



This bulletin focuses on changes in unemployment trends in Georgia in the period of 2017-2020 and provides an analysis of the effects of the COVID-19 crisis on unemployment in the country.

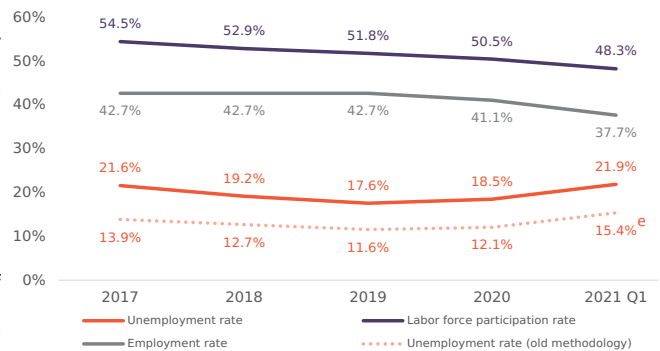
In 2021, unemployment remains an unresolved obstacle for the Georgian economy and society’s most pressing problem. Over the years, diverse public opinion polls have indicated that unemployment is the most important issue at national level. For instance, in 2020, according to a public attitudes poll conducted by the National Democratic Institute¹, for 46% of respondents the main challenge they were facing was unemployment.

In Georgia, before the COVID-19 crisis struck, the unemployment rate had experienced a noticeable downward trend. From 2017 to 2019, the rate dropped from 21.6% to 17.6%. However, this positive change was not reflected in the employment rate, which remained steady over the same period. Moreover, from 2017 to 2019, the labor force participation dropped from 54.5% to 51.8%. Consequently, it is more likely that the aforementioned downward trend in the unemployment rate was not attributable to increased economic activity or positive changes in the labor market, but rather to the shrinking of the labor force.

The COVID-19 crisis and subsequent job losses increased the unemployment rate in 2020 by 0.9 percentage points (pp) compared to 2019. Moreover, in the first quarter of 2021, the negative effects of the crisis on the labor market of Georgia rose and compared to the corresponding period of 2020 the unemployment rate increased by 3.6 pp.

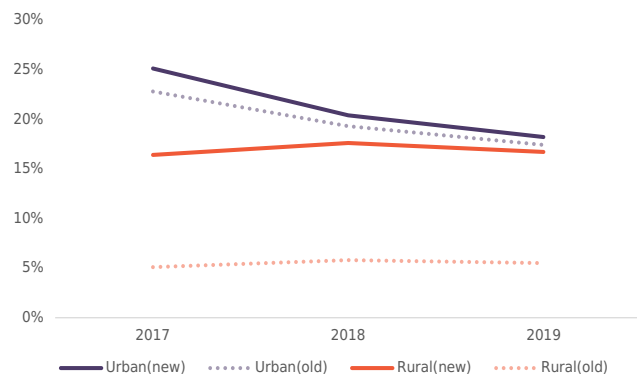
It is worth noting that the National Statistics Office of Georgia introduced a new methodology² in 2020 according to which subsistence farmers were no longer categorized as self-employed. This change significantly increased the unemployment rate in Georgia. For instance, according to the new methodology, the average unemployment rate in the period of 2017-2020 amounted to 19.5%, while the same figure based on the previous methodology was 12.6%.

Labor market indicators in Georgia



Source: Geostat

Unemployment rate in rural and urban areas defined by new and old standards



Source: Geostat

Unsurprisingly, the abovementioned growth in the unemployment rate was strongly influenced by a drastic change in the unemployment composition in the rural areas of Georgia.

Generally, in Georgia the unemployment rate is higher in urban areas than in rural areas. According to the old methodology, the difference between urban and rural unemployment was significant throughout 2017-2019⁴. For instance, the average unemployment rate during this period in rural areas was 5.5%, whereas in urban areas it was 19.8%.

However, changing the status of non-market-oriented agricultural workers and classifying them as unemployed or inactive automatically increased the unemployment rate in rural areas. Consequently, the difference between urban and rural unemployment notably narrowed. According to the new methodology, the average unemployment rate in the 2017-2019 period amounted to 16.9% in rural areas, whereas in urban areas the average rate was 21.2%.

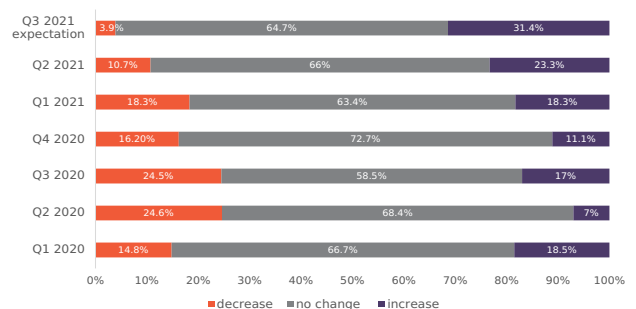
The situation regarding the COVID-19 pandemic remains uncertain, and it is hard to predict how the unemployment rate will change in the near future. The Business Association of Georgia together with PMC Research Center conducts a quarterly survey, publishing the BAG Employment Barometer³. The aim of the BAG Employment Barometer is to reflect the situation regarding employment and companies’ (BAG member businesses and companies in their corporate group) expectations regarding changes in employment for the next three months.

According to the latest BAG Employment Barometer, in Q2 of 2021 compared to Q1 of 2021, 23.3% of the surveyed companies had an increased number of employees, 10.7% had decreased their staff, and 66% recorded no change.

Meanwhile, expectations for Q3 of 2021 were more positive as 31.4% of the surveyed companies expected their number of employed people to increase, with 64.7% not expecting any changes and only 3.9% foreseeing a decrease.

If these positive expectations are met, the situation in the labor market would change for the better in the third and fourth quarters of 2021 and the unemployment rate would decrease, however the situation is heavily dependent on how the COVID-19 situation develops and whether certain restrictions are lifted, eased or (re)imposed.

Changes in employment according to the BAG Employment Barometer



Source: PMC Research - BAG Index Survey

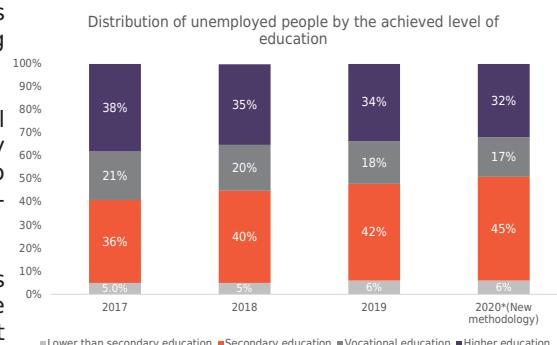
In order to understand the breakdown of unemployment in Georgia, it is important to observe the correlation between the level of educational attainment and unemployment.

In Georgia, the proportion of people to have attained higher education was quite substantial among unemployed people between 2017 and 2020, ranging from 32% to 38%.

The proportion of unemployed people to have attained higher and vocational education experienced a downward trend. From 2017 to 2020, it shrank by 6 and 4 pp respectively. Meanwhile, the proportion of unemployed people to have attained secondary education and less than secondary education recorded an increasing trend, by 9 pp and 1 pp respectively⁵.

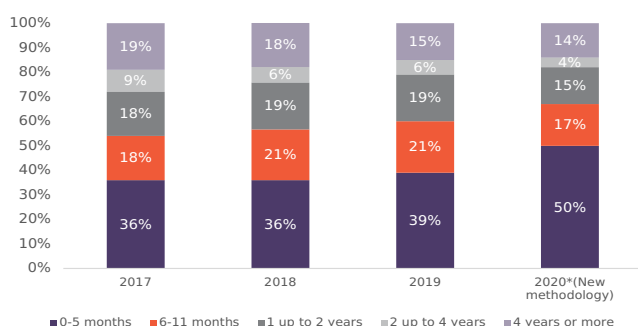
It is noteworthy that the average unemployment and proportion of workers out of the labor force among people to have attained higher education for the period of 2017-2020 were 9.7% and 28.6%. Consequently, the employment rate amounted to 61.7%, while among OECD countries the average employment rate from 2017 to 2019 was 85.2%⁶.

The high level of unemployment among people to have attained higher education and their low level of labor force participation might be influenced the following two factors: first, the labor market in Georgia lacks employment opportunities that require a high level of qualification; and, second, for jobs that do require a high level of qualification, the level of educational attainment on the labor market is not sufficient.



Source: Geostat, PMC RC's calculations

Breakdown of unemployed people by unemployment duration



Source: Geostat, PMC RC's calculations

Another indicator that gives some insight into the unemployment composition in Georgia is unemployment duration.

Through the period of 2017-2020 long-term unemployment (more than one year) was relatively high in Georgia, albeit it recorded a decrease in this period. The average figure for long-term unemployment over this period was 40%.

In 2020, short-term unemployment (less than one year) sharply increased, reaching 67%. This growth could be attributed to the 11 pp increase in the proportion of people unemployed for a period of 0 to 5 months. It is highly probable that this shift was determined by the COVID-19 crisis breaking out as the corresponding restrictions imposed caused temporary job losses in 2020. Moreover, changes in methodology could also have had an impact here.

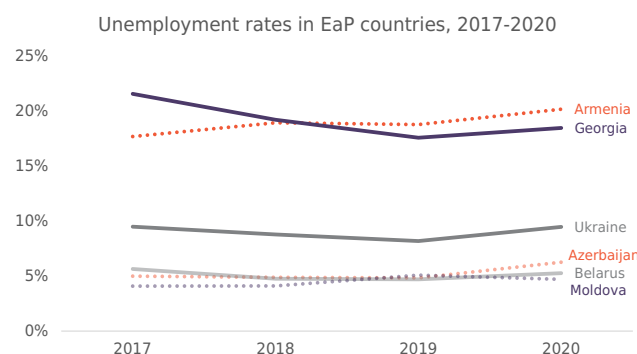
It must be noted that the decreasing trend for long-term unemployment does not automatically translate into an increase in employment. Moreover, in the case of Georgia, the long-term unemployed are more likely to have left the labor force as the labor force participation rate decreased over the period of 2017-2020.

It is interesting to compare Georgia to other Eastern Partnership (EaP) countries in this regard. The comparison here is based on the data of the International Labor Organization. The numbers may differ from the national data for some countries, albeit for Georgia the numbers are identical to the Geostat data.

In 2020, Armenia and Georgia had the highest unemployment rates among EaP countries (20.2% and 18.5%, respectively), followed by Ukraine with 9.5%. Moldova recorded the lowest unemployment rate over this period with 4.7%, ahead of Belarus and Azerbaijan which recorded 5.2% and 6.2%, respectively.

Between 2017 and 2019, Georgia indicated the greatest decrease in the unemployment rate (4 pp), followed by Ukraine (1.3 pp) and Belarus (0.9 pp). During this period, the unemployment rate only increased in Armenia and Moldova by 1.1 pp and 1 pp.

Due to the COVID-19 crisis, the unemployment rate in 2020 increased in every EaP country, with the exception of Moldova, which reported a 0.39 pp decline. The highest growth in unemployment rate over this period was in Armenia and Azerbaijan (both 1.4 pp), followed by Ukraine (1.3 pp) and Georgia (by 0.9 pp), respectively.



Source: The International Labor Organization, Geostat

1 chrome-extension://efaidnbmninhpcapjcglciefndmkaj/viewer.html?pdfurl=https%3A%2F%2Fwww.ndi.org%2Fsites%2Fdefault%2Ffiles%2FNDI%2520Georgia_December%25202020%2520Poll_ENG_FINAL.pdf&_clen=41804466&chunk=true
 2 https://www.geostat.ge/en/single-news/2006/geostat-introduces-new-standards-in-labour-force-statistics-developed-by-the-international-labour-organization
 3 2020 data is calculated by the new methodology and is impossible to compare new and old methodologies.
 4 https://bag.ge/en/advocacy/georgia-outlook
 5 The methodology change might have impacted the statistics of 2020, as a higher volume of self-employed people with secondary and lower than secondary education, mainly from rural areas, were classified as unemployed.
 6 https://data.oecd.org/emp/employment-by-education-level.htm#indicator-chart

Basic Economic Indicators	2017	2018	2019	2020	2021 Q1
Nominal GDP (mln USD)	16 248.5	17 596.6	17 470.7	15 888.1*	3 400*
GDP per Capita (USD)	4 358.5	4 722.0	4 696.2	4 274.6*	912.5*
GDP Real Growth (%)	4.8%	4.8%	5.0%	-6.2%*	-4.5%*
Inflation	6.0%	2.6%	4.9%	5.2%	4.5%
FDI (mln USD)	1 978.3	1 306.3	1 310.8*	616.9*	125.4*
Unemployment Rate (%)	21.6%	19.2%	17.6%	18.5%	21.9%
External Debt (mln USD)	5 177	5 434	5 741	7 535	7 721
Poverty Rate (relative)	22.3%	20.5%	20.1%	19.7%	21.3%

*preliminary data