

THE IMPACT OF LABOUR MARKET ON THE HUMAN RESOURCE MANAGEMENT IN GEORGIA

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Abstract

Labor market and human resource management are urgent issues for social sphere of Georgia. Majority of employees in Georgia consider they can be easily replaced by employers. Reality the current Georgian Labor market faces, respectively a high unemployment level, inefficient career planning, low level of revenues and salaries, no competition among employers to attract and recruit required personnel serve as the prerequisite to the fact that employers do not see HR as the major factor of their success, therefore they do not use contemporary approaches and trends of Human Resource Management. Implementation of modern technologies of HR management stipulates successful operation of separate organizations as well as encourages solutions to complicated social problems existing in the country.

Keywords: Labor market of Georgia, human resource management, unemployment, employment, self-employment, average income, average salary

Introduction

Social sphere is still the most acute problems out of the challenges Georgia needs to rise against. We can often hear our society stating a rather fair opinion implying human resources and their significance are not valued adequately in Georgia, thus leading to a considerable lag of the conditions for employees at the work place in Georgia compared to all the data of the same conditions in developed countries. When we speak about assigning inadequate importance to HR, first of all we mean employers in organizations functioning in Georgia not using modern approaches on human resource management. There are different views on the reasons causing the above mentioned problems. We assume the basic reason for this is the existing reality of Georgian Labor Market. Therefore, on the basis of the research data and analysis of the Labor Market and Human Resource Management the present article needs to answer the following questions: How do the current labor market conditions influence HR management and why does an employer not consider HR as the major factor of success?

Short Analysis of the Survey on Labor Market and Employees

The experience of developed countries confirms the solution of social problems on the scales of an organization as well as a country to a certain extent depends on the labor market conjuncture. Based on our research goals we should review Georgian labor market conditions according to three criteria: population employment, unemployment, labor payment; we will also analyze the employee survey results.

According to the data of National Statistics Office of Georgia (Table 1), in 2012 the number of economically active population¹⁵⁷ consisted of 2029.1 thousand people. Among

¹⁵⁷ **Economically Active** – is a person at the age of 15 or above who works or offers his/her labor for production of the services or products, that fall within the frame of domestic product as determined in the national accounts system of United Nations (UN).

them, 1727.0 thousand was employed and 305.1 thousand was unemployed. In 2005-2007 the level of unemployment in Georgia was decreased whilst in 2008-2009 it increased considerably (over 3%); in 2010-2012 there was a tendency of a certain minor decline. The number of economically active population in Georgia is a rather variable index. That is why the unemployment decline in percentage might not imply the decrease of the number in absolute data. For example, in 2012 the unemployment level reduced by 0.1%, but the number of unemployed went up to 10.0 thousand people.

Table 1

Employment and Unemployment								
Thousand persons								
	2005	2006	2007	2008	2009	2010	2011	2012
Active population (labour force), thousand persons	2023.9	2021.8	1965.3	1917.8	1991.8	1944.9	1959.3	2029.1
Employed, thousand persons	1744.6	1747.3	1704.3	1601.9	1656.1	1628.1	1664.2	1724.0
Unemployed, thousand persons	279.3	274.5	261.0	315.8	335.6	316.9	295.1	305.1
Unemployment rate, percentage	13.8	13.6	13.3	16.5	16.9	16.3	15.1	15.0

Source: National Statistic Office of Georgia

In the period under review (2005-2012) the highest level of unemployment (16.9%) was noticed in 2009 followed by the lowest unemployment index in 2008 presumably owing to the military conflict between Russian Federation and Georgia. Experts opinion claims the number of unemployed people is much more than what official statistics indicates. The low incomes of the majority of population considered to be employed serve to prove this since the employed population is not provided by normal social conditions.

Sorting of the population over 15 years old of age according to their economic status and regions (Table 2) provides us with an interesting picture. In 2012 year, 21.5 % of economically active population was accumulated in the Georgian capital which is obviously a rather big index pointing to the fact that within the country scales economically active population is not redistributed equally. The table displays the highest unemployment index in Tbilisi (127.3 thousand people) approximately 29.1% which is 41.7% out of the existing unemployment data of the year 2012 according to the official statistics. The lowest unemployment index would come on Kakheti region (131.1 thousand people) 6.5% which is 4.3% of the total unemployment. Table 2 analysis conveys the lowest indicator of employment is in Tbilisi (40.3%) and the highest one is in the regions of Kakheti and Imereti.

Table 2

Distribution of population age of 15 and older by economic status and regions. 2012 Thousand persons									
	Kakheti	Tbilisi	Shida Kartli	Kvemo Kartli	Adjara A/R	Samegrelo and Zemo Svaneti	Imereti*	The remaining regions**	Georgia
Active population (labour force), total	199.7	43.7.2	149.9	202.2	207.9	215.8	38.9.6	226.7	2029.1
Employed	186.6	30.9.9	134.0	180.1	173.8	179.5	35.0.6	209.6	1724.0
Hired	44.2	25.1.7	31.1	63.6	60.4	48.4	11.1.5	51.8	662.6
Self-employed	142.4	58.0	102.7	116.2	113.2	126.7	23.7.6	157.1	1054.0
Not-identified worker	0.0	0.1	0.2	0.3	0.1	4.4	1.5	0.7	7.4
Unemployed	13.1	12.7.3	15.9	22.2	34.2	36.3	39.1	17.0	305.1
Population outside labor force	78.4	33.1.7	59.6	108.9	84.7	84.2	17.3.4	84.3	1005.2
Unemployment rate (percentage)	6.5	29.1	10.6	11.0	16.4	16.8	10.0	7.5	15.0
Employment rate (percentage)	67.1	40.3	63.9	57.9	59.4	59.8	62.3	67.4	56.8

Source: National Statistic Office of Georgia.

*Include Racha-Lechkhumi and Kvemo-Svaneti

** Samtskhe-Javakheti, Guria, Mtskheta-Mtianeti

Indicators given in the tables are derived from Integrated Household Survey.

The category of the population having a status of hired¹⁵⁸ and self-employed¹⁵⁹ is of interest and consideration. In 2012 out of the total employed 1724.0 thousand people, 662.6 thousand were hired by employers (38.4% in total) and 1054.0 thousand are self-employed which is 61.1% of total number of employed people. Additionally, the majority of hired (38.0%) is in Tbilisi and an absolute majority of self-employed (94.5%) is in regions, basically in agriculture and farming.

Analysis of average monthly incomes of the employed (Table 3) points to the inefficient employment in Georgia. Respectively, the data indicates self-employed population (which is 61.1% of the total employed and the majority of which comes from agriculture and farming) earned 18.2 million GEL (Georgian Lari) from farming in the year 2012. This constitutes only 4.6% of the total average monthly income on the country scale based on the data of the year 2012.

¹⁵⁸ **Hired** – is a person at the age of 15 or above who performed certain type of work during the accounting period in order to generate income or other compensation in cash or in kind. Also, a person who has a job but is temporarily released from the job due to leave, sickness, temporary suspension of working process of the employer, temporary suspension of labor activities of the employee or other similar reasons.

¹⁵⁹ **Self-employed** – an owner of personal enterprise during the accounting period, in order to generate profit or family income (cash or in kind) or a person working for free in family enterprise/holding.

Table 3

Distribution of Average Monthly Incomes of the Total Population by Urban and Rural Areas (Million GEL)						
	2006		2009		2012	
	Urban	Rural	Urban	Rural	Urban	Rural
Cash income and transfers	158.9	99.6	276.3	151.0	358.2	239.8
Wages	82.9	25.0	145.0	41.9	187.1	66.6
From self-employment	27.9	12.8	42.1	13.7	50.1	18.2
From selling agricultural production	1.0	31.3	2.1	27.4	2.5	46.7
Property income (leasing, interest on deposit etc.)	1.0	0.5	5.8	0.6	3.8	0.6
Pensions, scholarships, assistances	15.8	16.8	32.5	42.9	42.4	56.2
Remittances from abroad	11.4	3.7	16.9	5.7	18.6	10.8
Money received as gift	19.0	9.4	32.0	18.7	53.6	40.6
Non-cash income	11.6	70.5	13.5	69.8	14.0	79.1
Income, total	170.6	170.1	289.8	220.8	372.2	318.9
Other cash inflows	24.6	22.4	39.5	25.4	64.2	53.4
Property disposal	4.8	2.1	5.8	1.1	13.2	8.4
Borrowing and dissaving	19.7	20.3	33.7	24.3	51.0	45.0
Cash inflows, total	183.5	121.9	315.8	176.4	422.5	293.2
Cash and non-cash inflows, total	195.1	192.4	329.3	246.2	436.4	372.3
According to the data declared by the households	158.9	99.6	276.3	151.0	358.2	239.8
Cash income and transfers	82.9	25.0	145.0	41.9	187.1	66.6

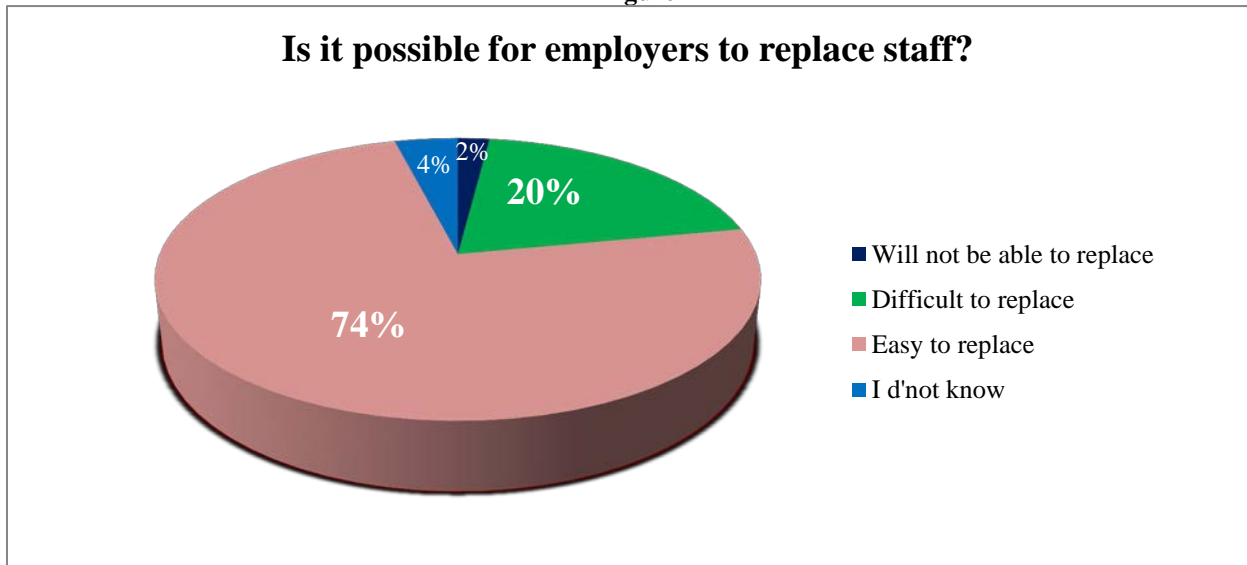
According to the data declared by the households

Notwithstanding the dynamics of the raise in salary in recent years an average monthly salary is still low. Compared to the year 2000 an average monthly salary increased 9 times in the year 2011. In the absolute index it showed 636.0 Gel or 385 dollars. What is more, in a number of spheres the most employed population works in an average monthly salary was rather low. For example; in the field of education an average monthly salary in 2011 was 319.6 GEL which is approximately 194 dollars by the data of the period. In agriculture it was 392.6 GEL (240 dollars), etc.

The short statistical analysis of the labor market enables us to realize the reasons for human recourses not to be the major factor of success on the level of an organization in Georgia. If we refer to the scientific and academic literature on human resource management where the practice of efficient HR management is reviewed and analyzed in details we can state that any employer acting based on a long-term success strategy is aware of the possibility to achieve desired results if employees are friendly to the organization and their requirements are met utterly. However, the mentioned approach is not implemented in Georgia and consequently, there is an equal market power on the labor market of Georgia. According to the redundancy of work force on labor market an employer has more market power and less need and urgency to use contemporary approaches of HR management. To be more exact, an employer in Georgia is authorized to easily replace his/her staff with the HR existing on the labor market.

Employees are powerless on the job marker, which can easily be seen from the dominant feeling among them, that employer can easily find a substitute to any employee from labor market, students of universities, or other organizations. Out research on the effects of the job market on the management of the human resources in Georgia yield the same conclusion. The research was based on the specific forms which the research participants filled out. All of them were employed at the time. The goal was to understand their view of how easy or difficult would it be to replace them on their position. The results are shown on the Figure 1.

Figure 1



The majority of the surveyed (74%) think that an employer will be able to easily replace them from different sources of hiring. Only 2% consider an employer will not be able to replace them and 20% assume an employer will be able to replace them but with difficulties.

To clarify the advantageous position of an employer on Georgian labor market compared to an employee, we need to say that the majority of graduates are not able to find a job for a long time. In addition, most employed are not satisfied with their work place and position and are ready to alter the work opportunity; thus increasing the market power of an employer. We can offer the research data in which the survey would focus on the job satisfaction.

Figure 2

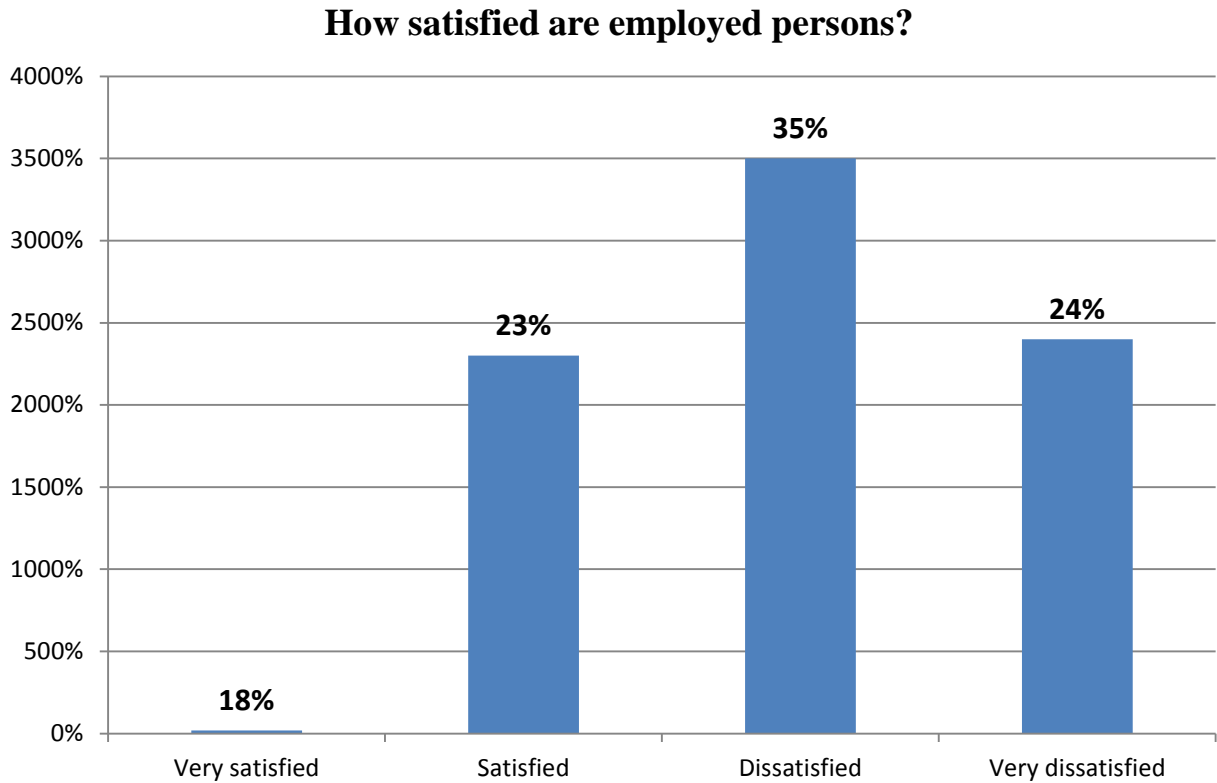


Figure 2 demonstrates that the majority of the surveyed (59%) are not satisfied with their current job and 24% is unhappy. 23% of the surveyed is satisfied with their current position and 18% is happy. Consequently, we should assume that the majority of the surveyed will change their work place for the better and is a potential source to be provided for any employer on the labor market.

The research data also state that the majority of employed do not expect and consider it unreal: to form a decent career system from an employer; to increase expenses on training and development; to inculcate work places adjusted to an individual and other contemporary trends of human resource management in the organizations that function and operate in Georgia.

Conclusion

From the brief statistical analysis of the Georgian labor market the following conclusion can be made:

➤ Due to the existing situation on the labor market employers do not consider hired employee as a long term investment, thus they do not spend considerable recourses on the training and improvement of their human resources;

➤ The unemployment rate makes it easy for the employer to easily replace an employee from the external sources;

➤ The use of the modern human resources management technologies is caused by the high competition among the employees to attract the interested candidates. However, the situation in Georgian job market does not raise the need for such a competition;

➤ The average wage is very low in the country, therefore there is no need for any additional motivation to make a hire;

➤ The absolute majority of the working population is employed in the agricultural sector in Georgia. However, according to the official statistics they are considered to be employed, the income of the self-employed is extremely low and their effective employment remains an important problem;

➤ The position of the prospective employee is also weakened by the fact that university graduates for a long time are unable to find employment and for the most cases never do. This increases the pool in the job market for the employer which on its side does not deem necessary to use modern technologies for the existing human resources;

➤ The job market paradigm plays a vital role in solving the social problems, in particular for increasing the employment thus reducing the unemployment rate. However, to solve the problem, employment has to be effective which can be achieved through the right micro-management of the human resources;

➤ Wrong perception of the society, and not understanding that the labor market environment drives the situation of the employee at the position, cases the bias in the importance of the labor low¹⁶⁰ on employment. The misconception is that strict laws would regulate and drastically improve social security of the employees;

➤ High unemployment rate, ineffective employment, unifloiment of the university graduates, non-existent competition among employers for the candidates are the main reasons that organizations in Georgia partly or do not use the modern methods of HR management, without which the long-term business of the organizations in Georgia cannot be successful.

¹⁶⁰ Kvirkvaia M., Human Resource Management and Labor Relations Regulation in Georgia. European Scientific Journal. 2013. Vol.9; #13.

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