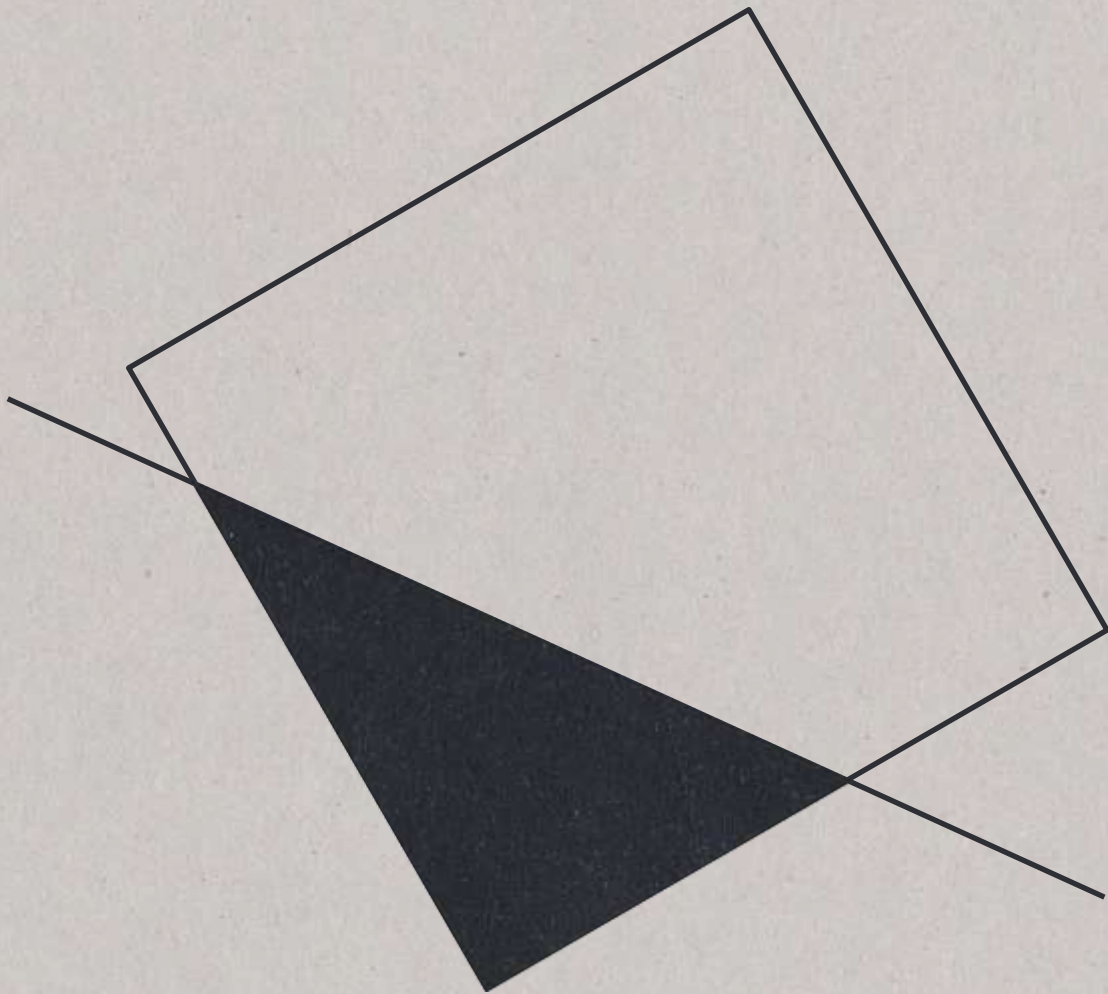


Labor Market Segmentation and Informal Labor during Crisis



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Human Rights Education and Monitoring Center

EMC

Tbilisi, 2020



Norwegian Ministry
of Foreign Affairs



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Introduction

COVID-19 pandemic put the world against new challenges. Alongside healthcare, global economic, and social structures also ended up in crisis. Quarantine measures have had the biggest impact on the industry, transport, services, and tourism, which left millions unemployed. At the onset of the pandemic, it was frequently pointed out that the crisis would pose an equal threat to developing and developed countries, to the poor and the rich. However, now it is apparent that the pandemic and subsequent crises have deepened inequality among countries, have aggravated social problems in countries and increased poverty and unemployment among the poor. In this framework, to avoid extreme long-term outcomes of the crisis, we need to initiate a discussion on the labor market structure and social protection mechanisms in countries like Georgia. Considering the context and the new reality, this analytical paper may be particularly relevant today, as it discusses the labor market, characteristics of its segmentation, and the possible outcomes of the crisis.

One of the most common characteristics of the labor market in developing countries is clear-cut segmentation. On one hand, there is a relatively organized formal employment sector, while on the other hand, there is an informal labor sector, which operates beyond formal institutions.¹ As a rule, labor conditions, such as salaries, social safeguards, and the working environment are significantly different in formal and informal sectors. It is hard to discuss the specifics of the labor market segmentation in Georgia, due to lack of literature, which would provide deep and scientific analysis regarding the nature of segmentation in Georgia and the incentives that drive workers of formal and informal sectors in the current conditions. Nevertheless, secondary data, economic reports, and existing sources support the argument that like many other post-Soviet countries, the labor market segmentation in Georgia is high and this segmentation has a historical foundation. Moreover, alongside economic rationale, the labor market segmentation was also caused by social factors. Specifically, as Georgia's experience shows², informal labor becomes a certain social protection mechanism in dire social conditions and economic crises, when masses are driven out of the formal employment spheres, or when social protection systems dissolve and fail to meet existing needs.

This document aims to study the specifics of formal and informal employment in Georgia from the prism of the analytical framework of labor market segmentation. This

¹ Isabel Günther and Andrey Launov, *Competitive and Segmented Informal Labor Markets* (Bonn: The Institute for the Study of Labor (IZA), 2006).

² Sabine Bernabè and Marco Stampini, *Labour Mobility during Transition Evidence from Georgia*¹, *Economics of Transition and Institutional Change* 17, no. 2 (2009): 377–409.

analytical paper is based on the assumption that the labor market is historically segmented in Georgia (this means since Georgia's independence), and informal labor remains a shelter for those driven out of formal employment, for whom unemployment is not an alternative. The document analyzes the impact of economic crises on the informal employment sector and how people affected by exogenous crises react to the shrinking possibility of getting employed in a formal sector.

To achieve this goal, this report will study secondary sources, such as statistical data, reports by research organizations, international findings, and other relevant literature. This work also relies on some primary data - up to 15 face-to-face interviews with workers engaged in informal employment. The interviews were planned and conducted in June-July 2020 using semi-structured questionnaires. The main theme of the interviews was to study the impact of the pandemic crisis on the labor conditions of the workers and their expectations.

Hereby, we need to consider the methodological and content-related limitations of this report, which leave certain issues unaddressed. Methodological limitations are the sporadic nature of statistical data, as well as the limitations characteristic for qualitative research, which make generalization of the results questionable. Regardless of this, the combination of data used in this analytical paper recount the general picture and existing dynamics in such a way that allows developing analytical argument and making logical assumptions. As for the content-related limitations, we consider it a challenge that the report does not thoroughly discuss the substantial differences between formal and informal employment, nor does it analyze legal and political factors. This work does not strive to reveal structural reasons for the creation and evolution of labor market segmentation. It analyzes the dynamics of already existing segmentation and expectations and incentives of workers. Therefore, this report shall not be seen as multifaceted and comprehensive research. Instead, it should be regarded as a small section of the broad research theme, which is an in-depth study of the informal labor, informal labor market, and specifics that divide formal and informal markets.

Considering the stipulations above, the first part of the analytical report describes various research, academic and analytical sources concerning labor market segmentation, which also focus on the case of Georgia and the historical dynamics of labor market segmentation here. The second part of the report analyzes the structure and specifics of the Georgian labor market, discusses methodological flaws of statistical data collection, and structural factors that hinder seeing an actual situation. At the end of the report, we analyze two cases, which relate to the experiences of the economic crises in Georgia and the labor market segmentation caused by these crises, as well as the ongoing dynamics of the informal labor market.

Labor market segmentation: an overview of historical and social factors in the Georgian context

Literature that studies labor market segmentation and reasons and preconditions for the creation of the informal labor market mostly revolve around two key theories.³ According to one of the approaches, the creation of the informal market is conditioned by weak economic and social policy, which is unable to produce adequate employment for economically active population. Specifically, if in developed countries economic downfalls and crises increase unemployment, in developing countries, they increase informal employment. This happens because in poor economies there are no social protection mechanisms, like those we meet in developed countries, including unemployment insurance, unemployment allowance, and social allowance. Respectively, the economically active population of developing countries do not have the “luxury” of being unemployed and informal employment becomes the only alternative against unemployment. In contrast to this approach, the second approach builds on the paradigm of comparative advantage. According to this approach, in developing countries informal labor is considered to be a personal choice of the economically active population, which allows avoiding taxes and maximizing income in a highly competitive environment.

Apart from these two approaches, there is another dominating paradigm, which explains labor market segmentation in so-called post-transitional and post-Soviet countries. In this paradigm, formal and informal employment are not two distinct or opposing spheres, where formality is unequivocally better than informality, or informality is a means to avoid regulations or taxes associated with the formal sector. Instead, these two poles protect workers against unemployment, create a safeguarding buffer zone in times of crises, and form a certain continuity of labor mobility. This approach regarding labor market segmentation, which is mostly considered in the context of post-transitional countries,⁴ is the best fit for Georgia. In Georgia, informal employment is seen as a “temporary” activity. The informal labor sector itself is perceived as an “expectation” zone, which workers will leave eventually to join the formal sector.

The share of the informal economy (or shadow economy) in proportion with the GDP is exceptionally high in Georgia. According to this ratio, Georgia is in the top three countries with the highest share of informal economic activity together with Zimbabwe and Bolivia,

³ Marianthi Rannia Leontaridi, Segmented Labour Markets: Theory and Evidence, *Journal of Economic Surveys* 12, no. 1 (1998): 63–101.

⁴ Hartmut Lehmann and Norberto Pignatti, Informal Employment Relationships and the Labor Market: Is There Segmentation in Ukraine?, SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, 16 January 2018).

with an average of 64.9% of the GDP.⁵ The rise of informality started in Georgia with the dissolution of the Soviet Union, where informal employment held the highest share.⁶ In the first years of independence, the fiscal crisis, which came up as a result of mass privatization and disbandment of institutes, disrupted state social protection mechanisms and social services. Economic transition reduced the chances of employment in the formal sector and of generating an adequate income. Therefore, the population that was left without income and social protection transferred into informal, low-qualified, and precarious activities to survive and support families.

The 2002 report by ILO, which studied the specifics of informal labor in Georgia discussed how employment in the informal sector became a rational way out of the grim reality, where employment in the formal sector shrank and state social protection mechanisms dissolved.⁷ The report mentions that in that period there was almost no space for formal employment in the private sector and 70% of the private sector consisted of informal labor. A 2009 article titled “Labour Mobility during Transition,⁸” published in the journal „Economics of Transition” is another noteworthy research, which studies the Georgian example and analyzes the interrelations between labor market segmentation and labor mobility in Georgia. The author of the article attempted to prove the existence of labor segmentation in Georgia in the first place, to later analyze the characteristics of labor mobility on this segmented market. Through observing the 1998-1999 economic crisis, the author makes several important conclusions. More specifically, she discusses different degrees of labor mobility associated with different types of labor. If the degree of change in employment or employment status is low among workers in the formal sector, the tendency is different among those employed in the informal sector or self-employed. Here, changes in the sphere of employment, as well as employment status, are frequent. According to the author, this is caused by the high risk associated with working in the informal sector. In addition, employment in the informal sector is perceived as a temporary occupation, which is compelled by the need for survival and does not entail sustainability or durability. The author brings an example of the research conducted by the World Bank in 1999 in Georgia, which studies up to 600 households in nine Georgian regions. The research highlighted the role of petty traders in the '90s and early 2000s when Georgian women traveled to neighboring countries (Russia, Turkey, Hungary, Poland, or other countries of Eastern Europe) by bus or train at least once a month to bring back a variety of

⁵ Leandro Medina, *Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?*, Working Paper No. 18/17 (IMF, 2018).

⁶ Sabine Bernabè, *A Profile of Informal Employment: The Case of Georgia* (Geneva: International Labour Office (ILO), 2002).

⁷ Bernabè, 33

⁸ Sabine Bernabè and Marco Stampini, *Labour Mobility during: Transition Evidence from Georgia*, *Economics of Transition and Institutional Change* 17, no. 2 (2009): 377–409.

commodities and sell them in open markets or stores. Crossing the border, trading in a foreign country, and then selling these products in Georgia bore high risks, especially due to the high crime rate and corruption, however, for most of the interviewed families this activity was the only option for survival and it had no alternatives.⁹

The low degree of change in the formal sector and disclosed interest to move from the informal sector to the formal sector drew the author to the conclusion that in Georgia labor market is segmented; in cases, formal employment is privileged compared to the informal, while informal labor is a necessity rather than a choice.¹⁰ Moreover, the author analyzes tendencies of labor mobility among workers in the agricultural sector and concludes that during a crisis self-employed people are more likely to become employed in the agricultural sector, rather than become unemployed. The reason for this is that “farming works as a buffer in bad times (as opposed to urban areas, where the buffer role is played by informal wage employment)”.¹¹

Considering the above, the next chapter analyzes the structure of the labor market in Georgia. It focuses on those shortcomings on the national level, which leave the true nature of the labor market structure vague to this day. Interrelations between the formal and informal employment, scale of unemployment, atypical, non-standard, and precarious employment are also unclear due to these shortcomings.

Labor market research in Georgia and its methodological flaws¹²

In Georgia, the economically active population (i.e. labor force) are individuals over the age of 15, who work or are ready to work in industry or services. Individuals who have not worked for seven days before the survey or have not searched for work within one month before the survey are outside the labor force. ¹³ *Infographic 1* shows that the number of inactive population is rising from year to year. Per gender segregation, more than 44% of women and 26% of men older than 15 years are inactive. This happens because women face an imperative need for household work and care as compared to men. According to the 2019 labor force survey data, 38.2% of women say that they are not starting work because they are taking care of a minor (0.4% of men say the same) or a family member who is ill (5.6% of women and 1.5% of men say this). As for the reasons for losing hope in finding a job, which we think is

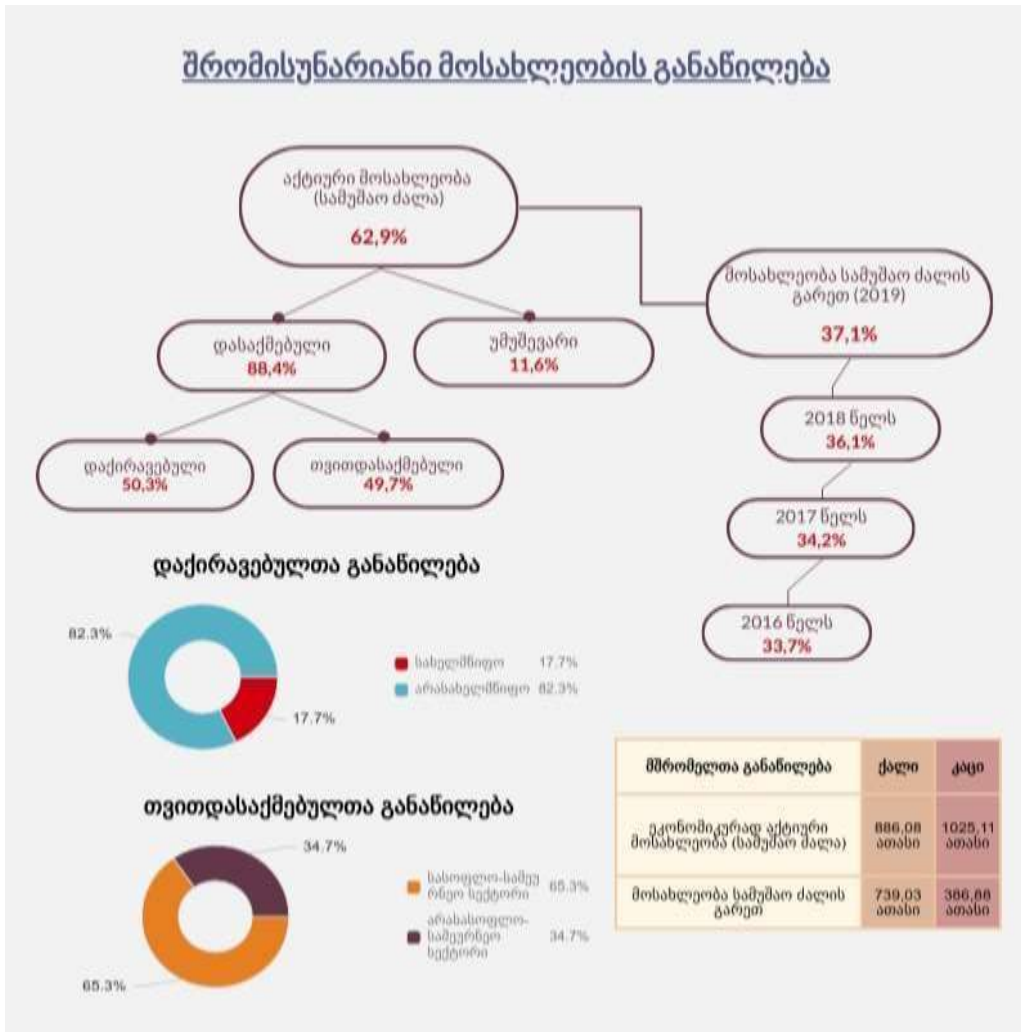
⁹ Nora Dudwick, Georgia: A Qualitative Study of Impoverishment and Coping Strategies, in *Georgia Poverty and Income Distribution*, vol. 2, 19348-GE (Washington,: World Bank, 1999).

¹⁰ Bernabè and Stampini, Labour Mobility during Transition: Evidence from Georgia.

¹¹ Bernabè and Stampini., 98.

¹² Author’s note: Most of the statistical data in this section relies on 2019 sources.

¹³ National Statistics Office of Georgia (Geostat), [Economic Activity of the Population](#)



one of the preconditions for increasing the number of economically inactive population, the most frequent answer for both women and men is the inexistence of jobs.

Regarding the definition of the unemployment status, a person is considered to be unemployed if he/she has not worked within a week before the survey, but was looking for employment for the last four weeks and was ready to work for the upcoming two weeks at the moment of the survey.¹⁴ The share of such individuals is 11.6% of the economically active population in Georgia, which is a relatively low rate. According to the 2019 labor force survey, per ILO's strict and soft criteria 6 to 8 percent of people fit to work were considered unemployed.

In contrast, at least 18% of the interviewed people considered themselves unemployed, while only up to 40% perceived themselves as having a paid job.¹⁵ Consequently, the existing

¹⁴ Ibid, 2.

¹⁵ National Statistics Office of Georgia (Geostat), [Labor Force Survey](#)

discrepancy between the perception of population and the criteria for defining unemployment indicates that there is a high margin of error in calculating unemployment and the need for revising the methodology. Labor force survey data proves that a more sensitive and flexible methodology needs to be introduced, which would present an actual level of unemployment, as opposed to the nominal rate.

Excluding the population beyond the labor force and those considered unemployed, a relatively big part of the population is employed, which raises questions and indicates inconsistencies in an economy such as Georgia, which has a low level of labor intensity. For example, the 2019 data for on distribution for persons older than 15 by economic activity indicates that **849.3k** persons are hired employees, while business sector statistics say that in total **673.8k** individuals are hired to work for state and private sectors. Geostat explains this inconsistency by citing different observance periods and different methodologies.¹⁶ Specifically, the population distribution data by economic activity, which is based on the labor force survey, calculate the number of people **within one-week period** from the survey, while the same period of observation for the businesses and organizations can be **a quarter or a year**. Besides, methodological aspects of the surveys are also named as the cause for differences. Namely, in the case of the businesses and organizations, the methodological approach is the aggregation of data from each observation subject (i.e. collection of data on each employed person from businesses and organizations), which results in the collection of the data **on the number of workplaces**. A different methodology is used in the case of the labor force survey. Particularly, individuals are surveyed (i.e. individual interviews of household members included in the survey), which results in the collection of the data **on the number of employed individuals** for the given period of the research. Additionally, the labor force survey will consider anyone who has worked for **at least one hour** during the research period to be employed. Instead, the survey of business and organizations calculates the number of hired employees based on the **workplaces occupied and time worked**. For example, according to the statistics for businesses and organizations persons are considered to be employed in the agricultural sector if they have worked for an agricultural enterprise (agricultural factory, horticulture industry) for at least a quarter or a year. In the case of the labor force survey, even a person who has worked for at least one hour for the past week (e.g. sold a bottle of milk) and generated monetary or in-kind income can be viewed as employed in the agricultural sector. Consequently, the comparison of these two methods of studying the employed population presents us with a general picture, where there is a difference in *175.5k hired employees*. These people are not reported by one approach at all, while the other includes them in the number

¹⁶ National Statistics Office of Georgia, [Economic Activity of the population](#), 7

of the employed population. We need to point out that these people are also not considered among the unemployed population even though they may be left without employment and income for a certain period. It is evidenced by the fact that the unemployment rate is a fixed rate and it is calculated with the methodology of the labor force survey. This indicates that this part of the economically active population which composes 10.4% of all hired employees, in reality, is the group of people engaged in atypical, temporary, and unstable labor. The majority of them likely represent the informal labor force. But because, according to the existing methodology, they were accounted for as hired employees in the given survey period, it was concealed that there are no opportunities for stable and long-term hired employment for these people.

As for the category of self-employed people, the National Statistic Office defines that “Absolute majority of self-employed people are employed in rural areas, in their own (peasant) farms”.¹⁷ As for the number of self-employed people beyond the agricultural sector, who are employed in urban areas, according to the labor force survey, 33.8% of people employed in non-agricultural sectors belong to this category. 34.7% of all employed in the non-agricultural sector are those informally employed in this sector.¹⁸ This includes self-employed people in agricultural and street trading, drivers, babysitters, private tutors, and family help. Labor force research produced by Geostat indicates that a large part of self-employed people faces grim social reality, their income is minimal and many of them are looking for additional employment. Nevertheless, they don’t consider themselves unemployed or being without income.

The analysis of the Georgian labor market structure and the scale of the self-employed population it includes, considering the coronavirus pandemic and associated social and economic crises, make it relevant to discuss the following issues: what is the role of informal labor in maintaining social reproduction and ensuring social well-being of workers? Can we still regard informal employment as one of the key strategies for survival?

To answer these questions, the next part will study the dynamics of informal labor and the changes in the status quo of the self-employed during economic crises. In the next part of this analytical paper, we will analyze the 2008-2009 economic crisis and its impact on the labor market. We will also study the economic crisis created by the coronavirus pandemic. We will

¹⁷ National Statistic Office of Georgia, [Labor Force Survey](#), p.2

¹⁸ **Author Note:** Geostat uses the following methodology to calculate this amount: the number of people employed in the agricultural sector, who are not protected with a formal agreement, or are protected only partially is divided by the number of the total amount of employees in the agricultural sector and this ratio represents the share of informal employees in the agricultural sector.

use the results of the face-to-face interviews conducted in June-July 2020 to analyze the impact of this crisis.

Economic crises and informal labor

The economic crisis is an integral part of the modern economic system and they cannot be explained by a single cause, since they happen as a result of a variety of complex factors. The impact of economic crises and shock on the social well-being of a country, labor market, or the employees themselves is an equally complex and multifaceted dimension. In this part of the analytical paper, we discuss two cases of economic crises: the 2008-2009 economic crisis, which was named as so-called financial crises, and the economic downfall caused by the coronavirus pandemic in the first quarter of 2020. The outcomes and impact of this crisis on labor areas are still to be identified. We will discuss the crises by observing formal and informal employment and we will study the reaction of workers to the outcomes of the economic crisis and the specifics of differences between formal and informal sectors.

- *2008-2009 financial crisis*

The 2008-2009 economic crisis in Georgia had two major preconditions - on one hand, it was caused by the grave outcomes of the 2008 war with Russia, and on the other hand, by the global financial crisis, which put Georgia in face of the new types of challenges.¹⁹ As a result of the crisis, GDP real growth fell by 5% in the third quarter of 2008. In the second quarter of 2009 GDP real growth fell by a record 10%, with an annual rate of 3.7%. This halted the economic growth and put the country in face of a serious economic crisis. (see *Figure 1*). The 2008 war and the subsequent waves of the 2009 global financial crisis cut foreign direct investments by half. FDIs played an important role in budget growth and stimulating the economy. The economic crisis was followed by the downfall of production, decline in tourism, and cutback of production size by large enterprises or their closure.²⁰ Apart from the macroeconomic effects, the economic crisis also resulted in dire social conditions. The inflation rate was high and the prices of consumer products went up, while wages and income increased only marginally in 2008 and 2009. In particular, the nominal monthly salaries of hired employees increased by 4.1% in 2008 and 7.3% in 2009. As a result, households faced increased expenses and decreased incomes. This happened when the bank loans by households were at a record high and composed 12% of GDP by 2008.²¹ Moreover, in 2008 and 2009 Georgia

¹⁹ Papava Vladimer, "The specifics of economic crisis in Georgia," Economist, 2009, №4.

²⁰ Papava, 6.

²¹ IMF, [Financial Access Survey](#)

Figure 1

Source: Ministry of Finances of Georgia



received a record amount of financial assistance from international donor organizations (IMF, World Bank, EU), but this only postponed the dire social outcomes of the crisis on a national level. For example, in 2008 and 2009 the share of the population below the poverty line was maintained at 34.9% nationally, while in 2010 the rate spiked up to 37.3%. Poverty among the rural population went to a record high of 42.3%.

It is noteworthy, that alongside these economic shocks, at a glance, labor market dynamics revealed an absolute resilience to the crisis. According to the 2008-2009 labor statistics, there were no structural changes - the unemployment rate increased only by 0.4%, and the employment level increased instead of decreasing. (This is a paradox during the downfall of production). But, if we take a look at the sectorial distribution we will see that informal employment increased, workers changed the economic activities to maintain the employment status, and the status-less workers transferred to the agricultural sector. Considering the salaries, remuneration, and income, this cannot be a voluntary transfer. Besides, the data analysis suggests that mobility among the formal employment sectors was relatively less in the same period. This once again points to the segmentation of the labor market and indicates that during a crisis formal employment prevails over informal employment due to more stability, guaranteed income, and access to minimum social protection mechanisms. (for example, fast bank loans).

As for the data analysis related to employment, the integrated Household Survey existing up to 2016 reports a 1% increase in the number of self-employed individuals in 2008-2009. However, the comparison of Integrated Household Survey and business sector research

provide a completely different picture. (See table 1). As discussed above, Geostat explained the difference between the data of these two studies by the observation period and methodological differences. In particular, if the business sector reports data based on observing each subject and calculating the number of workplaces, in the integrated household research, the number of hired employees is reported according to the ILO methodology. This difference in data supports the argument that the percentage difference between the business sector research and integrated household research is the segment of the population, which failed to find stable, long-term employment on the market and therefore was engaged in various occasional, precarious, and informal labor. If we observe this percentage difference throughout the years, we will see that the engagement of workers in formal sectors under the status of hired employees was very low in 2008 and 2009, and their employment in informal, temporary, and occasional workplaces was very high. Moreover, **the ratio of the difference between the two sources with an economically active population reveals** how significant was the share of so-called hidden informal employment in 2008-2009. In particular, if according to the distribution of persons older than 15, up to 50% of the economically active population was self-employed, (see table 2), according to the calculations described above, among those employed, 14.8% in 2008 and 13.4% in 2009 were still engaged in unprotected informal and atypical labor.

Observation of workers' mobility in various economic activities (types of NACE 2) also indicates that mobility is widespread in the informal sector and less present in the formal sector. In particular, from 2008 to 2010 the number of employees in agriculture, forestry and fishery increased by 61%. In accommodation and food service activities which mostly entails retail and operation of hotels and restaurants, the number of employees increased by 44% and in art, entertainment and recreation - by 38%²². These spheres are characterized by a high share of informal labor, which derives from the type of employment, its episodic nature, high mobility of workers in the sphere, and other factors. In contrast to this, in spheres, which mostly entail formal employment - industry, transportation and storage, information and communication, education - increase in the number of employees was minimum. This can be explained by the very specifics of economic activities, as it was the case with informal labor (e.g. frequency of long-term contracts, fewer characteristics of labor mobility). However, the sharp increase in the number of employees in agriculture (see table 3) supports the dynamic of labor mobility, which considers informal employment in the first place and employment in

²² **Author note:** It is noteworthy that the business sector research reveals this difference in employment, when, according to the integrated household survey, the number of those employed in the agricultural sector increased by 2,5% from 2007 to 2008 and reduced by 3% from 2008 to 2010.

agriculture after that as a buffer zone, which adopts the social protection function when there is no alternative.

By observing the labor mobility and changes in employment status in 2008 and 2009 it is hard to conclude whether this dynamic was voluntary or not. However, we need to consider that economic production fell nationally, the turnover of large enterprises reduced, and in cases, the production stopped altogether. As a result, employment in the formal sector decreased, and the chances of moving from the informal sector to formal diminished. This scenario makes it logical to conclude that like during the 1998-1999 crisis²³, during the 2008-2009 crisis as well the informal labor became a major survival strategy, while employment in agriculture adopted the social protection function, whereas unemployment was not an option.

- *2020 pandemic crisis*

The effect of the current pandemic crisis on the country and its outcomes is still unknown. However, all the existing forecast predicts sharp economic decline, massive cutbacks in production and services, and dire social and economic outcomes. International experts project radical changes in the labor market. According to the soft scenario, 34 million people across the world will become unemployed, while a more strict scenario puts the number close to 340 million.²⁴ Closure of borders across the world, restrictions on the movement of capital and commodities, cancelations of international flights and travel will affect developing countries the most since economies in these countries usually depend more on foreign finances and external stimulation of the economy. In Georgia, this is evidenced by the share of foreign direct investments in GDP and the ratio of remittances with the state budget. Except for international influences, the scale of the impact of the pandemic also depends on the characteristics of a national economy, which are, for example, a high share of the tourism sector in the labor market and a high number of small and medium businesses associated with it.

A report prepared by ISET, which analyzes the impact of the pandemic on the labor market, says that 30% of hired workers are at a high risk of losing jobs. The risk is the least for people working in education, the public sector, and healthcare. Among the most high-risk spheres are manufacturing, construction, wholesale and retail trade, transportation and storage, accommodation and food services (same as the hotels and restaurant services). If we

²³ Bernabè and Stampini, Labour Mobility during Transition Evidence from Georgia.

²⁴ [ILO Monitor: COVID-19 and the world of work. Fifth edition Updated estimates and analysis, 30 June 2020](#)

exclude the share of people employed in agriculture, in total, 52% of the economically active population is employed in these spheres.²⁵

Furthermore, the pandemic crisis will have grave outcomes in gender as well as regional dimensions. If during the 2008-2009 crisis the difference between urban and rural areas in terms of poverty was 5%, the ongoing crisis will have further grave outcomes for the rural population. Fiscal resources accumulated through anti-crisis measures will reach the rural population, where the share of informal labor is larger, less, or with a delay.²⁶ Besides, the situation will especially deteriorate in the regions, which were most affected by the coronavirus pandemic and subsequent state measures. This is evidenced by the amount of population who receive living allowances, as reported by the Social Services Agency. By July 2020, the number of recipients of living allowances has increased significantly. The data reveals (Table 4) that the number of recipients of living allowances for a one-year reporting period has especially increased in Kvemo Kartli and Samtskhe-Javakheti, regions with a high number of people infected with Covid-19, where more longterm and strict quarantine measures were necessary. Besides these regions, according to the July 2020 data, a high number of recipients of living allowances were revealed in the Ajara region and Batumi. This can be explained by the high dependence of the region on tourism.

As for the gender aspects of the pandemic crisis, it needs to be mentioned that the outcomes will be especially dire for female workers and specifically for women living in rural areas. On one hand, this is explained by the fact that the share of female employees is especially high in sectors most affected by the pandemic, such as wholesale and retail trade, accommodation and food services;²⁷ on the other hand, the increased demand for household labor, which is caused by the intensity of being at home or closure of schools and kindergartens, will lay most heavily on women. Moreover, as the engagement of women in family farming and household labor intensifies, it will be harder for women, especially those from the rural areas to find employment after the pandemic. They will be less competitive in the labor market as compared to the male workforce.²⁸

All these circumstances will affect the share in formal and informal labor sectors as well. Moreover, it will be impossible to maintain the unemployment rate at the current level, even at the expense of increasing informal labor. Closure of agricultural markets across the

²⁵ Pavlenishvili Levan et al. "The Social Impacts of COVID-19 – Case for a Universal Support Scheme?" (Tbilisi: International School of Economics (ISET), April 2020).

²⁶ Babych yaroslava, Keshelava Davit, Mzhavanadze Giorgi, "The Economic Response to COVID-19: How is Georgia Handling the Challenge" (Tbilisi: International School of Economics (ISET), March 2020).

²⁷ Diamond Alexis and Jenkins Margaret, "Women's Economic Inactivity and Engagement in the Informal Sector in Georgia: Causes and Consequences, Women's Economic Empowerment in the South Caucasus, (UN Women), 2018).

²⁸ Hitomi Ho and Ileana Grandelis, Impact of COVID-19 on Informal Workers (Food and Agriculture Organization of the United Nations, 7 April 2020).

country, transportation restrictions, and reduction of consumption will influence informal labor relations and employment. Furthermore, a decrease of employment in the formal sector on one hand and the government's anti-crisis and fiscal measures on the other hand, which will primarily be directed at supporting the formal sector, will further deepen labor market segmentation and preferences of employees regarding formal and informal sectors. Formally employed people will be in a privileged state, while those employed informally will be more vulnerable and unprotected.

In a post-Covid scenario, this principally new polarization between formal and informal employment is highlighted in face-to-face interviews conducted with the self-employed respondents. 15 respondents have been interviewed with a semi-structured questionnaire. 11 out of this 15 had no employment contract. The question was asked about how they view labor protection and their labor conditions in the context of the pandemic and the subsequent crisis. The majority of interviewees highlighted the negative aspects of informal employment associated with the abrupt cutting off the income alongside the announcement of the pandemic, difficulties in returning the income to its initial point, difficulties in benefitting from anti-crisis assistance, and unavailability of minimum safety guarantees such as consumer loans, minimum savings and the possibility to look for alternative employment. In this situation, the majority of survey respondents had low trust in the state institutions and counted on the support from informal social relations, such as family, friends, and relatives. As for the expectations in terms of more safeguards related to their income and employment, the respondents have low expectations for improvement of work conditions and solutions to the problem on an institutional level. Therefore, individualist initiatives prevailed in responses, such as having personal savings, covering bank loans, opening a deposit, etc. As for the institutional solution to the challenges, such as formalization of labor, mobility to more stable spheres of employment, and request of employment contracts for more security (for examples from the owners of a fitness center or cafes and bars), the respondents had very pessimistic expectations in this regard and did not even consider these options in the context of the existing crisis.

In conclusion, considering the circumstances described above, it is very likely that the pandemic crisis will cause significant changes in the labor market. It will increase the unemployment rate as well as the segmentation between formal and informal sectors. The opportunities for formal employment will be reduced because of the crisis and the scale of inequality will enlarge. In particular, those who will remain in the formal sector will receive more benefits from the state anti-crisis plan, while the employees of the informal sector,

regardless of their increase in number, will have significantly more restricted access to the state anti-crisis and social protection services.

In the end, we need to discuss the circumstances associated with the agricultural sector. It is expected, that the share of the employees driven out of the formal sectors or those who had been employed in informal sectors outside the agricultural sphere will increase in the agricultural sector. This expectation is supported by historical practice, which shows that during the economic crises, people left without income massively transfer to the agricultural sector. On the other hand, the observations of the recent dynamics also support this suggestion - during the quarantine and secession of economic production the number of people who moved from urban areas to villages and rural areas notably increased. The exact number of these people is yet unknown, however, observation of the mainstream media and public dynamics revealed the increased number of people, who moved from urban to rural areas, “to the land.” Whilst these dynamics were romanticized in public discourse and presented from a sentimental perspective, in reality, this trend hides the widespread survival strategy, which is cemented by economic rationality and history. In particular, as mentioned at the beginning of this analytical paper, observation of the history of crises in Georgia highlights the tendency that informal employment and the agricultural sector, in particular, have been always used as a buffer zone during economic crises and lack of social protection.

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Table 1

Source: Geostat

	Integrated Survey of Households	Business Sector Survey	Percentage Difference
Years	Hired Employees	Hired Employees	%
2008	621.811	334.286	86,0
2009	634.504	369.396	71,8
2010	668.767	380.709	75,7
2011	684.004	482.254	41,8
2012	716.161	514.387	39,2

Table 2

Source: Geostat

Distribution of Population over 15 by Economic Activity

Year	Labor Force	Share of the Self-Employed
2008	1944684,7	50,10%
2009	1971751,5	49,46%
2010	1970901,4	48,54%
2011	1988240,1	47,91%

Table 1 Source: Geostat

Distribution of employed persons by economic activity

	Agriculture	Industry	Construction	Wholesale and retail trade	Transportation and storage	Accommodation	Information and Communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities
2008	4.051	90.487	38.117	54.696	39.324	11.184	15.762	9.244	8.142	8.252	13.563	51.078	3.231	2.119
2009	6.252	97.463	43.549	66.609	40.884	13.540	16.305	9.622	10.344	9.109	13.265	53.548	4.393	2.581
2010	6.509	100.26	40.516	67.672	40.224	16.106	16.659	10.058	10.103	11.350	14.692	56.530	4.448	2.672
%	61	11	6	24	2	44	6	9	24	38	8	11	38	26

Recipients of living allowance

Percentage change

Cities and regions	Recipients of living allowance			Percentage change	
	July 2019	January 2020	July 2020	Change of the amount of population in 6 months (%)	Change of the amount of population in 1 year (%)
Tbilisi	97460	84895	102960	21,3	5,6
Batumi	10943	10212	12333	<u>20,8</u>	<u>12,7</u>
Kutaisi	7158	5667	7139	26,0	-0,3
Guria	18434	18898	20604	9,0	11,8
Kakheti	46967	45237	50419	11,5	7,3
Racha-Lechkhumi and Kvemo Svaneti	12558	12405	13365	7,7	6,4
Imereti	60181	56736	63722	12,3	5,9
Mtskheta-Mtianeti	13777	13419	15129	12,7	9,8
Samegrelo-Zemo Svaneti	55537	57062	62019	8,7	11,7
Samtskhe-Javakheti	10891	11352	12539	<u>10,5</u>	<u>15,1</u>
Kvemo Kartli	45009	47429	53303	<u>12,4</u>	<u>18,4</u>
Shida Kartli	43830	41957	42293	0,8	-3,5
Ajara	40947	42828	47437	10,8	15,8
Total	445591	432218	487790	12,9	9,5

Table 4

Source: Social Services Agency