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**Formation and Functioning of Georgian  
Labour Market**



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**The given work discusses regularities and peculiarities of the Georgian labour market formation and functioning, contemporary situation of unemployment and employment. It gives the analysis of labour market infrastructure and sets the ways for its development.**

**The work is designed for readers interested in social and labour problems of Georgia.**

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## **Contemporary Tendencies of the Formation of Georgian Labour Market**

In the 90s of the last century in all the post-socialist countries, and inter alia, in Georgia, the regime of labour market formation and peculiarities were determined by abolishment of the system of planned labour distribution, formation of free labour market, creation of insurance system for unemployment and realization of the active policy for employment. Also, deregulation of salaries and inculcation of collective agreements represented an immediate task.

Post-socialist countries of Central Europe dealt with these tasks painfully but successfully after a few years since the introduction of systemic reforms. Naturally, different traditions of labour and employment sphere of Central Europe and Baltic States played a big role in this matter. Trade Unions always were rather strong there and there also was a certain mechanism for the functioning of labour market. At the same time the noted countries had more or less normal starting socio-economic conditions and what is more, the world commonwealth made signifi-

cant efforts to help them. Post-Soviet countries and inter alia, Georgia turned out in starkly different conditions.

Formation of labour market in Georgia started under conditions of economic collapse – economy of post-socialist countries was effectively paralyzed because it remained without partners and commodity markets. Financial, economic, social crises deepened simultaneously, ethnic conflicts escalated dramatically. In such conditions the country's labour force remained effectively without function and prospects. The working age population instead of active participation in country's reconstruction turned out in the category of socially unprotected population.

Although the support and economic aid received by Georgia from the international commonwealth were much less by scales and degree with comparison to the aid given to the European and Baltic States, it was quite sufficient to resolve the most acute short and midterm socio-economic problems of our country. Due to the range of objective and subjective reasons a great share of the aid of international commonwealth was mishandled and it was used for alle-

viation of social problems or rehabilitation of already functioning enterprises and not for creation of new job places. For various reasons the accumulation of inner reserves failed that was anticipated for realization of the noted goals. As a result, there is a continuing and extensive stagnation in all the segments of economic activities.

Prolonged economic stagnation, exacerbation of social problems, protracted systemic reforms along with many other factors led to the stagnation on labour market. Moreover, stagnation is characteristic of the labour market from the standpoint of purchase-sale process and institutionalization as well.

In recent 15-20 years the entire labour force in Georgia significantly diminished from the standpoint of quantitative indicators under the influence of demographic factors and external migration that gave some “comfort” to the labour market. However, it should be noted that even this labour force encountered many outstanding problems on the labour market.

Reduction of the size of labour force under the influence of demographic factors and labour migration entailed

deformation of the structure of labour force. Because of intensive external migration the country lost a part of young, mobile and enterprising people.

The indicators of labour force qualification deteriorated drastically. During the last 15-20 years a great mass of qualified specialists got ripped off appropriate job places and were forced to start labour activity in the sphere which was completely or partially unacceptable to them. Tens of thousands of specialists without appropriate labour arena virtually underwent complete dequalification and lost their knowledge and experience gained throughout the decades. Only a small share of them managed to acquire new skills.

Degradation of the active system of qualified labour force training had extremely negative impact on the qualitative indicators of labour force.

Under conditions of reduced demand on labour force all kinds of educational institutions, foremost among them higher educational ones provided trainings on a mass scale by so-called “prestigious” specialties. A great share of specialists trained in excessive number by higher schools

exerted serious negative pressure on the labour market.

Proceeding from the above noted, it can be said that on the Georgian labour market which is in the process of formation there is “realized” (employed) to a certain degree or “presented for sale” relatively dequalified labour force and low competitive youth with “prestigious” diplomas who are agreed on any conditions of employment and labour remuneration.

Coming out from today’s reality, an objective evaluator of the activity of higher educational institutions is labour market where is acknowledged an actual level and degree of specialist’s knowledge and not his or her historical past, traditions and other artificially granted privileges. Thus, formation of competitive educational system both on domestic and international labour market is in the interests of any higher educational institutions.

How does buyer – employer of labour force meet the “cheap” labour force on the labour market? The aggregate demand on labour force is not distinguished by impressive indicators. The state management, defense, educational sphere, health care system, social security institutions,

quite limited circle of enterprises of private and mixed properties, financial and credit institutions, railway, ports and some other spheres of service are practically saturated with labour force. At that, penetration into some spheres even for competitive specialists is complicated because of undeveloped infrastructure of labour market.

Formally, agriculture is distinguished from branches of economy and spheres of activity by relatively high indicators of demand on labour force. Realistically this is a result of unemployment registration which virtually is not done in rural areas. Those rural dwellers who are employed in agricultural activities on their own or rented land plots are registered as self-employed. However, this kind of activity frequently is low productive, ineffective and incomplete.

The aggregate demand on labour force and employment rate is increased countrywide at the expense of self-employment. According to the official statistical data the self-employed make up more than a half of the total number of the employed.

Among the employed still there are many so-called



“hidden” unemployed. However, it should be noted that by this indicator, in comparison with the past five-year period, there is significant progress.

So-called “seasonal” unemployment is also widespread in the country where people are more or less fully employed only during a few months in a year.

It should be also taken into account quite large scales of secondary employment while tens of thousands of people are not employed at all. 10% of the employed have additional positions, frequently in several job places. Here several aspects should be taken into account; in secondary, additional employment are engaged those high skilled specialists of technical field where they perform substantial and necessary activities, also, pedagogues, lawyers and healthcare workers that is conditioned by the specificity (flexible time regime for employment) of their activity.

In the process of labour market formation one more peculiarity is marked. This is irrelevance of occupied positions to the received professional education. In some cases employers are not strict about labour force’s qualitative

indicators and professional and qualification relevance. Irrelevance of occupied positions to received professional education is also with high level managers in the state sector as well as in private one. Such situation with mid and low level managers is accepted as the norm. Frequently relevance of received education to occupied position is ignored and employment occurs according to the principles of relatives and close relations.

The analysis of the situation ensures that labour market is only in the stage of formation. An important element of infrastructure such as employment service (labour exchange) practically has not been formed. Information about vacant jobs and personnel with relevant qualification and profession is not accessible to employers and job seekers. Serious problems are in the functioning of employment private services. It is necessary to define the main directions and functions of their activity and include them in the legislative frameworks.

We must assume that in spite of intensity of labour emigration and not a big number of population who reached the working age, the supply of labour force on the

labour market will not be reduced in the near future. Besides graduates of various educational institutions, under conditions of employed population's low incomes and meager pensions economic activity of working-age and retirement-age population will be still high. Consequently, the aggregate supply of labour force on the labour market is expected to rise.

As for the aggregate demand on labour force, significant changes with regard to the increase of aggregate demand in the state sector are not expected in the short term period. The liberalization program of entrepreneurial activity provides a real opportunity for creation of new job places and its realization will give a certain category of job-seekers the chance of employment and entrance into the labour arena.

Proceeding from the above noted tendencies of the formation of labour market it can be drawn the conclusion that discrepancy between labour demand and supply will remain again in prospect. It is likely that in the following few years the labour market will get saturated still more with educated lawyers, economists, financial specialists,

managers and marketologists. Their full employment by the received specialties is practically impossible in the short run. In case there should be solid foreign investments and creation of thousands of high-skilled and specific job places in a short period of time it's still difficult to staff a part of them because of structural discrepancies between job places and labour force. Foreign labour force is likely to be brought in Georgian labour market that is undesirable from many points of view. This generates additional motives for our citizens to emigrate abroad that still occurs with great intensity. Hence training and re-training of each specialist must be oriented to the demand of labour market.

## **Main Problems and Peculiarities of Labour Market Functioning**

Effective functioning of labour market exerts a significant influence on degree of the use of country's labour and economic potential as well as population's living standards and social satisfaction. In Georgia, still against the background of difficult socio-economic situation, it's natural that reduction of unemployment, eradication of poverty and improvement of living standards still remain the foremost objective.

A significant part (22.1%) of the country's population lives below the official poverty line (**see table 1**).

The main reason for poverty is unemployment. In the estimation of experts, the unemployment level in Georgia is approximately 32.0%, and according to the official statistical data in 1998-2008 it fluctuated from 10.3% to 16.5% (table 2)<sup>1</sup>.

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<sup>1</sup> Ministry of Economic Development of Georgia, Department of Statistics, Tbilisi 2009. [www.statistics.ge](http://www.statistics.ge).

**Table-1**  
**Poverty Level in Georgia by Urban and Rural Areas**  
**in 1999-2005 (in percentages)**

	<i>Share of the population below the poverty line</i>						
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
urban	61	57	54	55	53	49	51.4
rural	42	46	48	49	56	55	58.4
on average in the country with respect to the minimum subsistence level	<i>51.8</i>	<i>51.8</i>	<i>51.1</i>	<i>52.5</i>	<i>54.5</i>	<i>52.0</i>	<i>54.9</i>
with respect to 60% of median consumption	<i>23.6</i>	<i>23.0</i>	<i>21.6</i>	<i>21.8</i>	<i>20.9</i>	<i>22.0</i>	<i>24.1</i>

**Poverty Indicators in 2006-2008 (in percentages)**

<b>indicators</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>poverty level</b>			
with respect to 60% of median consumption	<b>23,3</b>	<b>21,3</b>	<b>22,1</b>
with respect to 40% of median consumption	<b>9,4</b>	<b>9,2</b>	<b>9,5</b>
<b>depth of poverty</b>			
with respect to 60% of median consumption	<b>7,2</b>	<b>6,9</b>	<b>7,0</b>
with respect to 40% of median consumption	<b>2,8</b>	<b>2,7</b>	<b>2,7</b>
<b>severity of poverty</b>			
with respect to 60% of median consumption	<b>3,3</b>	<b>3,2</b>	<b>3,2</b>
with respect to 40% of median consumption	<b>1,3</b>	<b>1,3</b>	<b>1,2</b>

Proceeding from the above noted, it is natural that unemployment for the country is the most acute socio-economic phenomenon and is related to the greatest losses. By our calculation, economic losses due to unemployment in the country throughout 2008 amounted at least to 5007.2 million lari that is 26.25% of the gross domestic product (19075.0 million lari) and 76.12%<sup>2</sup> of the country's 2008 state budget (6578.2 million lari in the share of incomes).

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<sup>2</sup> Computed: Ministry of Economic Development of Georgia, Department of Statistics, Tbilisi 2009. [www.statistics.ge](http://www.statistics.ge); Tsereteli G., Bibilashvili N., Unemployment in post-Soviet countries and methodical fundamentals of determination of its socio-economic consequences, problems of the development of labour economy in Georgia, collection of scientific works, volume II, publisher "Metsniereba," Tbilisi 2002. pp. 27-40.

**Table N2<sup>3</sup>**

***Dynamics of Indicators of Contemporary Situation  
on the Georgian Labour Market  
in 1998-2008***

<i>indicators</i>		<i>1998</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
population above age 15 (in thousands)		3016.7	3159.9	3169.8	3103.8	3062.9
economically active population (in thousands)		1972,8	2023.9	2021.8	1965.3	1917.8
Among them	employed	1728.5	1744.6	1747.3	1704.3	1601.9
	Among them					
	hired	724.4	600.5	603.9	625.4	572.4
	self-employed	987.1	1143.3	1141.6	1078.8	1028.5
	unclear	17.0	0.8	1.8	0.1	1.1
	unemployed	244.2	279.3	274.5	261.0	315.8
level of unemployment(%)		12.4%	13.8%	13.6%	13.3%	16.5%
level of economic activity (%)		65.4%	64.0%	62.2%	63.3%	62.6%
Level of employment (%)		57.3%	55.2%	53.8%	54.9%	52.3%
Average monthly salary (lari)		55.4	204.4	277.9	368.1	534.9

<sup>3</sup> Ministry of Economic Development of Georgia, Department of Statistics, Tbilisi 2009. [www.statistics.ge](http://www.statistics.ge);



The functioning of labour market is significantly affected by existing economic and political situation in the country, rates of economic growth and a number of macroeconomic factors. There is analysis of interrelationship between employment level and macroeconomic indicators of socio-economic development. Namely, the analysis of the dynamics of the gross domestic product, employment level and labour productivity enabled us to draw certain conclusions. The fact is that the rates of economic growth are reflected in employment situation and labour productivity. In 1990, despite the high rates of economic growth, the level of unemployment decreased by 2.4%. The analogous situation was in 2003, 2004, 2005, 2006 and 2008 years. There is impression that in 2000-2008 economic growth occurred at the expense of labour productivity that can't be said about many important branches of the national economy. For example, the fall of labour productivity and ineffective employment are particularly visible in Georgia's traditional branches – agriculture, not to mention industry (**see table 3**).

*Table №3<sup>4</sup>*

***Dynamics of Interconnection between the Level  
of Population Employment in Agriculture and the  
Gross Domestic Product in 1990-2008***

years	Population employed in agriculture		Production output	
	in thousands	%	absolute	in percentage with respect to the GDP
1990	695,0	25,2	4454,0 million rubles	29,8%
2000	910,0	52,1	1197,0 million lari	20,1%
2002	989,0	53,8	1436,4 million lari	20,6%
2004	962.0	53.9	1589,7 million lari	16,2%
2006	1132.2	64.8	1544.3 million lari	11.2%
2007	1065.8	62.5	1562.7 million lari	9.2%
<b>2008</b>	<b>1012.7</b>	<b>63.2</b>	<b>1551.1 million lari</b>	<b>8.13%</b>

In 2008, compared with 1990, the share of the em-

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<sup>4</sup> Computed: Population Employment in Georgia. The Collection of Statistics, part II, Tbilisi 1991. pp. 8-9. Data of the Department of National Accounts and Macroeconomic Analysis, The State Department for Statistics. Ministry of Economic Development of Georgia, Department of Statistics, Tbilisi 2009. [www.statistics.ge](http://www.statistics.ge).

employed in agriculture increased from 25.2% to 63.2%, and the share of agriculture production in the total volume of the gross domestic product decreased from 29.8% to 8.13%.

For identification of the peculiarities of labour market functioning we considered it necessary to make clear the status of the employed (*table – 4*).

As is shown from the data of the table, as of 2008, 64.2% of population employed in economy is self-employed, as for rural population, 83.3% of them is self-employed. A great part of them (approximately 80.0% and over) is employed in households, in private estate or is unpaid helpers for their relatives. This is not effective employment and way of worthy income for each household.

Quite large scales of informal employment in State sector as well as in private sector are important out of the peculiarities of functioning of the national labour market which is in the process of formation.

Almost all social and demographic groups of population are actively involved in informal employment. However, the motive of their involvement in informal activities is somewhat different: earning of livings, in sepa-

rate cases aspiration for economic independence and professional labour employment, flexible regime of labour, receiving of solid income and others.

Through the study of peculiarities and reasons for informal employment, as it was noted, on the basis of the sociological research, it was found the following tendencies:

- Informal employment involves a significant part of economically active population and, in many cases it remains the only alternative for employment of unemployed citizens;
- Informal employment involves mainly a few spheres. Namely, a high share of the employed is in trade, goods repair services, transport and communications, education and healthcare system;
- Incomes of the employed in informal sector are rather differentiated;
- The main reasons for informal employment are: low salaries of the official job places; prolonged unemployment; employment impossibility by specialties; part-time employment and others;

**Table -4**

**Population Employment Structure by Status in 2008**  
**Totally in Economy and Agriculture**

*(in thousands)*

<i>status of employment</i>	<i>totally in economy</i>		<i>in agriculture</i>	
	<i>absolute</i>	<i>%</i>	<i>absolute</i>	<i>%</i>
employed	1601.9	100.0	1012.7	63.2
hired	572.4	100.0	163.7	28.6
<b>self-employed</b>	<b>1028.5</b>	<b>100.0</b>	<b>848.3</b>	<b>82.5</b>
employed	1601.9	100.0	1012.7	100.0
hired	572.4	35.7	163.7	16.2
<b>self-employed</b>	<b>1028.5</b>	<b>64.2</b>	<b>848.3</b>	<b>83.3</b>

- An effective remedy for avoiding further expansion of informal employment is stability of employment in formal sector of economy and increase of demand on labour force. Otherwise employment of labour force or its movement from formal to informal sector will continue.
- Coming out from the scales of employment it can be said that informal sector forms its own demand on labour force.

Informal employment for a large part of the em-

ployed represents a remedy for maintenance of physical existence, inhibits further sharp fall of population's living standards and the increase of unemployment, but discussion of positive sides of informal employment is expedient in short-term period; in the long run the state must develop orientation to its legalization and reduction to its minimal form. This requires that the state takes complex socio-economic measures. As the world experience proves it doesn't "disappear" only by creation job places in formal sector. Informal sector's expansion and reduction scales significantly will be depended on socio-economic and political stabilization in the country. Effective measures are to be taken for reduction of unemployment level, regulation of labour remuneration, social protection. Otherwise informal sector may expand even more.

Mass labour migration creates certain complexities for functioning of national labour market which is in the process of formation. Difficult socio-economic conditions in the post-Soviet period along with other negative phenomena brought about intensive emigration that is of mass and uncontrolled nature for two decades. More than one

million people emigrated abroad, and the size of labour emigrants reached almost a half million. This process is going on even at present without any regulation and control and significantly worsens country's labour potential as the majority of emigrants are able-bodied, middle-aged and high-skilled specialists.

**At the contemporary stage an important peculiarity of the national labour market** is the mixed type of conjuncture that formed from the ratio of labour demand and supply. Namely, under conditions of mass and chronic unemployment there is shortage of labour force of certain professions and qualifications that is conditioned due to the absence of appropriate system of training and retraining for skilled personnel and specialists. At that, in the country there is formed virtually closed labour market where employers solve the issue of staff recruitment by evading relevant offices involvement. Solution to the noted problem requires from the economy determination of demand on workers personnel and specialists and generally, development of relevant method for labour market analysis and monitoring situation.

Imperfect functioning of the labour market speaks to the fact that low level of labour incomes of the employed in national economy conditions the problems of so-called “poor employees.” Smallness of incomes received from labour employment stimulates so-called “secondary employment” for employees. It should be noted that a large scale of “secondary employment” has a negative impact on labour market functioning as well as employees’ labour productivity and their health condition. However, in the existing situation it is the only real way for supplement to the incomes of many families;

Through the analysis of functioning of the Georgian labour market it can be outlined the following main problems and peculiarities:

- The labour market conjuncture where unemployment is mainly of prolonged nature became typical of the country; high unemployment level is also still stable in the country;
- Unemployment level in the Georgian regions is different, in some regions relatively low “statistical” level is conditioned by ineffective self-employment in agri-



ture;

- Among the unemployed there is a high share of those specialists who have higher education and this noted indicator is stable over the years. This points to the fact that received education, partially due to its low degree, in Georgian reality, can't protect a citizen from unemployment risk.
- An adequate infrastructure system of labour market has not been formed in the country;
- There is a big difference between the supply and demand on labour force both in quantity and by professional and qualification structure.
- Regulating legislative basis for employment and socio-labour relations is imperfect;
- Scales of labour emigration, informal employment, hidden unemployment, incomplete and imperfect employment are quite large.

Difficulties in labour market functioning, many outstanding problems in the sphere of effective employment and unemployment require immediate State regulation of labour market.

At present due to the existing situation it is expedient to pursue a policy favoring country's economic development and social protection of the unemployed and to take measures of employment active and passive policy. At that, the State employment policy must be closely related to the country's economic and social programs development. Otherwise its effective implementation will be impossible. This is required by the basic conventions of the International Labour organization (on "Employment Policy," on "The Goals and Norms of Social Policy," on "The Development of Human Resources"), Georgia is attached to those conventions, and "European Social Charter." Adherence to their principles is one of the required preconditions for membership of the EU.

## **Wais of Development of Labour Market Infra- structure**

Achievement of the optimal convergence between supply and demand on labour force represents a criterion for effective functioning of labour market infrastructure. Concretely, the labour market infrastructure must fulfill the following functions:

- *Labour mediation; professional training and retraining for the employed and unemployed;*
- *Creation and maintenance of job places;*
- *Informational provision of population.*

Formation of civilized labour market and its relevant infrastructure started in Georgia from the 1990s. Despite the short period of time, it can be outlined 7 stages in the development of infrastructure and activities of the employment State services.

Formulation of the legislative basis started at the first stage (1991-1993). In this regard, the important was the law adopted on July 25, 1991 “on employment” which determined the economic, organizational and legal

grounds of Georgia's population employment policy and social protection of the unemployed.<sup>5</sup> The prioritized directions for the employment State policy were considered the following:

- Support and incentives for citizens labour initiatives;
- Provision of social protection for the unemployed;
- Support for population's employment, maximum reduction of unemployment level;
- Coordination of the measures to be taken in the sphere of employment and in other directions of socio-economic policy.

On the basis of the above noted law (clause – 12) and the decree passed by the Georgian government were shaped the main subjects of the labour market infrastructure and determining and regulating organs of employment integrated State policy. Namely, at the Ministry of Labour, Social Affairs and Demography was established the employment State service in the form of integrated State fund of employment, State labour exchange, profes-

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<sup>5</sup> Georgian government decree on «Social Guarantees for Population Employment» №19, 1991.

sional training and retraining system of the unemployed. The employment State service was bound to develop and realize relevant programs for population's employment and social protection of the unemployed.

**The second stage of the employment State service**

(1994 – first half of 1998) virtually included again the formation of legislative basis for population's social protection and assistance system.

Some decrees restricted the system of social support provided by the law on employment.<sup>6</sup>

Distribution of family benefits started from the beginning of 1997.<sup>7</sup> For example, the number of the unemployed receiving benefits in July of 1997 reached the maximum – 20.5 thousand people. In 1998 this indicator de-

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<sup>6</sup> See the Decree 634 of the Cabinet of Ministers of the Republic of Georgia on “Radical reform of price-forming and financial system, immediate measures for population social protection in the Republic of Georgia. September 5, 1993.

<sup>7</sup> See the President's decree №184 on “Social (family) benefits,” December 25, 1996.

clined to 5.6 thousand people that was conditioned by some amendments made to the law “on employment.”<sup>8</sup>

**The third stage (1998-1999).** The Unified State Fund of Employment, Department of Employment and the Center for Professional Orientation and Training united on the basis of the United State Fund of Employment. Employment centers were established in towns and regions.

**The fourth stage.** The new structure<sup>9</sup> of the United State Fund of Employment was founded and the main principle of its activity was transition to targeted programs financing.

The fifth stage is related to the new law “on employment” adopted on September 28, 2001 that shaped economic organizational and legal grounds of the state policy in the sphere of employment. The Ministry of Labour, Healthcare and Social Affairs of Georgia was recognized as the State organ for Regulation of the employment

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<sup>8</sup> See the Georgian law №1082 on “the changes and amendments “on employment” in the law of the Republic of Georgia.” November 12, 1997.

<sup>9</sup> See the Georgian President’s decree №180 on “the tenet of the unified State fund of employment of Georgia, May 7, 2000.

sphere. Was established a juridical person of public law “Employment State Service”<sup>10</sup> whose main goal of activity became: a) support for realization of State policy in the sphere of employment and b) realization of the measures for social protection of the unemployed.

**The sixth stage (end of 2004).** The Employment Service was abolished and on its basis was created the State Agency of Social Protection and Employment<sup>11</sup>. Its goal is realization of State policy in the sphere of employment and social protection and taking measures for social benefits that are provided by the Georgian legislation. The agency carries out its activity under the direct supervision of the Ministry of Labour, Healthcare and Social Affairs.

Proceeding from the analysis of the labour market infrastructure and its formation stages we can draw the conclusion:

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<sup>10</sup> See the President’s decree №63 on “Realization of the reforms in employment sphere,” February 21, 2001; 1996. The President’s decree №402 on “Juridical person of public law – the tenet of Employment State Service,” September 13, 2002.

<sup>11</sup> See the Georgian law №959 about the changes and amendments in the law “on employment.” December 29, 2004.

- Throughout the reorganization period the activity of the Employment State Service was confined mainly to pursuing passive policy on the labour market and substantial, effective measures for overcoming mass unemployment were not taken; effective policy of employment virtually was not pursued, and effectiveness of the programs realized in the sphere of employment was low;
- Virtually there is no mechanism for labour market research, analysis and forecast;
- Informational infrastructure of the Georgian labour market is unsatisfactory;
- The connection between employment central and regional services is weak that is expressed in the absence information exchange system. As a result this produced nonintegrated local labour markets which are in the process of development.

Proceeding from the above noted, the labour market infrastructure which is called to foster population's placing in jobs, professional orientation, professional training and retraining, achievement of convergence between sup-



ply and demand on labour force, provision of contacts between employers and employees, coordination of activities of different organs and achievement of effective employment in the long run, it still cannot fulfill its main function.

For development of labour market infrastructure and perfection of its functioning we consider it is expedient to raise the issue of reinstatement of the employment service, naturally, with stronger functions than it had earlier. Namely, it must provide:

- Targeted expenditures of funds appropriated from the State budget for social protection of the unemployed and employment support programs that will stimulate the creation of new job places;
- Inculcation of practice for regulation of collective bargaining of social and labour relations between employers and employees within the frameworks of social partnership system. Collective agreements reached on the basis of collective bargaining must become the basis of the conclusion of individual labour contracts;
- Pursuance of effective employment policy with respect to the private agencies for the purpose of creation of

competitive conditions, training and retraining of the unemployed considering labour market demands and development of programs for employment of low competitive groups;

- Taking measures necessary for employment of the youth and for increase of their competitiveness. Out of them the particular importance is attached to: financial support for enterprises employing the youth; promotion of secondary vocational education system reinstatement, perfection and development, its adaptation to the market conditions, direction of its activity for the satisfaction of needs of regions.
- Creation of integrated information base about existing professions and vacancies;
- Conduction of monitoring for measures provided for social support for the unemployed and restriction of increase of unemployment;
- Development and realization of the branch and regional targeted programs.

We consider that employment services must provide the fulfillment of a set of specific analytical functions along with the above-noted ones:

- Study and forecast of the conjuncture of national and regional labour markets;
- Analysis and forecast of the changes of labour market capacity and structure;
- Analysis of the changes of economic, scientific-technical, demographic, social, ecological, legislative and other factors;
- Study of employment dynamics;
- Study of motivation of labour employers' behavior and its determining factors;
- Study and forecast of the structural changes of national economy; provision with labour force and determination of the tendencies of demand changes on it;
- Study of the structure of existing job places and their qualitative characteristics;
- Study and forecast of competitiveness of region's labour force;

- Analysis of the cost and price of labour force in the total expenditure of labour;
- Analysis of factors affecting the price of labour force;
- Analysis of stimulating policy pursued in the sphere of employment;
- Analysis of the works conducted with the goal of professional orientation;
- Analysis of the reasons for labour migration in the country (regions);  
Central and regional employment services must take on also marketing management functions of labour force:
- Strategic and operative planning of the marketing of labour force;
- Promotion of the development of business relations between social partners in the sphere of employment;
- Methodical provision of marketing activity on labour market;
- Promotion of the transformation of vocational training system considering the labour market demands on labour force.

Effectiveness of the activities of employment service must be periodically evaluated by the following indicators: unemployment level and dynamics entirely in the country and regions; length of unemployment; size of the unemployed; number of vacancies per unemployee; perfection and timeliness of the distribution of benefits; satisfaction level of the demand of employer and unemployee; training and retraining for the unemployed and so on.

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## **Content**

1. Contemporary Tendencies of the Formation of Georgian Labour Market;
2. Main Problems and Peculiarities of Labour Market Functioning;
3. Ways of Development of Labour Market Infrastructure;
4. References..