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Unemployment and Digital Labor Platforms in Georgia

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Abstract

This article addresses the pressing issues of unemployment and employment in Georgia over the past three decades. With an average unemployment rate of around 20 percent, affecting approximately 300,000 people from 2010 to 2022, the labor force faces significant challenges. The advent of technological progress has highlighted the necessity for novel approaches to the labor market. In this context, digital work platforms have emerged as potential solutions, offering new forms of employment and creating opportunities driven by advancements in digital technologies. The aim of this study is to identify innovative employment opportunities in the context of the current unemployment situation in order to improve the Georgian labor market conjunction. The study draws upon interviews with labor market specialists and presents conclusions based on primary and secondary data. While the research indicates that digital work platforms do not currently play a major role in employment, their significance is projected to grow in the future. The extent of their impact on the population's employment prospects will depend on Georgia's technological development and educational level. These platforms demonstrate the potential to generate flexible jobs and provide supplementary income opportunities. However, challenges associated with their development must be addressed for their successful integration into the labor market.

Keywords: Unemployment; New forms of employment; Online work platform; Digital labor platform

Introduction

Reducing unemployment and improving the labor market in Georgia requires continual efforts and innovative solutions. Despite the attempts of various governments to address the issue, the results have been insufficient. With persistently high levels of unemployment and ineffective employment rates, it is important to explore the potential of modern technologies in the labor market. Assessing digital work technologies, which differ significantly from traditional approaches, is critical to improving the labor market situation in Georgia (Kvirkvaia, 2022). The paper presents the characteristics of new forms of employment based on the summarizing of research carried out in recent years. It provides a brief summary of reports from various international organizations that focus on digital technologies and specific work platforms.

Research methodology

The methodology used is based on primary and secondary research data. Official data from the National Statistics Service of Georgia, as well as information and data taken from the web pages of various companies, reports published by international authoritative organizations in recent years, scientific research papers, and published articles, were used in the research.

The presented research uses the materials[1] of interviews with labor market specialists, which were carried out in an online format using a pre-developed questionnaire. The interviews involved labor market theorists, practitioners, and representatives from various sectors connected to the labor market. Labor market specialists shared their evaluations of the proliferation of digital labor platforms in Georgia during the interviews. The specialists addressed questions regarding the significance of digital work platforms in employing the workforce and reducing unemployment. The interviews also covered the potential challenges, opportunities, and overall impacts associated with the development of digital work platforms in Georgia. Throughout these interactions, experts provided their opinions on the essential measures needed for the development of digital work platforms

[1] Interviews with labor market specialists were carried out within the framework of the project implemented by the European Training Foundation in Eastern European Partnership countries. See: Kvirkvaia, M. (2021). Platform work-Georgia. Country profile. https://www.etf.europa.eu/sites/default/files/2021-06/platform_work_georgia_0.pdf.
In European Training Foundation report (ETF): The future of work – New forms of employment in the Eastern Partnership countries: Platform work.
https://www.etf.europa.eu/sites/default/files/2021-07/future_of_work_platform_work_in_eap_countries.pdf.

As part of the presented work, the data received from labor market specialists underwent processing. Statistical data pertaining to the labor market in Georgia were analyzed, and a review of scientific literature was conducted. Subsequently, conclusions and recommendations were developed regarding unemployment and digital work platforms in Georgia.

Analysis of unemployment and employment situation in Georgia.

The analysis of official data published by the National Statistical Service of Georgia[2] provides some insight into the assessment of the unemployment and employment situation in Georgia. According to the current methodology of the labor market in 2010-2022, the highest unemployment rate was recorded in 2010 (27.2 percent) while the lowest was in 2022 at 17.3% (Table 1). Although there are some changes in the number of unemployed[3] people, on average, 300 thousand are unemployed, which is a significant concern that leads to various social problems, which need to be discussed separately.

In the labor market indicators of Georgia, the number of self-employed is quite high (about 400 thousand). Most likely, some of the self-employed do not represent the actual employees or, in the best case, belong to the ineffective employees. In general, the inefficiency of employment in Georgia is also reflected in the distribution of employees according to the types of economic activity[4], according to which almost a fifth of the workers are employed in agriculture, where wages, labor productivity, and incomes are low.

Labour Force Indicators.**Table #1**

thousand persons

	2010	**2012**	**2014**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Population	3,799.8	3,739.3	3,716.9	3,726.4	3,729.6	3,723.5	3,716.9	3,728.6	3,688.6
Labor force	1603.8	1654.7	1629.0	1641.4	1605.2	1572.8	1523.7	1533.6	1551.6
Employed	1167.6	1212.2	1255.0	1286.9	1296.2	1295.9	1241.8	1217.4	1283.7
Hired	710.0	759.4	795.5	869.3	903.5	897.5	845.3	829.4	870.9

[2] https://www.geostat.ge

[3] Unemployed – – A person aged15 years and older, who during the reference period (7 days preceding the interview), was not employed and within the previous four weeks actively searched for work and in case of success was ready to start work within the next two weeks.

[4] https://www.geostat.ge/ka/modules/categories/683/dasakmeba-umushevroba

Self-employed	455.2	445.2	453.0	416.8	392.2	397.9	395.9	387.1	412.1
Unemployed	436.2	442.5	374.0	354.5	309.0	276.9	281.9	316.2	267.9
Unemployment (%)	27.2	26.7	23.0	21.6	19.2	17.6	18.5	20.6	17.3

Source: The table is compiled according to the data of the National Statistical Service of Georgia.

One of the indicators of inefficient employment can be considered the remuneration of employees. According to official data, a certain increase in the level of the average monthly nominal salary was recorded in the third quarter of 2022 and amounted to 1595.0 GEL. However, If one takes into account the average exchange rate[5] of the Georgian Lari against the US dollar for the third quarter of 2022, the average monthly nominal salary level is less than 600 US dollars. There is a significant difference between the average monthly nominal wages according to the types of economic activity. For instance, in 2021, the average monthly nominal wage in the field of education was only 834.9 GEL, while the same figure in agriculture was 950.3 GEL. The Georgian labor market faces significant challenges, including inadequate cooperation between employers and higher education institutions (Kikutadze et al. 2021), the incorrect professional orientation of young people (Kvirkvaia et al. 2018), unemployment in regions (Kvirkvaia, 2016), and low-income levels of the population.

Based on the analysis of official statistical data, the unemployment rate of approximately (on average) 20 percent, the high number of self-employed people, and the general indicators of inefficient employment (Tsartsidze, 2018) indicate the severity of the problems in the labor market of Georgia. The mentioned problems are not new for Georgia and have been the subject of constant discussion for the past three decades. Therefore, in contrast to the previously used traditional approaches, it is necessary and urgent to find and study new approaches and forms of employment.

Digital work platforms

The advancement of digital technology has greatly affected all aspects of public life. The changes have also been reflected in the sectors of the economy and labor markets, where adaptation to technological innovations has been taking place intensively during the last decade. International organizations, individual researchers, governmental and non-governmental organizations, scientific institutions pay significant attention to digital work

[5] 2022(III) USD/GEL (Period average)= 2.8235

platforms in the modern labor market. In the scientific literature, digital work platforms are viewed as innovative employment solutions and opportunities for workers resulting from advancements in digital technology.

Ongoing changes in the modern labor market and important studies and reports on digital work platforms have been published in recent years by the following organizations: International Labour Organization, (2021); European Training Foundation, (2021); World Economic Forum, (2020); Eurofound, (2018); European Commission, (2021) etc. Also, the following researchers devoted fundamental scientific works to the mentioned issues: Pulignano, Grimshaw, Domecka and Vermeerbergen (Pulignano et al. 2023), Johnston, Ergun, Schor, Chen (Johnston et al. 2022); Vallas, Schor (Vallas et al. 2020); Howson, Ferrari, Salem, Johnston, Katta, Heeks, Graham (Howson et al. 2022); Farrell, Greig (Farrell et al. 2016); Choudar **(**Choudary 2016**);** Chernykh **(**Chernykh 2021**);** Mandl, Curtarelli, Riso, Vargas, Gerogiannis (Mandl et al. 2015) etc.

After reviewing the literature, reports, and scientific papers on digital work platforms, common approaches and characteristics have been identified that accurately represent these platforms. Digital work platforms serve as intermediaries in the labor market, based on modern digital technologies. Connecting labor supply and demand through the platform is based on certain algorithmic management. The goal of developers of digital work platforms is usually to make a profit. Digital work platforms use different business models of operation. Depending on the model, the platform's revenues are derived from fees for the services of the supply or demand side (fixed or depending on the cost of the service) or from fees paid by both parties for the service.

Digital work platforms can be divided into two groups. The first is online digital work platforms, where workers perform tasks online and remotely. Such jobs include, for example, graphic design, translation services, consulting, project management, etc. Examples of online digital job platforms are Upwork, Fiverr, Freelancer, etc. The second group refers to such mediation of the digital work platform in the labor market, when the employee has to perform work (task) on the spot. Such jobs include, for example, transportation services (taxi and Courier services), food delivery; housekeeping; On-site training and consulting, etc. Examples of the second group of digital work platforms are Deliveroo, Glovo, Uber, etc. In today's labor markets, numerous digital platforms of varying sizes are gaining significance in terms of employment opportunities. Some even have a global workforce in the millions (see below employment in Uber).

Employment on digital work platforms

The authors of this article believe that digital work platforms can reduce unemployment and provide extra sources of income for the employed

population. From this point of view, international experience is interesting, especially with regard to employment on digital work platforms.

In 2021, there were 12 million platform (Piasna et al. 2022) workers (external employment) in the EU and 3 million internal platform workers. When considering the number of people employed within digital work platforms, we must take into account that (ILO. Working group, 2021) there are two types of work relationships on digital labour platforms: workers are either directly hired by a platform (internal employment) or their work is mediated through a platform (external employment). Data on the number of workers hired by platforms are available either from annual reports or Crunchbase[6] and Owler databases[7]. The data shows that most of the digital labour platforms are micro and small enterprises employing either fewer than 10 employees or 11-50 employees. Only a few delivery and taxi platforms have more than 1000 employees. For example, Uber has 26,900 employees, mainly highly skilled professionals such as lawyers, marketing experts, software engineers and other professionals. The company also has professional taxi drivers on permanent staff. Also, as of 2020, more than 5 million people are employed on the Uber platform. Drivers, who either own or lease cars, with the majority of them being labeled as self-employed or "driver-partners" are employed through the mediation of Uber. Compared to Uber, the number of direct hires (internal employment) is small, only 50 people, on the PeoplePerHour platform, although it employs of a much larger number of workers through mediation.

The global count of freelancers registered on digital work platforms, along with the current employment landscape, offers valuable insights into the realm of digital work platforms. A group of scientists (Kässi et al. 2021) combine data collected from various sources to build a data-driven assessment of the number of such online workers (also known as online freelancers) globally. in their opinion, there are 163 million freelancer profiles registered on online labour platforms globally. Approximately 14 million of them have obtained work through the platform at least once, and 3.3 million have completed at least 10 projects or earned at least $1000.

Existing research indicates that digital work platforms serve as the primary source of income for only a small segment of the workforce. For instance (Tay and Large. 2022), US and EU surveys show that 16 per cent of US adults and 11 per cent of the working-age population in 14 EU states (aged between 16 and 74) have earned money or provided a service via a platform, while a smaller proportion use digital labour platforms as their primary source of

[6] https://www.crunchbase.com
[7] https://www.owler.com/company/database

income. For instance, labor platforms constituted the primary income source for 1.4% of EU citizens. (ILO. 2021).

When examining the advantages of digital work platforms, there is a notable emphasis on "flexibility“. In this regard the central argument (Cano et al. 2021) most commonly used by platform companies is that platform work offers workers the ‘freedom’ and ‘flexibility’ to work whenever and wherever they want, becoming a source of income while positively contributing to platform workers’ work–life balance. The attractiveness of flexibility for workers is confirmed by global studies (ILO, 2021) according to which the motivation to work on online web-based platforms for 29 percent of workers was due to job flexibility. In some countries, the motivation to work through a digital work platform is even greater because of the flexibility. Despite varying opinions, it can be assumed that the flexibility factor significantly contributes to the work-life balance of individuals working with digital work platforms

The positive aspects of digital work platforms also encompass: decreased transaction costs linked to employment; outsourcing of labor; work without the need for labor migration; potential for supplementary income, and so on. Regarding issues associated with digital work platforms, it's important to highlight concerns about employment status, high registration fees, surplus labor on these platforms, and so forth.

Research results

According to the research, common digital work platforms in Georgia are Glovo, Bolt, GG Taxi, Alo Modi, Yandex Taxi. According to the same study, a certain amount of the population of Georgia was registered on international online work platforms such as Weblancer, Freelance, Upwork, Fiver, Guru, etc. The distribution of online work platforms in Georgia varies significantly by region, with most online platform jobs concentrated in the capital of Georgia, Tbilisi.

Online platform works and on-location service employees opportunities in Georgia are in the following areas: IT programming, graphics and design; Marketing and Social Marketing; Advice and consulting (accounting, writing CVs, etc.); Text typing, translation and spelling, courier service (food delivery; product purchase/delivery; delivery of various items, etc.); Transport services (taxi services); House cleaning; Plumbing; Electricity; Child care, etc. According to the study most freelancers and on-location workers do not register on official online work platforms. For them, Facebook groups, LinkedIn, acquaintances and friends are more comfortable and easier than officially registered online work platforms.

Based on the interviews the job for those registered on online platforms can be both primary and additional. However, in their view, it is likely that

only for a small proportion of registrants this job may be main. However, there are no accurate statistics on registrations in Georgia. The interviews show that the gender composition of online work platform workers and on-location service providers in Georgia varies according to the type of activity. For example, courier, taxi, household and electrical repair work is almost entirely done by men. While pedagogical, childcare, translation and text typing activities are mostly done by females. Their age structure also varies according to the types of activities. Based on the profile of the registered employees and the results of the interview, it can be concluded that the age of the employees in the above-mentioned areas of activity is mainly middle and lower age. However, in some areas (taxi service, housekeeping and tidying) the working age is above average.

Based on interviews with labor market specialists, it is evident that individuals working through digital work platforms in Georgia face the same challenges as people employed in a similar format in other countries. In particular, the employment status and social security of workers represent an important challenge of digital work platforms.

In the future, it is necessary to conduct a comprehensive nationwide survey of digital work platforms and the employees within the platform.

Conclusion

Given the high levels of unemployment and ineffective employment in Georgia, the current labor market situation demands non-traditional methods for improvement. Employment within the framework of the digital work platform should be considered as a new form of employment for the population, which can, to some extent, improve the situation in the labor market.

It is clear that online work platforms are at an early stage of development in Georgia. Services within digital work platforms and employment within the platform is a new form of employment in Georgia, which is gradually becoming more popular. It should also be noted that there is no accurate information about digital work platforms and the employees within them, which complicates the complex analysis of the issue.

The development of online platform work in Georgia will help alleviate (not completely solve) the acute unemployment problem in the country. It will also enable the population of the regions of Georgia, especially young people, to be fully employed on the ground (without migration to the capital or abroad) or to earn an additional source of income. Similarly, the development of online platforms will help to ground qualified personnel who are very important for the development of the country's economy today, and the demand for such personnel will increase in the future (for example, IT specialists).

For digital work platforms to thrive, it is crucial to have the right conditions in place. This primarily involves ensuring that the workforce is adequately prepared to meet the demands of the labor market. To achieve this, workforce training should focus on the knowledge, skills, and qualifications required to perform the tasks and jobs offered within the platform's framework.

In the future, the extent to which digital work platforms will be utilized for employment opportunities will be influenced by factors such as the accessibility of information technology infrastructure throughout the country, the potential for workforce training in information technology, as well as the proficiency of the workforce in foreign languages, etc.

The legislation should determine the status of employees within the digital work platform, which will relatively regulate their social security issues and also enable them to stay informed about new employment opportunities.

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