GEORGIAN LABOR MARKET CHALLENGES IN THE CONTEXT OF THE COVID-19 PANDEMIC

Abstract. Restrictions imposed to stop the spread of Covid-19 in Georgia have led to a significant slowdown in economic activity. Stopped hotels, restaurants, retail stores, disrupted air and rail traffic, empty museums, casinos, and sports fields have become the cause of lots of lost jobs and reduced incomes. The pandemic aggravated the problems of the Georgian labor market. The number of unemployed has increased, the income of the population has decreased, and the standard of living has fallen. The aim of the paper is to analyze the problems of unemployment in Georgia in the context of Covid 19 and post-Covid challenges and to find ways to solve them; The paper is based on a review of leading scientific publications and statistical data, an assessment of the main directions of the state anti-crisis policy. Statistics and real reality show that unemployment problems in developing economies are particularly acute. Unemployment is the most acute socio-economic problem and current challenge in Georgia. It appears to be a major contributing factor to poverty in the country. Clearly, in the context of the Covid-19 pandemic, promoting employment in any country's economic activity and solving existing social problems is of paramount importance, both through improving the business environment and taking measures necessary for the efficient functioning of the labor market.

Keywords: Labor market, unemployment, employment, COVID-19 pandemic.

Introduction. The labor market is one of the major driving forces of a market economy. As early as the 1990s, after the collapse of the Soviet Union, when
Georgia regained its independence and aimed to build a democratic, market-based state, the legal basis for the formation of a labor market was on the agenda. Numerous reforms have been carried out in the country, and relevant legislation and mechanisms for its implementation have been developed. At present, the main legislative act regulating labor relations in Georgia is the Labor Code of Georgia [1]. The fundamental principles of labor law are reflected in the Constitution of Georgia [2]. The country aspires to further approximation to European and international labor standards and regulations [3].

In a market economy, special importance is attached to the establishment of an efficiently functioning labor market, through which the rational distribution of the most important resource - "labor" between firms, industries, professions, and regions. The market carries not only economic but also important social content. In a market economy, everyone is given the opportunity to make the most of their skills and abilities to ensure their well-being [4].

The reforms implemented in Georgia have ensured the improvement of the legislation regulating labor relations. Although a number of amendments have been made to the Labor Code of Georgia, labor relations have been legally regulated, which is an important precondition for the development of the labor market, and unemployment is still a major problem in the country's macroeconomic policy [5].

The COVID-19 pandemic imposed restrictions that severely hampered economic activity, reduced labor demand, and labor supply, increased unemployment, and exacerbated labor market and labor market problems.

**Aim of research.** The aim of the paper is to analyze the problems of the labor market and find ways to solve them. Under Lockdown, assessing the impact of Covid-19 on the protection of citizens' labor rights, and labor safety; It is important to analyze how the perfection of the legal framework determines the development of the labor market.

**Methodology.** The theoretical and methodological basis of the research is the leading scientific publications and statistical data, Georgian labor legislation, and assessment of the main directions of the state anti-crisis policy.
**Literature review.** It should be noted that the negative impact of the pandemic in Georgia did not affect all labor market participants equally, therefore, it is important to analyze which groups of employees are most vulnerable in a given situation. In developed and a number of developing countries, the problem of temporary unemployment is being addressed by activating unemployment insurance or unemployment benefit systems. Unfortunately, this mechanism does not exist in Georgia, which further aggravates the consequences of unemployment.

The main source of employment in Georgia is the private sector. The main driver of employment growth before the pandemic was the increase in hired workers. According to 2019 data, 824.2 thousand people are employed, which is 48.3% of the employees, while the remaining 51.7% are self-employed. At the same time, the share of employees in agriculture is quite high in self-employment. 82% of the self-employed come from the agricultural sector. Employment in the industrial sector is 8%, while the number of employed in the service sector exceeds 40%. In the services sector, the trade (10%) and education (9%) sectors stand out. As for the employees in the business sector, the sectors with the highest share of employment are (26%), industry (18%), and construction (11%)[6].

The high vulnerability of the Georgian economy to the coronavirus pandemic is primarily due to the structure of GDP, with the largest share of the economic activities that are most affected by the coronavirus - these are wholesale and retail trade (13.9%), real estate activities (11.4%), construction sector (8.3%) and financial-insurance activities (6.1%) [7]. At the same time, the stagnation of the tourism sector, which has been considered a cornerstone of economic development for years, has dealt a significant blow to both the labor market and the stability of the lari exchange rate. High economic destabilization under the coronavirus is related to the structure of the labor market, where the number of employees is equal to the number of self-employed in the informal sector, while among the self-employed, the share of employees in the so-called volatile services, such as the service sector, atypical employment, seasonal employment or others, is high. Under
these circumstances, it is not surprising that a radical increase in unemployment is expected, where 30% of the total number of employed workers are at high risk of losing their jobs, while 83.5% of the self-employed will have to deal with declining incomes and reduced economic opportunities [7].

It should be noted that before the pandemic, a downward trend in unemployment was observed in Georgia. From 2017 to 2019, the rate decreased from 21.6% to 17.6%. However, the positive change in the reduction of the unemployment rate was not reflected in the employment rate, which was unchanged in the given period. According to experts, the decline in unemployment during this period was not due to increased economic activity or positive changes in the labor market, but to a reduction in the labor force, the migration of the unemployed [8].

Unemployment in the pandemic has risen sharply: by 2020, the unemployment rate was 18.3%, and in the first quarter of 2021 - 21.9%.

Diagram 1

Unemployment Rate in Georgia (%)

Source: National Statistics Office of Georgia, Employment and Unemployment

According to Geostat, in the first quarter of 2021, the labor force accounted for 48.3% of the working-age population, which is 3% lesser than was in the corresponding period of the previous year, while the employment rate is decreased by 4.2%, and amounts 37.7%.
COVID-19 has had a significant impact on structural change in the labor market. According to the PMC Research Center, due to the new coronavirus pandemic, the five most affected sectors are Arts, entertainment, and leisure; Accommodation and food supply; Transport and warehousing; Wholesale and retail trade; Other services. These five sectors account for 45% of the total number of employees or more than 300,000 employees. Most of them were temporarily unemployed [8].

Discussion and Results. In order to alleviate the aggravated problems in the labor market, on July 14, 2020, the Parliament of Georgia adopted the Law on Employment Promotion. The purpose of the law is to promote the employment of Georgian citizens, the implementation of active labor market policies, the development of free enterprise and competition, and equal access to employment programs for Georgian citizens living throughout Georgia. According to the law, employment promotion is provided by the State Employment Promotion Agency [9].

In the conditions of the pandemic, it acquired special relevance with labor safety, social protection of employees, labor migration, etc. Related issues.
Importantly, since the beginning of the pandemic, a number of changes have been made to the Labor Code. Under Georgian law, the main mechanism for preventing or mitigating labor rights violations is labor inspection [10]. According to the order of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs (№01-227 / o), it is the responsibility of the Labor Inspectorate to verify the recommendations and regulations developed to combat Covid-19.

Problems with labor safety have been exacerbated in the country. There is a tendency to increase the number of employees killed as a result of industrial accidents. A step forward in this regard is the adoption of the Organic Law on Labor Safety by Parliament on February 19, 2019. The purpose of the law is to define the basic requirements and general principles of preventive measures related to workplace safety issues, existing and expected threats, prevention of accidents and occupational diseases, etc. [11].

In 2020, the Center for Human Rights Education and Monitoring (EMC) published a report - Labor Relations and Social Protection during the Pandemic, which analyzes changes in the labor, social and economic status of employees in formal and informal labor relations in Georgia during the pandemic, labor policy, institutions, and legislation And the effectiveness of state social protection systems and emergency anti-crisis measures [12].

In the first phase of the Covid-19 proliferation, there were cases where employers illegally asked employees to withdraw from self-isolation and quarantine and report for service. Due to absence from work due to transport restrictions, some employers terminated the employment contract unilaterally; During public transport restrictions, employers did not provide employees with vehicles; Employees often had to purchase personal protective equipment at their own expense; In some cases, remote workers were not provided with the technological equipment needed to perform the job. The pandemic has had a particularly severe impact on the living standards of people working in informal sectors. In the conditions of already reduced incomes, fines for violating regulations were a particular problem, and the dismissal of employees without legal grounds became massive [12].
In Georgia, as well as in the world, working remotely became important during Covid, although most people in the Georgian labor market do not have the luxury of it. According to available statistics, only one-fifth -19.3% of the workforce has the opportunity to work remotely.

**Conclusion and recommendations.** Thus, the Covid pandemic has significantly exacerbated labor market problems. While the pandemic is gradually receding, much of the restrictions have been lifted, and the share of vaccinated people is growing, the predictions of the world’s leading organizations are less promising. According to the World Bank, global economic growth is expected to slow significantly in 2022, from 5.5% to 4.1%, reflecting the prolonged aggravation of COVID-19, reduced fiscal support, and supply disruptions. The ILO is now projecting that global hours worked in 2021 will be 4.3 per cent below pre-pandemic levels (the fourth quarter of 2019), the equivalent of 125 million full-time jobs.

In such conditions, in order to tackle unemployment and improve employment in Georgia, it is important to stimulate a knowledge-based innovative economy, implement employment retention measures; Adaptation of operating modes (support of remote and hybrid operation; reduction of working time). Once the pandemic is over, it will be important to develop and implement policies that will help the national economy recover in a minimum amount of time. The challenges of labor, employment, and unemployment exacerbated by the pandemic can be overcome through the joint efforts of both the central government and local services and the broad involvement of the population through the preparation and implementation of appropriate anti-crisis programs.

**References:**


