



1998-2017

**Employment and Unemployment
in Georgia**

January 2019

Georgia's Reforms Associates (GRASS)

Author: Egnate Shamugia

RESUME

Unemployment/employment is one of the measurement indicators of the quality of life in a country. Unemployment is an acute problem in Georgia and this is something which is demonstrated in almost every public opinion survey. In the current public opinion survey results, people believe that unemployment is, in fact, the most important national issue. People think that the lack of jobs is more of an important national issue than territorial integrity, human rights, affordable healthcare, education, etc. At the same time, we have the picture where a significant part of the population considers themselves to be unemployed whereas the official statistics provide different indicators¹.

Although the employment figure has increased in Georgia in the last decade, the unemployment level still remains high and there is no explicit trend of job growth. It is also visible that the existing economic growth has not significantly resulted in a reduction of unemployment. The main issues identified vis-à-vis unemployment/employment in 1998-2017 are as follows:

- There are no comprehensive research studies of the labour force in Georgia. Therefore, the existing statistics cannot fully depict the real situation.
- Among the lower-middle income countries of the Europe and Central Asia region, the average unemployment level is 10.2%. Georgia, with a 13.9% unemployment rate, is ranked 6th in this geographical grouping.
- In the countries of this region where the economic growth rate has been steadily high, the unemployment rate has dropped significantly.
- One of the reasons behind the decrease in the unemployment rate in Georgia in the last years is the withdrawal of working-age people from the labour force. The withdrawal of working-age people from the labour force does not necessarily mean that these people do not want to work or are not ready for employment.
- One of the reasons behind the substantial gap between public opinion survey results and official statistics is underemployment; that is, when employees do not have sufficient work and their received income is below the real subsistence minimum. These people consider themselves as unemployed in public opinion surveys.
- In 2016-2017, the unemployment level did drop but the number of employees decreased by 16,500 and 10,000, respectively, in these two years.
- Self-employment is largely concentrated in agriculture and the majority of this produce is self-consumed. In turn, the share of agriculture in Georgia's economy is low.

¹ *Public Attitudes in Georgia. Results of the June 2018 survey carried out for NDI by CRRC Georgia, Q1.*

RESUME

- Of the total number of employment in Georgia, the share of self-employment is 51.7% which is a high number. This figure is 21.1% on average in the lower-middle income countries of the Europe and Central Asia region whereas it is 15.9% on average in the European Union.
- Of the total Georgian population, 31.1% lives in Tbilisi with 39.3% of hired labour and 22.5% of the total amount of employment concentrated in the capital.
- In the last years, the employment level in Shida Kartli and Imereti has been declining although jobs have been created in Kakheti and Kvemo Kartli.
- There is a high level of unemployment in the 20-29 age group. Working-age people of this group are the ones most actively seeking employment but their employment level is low. A high level of employment is registered in the 45-59 age group.
- Of the total amount of employment, the share of private sector employment is 83.4%. In 2010-2014 when the economic growth rate was relatively high, private sector employment increased annually by 24,400 individuals on average but decreased in 2016-2017 (with economic growth rates of 2.9% and 2.8%, respectively, in these two years).
- The private sector has a high labour demand in the field of trade. Therefore, trade specialists are the most highly sought after.
- Of the total amount of employment in Georgia, the share of public sector employment was the lowest in 2013-2014 but then started to increase in the following years.
- In 2017, there were 283,800 people employed in the public sector which constitutes 16.6% of the total amount of employment and 14.3% of the labour force.
- The Government of Georgia uses more human resources in producing/supplying public goods and services as compared to other countries of the region.

The employment problem in Georgia is less related to labour market regulation because the country's labour market is more or less liberalised. The reasons for the employment problem are mostly related to the size of the country's economy. The existing economic growth rate and its dynamics fall short to create any significant reduction in unemployment because the demand on the labour force is volatile under conditions of unstable growth. Another reason could be Georgia's low-qualified labour force. Obviously, even under the existing economic growth rate, a number of different kinds of jobs are still being created although insufficient in their numbers to seriously affect the unemployment problem. This said, job-seekers are typically not finding employment in these new jobs owing to a possible lack of necessary skills. In addition, one employee can occupy several jobs simultaneously. Lower unemployment in Georgia can be achieved by stable economic growth and a skilled labour force.

GLOSSARY

Unemployment rate – Share of unemployed in the labour force expressed in percentage.

Activity level – Share of labour force in the working-age population expressed in percentage.

Employment rate – Share of employed of the working-age population expressed in percentage.

Working-age population – Individuals of 15 years or older (excluding those living in prisons, military barracks, mental health facilities, retirement homes and similar institutional establishments).

Labour Force (economically active) – Individuals 15 years or older who are employed or are ready to work and seek employment.

Out of Labour Force (economically inactive) – Individuals 15 years or older who have not worked for a week (even for one hour) prior to the survey and have not been looking for a job four weeks prior to the survey.

Employed – Hired or employed individuals 15 years or older who have worked for a week prior to the survey to receive income or have helped domestic household members for free. This definition includes those individuals who are not at work but formally are registered as employees.

Hired – Individuals 15 years age or older who were doing a certain job during a reporting period to receive income or some other remuneration (either for cash or in kind compensation). This definition also includes individuals who have a job but temporarily do not work.

Self-employed – Property owner's work to receive profit or household income (cash or in kind).

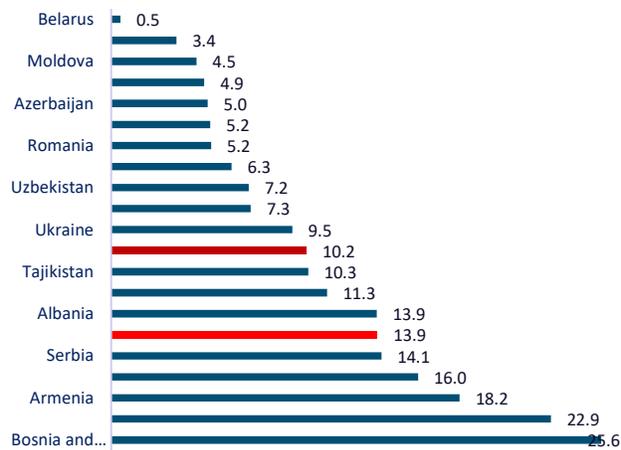
Public (State) Sector Employee – Individuals employed in state/municipal enterprises and organisations funded or/and established/controlled by national, autonomous republic or self-government bodies.

Private Sector Employee – Employed individuals who do not work in the public sector.

GEORGIA AND THE REGION

Given the structure of Georgia's economy, the country's geographic location and related other factors, the World Bank places it in the grouping of the lower-middle income countries of the Europe and Central Asia region. Georgia's employment/unemployment figures, therefore, are compared and contrasted with this particular grouping of countries. For example, Georgia is ranked 6th among the countries of this region with its 13.9% unemployment rate in 2017 (the regional average is 10.2%). In 2015-2016, Georgia was ranked 7th with 14.1% and 14.0% unemployment rates, respectively, for these two years whilst the average unemployment rate in Europe's and Central Asia's lower-middle income countries was 11.1% and 10.2%, respectively, in this same 2015-2016 period.

Graph 1: Unemployment Rate in the Europe and Central Asia (Excluding High-Income Countries) Region (%)

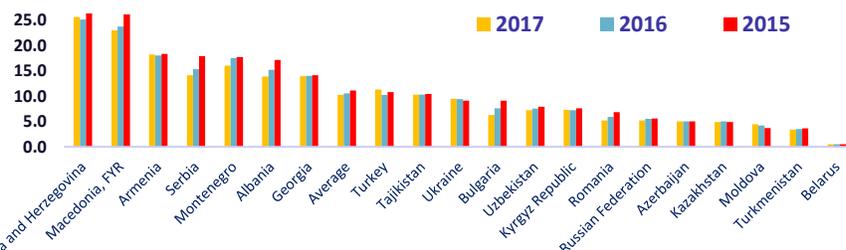


Source: World Labour Organization

Since 2017, the decrease in the unemployment rate in the European and Central Asia region has been the result of improved economic growth. In 2015-2016, the region's economic growth was 2.3% and 2.7%, respectively, for these two years with an increase to 2.9% in 2017. Of the region's countries, Romania has one of the lowest unemployment rates at 5.2% which decreased by 1.6 percentage points in 2015 as compared to the previous year. Romania had a 7.0% economic growth rate in 2017, becoming a top-performing country in the region. In 2015, Romania's economic growth was 3.9%. In the same period, Georgia's

unemployment rate decreased by 0.2 of a percentage point with an economic growth rate of 2.8% and 2.9% in 2015 and 2016, respectively. In Bulgaria, the country's 9.1% unemployment rate in 2015 dropped to 6.3% in 2017 whilst its economy now posts stable growth at 3.6% after 1.3% of growth prior to 2014.

Graph 2: Unemployment Rate in the Europe and Central Asia (Excluding High-Income Countries) Region (%)



Source: World Labour Organization

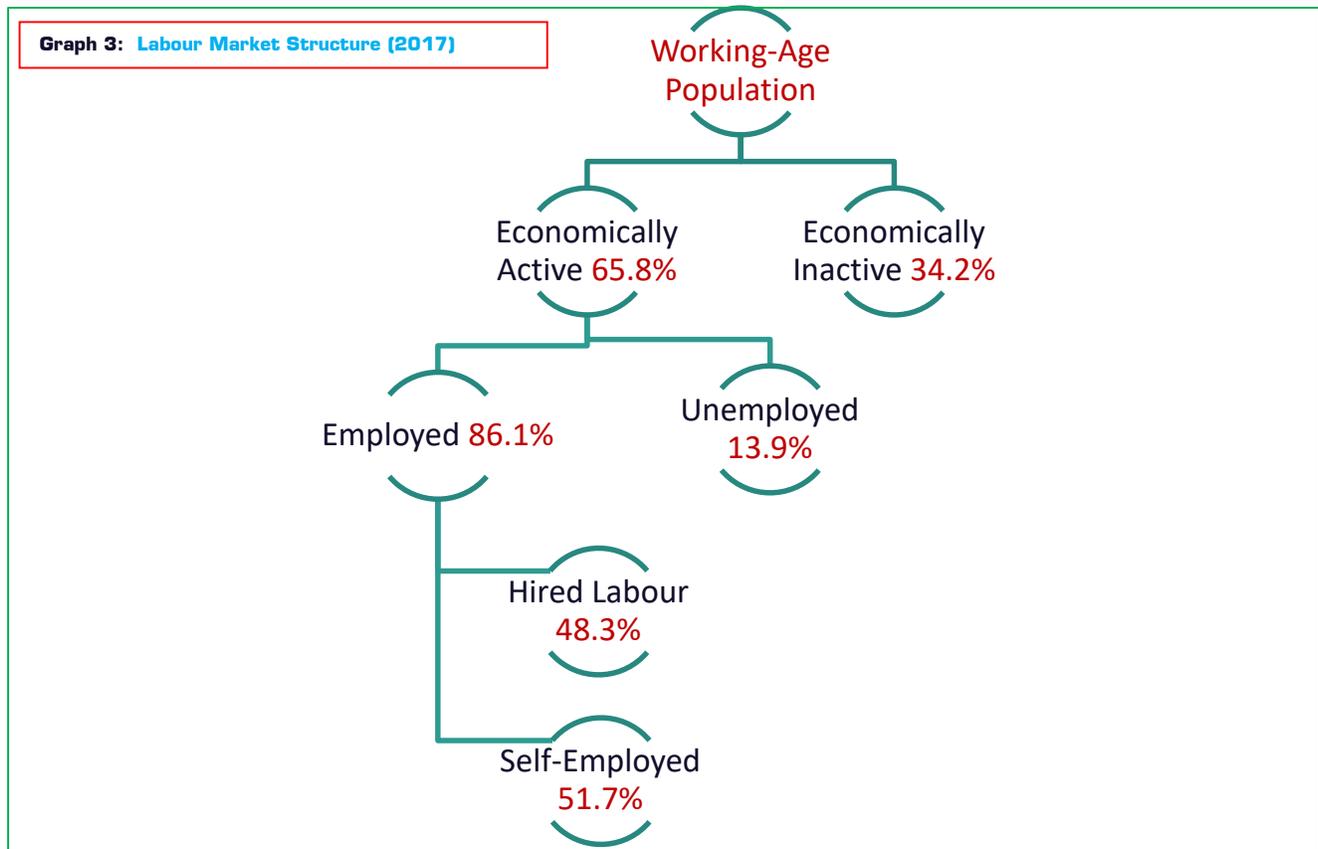
The regional unemployment rate decreased as a result of a decreased unemployment rate in those particular countries of the grouping which showed stable economic growth in 2015-2017. Therefore, an only 0.2 of a percentage point drop in

Georgia's unemployment rate is the result of the country's unstable economic growth.

STRUCTURE

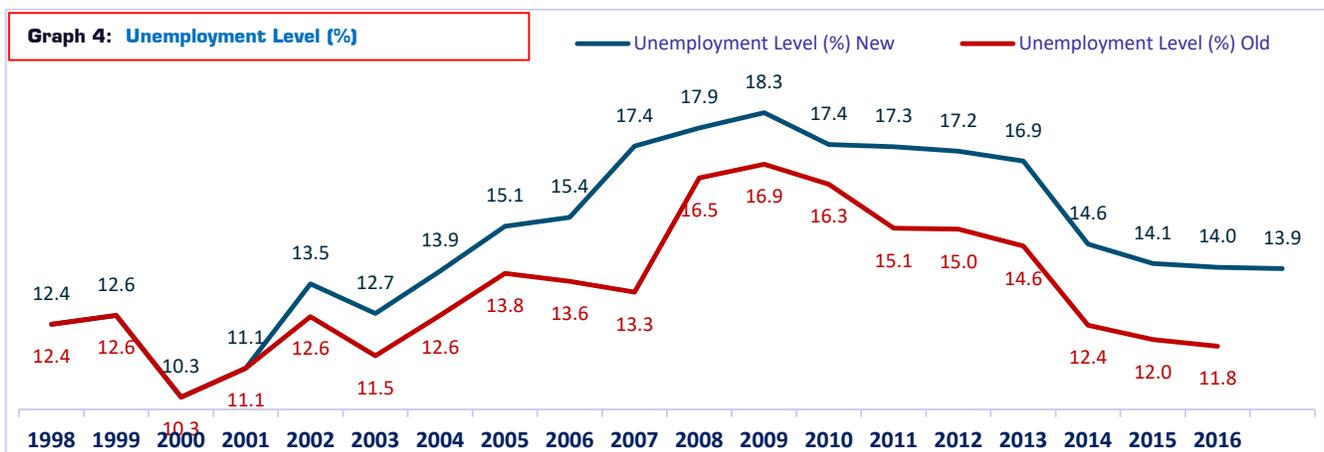
The National Statistics Office of Georgia (hereinafter GeoStat) carries out the compiling of official statistics of employment and unemployment in the country. GeoStat studies Georgia's situation by means of integrated research on households and the labour force which implies the quarterly studying of selected households and an extrapolation of the results which are then available for the entire population. In turn, GeoStat's statistical activities are based on the International Labour Organization's (ILO) methodology. Since 2017, GeoStat has made a number of significant changes vis-à-vis the following issues:

- *Ascertaining the size of the total population which implies a recalculation of statistical figures in line with the 2014 universal public census.*
- *Increasing the size of the selection sample which implies studying 6,000 households instead of the previous 3,400.*
- *Surveying the labour force which implies a sophistication of labour force figures and adding a new questionnaire.*
- *Refining the selection design which implies surveying one and the same household in the same quarter of the forthcoming year.*



UNEMPLOYMENT RATE

The unemployment rate in the labour force indicates the share of unemployed people within the economically active working-age population expressed as a percentage (the share of unemployed people to those people who are already employed or who are looking for work). After GeoStat enacted the aforementioned changes, the employment and unemployment statistical figures have been relatively accurate. In 2017, following the universal public census and as a result of a recalculation of statistical indicators, it was discovered that the unemployment rate is actually higher as compared to what it was in the statistics prior to 2017. For instance, in accordance with the older data, the unemployment rate was 12.0% and 11.8%, respectively, in 2015-2016 which then increased to 14.1% and 14.0%, also respectively, after the recalculation. In turn, 2007-2012 have been marked with a high unemployment rate when unemployment exceeded 17%. The unemployment rate increased prior to 2009 when it peaked at 18.3%. It decreased by 0.9 of a percentage point to 17.4% in 2010 and has since been decreasing by 0.2 of a percentage point every year on average. In 2014, the unemployment rate dropped by 2.3 percentage points. As of 2017, Georgia's unemployment rate was 13.9%."



The reason behind the difference between the unemployment figures is the incorrect number of the total population which was used before the 2014 universal public census. Prior to processing the 2014 public census results, the number of the population was much higher in statistical data as compared to the actual number. Therefore, the working-age population was higher as compared to the real figure. A precise definition of the labour force is important for measuring the unemployment rate. In 2017, the labour force study was separated from the integrated research on households which meant that the labour force indicator became more precise. Although GeoStat enacted a number of changes, the statistical data it produced is not able to fully grasp the real situation in terms of employment/unemployment in Georgia.

DIFFERENCE BETWEEN DATA

Generally, the working-age and economically active (labour force) portions of the population decline when the total number of the population declines. Georgia's population has dropped over the last years. In 2001, the country's population was 4,037.5 thousand and decreased to 3,729.6 thousand in 2017. The number of the working-age economically active population also decreased during this period although the trend of a labour force decrease continues to loom larger as compared to the decline in the number of the working-age population. Migration could be a reason behind the population decrease although Georgia's shrinking labour force among the working-age population is also related to the so-called "discouraged worker." This refers to the issue of working-age people ending up outside of the labour force as a result of a long and unsuccessful job search. These individuals comprise a potential labour force and it is important to note that just because they were not actively looking for work in the four-week period prior to GeoStat's survey, this does not mean that they were not willing to secure employment. Individuals who are ready to begin work, however, are not considered as willing to become employed (join the labour force) because of the particular statistical methodology.

This reality is often demonstrated in sociological surveys where there is a significant difference between public opinion poll results and GeoStat figures. For instance, one of the questions of the NDI sponsored public attitudes survey is "Do you consider yourself to be employed?" Of the total number of surveyed individuals, 60% considers himself to be unemployed. Of these individuals, 61% are pensioners or unemployed individuals looking for a job². Another reason behind the difference between the public opinion surveys and GeoStat's data could be underemployment when people have work but it is insufficient for their needs. Underemployment could include cases when an individual has worked for one hour in a week prior to GeoStat's survey and received income even though this work is not permanent and is insufficient. Generally, people in this category are engaged in seasonal employment. For instance, a painter could find work for 20 or 30 days during one year (365 days) but the work is not enough for subsistence needs. In addition, more than half of the number of the total employment of the population is self-employed (51.7% as of 2017) in activities mostly related to agriculture (domestic households). Statistics have these individuals registered as employed but the majority of them considers themselves to be unemployed.

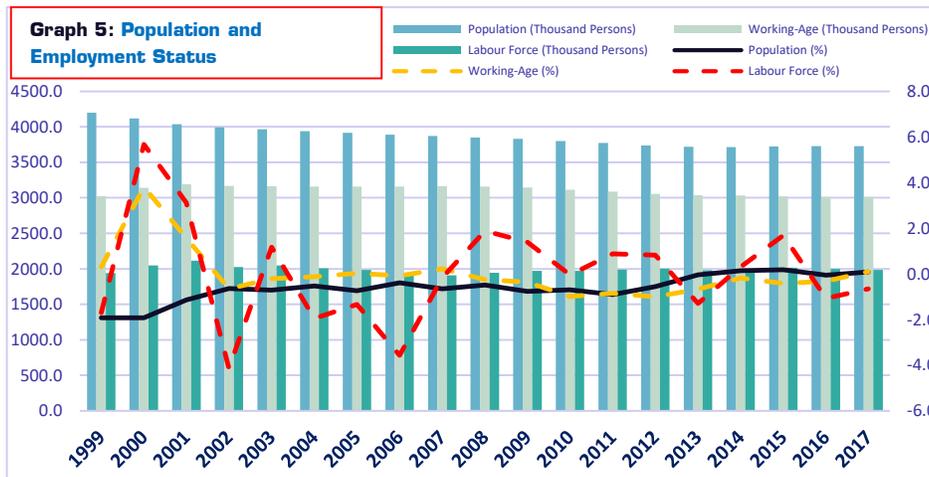
One of the reasons for people finding themselves outside of the labour force is underemployment and covert unemployment. The respective statistics have not been compiled in order to fully show the situation in this particular regard. Today's official statistics give an incomplete picture of both employment and unemployment, on the one hand, and prevent the creation of an efficient state policy, on the other hand, because of a lack of relevant information. Of additional importance is the implementation of the EU's

² *Public Attitudes in Georgia. Results of the March 2018 survey carried out for NDI by CRRG Georgia, Q58 and Q59.*

labour force study standards which show a much more accurate picture because EU standards envision research in underemployment and covert unemployment. This also includes studying the reasons why working-age individuals end up outside of the labour force.³

SELF-EMPLOYMENT

Although the unemployment rate decreased in 2016-2017, this does not indicate a growth in the number of employed individuals. On the contrary, the number of employees also dropped in the same period. The reason behind this is the decreased labour force



(economically active population) because the unemployment rate is the share of unemployed individuals in the total labour force. For instance, the number of employed individuals was 1,717.3 thousand in 2016 (14.0% unemployment rate) whilst the number of employed individuals

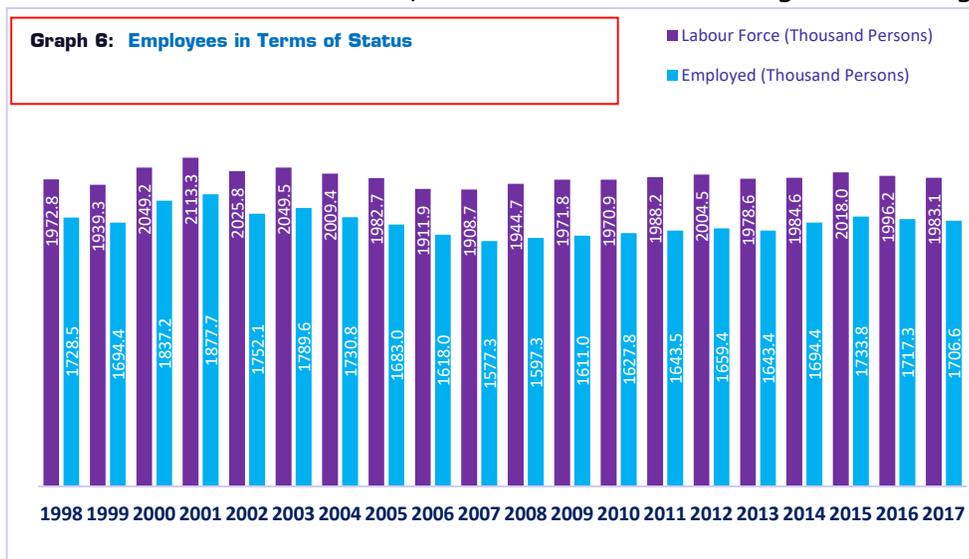
decreased by 10.6 thousand to 1,706.6 thousand in 2017 (13.9% unemployment rate).

In terms of status, employed individuals are divided into two categories: those hired and those self-employed. In addition, people who do not want to disclose their jobs are categorised in an unspecified category as a part of the GeoStat domestic household survey. A hired employee is defined as follows: "Individual of 15 years or older who was doing certain work in a reporting period to receive salary or other remuneration (cash or in kind). It is also an individual who has job but temporarily does not work." The designation of self-employed refers to an individual who owns property and whose work is related to getting income. These individuals work mostly in domestic households.

³ EU Labour Force Survey (LFS) Methodology - <https://bit.ly/2OdCKMx>

SELF-EMPLOYMENT

The share of self-employment in Georgia is quite high at 51.7% in 2017 according to statistics. At the same time, International Labour Organization figures for the lower-middle



income countries in the Europe and Central Asia region put the share of self-employment in the number of total employment at 21.7% whereas it is 18.8% for the high-income countries of the same region. The self-employment figure is 15.9% in the European Union⁴.

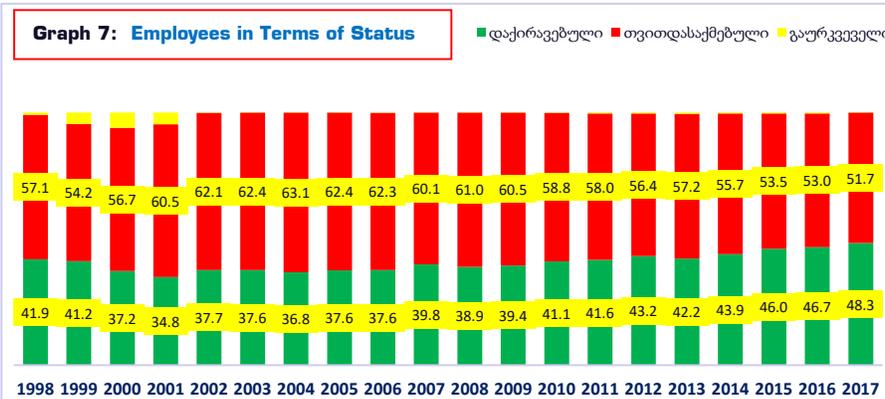
The individuals whom GeoStat groups in the self-employment category are mostly employed in agriculture/domestic households. Their work is not related to receiving a wage and they are considered as persons who are working for free within their households. For instance, this is a working-age person who lives in a rural settlement, owns agricultural land, works on this land and receives cash or in kind income from this work. These individuals consider themselves to be unemployed in public opinion surveys because they have work which is different from that of a hired employee.

The amount of self-employed individuals partially reflects the quality of life in a country and the level of its development. The more developed and high-income a country is, the less the amount of self-employees. In the world's aggregated data, the share of self-employment in the number of total employment constitutes 45.6%. In low-income countries, the highest figure is at 78.4% whilst the highest share of self-employment in high-income countries is 13.9%. Of lower-middle and higher-middle economies, the share of self-employment is at 65.4% and 34.6%, respectively. On the African continent, the share self-employment in the number of total employment is 69.2%. It is 17.8% in the Europe and Central Asia region. The share of self-employment is 36.7% in Latin America and the Caribbean whilst it stands at 10.4% in North America.

⁴ Based on the International Labour Organization's aggregated data –*World Employment and Social Outlook - Trends 2018*.

SELF-EMPLOYMENT

In the last four years, the share of self-employment in the total number of employment has been declining in Georgia although it still remains high. In total, the share of self-employment in the number of total employment decreased by 0.3 of a percentage point between 1998 and 2017 which is a rather slow pace. In addition, the majority of self-



employees consume what they produce (self-sustenance) which means that their contribution to the total economy is low. Therefore, the work of these particular individuals is less productive and brings less income. This is proven by the low share of agriculture in Georgia's gross domestic product (despite the number of employees in agriculture) and the poor figures vis-à-vis the real growth rate of agriculture. It is possible to conclude that this is one of the underlying reasons for the country's existing poverty⁵.

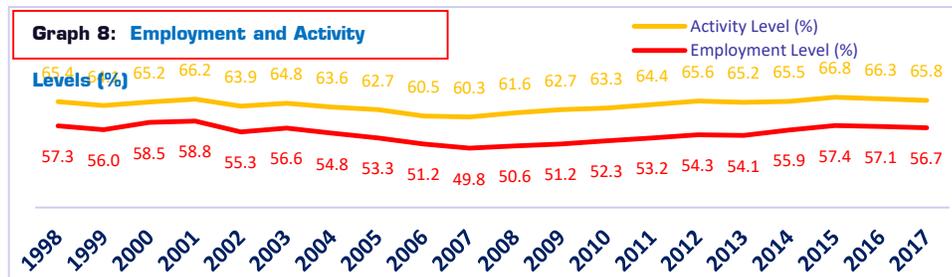
EMPLOYMENT / ACTIVITY LEVEL

Given the existing situation in Georgia, activity and employment levels are better indicators for measuring employment and unemployment because unemployment is measured by the labour force and the portion of individuals outside of the labour force who are, in fact, ready to work. Therefore, the number of unemployed individuals does not provide a real picture because these individuals outside of the labour force are a part of the potential labour force and this does not mean that they refuse to start work or are not looking for a job. In turn, activity level shows the share of the economically active population (labour force) in the working-age population; that is, it illustrates the number of individuals who are already employed or who are looking for a job whilst the employment level shows the share of employed individuals in the working-age population. The economic activity level is a better indicator to assess the existing situation as compared to the unemployment level because the working-age population includes both the labour force and economically inactive persons.

⁵ *Self-Employment in the Developing World*, World Bank - <https://bit.ly/2S49xZT>

In 2017, as compared to the previous year, both activity and employment levels decreased by 0.5 and 0.4 of a percentage point, respectively. These figures dropped in 2016, too. In

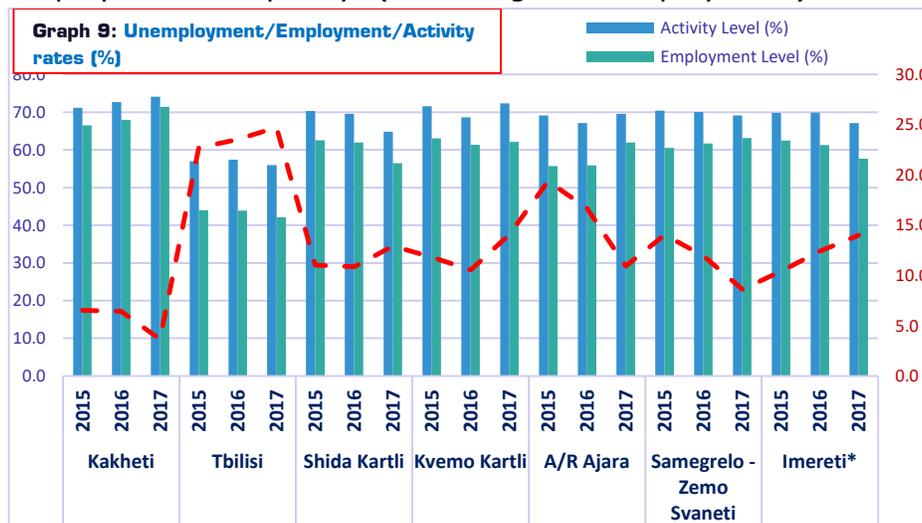
turn, both activity and employment levels decreased prior to 2007 although there was a stable growth trend in 2008-2012. Since 2003, the number of unemployed individuals



has been rising and the number of employed individuals has been dropping. Of note, however, is that the share of self-employment undergoes a sharp decline in this period, perhaps owing to the changes in studying self-employment or in the clarification of the definition. In addition, the number of hired employees also decreased in this period which could be the result of cuts to the number of public sector employees.

REGIONAL DISTRIBUTION

⁶Of Georgia's total population, 31.1% lives in Tbilisi whilst 22.5% of the number of total employment is concentrated in the capital. As previously mentioned, the majority of self-employed individuals works in agriculture and, therefore, the hired employment figure (excluding self-employment) in Tbilisi is at 39.3%. Further, we can also state that there is employment inequality (excluding self-employment) between Tbilisi and other of the



country's regions. Of particular note is that the existing situation has remained unchanged for years - Tbilisi's share in the number of total employment is 20% on average and 40% on average among hired employees. In terms of employment, Tbilisi is followed by the Imereti and Kvemo Kartli regions. In

accordance with 2017's data, Imereti (Imereti region statistics also include data for Racha-

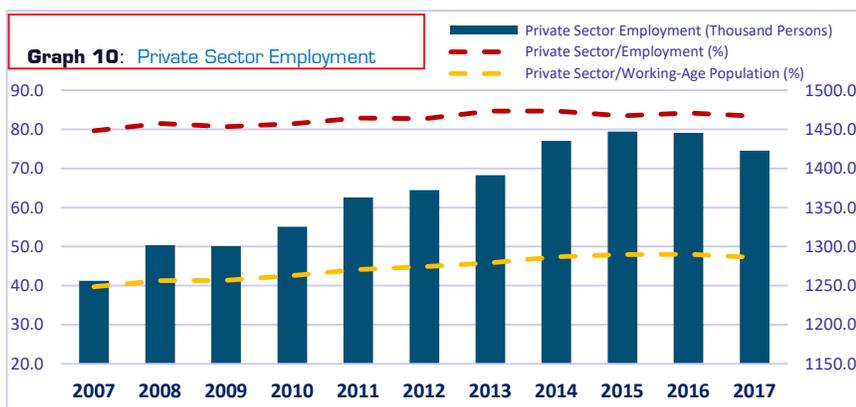
⁶ Imereti includes data for Racha-Lechkhumi and Kvemo Svaneti.

Lechkhumi and Kvemo Svaneti) has 15.5% of the number of total employment and 13.7% of hired employment. In Kvemo Kartli, these figures are 11.9% and 10.3%, respectively.

In 2017, the unemployment level dropped most sharply in Ajara by 5.8 percentage points whilst the employment rate increased by 6.1 percentage points. Apart from Ajara, the unemployment rate decreased and employment/activity levels increased in Kakheti. Of note is that in spite of the decreased unemployment level in Samegrelo-Zemo Svaneti, the situation has worsened there because the share of employment and activity in the working-age population has decreased. As for Tbilisi, the unemployment rate increased by 1.2 percentage points in the previous year whilst employment/activity levels dropped by 1.4 and 1.7 percentage points, respectively. In 2018, Tbilisi’s unemployment rate was 24.7% whilst activity/employment levels are quite low (56% and 42.1%, respectively).

PRIVATE SECTOR

The private sector is the largest employer in Georgia. The number of employees in the private sector constitutes 83.4% of the number of total employment (in 2017). Therefore, economic development and the facilitation of private investments is a key precondition for reducing unemployment. For instance, let us take a look at the economic growth rate in 2010-2014 (especially the average 6.6% economic growth rate in 2010-2012) when the number of private sector employees was growing annually by 24.4 thousand on average. Of note is the low economic growth rate in 2015-2016 (2.9% and 2.8%, respectively) as compared to the previous period which affected private sector employment in 2016-2017. In these years, the number of private sector employees dropped by 24.4 thousand. A healthier economic growth rate from the second half of 2017 will probably be reflected in 2018’s private sector employment figures. In addition, the relative figures for private sector employment also decreased in 2017. In 2017, the share of private sector employment in the number of total employment and the working-age population decreased by 0.8 and 0.8 of a percentage point, respectively. In the course of the last decade, this figure has been increasing by 0.4 of a percentage point on average. However, also of note is the 0.6 of a percentage point average growth from 2007 until 2013 and the 0.1 of a percentage point average growth from 2013 until 2017.



employment also decreased in 2017. In 2017, the share of private sector employment in the number of total employment and the working-age population decreased by 0.8 and 0.8 of a percentage point, respectively. In the course of the last decade, this figure has been increasing by 0.4 of a percentage point on

average. However, also of note is the 0.6 of a percentage point average growth from 2007 until 2013 and the 0.1 of a percentage point average growth from 2013 until 2017.

PRIVATE SECTOR

A research study in regard to the demand on the labour force in the private sector is based on information about vacancies published by the private employment agency, hr.ge. These data are presented both in terms of economic activity profiles and categorisation of professions⁷.

Of the vacancies announced in 2012-2016, trade vacancies have a higher proportion in terms of economic profile. In 2012, this figure was 21.1% and increased to 23.5% by 2016. Administrative and support services, as well as finances and insurance jobs, also have large proportions.

The proportional share of these fields was higher in 2016 as compared to 2012. The lowest demand in terms of job profiles is in healthcare and the social services field even though the share of this field was 5.1% as of 2016. It was 4.2% in 2012. Similarly, a low demand is shown in the fields related to scientific and technical work. In 2016, their share was 6%.

Table 1: Demand on Labour Force According to Activity Profile (%)

Types of Activity	Share in Total Demand (%)				
	2012	2013	2014	2015	2016
Wholesale and retail trade, vehicle and motorcycle repair services	21,1	22,3	23	22,9	23,5
Administrative and support services	19,5	17,9	19,3	19,7	21,1
Finance and insurance services	12,8	14,3	16,6	16,2	16,2
Accommodation and food supply services	7	6,7	5,8	6,8	7,2
Vocational, scientific and technical services	5,8	7,7	6,7	6,2	6
Healthcare and social services	4,2	4,6	5,3	5,7	5,1
Information and communication services	6,2	6,1	6,3	5,2	4,9
Other	23,4	20,4	17	17,3	16

The majority of the vacancies announced in terms of profession is for sales specialists. Its share was 24.5% in 2016 and has grown by 7.7 percentage points since 2012. Of the vacancies published in 2016, the majority of available positions is for sales

⁷ "Labour Market Analysis (2017)," Ministry of Economy and Sustainable Development.

consultants/managers/agents, credit/loan experts, cashiers, distributors, waitresses and cleaning personnel.

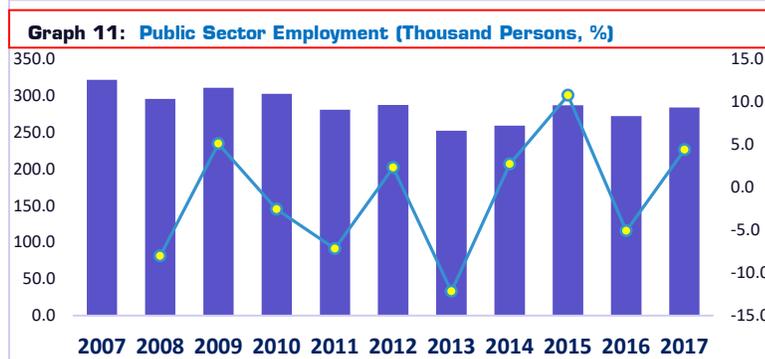
Table 2: Demand on Labour Force According to Job Profile

Types of Jobs	Share in Total Demand (%)				
	2012	2013	2014	2015	2016
Sales Specialists	16,8	19,6	22,9	22,2	24,5
Professionals Associated with Business and Administration	8,8	10,3	12,1	12,9	14,4
Business and Administration Professionals	11,4	11,5	10,1	8,5	7,9
Administrative and Commercial Managers	7,7	7,0	7,0	7,5	6,5
Healthcare Specialists	4,1	4,3	5,0	5,3	4,9
Production and Special Service Managers	6,5	5,2	5,1	4,9	4,8
Individual Service Specialists	4,6	4,5	3,6	4,0	4,3
Consumer Service Specialists	2,6	3,1	3,2	3,8	4,2
Information and Communication Technology Specialists	5,3	5,4	5,6	4,5	4,0
Other	32,4	29,1	25,3	26,5	24,6

Based on the aforementioned data, we can say that the labour force demand in the private sector is concentrated mostly in the service field and this has a growth tendency. Of the service field, there is a rising demand on trade specialists.

PUBLIC SECTOR

Since 2007, GeoStat has been compiling employment statistics according to institutional sectors. Since that period, employment figures are being published for the state (public) and the non-state (private) sectors. The public sector incorporates those employees who work in state/autonomous republic/self-government bodies or organisations founded/subordinated/controlled by these bodies. In addition, this sector includes individuals employed in state and municipal enterprises. In regard to the private sector, it

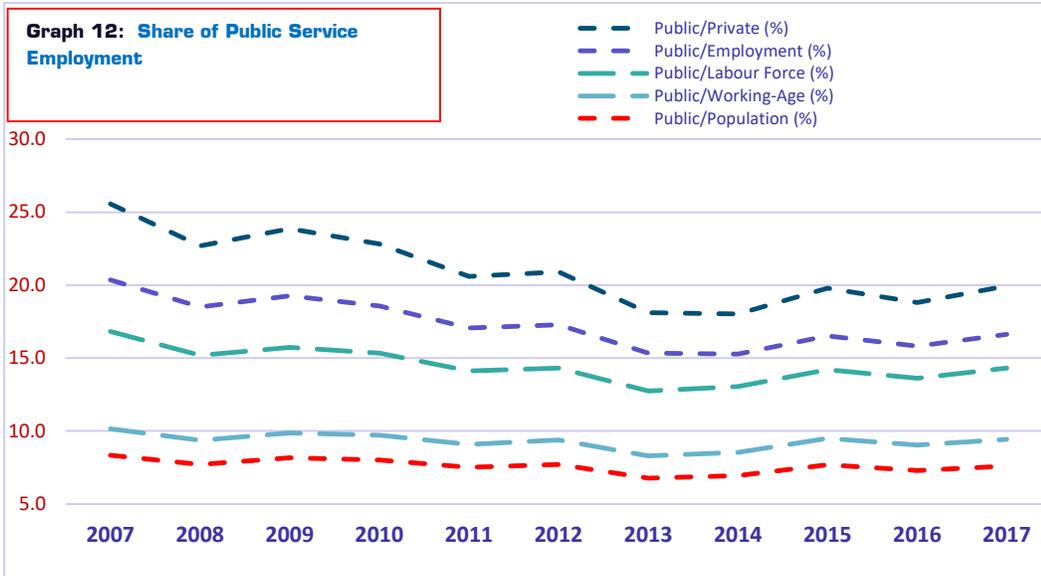


includes all other employees who are not employed in the public sector.

In the course of the last decade, the lowest public sector employment figure was in 2013 when the number of public sector employees was cut by 12.2% as compared to the previous year and dropped to 252.1 thousand

persons. However, of note is that since the 2013 cuts, the number of public sector employees has again been increasing. In 2017, the number of public sector employees is only 3.2 thousand persons less as compared to 2012.

In order to assess public sector employment, the relative numbers also need to be taken into account apart from the absolute figures. To this end, we need to take a look at the share of public sector employment in the number of total employment and the labour force



and compare it to the private sector. The share of public sector employment does not have a clear and stable trend of decrease. However, the relative number for public sector employment as compared to 2007 decreased in 2017. Of additional note

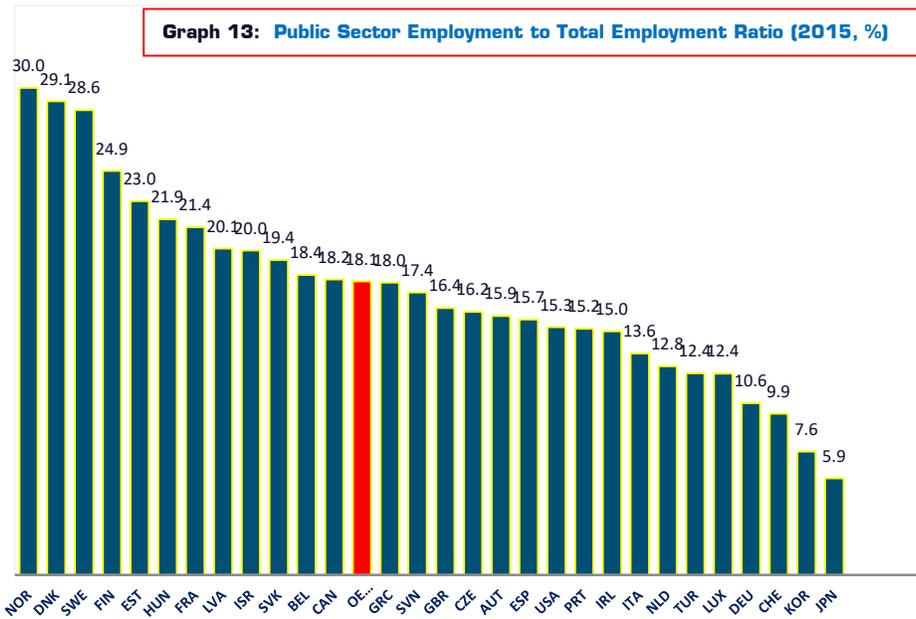
is the tendency of an annual public sector employment decrease. The biggest drop - 12.2% - was in 2013 with public service employment having started to grow again in 2014 with the highest growth registered in 2015 when the number of public service employees increased by 10.7% as compared to the previous year.

It is also important to compare Georgia's public sector employment figures to those of other countries. We use the public sector employment to total employment ratio in order to do this. According to this ratio, Scandinavian countries are at the top with their public sector employment to total employment ratio at 30% whilst the lowest figure is registered in Japan where the share of public service employment in the number of total employment was 5.9%. Japan has also been characterised by a tendency of decrease in this number over the last years. The average ratio in OECD⁸ member countries is 18.1% which is 0.2 of a percentage point more as compared to 2007. However, 17 OECD member countries are ranked below its average figure whilst 12 countries are above average. The average ratio of the 17 countries below the average is 13.5% and the average ratio of those 12 countries above the average is 22.9%.

⁸ Organisation for Economic Co-operation and Development.

PUBLIC SECTOR

We see that given the size of public services and the government, the public service employment figure is rather high in Georgia. When the Government of Georgia's total expenses is 29.6% of the country's GDP, the number of employees for these expenses constitute 16.6% of the number of total employment. For instance, the government's total expenses in Japan and South Korea are 35% on average whilst the public sector employment to total employment ratio is 5.9% and 7.6%, respectively. In Portugal, the government's total expenses to produce/deliver public services is 45.8% of the country's GDP and the share of those employed in the production/delivery of public services constitute 15.2% of the number of total employment. Of those aforementioned 17 OECD countries

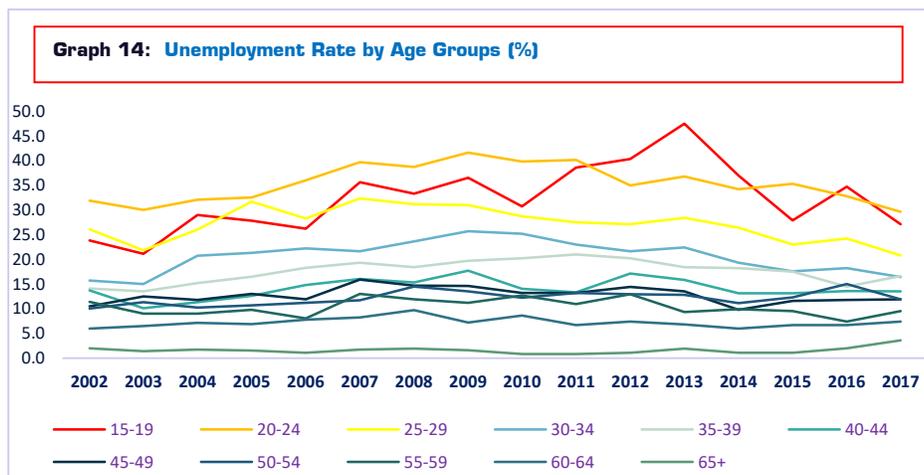


whose public sector employment figures are below the OECD average, the total government expenses to GDP ratio fluctuates within the margins of 40%-45% on average whilst the total employees to incur these expenses constitutes 13.5% of the number of total employment. Therefore, we can say that Georgia uses more human resources to

carry out government functions as compared to other countries. Consequently, as previously mentioned, public sector employment is high. Of note is that the situation can be improved by revamping the electronic government (E-government) when public services are accessible by digital technologies. On the one hand, this increases service accessibility and quality and, on the other hand, it decreases the human and financial resources needed for production/delivery of public services.

AGE DISTRIBUTION

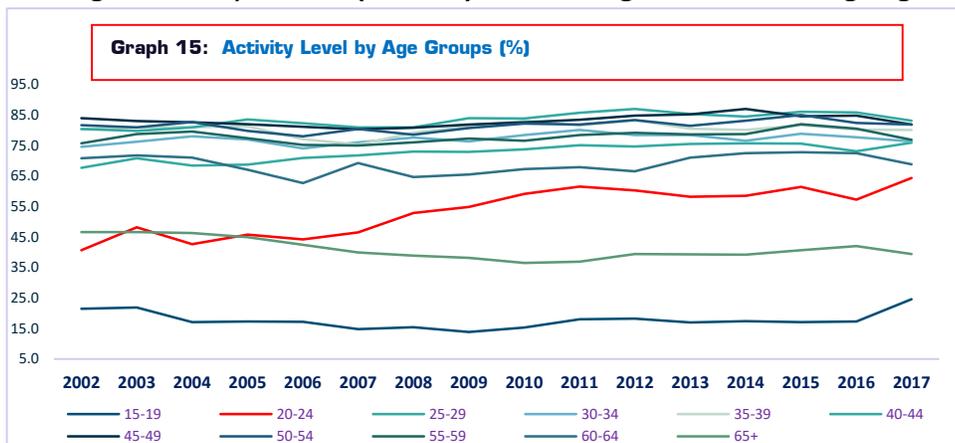
In terms of age groups, the highest unemployment rate is in the group of those individuals aged 20 to 24 years. In 2002-2017, the unemployment rate in this category was 35.4%. In spite of a decrease since 2012, the unemployment rate in this particular age group still remains high at 29.6% in 2017. In addition, the unemployment rate is high in the group of those persons aged 25 to 29 years where the unemployment rate is 27.2% on average and has been declining since 2010. Of note is that as of 2017, the average unemployment rate in the group of those aged 15 to 25 years is 16.8% on average whilst it is 6.7% on average in the group of those aged 25 and older.



As of 2017, the unemployment rate of those persons in the 15-24 age group is nearly 28.4% whilst it is 12.4% for those aged 25 years and older. The lowest unemployment rate at 3.6% is in the group of those aged 65 years and older. In addition, the unemployment rate in the group of those aged 40 to 44 years is below the national average and constitutes 13.5%.

As mentioned previously, the activity level in the working-age population indicates the share of the economically active (labour force) people. The most active is the 40-44 age group where the activity level in 2002-2017 was 83.3% on average whilst the total activity level for all age groups in the same period is 67% on average. Of the EU countries, the highest average activity level (85.7%) is among the 25-54 age group of the population. The employment rate shows the share of employees in the working-age population. In this regard, the 40-54 age group has the highest employment rate. In particular, the 45-49 age group's employment rate in 2002-2017 was 72.5% on average.

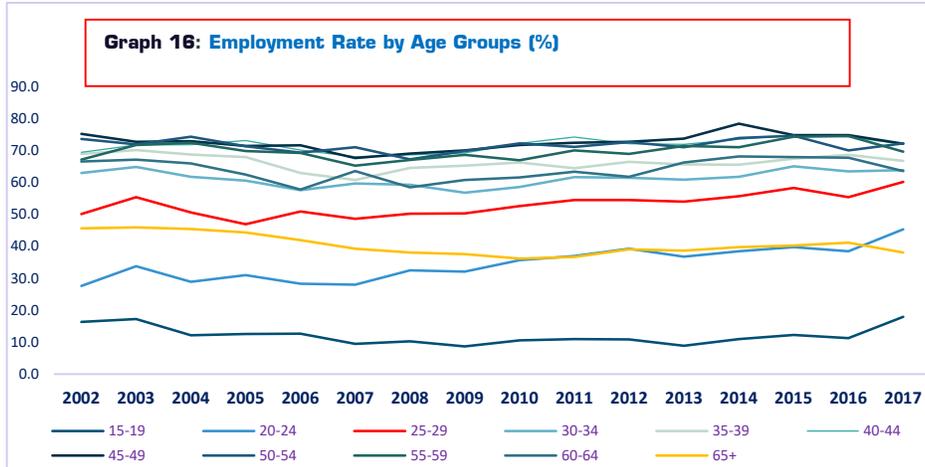
As mentioned previously, the activity level in the working-age population indicates the share of the economically active (labour force) people. The most active is the 40-44 age group where the activity level in 2002-2017 was 83.3% on average whilst the total activity level for all age groups in the same period is 67% on average. Of the EU countries, the highest average activity level (85.7%) is among the 25-54 age group of the population. The employment rate shows the share of employees in the working-age population. In this regard, the 40-54 age group has the highest employment rate. In particular, the 45-49 age group's employment rate in 2002-2017 was 72.5% on average.



As mentioned previously, the activity level in the working-age population indicates the share of the economically active (labour force) people. The most active is the 40-44 age group where the activity level in 2002-2017 was 83.3% on average whilst the total activity level for all age groups in the same period is 67% on average. Of the EU countries, the highest average activity level (85.7%) is among the 25-54 age group of the population. The employment rate shows the share of employees in the working-age population. In this regard, the 40-54 age group has the highest employment rate. In particular, the 45-49 age group's employment rate in 2002-2017 was 72.5% on average.

In the 20-24 age category, the employment level is 34.5% on average whilst it is 52.9% on average in the 25-29 age group. In total, the average employment rate in all age groups is 54%. Of the EU countries, the average employment rate in the 15-64 age group is 67.7% whilst it is 79.7% in the 25-54 age group.

The highest unemployment rate in Georgia is in the group of those aged 20 to 29 years which is related to the high activity level in this age group. In addition, the 20-29 age group



also does not have a high employment rate. Therefore, 20-29 years old individuals in the labour force are actively looking for employment although they are not very successful in finding jobs. In addition, the 35-54 age category provides a significant contribution to the total unemployment

and employment figures and it is this category that has a large proportion among employees.