

# ANALYSIS OF EMPLOYMENT AND UNEMPLOYMENT IN MUNICIPALITIES OF GEORGIA

(Target municipalities: Lentekhi, Oni, Ambrolauri, Tskaltubo, Samtredia, Tsageri)<sup>77</sup>

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## Abstract

The article includes detailed employment and unemployment analysis in each municipality. In the analysis we use results from household survey conducted by the National Statistics Service. More specific information about the labour market at the municipal level was collected through cooperation with local municipalities. For the analysis we used information from municipalities' web pages, telephone conversations with stakeholders, personal meetings with experts and so on. It should also be noted that a certain part of the data obtained from municipalities and from administrative territorial units have an approximate nature, but based on these information it is possible to gain some valuable conclusions and make assumptions. Terms and reality of employment analysis is carried out not only at the level of the municipality but on the country and regional ones as well.

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**Keywords:** Labor market; Unemployment; Employment analysis; local municipalities; Economically Active population; Self-employed; Integrated household survey

## Introduction

The target municipalities (Lentekhi, Oni, Ambrolauri, Tskaltubo, Samtredia, Tsageri) are located in specific regions of Georgia. For example, a municipality of Samtredia and Tskaltubo are in Imereti region, and the other four target municipalities are in Racha-Lechkhumi and Kvemo Svaneti region. For the evaluation of the general situation we consider the labor statistics on the country and regional level. Originally a brief analysis of the

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<sup>77</sup> This analysis was done under the UNDP/AF project. Project Title: Developing Climate Resilient Flood and Flash Flood Management Practices to Protect Vulnerable Communities of Georgia. The targeted municipalities under the project were: Lentekhi, Oni, Ambrolauri, Tskaltubo, Samtredia, Tsageri.

labour statistics of the country level and then of the regional level was accomplished.

### Unemployment and employment in the country and regional levels

Table 1 depicts the structure of the economically active population, 2005-2013. According to the data of National Statistics Office of Georgia, in 2013 the number of economically active population<sup>78</sup> consisted of 2029.1 thousand people. Among them, 1712.1 thousand was employed and 291.8 thousand was unemployed. In 2005-2007 the level of unemployment in Georgia was decreased whilst in 2008-2009 it increased considerably (over 3%); in 2010-2013 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 in Georgia (2005-2013)<sup>79</sup>

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Active population (labor force), thousand persons</b>	2023.9	2021.8	1965.3	1917.8	1991.8	1944.9	1959.3	2029.1	2003.9
<b>Employed thousand persons</b>	1744.6	1747.3	1704.3	1601.9	1656.1	1628.1	1664.2	1724.0	1712.1
<b>Unemployed, thousand persons</b>	279.3	274.5	261.0	315.8	335.6	316.9	295.1	305.1	291.8
<b>Unemployment rate, percentage</b>	13.8	13.6	13.3	16.5	16.9	16.3	15.1	15.0	14.6
<b>Active population (labor force), thousand persons</b>	2023.9	2021.8	1965.3	1917.8	1991.8	1944.9	1959.3	2029.1	2003.9

In the period under review (2005-2013) the highest level of unemployment (16.9%) was noticed in 2009 followed by lower unemployment index in 2008 presumably owing to the military conflict between Russian Federation and Georgia. Experts' opinion claims the

<sup>78</sup> **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).

<sup>79</sup> <http://www.geostat.ge/>

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.

Table 2

Distribution of population age of 15 and older by economic status and regions. 2013 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	196,4	444,7	152,8	194,6	190,7	216,0	387,7	220,9	2003,9
Employed	183,9	315,3	137,8	179,1	156,1	181,9	351,7	206,1	1712,1
Hired	47,2	247,5	35,5	59,5	64,7	50,4	103,9	49,5	658,2
Self-employed	136,6	67,5	102,0	119,4	91,4	128,3	242,4	156,2	1043,8
Not-identified worker	0,1	0,4	0,3	0,2	0,0	3,3	5,3	0,4	10,0
Unemployed	12,5	129,3	15,0	15,5	34,6	34,1	36,1	14,8	291,8
Population outside labor force	73,4	358,9	58,6	104,9	84,2	91,5	167,0	83,8	1022,3
Unemployment rate (percentage)	6,4	29,1	9,8	8,0	18,1	15,8	9,3	6,7	14,6
Employment rate (percentage)	68,2	39,2	65,2	59,8	56,8	59,1	63,4	67,7	56,6
Source: National Statistic Office of Georgia.									
*Include Racha-Lechkhumi and Kvemo-Svaneti. ** Samtskhe-Javakheti, Guria, Mtskheta-Mtianeti									

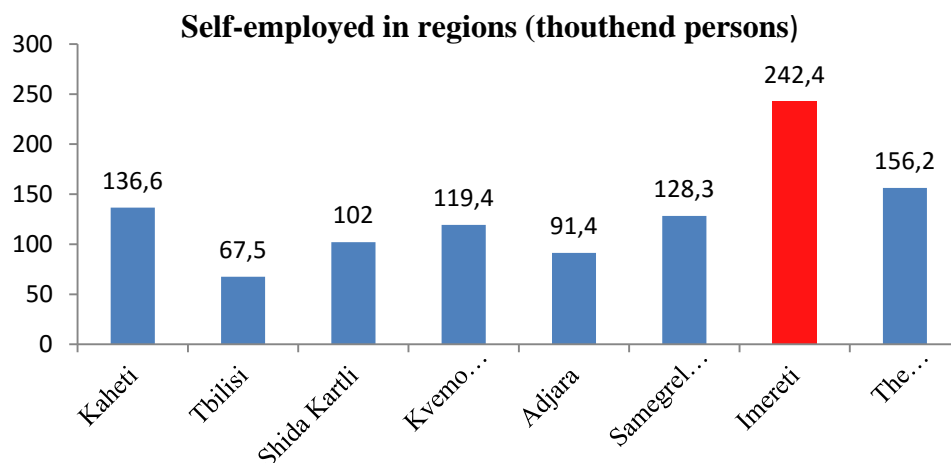
Sorting of the population over 15 years old of age according to their economic status and regions (Table 2) provides us with an interesting picture. In 2013 year, 22.2 % of economically active population was accumulated in the Georgian capital and 19.3 % was accumulated in Imereti<sup>80</sup> region which is obviously a rather big indexes 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 44.3% out of the existing unemployment data of the year 2013 according to the official statistics. The lowest unemployment index would come on Kakheti region (13.1 thousand people) 6.5% which is 4.3% of the total unemployment.

<sup>80</sup> Include Racha-Lechkhumi and Kvemo-Svaneti

Table 2 analysis conveys the lowest indicator of employment is in Tbilisi (39.2%) and the highest one is in the regions of Kakheti and Imereti.

The category of the population having a status of hired<sup>81</sup> and self-employed<sup>82</sup> is of interest and consideration. In 2013 out of the total employed 1712.1 thousand people, 658,2 thousand were hired by employers (38.4% in total) and 1043,8 thousand are self-employed which is 61.0% of total number of employed people. Additionally, the majority of hired (37.6%) is in Tbilisi and an absolute majority of self-employed (93.5%) is in regions, basically in agriculture and farming. For example in target region Imereti (Include the second target region Racha-Lechkhumi and Kvemo-Svaneti) 242.4 thousand people were self-employed, which is 23.2% of the total self-employed population of the country. In the Imereti region we observed the highest rate of self-employment among the other regions. (See figure 1).

Figure 1



Based on the fact that the vast majority of cases are associated with very low payments of self-employed persons in agriculture, it should be assumed that, in the Imereti region and also in other regions a very important part of the self-employed population is not actually employed and the majority of them are looking for work.

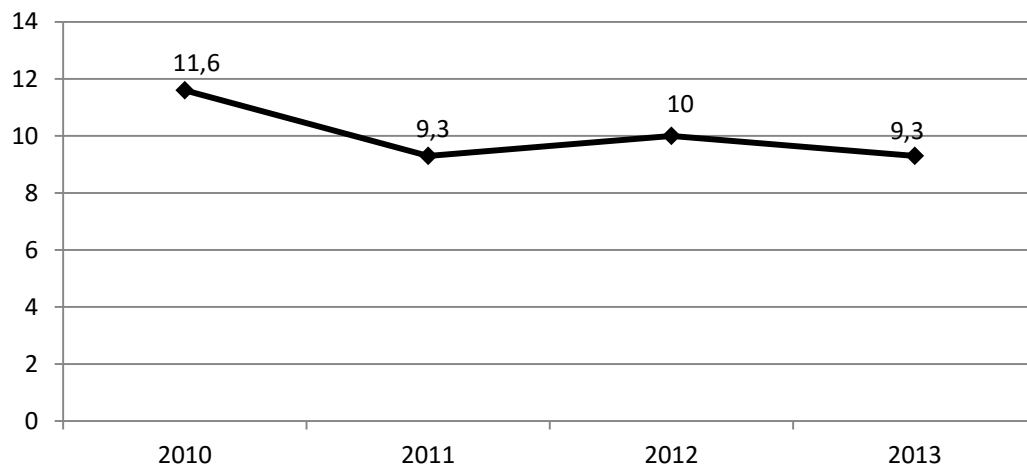
<sup>81</sup> **Hired** – is a person at the age of 15 or above who performed certain type of work during the accounting period in order to generate income or other compensation in cash or in kind. Also, a person who has a job but is temporarily released from the job due to leave, sickness, temporary suspension of working process of the employer, temporary suspension of labor activities of the employee or other similar reasons

<sup>82</sup> **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.

Since the majority of the economically active population is included in the composition of self-employed category, the percentage of unemployment in the Imereti (Include the second target region Racha-Lechkhumi and Kvemo-Svaneti) region is one of the lowest compared to other regions (see figure 2).

Figure 2

### Unemployment rate in Imereti Region (percentage) 2010-2013



As it can be seen, in recent years in Imereti, Racha Lechkhumi and Kvemo Svaneti the rates of unemployment ranges between 9-10 percent. The unemployment rate is not expected to be unrealistic. The official unemployment statistics are unlikely because of too large number of population outside the labor force. For example, in 2013 in Imereti, Racha Lechkhumi and Kvemo Svaneti the number of population outside of labor force was 167.0 thousand people, which is about half of the economically active population in these regions. We must assume that a significant portion of the population outside of the labor force is unemployed, but, the research methodology which are used by the National Statistics Service does not consider them as the unemployed category.

Based on the analysis of labor market in the regions it can be concluded, that Imereti (Including the second target region of Racha-Lechkhumi and Kvemo-Svaneti) according to the employment situation is one of the problematic regions of the country. Real unemployment figure is likely to be much higher than official statistics show. In our opinion, an important part of the self-employed because of their low incomes should not be accounted in the employed category of population. Also, a significant part of the population outside the labor force actually are unemployed. If we take into account these factors, the unemployment rate will be much higher than

official statistics display. This opinions are confirmed in the analysis of employment and unemployment in the target municipalities.

### Unemployment and employment in targeted municipalities

Detailed analysis of the employment and unemployment situation is critical for the economic development at the local level and for solving local economic and social problems. But, there is no official statistical information necessary for the analysis on the municipal level. We tried to obtain information from representatives of targeted municipalities. For this purpose, we developed a special questionnaire from where it was possible to obtain some information about the state of employment and unemployment. In addition, through the use of various means of communication and in the meetings with representatives of the municipality we tried to adopt a real precise data for analysis. It should also be noted that due to the unavailability of accurate data in the analysis we used approximate numbers and expert evaluations (represented below), but the results of analysis generally show the real situation in the target municipalities.

The number of population and economic activity of population in the target municipalities have significant meanings for the detailed analysis of employment and unemployment situation (see table 3).

Table 3 Economic activity in the target municipalities

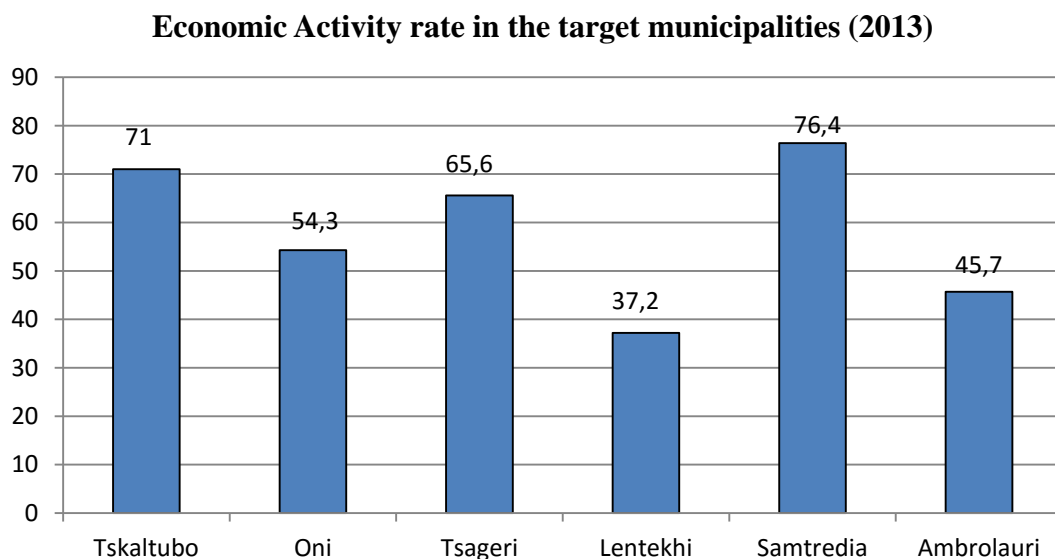
	Tskaltubo		Oni		Tsageri		Lentekhi		Samtredia		Ambrolauri	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Number of population (Thousand persons)	-	70,716	-	7,723	-	14,343	-	8,476	-	60,258	14,030	-
Economically Active population (labour force), (Thousand persons)	49,049	50,145	4,034	4,197	10,219	9412	3,149	3,149	45797	46,045	6422	-
Economically Active population (labour force), (percentage)	-	71,0	-	54,3	-	65,6	-	37,2	-	76,4	45,7	-

The most number of the people among the targeted municipalities live in Tskaltubo. (70,716 thousand persons) and in Samtredia Municipality

(60,258 thousand persons). The smallest number of population lives in the Oni municipality (7,723 thousand persons) and in Lentekhi Municipality (8,476 thousand persons). Targeted municipalities differ significantly according to economic activity of population (see figure 3).

According to the data obtained from the municipalities, the more economic active population lives in Samtredia, Lentekhi and Tskaltubo municipalities. The smallest economic activity compared to the other target municipality is in Ambrolauri<sup>83</sup>. In Oni municipality we observed a relatively low level of economic activity of population. The difference between the two extreme values of economic activities (Samtredia and Ambrolauri) is more than 20 percent. It can be caused by several factors: Municipalities' difference in geographical location and natural climate conditions; or inaccurate information about the economic activities of population in municipalities.

Figure 3



Interesting data for analysis is the distribution of the economically active population by economic status in the target municipalities (see table 4).

<sup>83</sup> The data of economic activity in Ambrolauri Municipality is used for 2012. We must assume that in 2013, economic activity has not changed significantly.

**Table 4 Distribution of the economically active population by economic status (2012-2013)**

	Hired thousand persons		Self-employed thousand persons		Unemployed thousand persons	
	2012	2013	2012	2013	2012	2013
Tskaltubo	3,547	3,515	18,528	18,528	26,974	28,102
Oni	0,985	0,792	2,081	1,048	0,968	2,357
Tsageri	1,782	1,678	5,879	4,931	2,558	2,803
Lentekhi	0,814	0,814	0,170	0,170	2,165	2,165
Samtredia	3,752	3,247	20,455	20,958	21,590	21,840
Ambrolauri	1,301	-	3,618	-	1,503	-

The data in the table 4 shows that in the majority of the targeted municipalities in 2013 compared to 2012, according to economic status, there are no significant changes in the distribution of population. The exception is the Oni municipality, where the number of the employees is significantly reduced, while the number of unemployed persons increased by almost the same amount. Considering the fact that in the Oni municipality substantial economic changes did not take place, we have to assume that a significant difference between the 2012 and 2013 data is due to the determination of categories of employed and unemployed (Supposedly the different approaches<sup>84</sup> are used).

Common characteristic for all the municipalities is that the majority of employees are self-employed, while the share of hired is small (see figure 4). For example, in the Samtredia municipality only 13 percent of employees are hired, while 87 percent are self-employed. A similar situation is in Tskaltubo, where only 16 percent are hired workers, while 84 percent are self-employed. High rates of self-employment are also in Tskaltubo and Ambrolauri municipalities. The analysis of the employment situation reveals another important specification. Namely, in the small amount of hired category of employees, the number of hired by private sector is very small, it indicates a very low level of private sector development in targeted municipalities. It should be noted that the private sector must play a decisive role in solving the problem of employment in the targeted municipalities and thus in any project special attention should be paid to the implementation of private sector development opportunities.

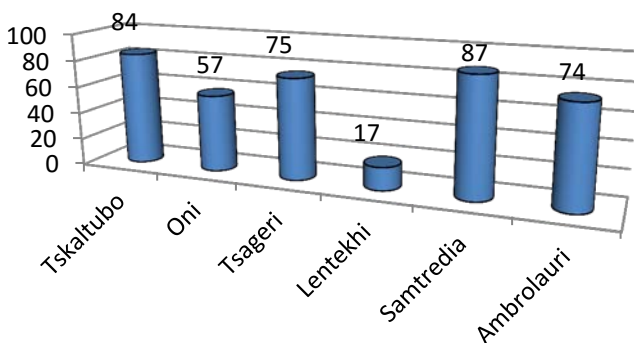
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<sup>84</sup> There is no special methodology for estimation of employment and unemployment in the municipalities. The data is based on expert estimations.



Figure 4

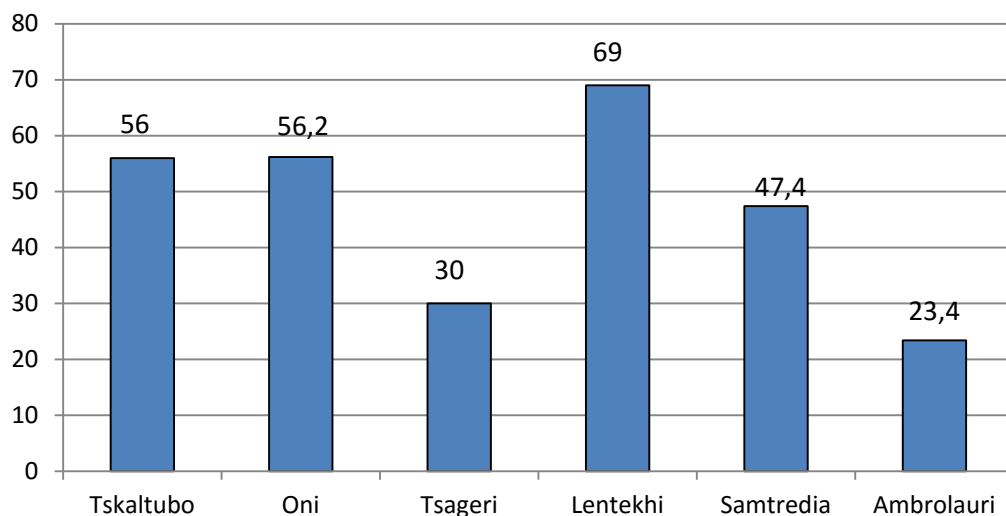
**Share of self-employed population in total number of employees  
( percentage)**



According to the share of self-employed in the total number of employees, the only exception is Lentekhi municipality, where the self-employed comprise only of 17 percent of the total number of employees in 2013. The reason for this difference is again in the definition of employment and unemployment. Apparently, quite obviously, in Lentekhi municipality an important part of self-employed population is considered as unemployed and the unemployment rate in this municipality is different. Lentekhi unemployment rate is the highest among the target municipalities and amounts 69 percent (see figure 5).

Figure 5

**Unemployment rate (percentage)**



The data analysis shows that the lowest unemployment rates among target municipalities were observed in the Ambrolauri municipality - 23.4 percent and in the Tsageri municipality - 30 percent. The unemployment rate is much higher in the rest of the target municipalities. It can be said that, in all the municipalities the unemployment rate is much higher than in official statistics and the unemployment rate is several times higher than the entire country. For example, if we assume that the average level of unemployment in Georgia is 15 percent, then the figure 5 shows that the unemployment rate is 4.6 times higher in Lentekhi than in entire Georgia. A big difference is between the unemployment rates across the country and in Tskaltubo, Samtredia and in the Oni municipalities where the unemployment rate is almost 4 times higher than the average level of unemployment in Georgia. The difference between the levels of unemployment is even higher if we compare the regional and municipal level unemployment figures. For instance, in Lentekhi, Tskaltubo, Oni and in Samtredia unemployment rate is 6 times and more higher than the rate of unemployment in the Imereti region (an average of 10 percent). Such a significant differences in unemployment rate ( country, region and municipality) level confirms that it is necessary to separate municipality level of labor statistics.

### **Conclusion and Recommendations**

Based on the employment situation analysis the following recommendations and conclusions can be stated:

- Integrated household survey of the National Statistics Service does not provide statistics on the labor force at the municipal level. Why the National Statistics Office does not publish data of the workforce on the municipal level is the separate matter. However, it can be assumed that the number of surveyed households are not enough for complete information on the municipal level;

- Since the official statistical data about municipalities is not available, the approximate numbers of employment and expert evaluations are used in the analysis. Despite this the current real situation in the target municipalities are reflected in the analysis;

- Based on the analysis of labor market in the regions we can conclude, that Imereti (Including the second target region of Racha-Lechkhumi and Kvemo-Svaneti) according to the employment situation is one of the problematic regions of the country. Real unemployment figure is likely to be much higher than official statistics show. In our opinion, an important part of the self-employed because of their low incomes should not be accounted in the employed category of population. Also, a significant part of the population outside the labor force actually are unemployed. If we take

into account these factors, the unemployment rate will be much higher than official statistics convey;

➤ According to the data obtained from the municipalities, the more economic active population lives in Samtredia, Lentekhi and Tskaltubo municipalities. The smallest economic activity compared to the other target municipality is in Ambrolauri. In Oni municipality the level of economic activity of population is also relatively low;

➤ In all the municipalities the unemployment rate is much higher than the in official statistics and the unemployment rate is several times higher than in the entire country. Such significant differences in unemployment rates ( country, region and municipality) level confirms that it is necessary to separate municipality level of labor statistics.

➤ Common characteristic for all the municipalities is that the majority of employees are self-employed, while the share of hired is small;

➤ In the analysis of the employment situation another important specification emerges, namely, in the small amount of hired category of employees, the number of hired by private sector is very small. It indicates a very low level of private sector development in targeted municipalities.

➤ It should be noted that the private sector must play a decisive role in solving the problem of employment in the targeted municipalities and thus in any project special attention should be paid to the implementation of private sector development opportunities;

➤ Creation of the mechanism for obtaining information about labor force in the administrative and territorial units is urgent. This should be carried out by the National Statistics Office or local municipalities, or may be implemented as a result of their coordinated activities;

➤ For the complex socio-economic analysis, in addition to the employment study in the municipalities, the following activities should be carried out: the household income analysis; skills and professional analysis of employed and unemployed population; education level analysis; training needs analysis, etc.

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