful model for startup grants. These grants support digital services and freelancing ecosystems (Startup Policy Korea, 2023; OECD, 2023). Conditional grants of 2,000–3,000 AZN can be offered to young entrepreneurs launching businesses in areas such as software development, e-commerce, digital design, and gig work. These grants should be linked to milestones such as formal registration, digital training completion, and proof of early business activity. Co-working hubs in Baku, Ganja, and other regional cities should provide shared resources and connectivity.

3. Formalize Informal Self-Employment through Simplified Tax and Insurance Schemes

A large segment of self-employed individuals in Azerbaijan remains informal, without tax registration or social protection. Azerbaijan should create an easy registration process for micro-entrepreneurs. This can be based on Brazil's MEI framework and Germany's hybrid models. This would include a flat tax rate, opt-in social insurance, and legal recognition for digital freelancers and rural entrepreneurs (OECD, 2018; SSCRA, 2023). Registration should be incentivized through access to training, finance, and government procurement.

5.3 Implementation Roadmap and Stakeholder Roles

A phased implementation strategy is required to institutionalize the hybrid model. This process should unfold in three stages:

Phase 1: Pilot (Year 1)

- Select 3–5 districts (e.g., Baku, Ganja, Imishli) for targeted pilots.
- Train mentors and establish monitoring systems at DOST centers.

- Launch youth startup grants for 500 beneficiaries.
- Begin outreach to informal workers through municipalities.

Phase 2: Scale (Years 2–3)

- Expand mentoring and digital access to all regions.
- Roll out simplified registration and tax scheme nationally.
- Integrate entrepreneurship modules into vocational education.
- Involve private sector and chambers of commerce in training delivery.

Phase 3: Institutionalize (Year 4 onwards)

- Codify hybrid support model into national employment policy.
- Secure long-term funding through state budget and development partners.
- Introduce data systems for real-time monitoring and impact evaluation.

Stakeholder Roles:

- MLSPP: Policy coordination, program design, and funding.
- DOST Agency: Implementation, training, and mentoring services.
- State Employment Agency: Business plan evaluation and digital inclusion.
- Vocational Institutions: Delivery of entrepreneurship curricula.
- Municipalities: Outreach, informal worker identification, and local coordination.
- Private Sector: Mentorship, co-working infrastructure, and market access.
- International Partners (e.g., World Bank, UNDP): Technical assistance and scaling support.

5.4 Limitations and Future Research Directions

There were certain restrictions on this research. The absence of thorough information on informal self-employment in Azerbaijan was one major problem. Sector-specific research was hampered by the reliance on secondary sources and publicly accessible data.

Furthermore, the study's time limits precluded large-scale primary data gathering. Long-term studies of self-employment program recipients should be the emphasis of future studies.

These studies can inform about income patterns, business survival, and how people move into formal labor markets. Surveys of informal workers in urban gig and rural agriculture can also serve to enhance solutions. It is crucial to develop a national self-employment plan. It should include stakeholders and be founded on solid data. This guarantees a long-lasting effect.

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Appendix Interview questions

- 1. What are the key global trends in self-employment, and how have they changed over the last decade?**
- 2. Which countries have strong ecosystems for self-employed people, and why do they work well?**
- 3. How do government policies, like tax incentives and grants, affect self-employment rates worldwide?**
- 4. What challenges do self-employed individuals face globally, and how are these issues tackled in different areas?**
- 5. How do cultural attitudes toward entrepreneurship vary worldwide, and how do these views impact self-employment rates?**
- 6. What are the main barriers to self-employment in Azerbaijan today?**
- 7. What lessons from other countries could fit Azerbaijan's economic and cultural needs?**
- 8. What role should schools and vocational training centers play in promoting a self-employment culture?**
- 9. How can technology and digital platforms, like freelancing sites and e-commerce, boost self-employment in emerging economies like Azerbaijan?**
- 10. If advising policymakers in Azerbaijan, what three actions would you suggest to support sustainable self-employment?**