

LABOUR MARKET POLICIES

Georgia

Disclaimer

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Introduction

The European Training Foundation (ETF) supports the EU Neighbourhood and Central Asia countries and the services of the European Commission with and monitoring of human capital and socio-economic developments. The overall objectives of the ETF work in the area of Active Labour Market Policies (ALMPs), labour market transitions and skills development are the following:

- Knowledge and tailored policy advice on setting-up or adapting ALMPs, work-based learning and career guidance and counselling in partner countries
- Inputs to EU programming and EU interventions (project design, formulation and content monitoring) and to bilateral and regional policy dialogue
- Monitoring of employment and labour market policy developments and work-based learning and career guidance and counselling trends
- Policy buy-in on the role and effectiveness of ALMPs in supporting the adaptation to socio-economic changes.

This report assists the delivery of a targeted advice on policy responses in the areas of education, re/upskilling and employability in Georgia. It also contributes to the ETF monitoring function in the area of ALMPs and Public Employment Services' (PES) implementation measures.

The report is an outcome of a pilot exercise of labour market policies' (LMPs) evidence collection launched by the ETF in four Eastern Partnership countries in 2022 – Armenia, Azerbaijan, Georgia and Moldova, with the objective of the establishing a regular evidence collection mechanism and contributing to the ETF's innovative labour market policies database.

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Iwona Ganko coordinated the process of evidence collection and supervised the preparation of this report.

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METHODOLOGY

Methodology applied to prepare this report followed three main steps:

- *Desk review of the key policy documents and reports available regarding the implementation of employment policies in Georgia. This primarily covered state decrees, strategies, action plans and legal documents.*
- *Total of 14 interviews have been conducted with: head of State Employment Support Agency (SESA) (1), employment counsellors (3), head of Employment Programs department at SESA (1), chief specialist at the Ministry of Internally Displaced People, Labour, Health, and Social Affairs (1), VET college (2), Core Competency training provider (1), Employers (5).*
- *Secondary analysis of the statistics about implementation of active labour market policies in Georgia.*

It is important to note that all statistical information in the report about labour market measures and services were provided by the State Employment Support Agency. Quantitative data was available for all requested indicators. However, it was not always possible to disaggregate the information according to the level of education. Most of the statistics provided are disaggregated by age and gender, the only exception in this regard is the statistics on the recently launched Public Works program, where the agency reported that they have not been keeping statistics according to age and gender.

CONTEXT

High unemployment and large share of informal employment have been the major challenges on the Georgian labour market ever since gaining independence in early 1990s. Covid pandemic has further aggravated both problems. Unemployment rate started increasing in 2020 (18.5% as compared to 17.6% in 2019), reaching 20.6% during 2021¹. Service sector has been particularly affected by the crisis, including the tourism industry, which accounts for 74% of the country's economy². The biggest decline was in the administrative and auxiliary service sectors which incorporate the services of tour operators and tourist agencies (54.7 percent) and the hotel and restaurant sector (40 percent)³. Their contribution to the annual decline of the country's economy in the second quarter of 2020 exceeded a total of 2 percentage points. The construction industry (-24.5 percent) and the transport and warehousing sectors (-22.6 percent) also fell sharply, contributing almost 3.1 percentage points to the real annual decline in the GDP. The annual decline in the trade sector was relatively small (-13.2 percent), although its contribution to the overall contraction of the economy was almost 1.6 percentage points.

Georgian economy started to show signs of recovery beginning 2022. According to preliminary data of the National Statistics Office unemployment rate went down to 19.4% during the first quarter of 2022. At the same time, employment agencies (private, as well as public) report significant increase in the number of vacancies published by the employers. Although job creation seems to be recovering slowly the structural problem which was present before pandemic continues to persist – namely, Georgian labour market is characterized by high share of low value added, low qualified jobs, while the share of high-qualified jobs remains limited⁴. This results in a significant polarization on the job market.

Labour market is not only polarized along the lines of “good” and “bad” jobs however, but also the “formal” and “informal” jobs. According to the national statistics office the share of informal workers in non-agricultural sector amounted to 28.8% in 2021⁵. The quality of jobs in this sector is clearly worse compared to the formal economy. Moving workers from informal to formal employment has thus been recognized as a key priority for the government resulting in the creation of the Public Works program in 2022. The program which will be covered in detail in the given report targets the recipients of Targeted Social Assistance (TSA) majority of whom are believed to be working in informal economy.

Another key challenge on the Georgian labour market is the skills mismatch. According to the latest data available some indicators showed a decrease in skills mismatch between 2016 and 2019, however, others suggested that this decreased benefited only certain groups of individuals on the labour market⁶. Overall, labour market matches have improved during the mentioned time period, however, as of 2019 slightly less than half of workers in Georgia still did not fully align with the most popular level of education in their occupation category, indicating that occupational mismatch is a considerable issue in Georgia. No specific analysis of skills mismatch has taken place post-pandemic; however, it is very much likely that the situation has worsened in this regard as well.

The challenges described above do not affect all groups of workers in an equal manner. Various studies indicate that women and youth are among the most disadvantaged compared to other groups of workers on the labour market. Young people in the age range of 15-24 show the highest level of unemployment compared to other groups of workers. Youth unemployment has increased significantly from 39% in 2020 to 43% in 2021⁷. Interestingly, NEET rates for the same period have not experienced such a

¹ National Statistics Office of Georgia, 2022 <https://www.geostat.ge/ka/modules/categories/683/dasakmeba-umushevropa>

² Friedrich Ebert Stiftung, 2020 <https://southcaucasus.fes.de/news-list/e/default-bedfff071a>

³ ibid

⁴ World Bank, 2018 <https://openknowledge.worldbank.org/handle/10986/29955>

⁵ National Statistics Office of Georgia, 2022 <https://www.geostat.ge/ka/modules/categories/683/dasakmeba-umushevropa>

⁶ European Training Foundation, 2021: Skills Mismatch Country Report Georgia

⁷ National Statistics Office of Georgia, 2022 <https://www.geostat.ge/ka/modules/categories/683/dasakmeba-umushevropa>

dramatic change, more surprisingly it has actually decreased by 1% point (35.1% in 2020 as opposed to 34.6% in 2021). The pandemic may have pushed NEET representatives out of inactivity making them join the labour market or go back to education.

It is critical to note that skills mismatch is particularly pronounced among youth. For instance, data for 2017-2019 shows that about 30% of young people aged 25-49 with tertiary education were working in semi-skilled occupations, while about 22% of the same age group representatives with upper secondary education were employed in elementary occupations⁸.

Women are another vulnerable group on the Georgian labour market with both activity and employment rates much lower than that of men. Out of the general group of female workers young women are particularly disadvantaged. NEET rate is also higher among women (37.3%) than man (32.1%)⁹.

Policy Framework

The challenges described above call on the necessity for implementing a targeted and effective employment policies which will be focused on upskilling the workforce, facilitate school-to-work transition and close the mismatch on the labour market. Government of Georgia has repeatedly recognized the need for improved employment and skills policies. Key actors in this policy field include the State Employment Support Agency (SESA), Youth Agency and a newly established Skills Agency, which was jointly established in 2021 by the Ministry of Education, Science, Culture and Sports and the Chamber of Commerce and Industry. Skills Agency has a particular focus on improving the standard of VET in Georgia, namely it aims at facilitating introduction of the vocational programs for the labour market, support innovative training initiatives and promote employability. Out of the three players described above SESA is the main body in charge of implementing Active Labour Market Policy (ALMP) in the country. It operates under the Ministry of Labour, Health and Social Affairs and acts as an implementing body of the labour and employment policies elaborated by the Ministry.

The state Labour and Employment Policy Strategy¹⁰ for the period of 2019-2023 represents the main strategic framework for the implementation of policies in this area. The strategy has 5 priority areas which directly speak to the challenges identified earlier in the document. Namely, priority number one relates to decreasing the mismatch on the labour market, with a particular focus on supporting creation of the high value-added jobs. Second policy objective is to improve the delivery of ALMPs (particularly training and retraining measures). While the third objective prioritizes activities aimed at supporting integration of women and other vulnerable groups into the labour market. Furthermore, government has adopted the law on Supporting Employment¹¹ in 2019, which provides the legal basis for the operation of State Employment Support Agency, as well as for the implementation of the employment measures and services.

⁸ European Training Foundation, 2021: Skills Mismatch Country Report Georgia

⁹ National Statistics Office of Georgia, 2022

<https://www.geostat.ge/ka/modules/categories/683/dasakmeba-umushevropa>

¹⁰ State Labour and Employment Policy Strategy

<https://www.matsne.gov.ge/ka/document/view/4761408?publication=0>

¹¹ Parliament of Georgia, 2020 <https://matsne.gov.ge/ka/document/view/4924109?publication=1>

LABOUR MARKET POLICIES

The section below presents an overview of active labour market measures (ALMMs) and services in Georgia. Implementation of ALMMs started back in 2013 when the department of Employment Support Services was created at the Social Service Agency. In 2020 the department was transformed into an independent institution titled “State Employment Support Agency” (SESA), which currently spearheads the implementation of the employment policies. Table 1 below outlines existing ALMMs in Georgia against the standard classification of active measures developed by Eurostat.

Table 1: Overview of the Labour Market Policies in Georgia

Labour Market Services		Labour Market Measures	
International classificatory	Service availability in Georgia	International classificatory	Corresponding measure in Georgia
Job mediation	✓	Training	✓ Vocational training & retraining ✓ Core Competency training
Counselling and guidance	✓	Job rotation and job sharing	✗
Registration of unemployed	✓	Employment Incentives	✓ Internship
Information provision	✓	Supported employment and rehabilitation	✓ Subsidized Employment
		Direct job creation	✓ Public Works
		Start-up incentives	✗

As this overview indicates all labour market services and almost all ALMMs are currently being implemented in Georgia. The only two types of ALMMs that do not exist here are measures falling in the category of “Job rotation and job sharing” and “start-up incentives”. The section below outlines each program listed on the table and provides basic information about their scope, coverage, target groups and other relevant information.

1. Labour Market Services

SESA registers job seekers in an electronic platform titled *Worknet*. Job seeker is defined as an individual who is unemployed or employed and is looking for a job. In practice this means that anyone irrespective of their employment status can register in the system. At the moment there are more than 110 000 job seekers registered on the platform. This figure however has very little policy relevance due to the following reasons: a) anyone who registered in the system since 2014 stays on records, there is no practice of “deleting the case”; b) in 2018 all Targeted Social Assistance (TSA) recipients were obliged to register in the system if they wanted to continue receiving state allowance. Large majority of these individuals are not looking for jobs but have registered in order not to lose entitlement to the benefit. SESA staff estimate that more than 60% of the job seekers registered in *Worknet* are TSA recipients who are not really looking for jobs (interview #1). Last but not least, the figure above does not provide any indication about the number of unemployed, which makes it virtually impossible to estimate the number of “registered unemployed” in the country.

According to the service model adopted by SESA job seekers are categorized in four groups: group 1 represent the employed job seekers, group 2 – easy to employ job seeker, group 3 – job seekers who need some support to find employment and group 4 – difficult to employ individuals. On paper group 1 job seekers are entitled to receive labour market information and job mediation service, while ALMMs are primarily reserved for representatives of groups 2, 3 and 4. In practice, however, this guideline is not followed – for instance, large share of participants in the ALMMs are employed individuals, especially in the training courses (interview #2).

SESA offers employment counselling to all registered job seekers. This service aims at immediate integration of the job seeker on the labour market. In addition to this career guidance service is offered to individuals who do not have elaborate career plans and need further assistance in this direction. Finally, SESA offers supported employment counselling to people with disabilities.

Counselling and job mediation services are core functions of SESA. They are delivered in all offices (7 regional and 5 district offices of Tbilisi). Employment counsellors in each office are sourcing vacancies on a daily basis. There is however a big disparity between the number of vacancies and job mediation cases according to regions. Expectedly, Tbilisi and some of the large cities (e.g. Kutaisi) have highest number of job matches compared to other regions, where local economy is not well-developed and number of employers is also low.

Table 2: Job Matching and Counselling statistics

	2018	2019	2020	2021
Counselling	530	14992	3024	2584
Out of which Female	365 (68%)	6872 (46%)	2415 (80%)	1633 (63%)
Out of which < 29	295 (56%)	3020 (20%)	914 (30%)	1168 (45%)
Job Matching	3492	6170	1806	2997
Out of which Female	1728 (49%)	3077(50%)	509 (28%)	1467 (48%)
Out of which < 29	991 (28%)	1919 (31%)	239 (13%)	957 (31%)
Total	4022	21162	4830	5581

Source: State Employment Support Agency, 2022

Table 2 above provides overview of the provision of counselling services to the job seekers in Georgia. There are two important issues worth mentioning regarding the abovementioned statistics. As mentioned earlier, in 2018 all TSA recipients were obliged by the state to register in *Worknet* as a precondition for receiving the social assistance. Registration implied initial counselling as well. This resulted in a sudden spike in the number counselling cases registered during 2019.

On the other hand, the figures also clearly indicate the negative effect of COVID 19 pandemic on the implementation of employment services in Georgia. It is critical to reiterate that SESA as an institution has been established in 2020 right before the onset of the pandemic. Given the economic crises the numbers of counselling and job mediation saw a dramatic decrease. Situation has improved somewhat during 2021 when lockdown was lifted and business started renewing its operations.

When it comes to the profile of beneficiaries SESA does not carry out active outreach strategy, except of occasional group meetings organized to increase awareness about the organization and its services. There is no specific communication strategy or approach for attracting women and youth. Nevertheless, the numbers indicate that over the last four years women represent significant share of the beneficiaries

receiving employment services. In contrast, share of young people who were engaged in counselling and/or job matching is much lower.

Budget and financing: budget for implementation of labour market service for 2022 is set for GEL 770 000 (EUR 256 600).

COVID induced changes and post-COVID situation: COVID19 pandemic significantly affected the operation of the State Employment Support Agency, since it was tasked to administer the disbursement of one-off unemployment benefits to the workers laid off due to the crisis. There is no unemployment insurance/benefits system in Georgia. Due to the rise of the workers who were made redundant the government decided to offer one-off financial assistance to this segment of workers. Namely, those in hired employment who lost jobs due to the pandemic were entitled to one-off financial assistance of GEL600 (EUR 214) and in the case of self-employed - GEL300 (EUR 107). Total of 162 271 formerly hired employees and 124 348 self-employed benefited from this assistance¹². SESA registered these workers in a separate database (e.g., not in Worknet) and provided employment counselling to them over the course of 2020-2021.

Provision of other labour market services (e.g., counselling and job mediation) slowed down during this period, primarily due to the very low turnover of the beneficiaries. There were no special measures taken to provide these services online. Starting from 2022 all services went back to fully face-to-face mode.

2. Labour Market Measures

2.1. Training

2.1.1. Vocational training and retraining

Scope & coverage: SESA administers short-term vocational training and retraining courses for the job seekers registered in *Worknet*. The courses are minimum – one and maximum 3 months in duration. These courses aim at improving skills and qualifications of the job seekers to increase their employment prospects on the job market¹³. Vocational training course is defined as a course which focuses on upskilling individuals by providing training on specific competencies within a given vocation, while retraining courses are aimed at job seekers who want to change a vocation.

Target group for this measure is broadly defined as all job seekers registered in *Worknet*. It needs to be mentioned however that People with Disabilities (PWDs) are given extra support in case of enrolment. More precisely, they are eligible to receive a personal assistant and subsidy to cover transportation costs.

Vocational training & retraining program is one of the largest ALMMs in scope. On average more than 2000 job seekers are enrolling in the measure each year. 2020 has been the exception due to the pandemic, when teaching in all educational institutions shifted to online mode. Given the practical component of training in vocational courses many training providers stopped the programs or postponed their implementation. Only few programs were delivered in online mode (e.g. accounting courses) (interview #1, 2). Therefore, the number of participants sharply declined.

Table 3: Participants in vocational training courses

Table Heading	2018	2019	2020	2021
Total	2908	2763	442	2080

¹² State Employment Support Agency, (2020):

https://moh.gov.ge/uploads/files/2022/shroma/angarishi/shroma_wlis-angarishi_2020.pdf

¹³ Government of Georgia, (2022) <https://matsne.gov.ge/ka/document/view/5385740?publication=0>

Out of which female	1981 (68%)	1927 (70%)	319 (72%)	1562 (75%)
Out of which < 29	1316 (45%)	960 (34%)	229 (51%)	757 (36%)

Source: State Employment Support Agency, 2022

Administration: Training and retraining courses are offered two to three times per year. There are two ways for a jobseeker to enrol in the program. Firstly, during the first visit to the employment office the counsellor identifies the willingness of a job seeker to enrol in this program. If the job seeker expresses interest, he is put on the waiting list and is notified once the courses are launched. It is important to mention however that often by the time when training programs are announced there are not enough job seekers on the register. Therefore, SESA starts active mobilization of the job seekers by sending out text messages and inviting interested candidates to the employment office.

Decision on enrolling a candidate into the program is made by the counsellor based on their professional assessment of the case. The lists of selected candidates are then sent to the SESA HQ, where the technical checks take place to ensure that the candidate is eligible, and all required documents are filled in. After this stage, the list of candidates is forwarded to a respective training provider who makes the final selection by interviewing the candidates.

Therefore, access to the program is largely defined by registration in *Worknet*. In practice this does not serve as a barrier for those who are not registered since they can easily show up and register right before the beginning of the course. In fact, employment counsellors estimate that about 40% of the individuals who enrol in training and retraining courses do so during their first visit to SESA (interview #3, interview #4). It is also important to mention that about 30% of the training participants are employed individuals (the first group of job seekers according to SESA's typology). As explained by the counsellors employed job seekers primary motivation is to increase their qualification and obtain a certificate required by their employer.

Budget and financing: Allocated budget for 2022 is 2 100 000 GEL¹⁴ (EUR 700 000). Program operates through a voucher system. There is no set amount of the voucher. Prices per individual per course varies significantly across the providers. According to SESA HQ the cheapest course may cost GEL600 per trainee, while the most expensive can be around GEL 2500 per trainee. On average, most of the courses are in the range of GEL800-1200 per trainee. During 2020 SESA was not able to use all budget allocated for this measure. In the current year, however, they consider that they may run out of money since the number of registered colleges and potential candidates has increased significantly.

COVID induced changes and post-COVID situation: as already mentioned implementation of this measure suffered greatly during the pandemic because for most of the courses it was impossible to deliver training online. After the lockdown was over and regulations were lifted the implementation went back to normal.

2.1.2. Core Competency trainings

Scope and coverage: In 2021 SESA introduced trainings in Core Competencies which cover following four areas: 1. Foreign languages (primarily English and German) 2. Entrepreneurship 3. Digital competencies (creating an email account, preparing CV, applying to jobs online etc.) and 4. Personal skills (leadership, communication, presentation etc.). Just like in case of vocational training, the target group for Core Competencies training is defined broadly as all job seekers who are registered in *Worknet*.

During 2021 total of 820 job seekers have participated in these training courses. Participants have been predominantly women (79%) and young (56%). This however is a result of a self-selection rather than

¹⁴ Government of Georgia, 2022: <https://matsne.gov.ge/ka/document/view/5385740?publication=0>

a pre-defined strategy by SESA. According to the employment counsellors “foreign language” courses are by far the most popular among the job seekers – starting from January 2022 more than 70% of the participants have opted for this course.

Administration: Most of the courses run on average for 1.5 or 2 months. In case of foreign languages, it may go up to 3 months, however. Upon completion of the course, participants receive a certificate. According to SESA counsellors these courses, particularly Digital competencies, and foreign languages (mostly English and German) are very helpful in boosting job seekers employability. Although no official statistics are available, SESA staff indicate that most of the participants are employed job seekers, who require these trainings to hone their skills and/or meet the expectations of their employers.

Core competency trainings are delivered by 3 providers: one VET college and 2 private training providers. Just like in case of the vocational training-retraining, enrolment in Core Competency trainings is primarily supply-driven. Once the program is announced job seekers are sent information and given the opportunity to register through an online link. Although the counsellors make an interview before enrolling them in the course, it is very rare that someone is denied from participation. The only reason the person cannot be involved is if the groups are already closed (number of job seekers that a provider can train has already been referred and there are no more places available).

Budget and financing – This program is financed through the same budget line as the “Training-Retraining program”, no separate budget available.

COVID induced changes and post-COVID situation: The launch of this program happened during the pandemic, therefore these have been implemented exclusively online until now, although SESA considers shifting these training courses to offline mode in the future. Online mode of delivery made it possible for the job seekers from remote areas (where no employment office is present) to attend the training.

2.2. Internship

Scope & coverage: Internship is another ALMM measure implemented by SESA. According to the state decree on Employment Support Programs¹⁵ internship can last for maximum of 6 months period, during which SESA provides monthly stipend of GEL 200 to the interns. For each vacant position the employer receives up to 3 candidates from the employment office and has the obligation to employ at least one out of the three after the completion of the state-funded internship period. The employer is obliged to offer an employment contract of minimum 6 months duration to the respective candidate/s. Target group for this program is defined as any job seeker registered in *Worknet*.

Program statistics (table 4) indicate that this measure is not large in scope. Maximum annual number of placements since the establishment of the agency was 147 in 2021. In the course of 2022 interns have been placed only by two offices: Kutaisi office placed 99 interns in Imereti and Racha-Lechkhumi region and Gori office had only 3 cases in Shida Kartli region (interview #4). There is large disparity between the offices too: for instance, Rustavi and Zugdidi offices have not placed anyone on this ALMM since 2021 (interview #4).

Administration: Once the internship vacancy is placed by the employer the counsellors identify minimum 3 candidates per position and refer them to the employer. Lack of internship vacancies has been identified as a major challenge, however. Employment counsellors reported that they actively inform the employers about the opportunity to take on interns with the state subsidy, however, the interest from employers’ side remains low. There may be two underlying causes for this. Firstly, communication about this measure may not be effective – it is especially surprising that Tbilisi which is by far the most economically active location registered no internship vacancies during the current and

¹⁵ Government of Georgia, 2022: <https://matsne.gov.ge/ka/document/view/5385740?publication=0>

previous years. Secondly, program design may have some flaws which hinder companies from engagement. For instance, some of the counsellors voiced a concern that low number of internships could be due to the obligation imposed upon the employer to employ at least one of the interns or keep the job contract for at least 6 months after the end of the internship period. Contradictory evidence was shared by other SESA colleagues who noted that if the employer takes on the interns usually, they retain all of them and offer jobs. For instance, 14 out of 15 interns were employed by a company in Kakheti region. In a similar fashion, 27 out of 30 interns referred to a sewing factory in Imereti were employed by the company during 2021.

Table 4: Internship placements

	2018	2019	2020	2021
Total	188	98	19	147
Out of which female	117 (62%)	75 (76%)	9 (47%)	91 (61%)
Out of which < 29	99 (52%)	53 (54%)	13 (68%)	88 (60%)

Source: State Employment Support Agency, 2022

Budget and financing – This program is financed through the same budget line as the “Training-Retraining program”, no separate budget is available.

COVID induced changes and post-COVID situation: Implementation of this measure continued as usual during the pandemic. As presented above however, the cases of internship placements were rather low which could be the effect of COVID induced crises: many companies went out of business during 2020-2021. Interesting to note, however, that during 2020 some of the employers offered SESA that they could take on interns online. These internship positions implied paper and online work primarily. While in practice no “online internship” has taken place, SESA adjusted the program design and decreased the subsidy amount from GEL 200 to GEL 100 per month in case of online internships.

2.3. Subsidized Employment

Scope & coverage: Subsidized employment is a special program aimed at supporting representatives of vulnerable groups to be placed in jobs. Vulnerable groups are defined as individuals with disabilities or with special educational needs¹⁶. Within the framework of the program state subsidizes 50% of the wage of the employee (with maximum GEL 560 per month). The employer has the obligation to offer a contract for a minimum duration of 9 months, out of which minimum of 3 months’ wage is subsidized by SESA¹⁷.

Existing experience shows that subsidized employment is the least popular ALMM measure, with only 8 beneficiaries placed in jobs in 2021. During 2022 there has been no case of subsidization reported yet. SESA staff state that the main reason for this is employers’ unwillingness to hire people with disabilities. They also mentioned that the obligation to conclude 9 months long contracts holds some companies off from participating in this program (interview #3).

COVID induced changes and post-COVID situation: there were no changes introduced in the program design during COVID. Implementation of this measure continued as usual.

¹⁶ Government of Georgia, 2022 <https://matsne.gov.ge/ka/document/view/5385740?publication=0>

¹⁷ ibid

2.4. Public Works

Scope & target group: Public Works program is a brand new ALMM which was launched on 1st of March 2022. Main drive for the launch of this program was the activation of the Targeted Social Assistance (TSA) recipients. According to various reports¹⁸ large share of TSA recipients are fit to work and engage in informal labour. Therefore, the program targets the members of social assistance recipients whose poverty assessment score falls below a certain threshold and who are considered fit to work. Within the framework of this program fit to work is defined in the following way: individual who is not bedridden, is able to move without assistance, has no disability, has no special psycho-social needs, is not of pension age, is not below the age of 18 and does not have the caring responsibilities of the members of the household (children, elderly or people with disabilities)¹⁹.

Administration: TSA recipients are offered 4 alternatives. They can: a) take up the Public Work job – usually a low or unskilled job, which does not require special training/competences on the side of the job seeker, b) apply for a regular vacancy on the open labour market, c) enrol in the short-term training-retraining course or d) formalize the existing employment relationship/economic activity status. The latter option targets individuals who are either self-employed or are informally employed by an enterprise. These individuals are given the period to either register as self-employed at the revenue service (in case of self-employment) or persuade their employer to conclude formal employment contract with them. If the TSA recipient takes up any of the proposed four options, they are granted a grace period of four years, during which their social assistance will be kept, and no reassessment of their personal income will take place. If the TSA recipient refuses all of the options than their household will be subject to reassessment during a following year.

Counsellors explain that about 60% of the beneficiaries who show up at the office after receiving the text message opt for public works jobs. There is a large difference between the capital and the regions however – as indicated on table 5 below interest in the program from TSA recipients was rather low in Tbilisi compared to other regions. Only 7% of social assistance recipients in Tbilisi who approached SESA offices opted for Public Works jobs, while in the regions 66% made the same choice. When comparing the dynamics of the last four months (from June to September 2022) one can see that the number of referrals to the program has almost doubled, however, the share of those who refused to participate increased. Respectively, the overall share of beneficiaries who enrolled in the scheme was smaller in September (37%), compared to what it was in June (57%). As for the group of social assistance recipients who were redirected to regular job vacancies or those who decided to formalise their economic activity stayed rather low over the last few months.

Table 5: Public Works – statistical overview

	No. of JS referred to Public Works programs	No. of job seekers who enrolled in PW program	No. of Job Seekers who refused to participate	No. of JS referred to regular vacancies	No. of formalization cases
As of June, 2022	31647	18343 (57%)	5293 (16%)	1436 (4%)	3069 (9%)
Tbilisi	4737 (15%)	359	1790	597	1086
Regions	26910 (85%)	17984	3503	839	1983
As of September, 2022	61757	23116 (37%)	11580 (19%)	3031 (5%)	4323 (7%)

Note: Figures for September 2022 are cumulative (inclusive of figures for June 2022)

Source: State Employment Support Agency, 2022

¹⁸ State Audit office of Georgia, 2016 <https://sao.ge/files/auditi/auditis-angarishebi/2016/tb-socialuridaxmarebebi.pdf>

¹⁹ Government of Georgia, 2022 <https://matsne.gov.ge/ka/document/view/5385740?publication=0>

Out of reported formalization cases absolute majority are the cases of self-employed who turned to the revenue service for registration. However, the figures on the table indicate number of people who declared that they would register at the revenue service, not the actual registration rate.

It is important to mention that only public agencies are entitled to register vacancies within the framework of this program. These include primarily the municipalities, as well as Legal Entities of Public Law (LEPLs). Registered vacancies are primarily in the fields of municipal services (bus conductors, assistants at the kindergarten), sanitation (street sweepers) and jobs specific to the field of operation of the particular LEPL (e.g., assistants to the forest rangers). Maximum remuneration for Public Work jobs is GEL 300 per month, although the actual wage may be lower depending on the number of hours worked during the day. It is important to note however that during the period of participation TSA recipients continue receiving social assistance allowance.

At the start-up of the PW program, the electronic system included 4 588 PW vacancies. Among them, vast majority were full time jobs (4388, i.e., 96 %). These vacancies could be grouped into three main occupational groups that are characterized by low-skilled job requirements: “Cleaning” accounted for one quarter of total offer (26 %), “guarding, monitoring and observing” accounted for almost one third (29 %) and “gardening, forestry and agriculture” for 23 % of total offer. One fifth of activities was subsumed under group “other” that contained varied activities, including “white collar” types of jobs, such as, for example, office work, registration and issuance of medical records, supervisor, preparation of documentation, etc. It is also important to note that several PW providers posted relatively large number of vacancies (top 10 institutions in this regard posted the following number of vacancies: 400, 327, 298, 234, 200, 183,150, 100, 95).

Budget & financing: Estimated budget for the program is 36 million GEL (EUR 12 million) which is expected to finance up to 20.000 participants with average job duration of 6 months. However, this is upper-limit estimate based solely on wage costs, without taking into consideration the costs of equipment and other related activities and staff.

ASSESSMENT

This section provides an assessment of the adequacy and effectiveness of labour market services and measures in Georgia.

Before discussing each program/measure individually it is important to discuss general background about the operation of the Employment Service. SESA is a newly established organization facing significant challenges in terms of availability of financial and human resources and material-technical base. At the moment it has only regional offices but is not represented at the municipal level. In practice, this means that job seekers living in remote areas or villages outside the regional centres have difficulty accessing the employment services since the cost of commuting may be a significant burden for them.

Programs and measures provided by SESA address the main challenges identified in the introduction of this report to a certain extent. Vocational and core competency training for instance is essential in decreasing the skills mismatch. The latter are also important from the perspective of reducing at-risk employment, since majority of the participants are employed job seekers, who are willing to improve their labour market status and transition to better jobs. The lack of “decent jobs” however, remains the key challenge for the operation of employment service. Majority of the vacancies registered at SESA are low-paid, low skilled jobs which the job seekers are reluctant to take up.

With the launch of the Public Works program, employment service took important steps towards activating the labour force dependent on social assistance. The program also has an ambition of formalizing informal employment, although statistics from the first three months of implementation show very slow progress in this direction.

There are other areas in which much remains to be improved. First of all, it needs to be mentioned, that the employment service in Georgia relies solely on the self-referral of the job seekers. In the absence of the unemployment benefits system and low visibility of the agency some of the most vulnerable groups are underrepresented in its services. This primarily refers to NEETs and youth in general. Therefore, SESA's contribution to youth school-to-work transition remains modest.

When it comes to women, existing statistics indicate that they make up almost half or more than the half of beneficiaries, however, this is a result of self-selection on the side of the job seeker, rather than the result of a deliberate policy from the agency. Last but not least, it should be noted that SESA has a special focus on PWDs and runs “supportive employment counselling” for this target group, as well as subsidized employment scheme. However, none of these seem to generate tangible results.

1. Labour Market Services

One of the critical challenges of the Georgian employment service is that the target group is defined as “job seekers” rather than the “unemployed”. The former includes unemployed as well as employed individuals who are looking for a job. Such an approach is somewhat controversial given the fact that the law on Employment Support²⁰ provides a definition of “unemployed” – working age individual, who by the date of registration with the Employment Service is not in a hired employment, is looking for a job and is ready to start working within 2 weeks period. Given the limited financial resources and a high unemployment rate in the country the adequacy of such a broad definition of the target group becomes questionable. On the other hand, inclusion of the employed job seekers in the employment services and measures can be a strategic approach from the perspective of mitigating precarious and at-risk employment. As described in the introduction to this report large share of Georgian workers are employed in the low-paying, low-qualified service sector jobs, which provide limited opportunity for career development and advancement. Therefore, it can be advisable that the state makes clear differentiation between the two groups (job seekers vs. unemployed) and targets the measures strategically.

²⁰ Parliament of Georgia, 2020: <https://matsne.gov.ge/ka/document/view/4924109?publication=1>

There are several challenges which negatively affect the capacity of SESA to deliver effective service. Most critical is the low vacancy submission rate (except Tbilisi and some large cities), which is due to the fact that SESA is a young institution which yet has to establish itself as a key partner for employers in sourcing the job candidates. It is a well-known fact that companies in Georgia are primarily looking for employees through personal contacts or they cooperate with private employment agencies, which are well-established on the market. Therefore, SESA faces strong competition from the latter. In the absence of the vacancies employment counsellors feel the urge to cover the gap by offering job seekers enrolment in various ALMMs. As described by the counsellors during the period when ALMMs are announced the turnout of job seekers increases and they often don't have much time for consultation. Indeed, they report that average counselling session may last from 5 to maximum 10 minutes, which primarily focuses on registration procedure rather than the proper counselling.

It is worth mentioning that the absence of unemployment benefits system in the country has an implication on the way the employment service operates. Since job seekers are not getting any financial allowance, they do not feel obliged to cooperate with the counsellors on a long-term basis. As explained by SESA counsellors job seekers seek immediate employment and only show-up to receive information about a specific vacancy. It is very rare that the job seeker follows the personal career development plan, which the career guidance counsellors are obliged to develop together with the clients.

Institutional development of SESA is of critical importance to address the challenges described above. This first of all refers to the accessibility of employment services – currently SESA operates offices only at the regional, but not at a municipal level. While local offices engage in certain outreach activities, job seekers residing in remote areas (or outside the regional centres) remain disadvantaged. Situation has improved somewhat since the onset of the Public Works program, during which SESA sub-contracted two counsellors from the Social Service Agency in each municipality to offer counselling for the TSA recipients. However, these counsellors are based at SSA offices, and their tasks are narrowly defined within the framework of the Public Works program. SESA should seize the opportunity and use the assigned budget to establish fully functional offices at the municipal level.

2. Training

Vocational as well as Core Competency training courses are clearly adequate given the challenge of skills mismatch on the Georgian labour market. It is critical that the state intervenes in the process of preparing a workforce that meets the requirements of the job market. However, targeting of the program could be improved to provide more tailored opportunities for youth, women and other vulnerable groups on the labour market who may be in stronger need of assistance compared to other job seekers.

Existing statistics of the program graduates' employment rate raise certain questions regarding the effectiveness of the measure, however. While no official statistics are available, SESA counsellors estimate that graduate employment rate is on average 40% (Interview #2,3). Employment counsellors have also mentioned that a training program with no employment guarantee often demotivates job seekers to enrol. More careful analysis of the vocational training program design revealed that the selection of the courses and that of the training providers are a critical bottleneck in this regard.

Training providers & selection of the courses: Based on changes introduced in 2019 any legal body in Georgia can register as a training provider for short-term vocational courses. State decree #131²¹ of 2019 defines the requirements that a provider must meet as well as the procedures they need to undergo to receive a state license for operating as a provider. Nevertheless, large majority of the training providers within the state program are Vocational Education Colleges. This is primarily because the number of other independent training organizations that have obtained the necessary license remains low. Namely, there are 77 providers registered out of which 60 are VET colleges. Remaining 17 primarily include private companies and training institutions (e.g., Tourism and Gastronomy Academy), as well NGOs and public institutions (e.g., Georgian Public Broadcaster) all of which are located in the capital Tbilisi.

²¹ Government of Georgia, 2019 <https://mes.gov.ge/uploads/files/N131.pdf>

Further diversification of training providers is critical for the program to become more effective as it directly affects the selection of training courses. Currently, the Ministry of Internally displaced people, labour, health and social affairs (MoIDPLHSA) approves the list of the most demanded vocations on the labour market on annual basis. For instance, the list of 2021²² included on average 50 vocations per region, with significant overlaps among the regions. When the state announces the launch of the program training providers are invited to bid. The courses offered by the bidders should be from the list and it should indicate minimum and maximum number of participants per group as well as the price offer. Clearly, VET colleges choose the courses that they have the technical capacity to deliver (interviews 11, 12). In practice, this results in VET colleges providing similar offers year after year. Theoretically, if there are 20 vocations on the list for a particular region and VET colleges in that region can cover only 5, there will be no training delivered in other 15 areas. SESA counsellors confirmed that they have encountered a situation when the demand for certain professionals is high, however, the local VET college in the region cannot offer training in this field.

Another important issue to consider is the validity of the courses defined as “most demanded”. The list of vocations was firstly identified in 2018 based on a labour market survey carried out by the Employment Department. The survey covered all large employers in each region (total of 200 employers have been surveyed). No similar study has been carried out since. During 2020 SESA relied primarily on the results of the Establishment Skills Survey²³ implemented by the ministry of Economy and Sustainable Development. The list defined during this initial period stays the same, however, slight amendments are made each year depending on the information becoming available. For instance, during 2022 SESA used results of the Vacancy Monitoring (an online employer survey carried out by SESA) to revise the list. In addition to this every year SESA asks line ministries to provide their suggestions of vocations to be included on the list. Important to mention that local SESA offices are not involved in this exercise at all. Employment counsellors are of the opinion that the selection of courses is rather repetitive year to year, and they could be better matched with the demand on the local market (Interview #5, #3)

It can be concluded that the training measures offered by the SESA play an important role in upskilling the workers (both employed job seekers as well as unemployed individuals). Nevertheless, there are certain issues which leave room for improvement. Namely, the selection of the courses needs to become more tailored to the demands of the private sector at the regional level and the pool of training providers needs to be diversified so as the training can be offered in every field considered relevant.

Another critical issue is inclusion of the private sector in the training. Acknowledging the challenge SESA has opened the pool of training providers to any provider which is licensed according to the state rules. However, not many companies have shown interest in this. Nevertheless, there are certain training courses delivered jointly by VET college and an employer. This practice needs to be expanded.

Finally, program design may be adapted to support postgraduate employment rates. At the moment training providers are reimbursed based on the hours of training delivered. Therefore, they have no incentive to actively support job seekers in job placement. The financing model can be adapted for instance by making certain share of payment contingent to the employment rate of the graduates.

3. Internship

Internship could play a critical role in facilitating youth school-to-work transitions, however, in its current design the program remains largely inadequate. Primary reason for this is that it lacks targeting – internships are usually the most common measure targeting youth, however, in case of Georgia it has no specific target group. Theoretically, since all job seekers are eligible to enroll even an employed job

²² Government of Georgia, 2019: <https://mes.gov.ge/uploads/files/76543.pdf>

²³ Ministry of Economy and Sustainable Development, 2019
<http://www.lmis.gov.ge/Lmis/Lmis.Portal.Web/Pages/User/Surveys.aspx?ID=d5489b31-70f9-4a59-b795-0cf6a8ba0564>

seeker (group 1) can apply for internship in case they want to change existing job. However, this begs question on adequacy of the program design.

Even though the numbers of placements are not impressive, the program has a great potential to become more effective. There are two indications of this: firstly, existing evidence shows that if employers take on the interns, they usually retain them. Even more so, they are topping up the state subsidy (GEL 200 per month) on their own initiative (interview #9). Secondly, it was reported that in several cases companies come to SESA office with already identified candidate whom they want to take as interns. In such a case SESA registers the person and the internship vacancy in *Worknet* and proceeds by referring this candidate to the respective employer. Such cases indicate that employers find the program useful.

Just like other ALMMs implementation of the internship program suffered a lot during the pandemic. Although there has been some initiative from the employers to offer internships online it did not materialize due to the lack of interest from the job seekers. Nevertheless, it is critical that SESA intensifies contact with potential employers and offers variety of ways in which interns can acquire job experience.

4. Subsidised Employment

While subsidized employment may not be the most actively used measure, the experience of the involved employers provides important insight about the program. For instance, SESA has a good cooperation record with one of the social enterprises in Georgia, which produces wooden toys and other household items. The enterprise was established with the purpose of supporting integration of PWDs into the society. As the representative of this organization explained the duration for subsidized employment scheme is not long enough. Primary reason for this is that the PWDs do not come to the company pre-equipped with necessary skills. In this particular case, the director of the enterprise was of the opinion that workers referred from SESA required up to 8 to 9 months of training to become fully contributing employees. Until then the cost of the worker (e.g., time and resources invested in their training) is higher than the benefit they bring to the enterprise. Therefore, once the subsidization period is over from the financial perspective it becomes difficult for the employer to keep the worker on board (Interview #8). Nevertheless, in case of this particular social enterprise they managed to employ 3 out of 10 candidates on a permanent basis. However, the director of the enterprise opined that had the subsidization period been longer they would have retained all 10 workers.

5. Public Works

Public Works program can be considered adequate from two perspectives: firstly, it aims at activation of the social assistance recipients who are fit to work. Secondly, the program focuses on formalization of workers who are informally employed (or self-employed). Nevertheless, several risks can be identified based on the program design, which may in the future hamper the program effectiveness. Namely, placement into PW job carries two substantial risks – job substitution (regular vacancies substituted by PW jobs) and trap of workers in low-skilled/low-paid PW jobs without prospects of upskilling and integration into regular labour market.

Trapping workers in low-paid jobs: As mentioned earlier the remuneration for full-time PW participation is set at 300 GEL per month. The amount falls short of the implicitly recommended minimum wage (twice minimum living standard, i.e., 440 GEL). It is also lower than wage usually offered for low-skilled jobs in the SESA general vacancy register (e.g., 400-500 GEL per month). Therefore, there is a risk that PW participants may end up in a trap of low-paid work. It is recommendable to gradually increasing PW allowance in order to avoid this trap. The increase of pay would increase the attractiveness of PW jobs. Most importantly, it would bring the programme in line with overall labour

market standards, whereas PW jobs would be regarded as standard jobs in terms of both contents and pay.

Job substitution: Job substitution happens when the employer posts a public work vacancy which they would have created even if the program was not announced. While there is no confirmed evidence of this happening in Georgia the structure of offered vacancies suggest that this could be the case. For instance, analysis of the posted vacancies points to the tendencies by some PW suppliers to go for massive employment under the PW scheme. In order to avoid the risk that regular vacancies will be substituted by PW ones, the rules may be changed to allow for posting PW jobs only after certain number of comparable vacancies were created by the employer at a regular labour market and /or certain number of workers were accepted to these regular vacancies. Thus, PW jobs would represent certain margin over a stipulated threshold, and they would become the only work opportunities with a given public employer.

EXPERT REMARKS

The process of statistical data collection for this exercise was straightforward. SESA provided all requested information in timely manner. Nevertheless, it is important to mention several challenges related to the statistical data collection and processing at the agency:

- Currently all statistics are collected and analysed by hand. Namely, the counsellors keep daily and weekly statistics in Excel and forward them on to HQ at the end of the week. HQ compiles national statistic in Excel sheets. Main reason for this is that *Worknet* operates with major deficiencies (e.g., it cannot generate automatic statistics regarding the number of provided counselling, mediation cases etc.) SESA has launched a tender for the upgrade of the statistical system, which should be fully operational in 2 years' time.
- SESA operates several databases which are not linked to each other. For instance, if a job seeker registers for labour migration abroad or for Public Works he is not reflected in *Worknet*. Therefore, information about a single job seeker may be spread across several databases and no case management is applied.
- SESA does not differentiate between stock and flow data on the labour market. More precisely, it primarily operates with the stock data. This is particularly true for the newly launched Public Works program, for which statistics is collected in a separate database. The program only keeps track of number of people referred to jobs and number of contracts signed, but no information is provided about spells of unemployment or how long do the job seekers/vacancies remain on the register.
- Until recently statistics about job placement were collected by a follow-up call to the employer and/or the job seeker. This procedure proved to be rather ineffective/inaccurate, because often time employers did not provide feedback and information provided by the job seekers was not always reliable. Due to this reason, SESA changed the approach. In every three months the list of job seekers who received counselling/or who were referred to jobs is cross-checked with the data from the Revenue Service. If the Revenue Service reports that the individual pays income tax than this case is considered as "placed into a job". While cross-check with the Revenue Service may be the most effective way of identifying whether individual is employed or not, it can not necessarily show whether the job seeker was employed by the employer to whom s/he was referred. In other words, it becomes difficult to establish whether the job seeker found a job due to SESA's referral/mediation or did s/he found employment independently.

During the next round of evidence collection all the issues listed above should be taken into consideration to allow for the most accurate estimations.

ACRONYMS

A.L.M.P	Active Labour Market Policy.
E.T.F.	European Training Foundation.
E.U.	European Union.
G.D.P.	Gross Domestic Product.
G.E.L.	Georgian Lari.
L.E.P.L.	Legal Entity of Public Law.
L.M.P.	Labour Market Policy.
M.o.I.D.P.L.H.S.A.	Ministry of Internally Displaced Population, Labour, Health and Social Affairs.
N.E.E.T.	Not in Employment, Education or Training.
N.G.O.	Non Governmental Organization.
P.E.S	Public Employment Service.
P.W.	Public Works.
P.W.D.	Person with Disabilities.
S.E.S.A	State Employment Support Agency.
T.S.A.	Targeted Social Assistance.
V.E.T.	Vocational Education and Training.
W.B.L.	Work Base learning.

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