



**Ministry of Economy and Sustainable
Development of Georgia**

A decorative graphic on the left side of the cover, consisting of several overlapping diamonds in dark blue, light blue, and grey. One of the grey diamonds contains a small line graph with a red line and a blue line, and another contains a small image of a road with white arrows pointing upwards.

Labour Market Analysis of Georgia

2017

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Introduction

High unemployment rate represents one of the main challenges of the Georgian economy. Consequently, reduction of unemployment rate is one of the priorities of the Georgia's economic policy for upcoming years. At the same time, further development and growth of the private sector is the most effective mechanism for the reduction of unemployment. For implementation of effective economic policy focused on the reduction of unemployment and increase of employment, it is important to conduct analysis of employment and unemployment, both in terms of supply which considers the asymmetry of the labour market, low quality of mobility, low productivity and inadequate qualification, as well as in terms of demand, which considers insufficient diversification of private sector, unequal development between sectors and geographical concentration issues related to business and entrepreneurial activity.

This research analyzes trends in employment and unemployment by economic sectors, age, gender and regions. It covers supply and demand components of the labour market and at the same time determines the key sectors where economic growth is expected in the upcoming years, which in its turn, is one of the essential preconditions for employment growth in these sectors. Within the scope of the research, the period of observation is defined as 2009-2016, which is related to economic cycle of the post-crisis recovery and growth of Georgian economy. Conclusion and recommendations are provided at the end of the research, which will be reasonable to consider in the following years in order to contribute labour market development and reduction of unemployment.

General dynamic of employment and unemployment

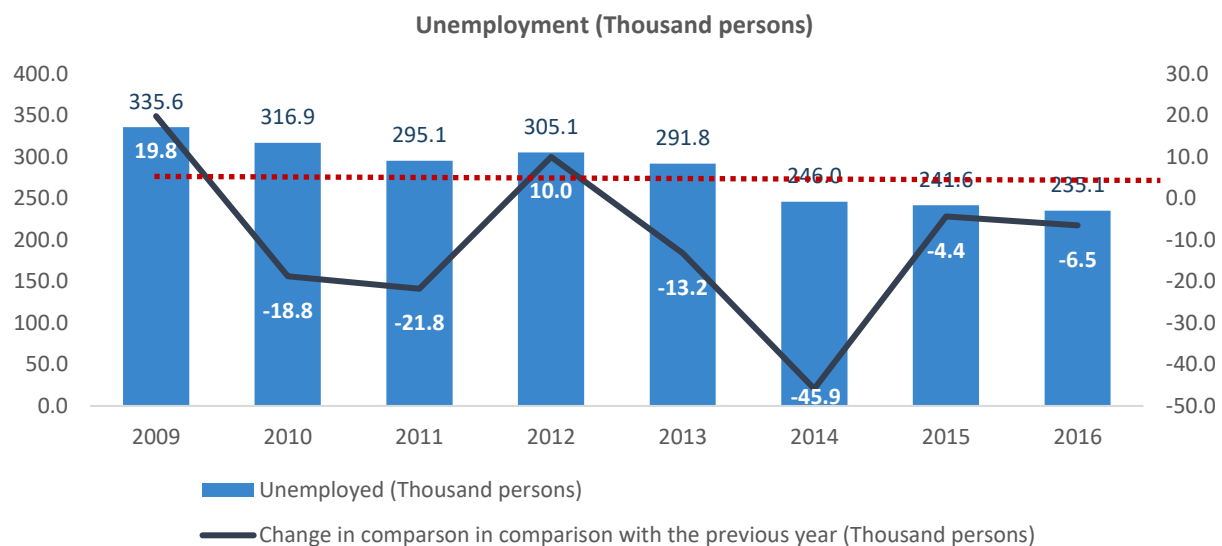
Main source of employment growth in Georgia is the private sector. Consequently, for further economic growth it is important to increase activity of private sector and ensure high economic growth. From this point of view, while analyzing economic growth of recent years, it is evident that from 2010 one of the main factors of Georgia's economic growth were investments, the largest part of which - 70% were private investments. This corresponds to a trend related to reduction of unemployment rate in 2010-2016.

It is noteworthy that since 2012, an indicator of economic growth is falling behind its potential level as a result of the impacts of various factors, including mainly foreign economic shocks, indicating that the growth of the business sector to some extent is behind the potential and therefore creating new job opportunities and affecting employment through this growth includes additional potential. Furthermore, since the beginning of 2017, as a result of improvement of foreign demand and facilitation of negative factors the economic growth has been improved and private sector activity increased, which will have a positive impact on employment during 2017. This process has already been reflected in employment in the business sector of the first quarter, where employment increased by 4.7% compared to the same period of the last year.

In recent years economic growth has also contributed to reduce unemployment rate. Since 2009, unemployment rate is characterized by a decreasing trend and in 2016 this figure was 11.8%. It should also be noted that the economic growth observed in these years was largely determined by increase in total productivity.

Labour market statistics

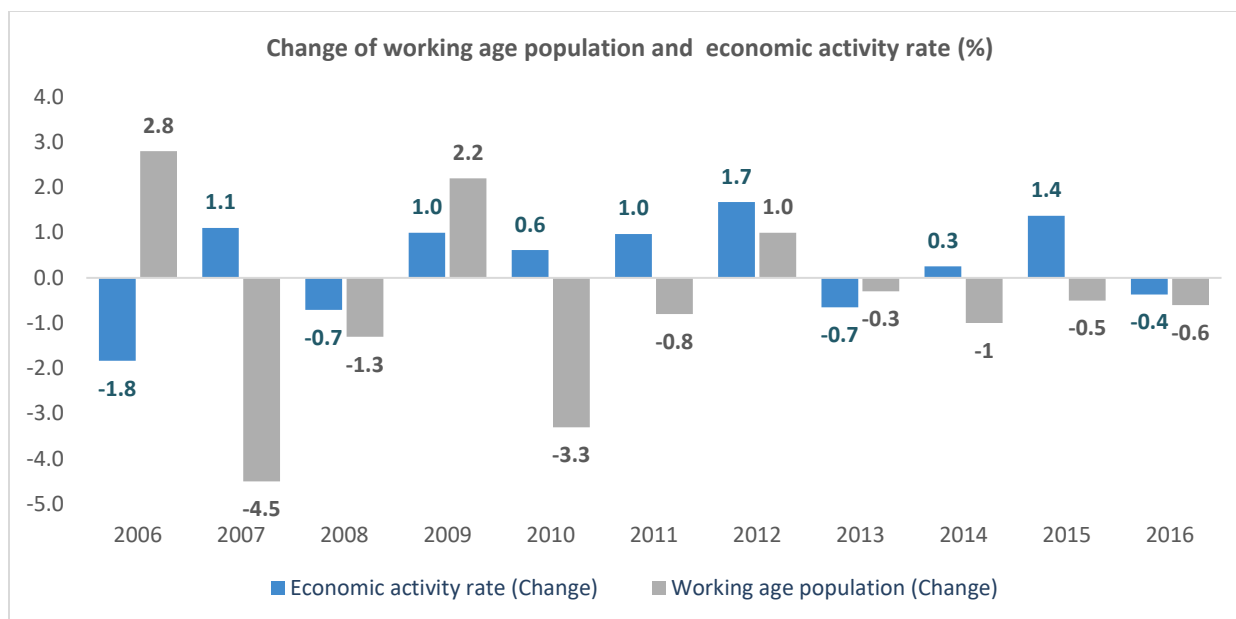
The reduction of unemployment rate in recent years was mainly caused by the country's economic growth and additional demand for labour. This was confirmed by the fact that since 2010 the average annual growth of employment rate has been 1.4%, and this growth was mainly determined by increase in hired employees. As a result, in 2016 unemployment rate was 11.8%, which is the lowest unemployment rate for last 13 years. Despite this indicator, in 2010-2016, as a result of investment flows observed in the economy, on the background of total capital formation and overall productivity growth, this impact on economic growth was quite limited on quantitative indicators of employment.



Source: Geostat

Herewith, weak positive trends have also been developed in terms of labour supply, from which current dynamics of **working age population and economic activity rate** in recent years are especially important. In particular, during the past 10 years, there is a trend of decrease in working age population, which is in general, caused by the reduction of population in the country, including by increased migration.

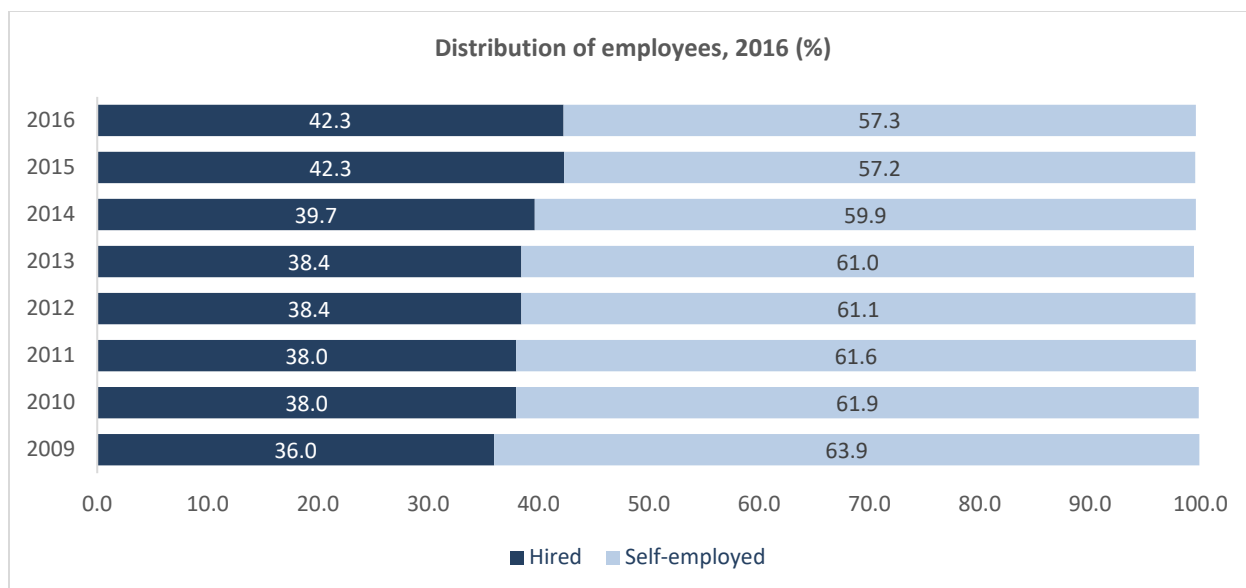
In 2016 in comparison with the previous year, working age population of the country has decreased by 0.6% and consequently economic activity rate of population decreased by 0.4 percent points.



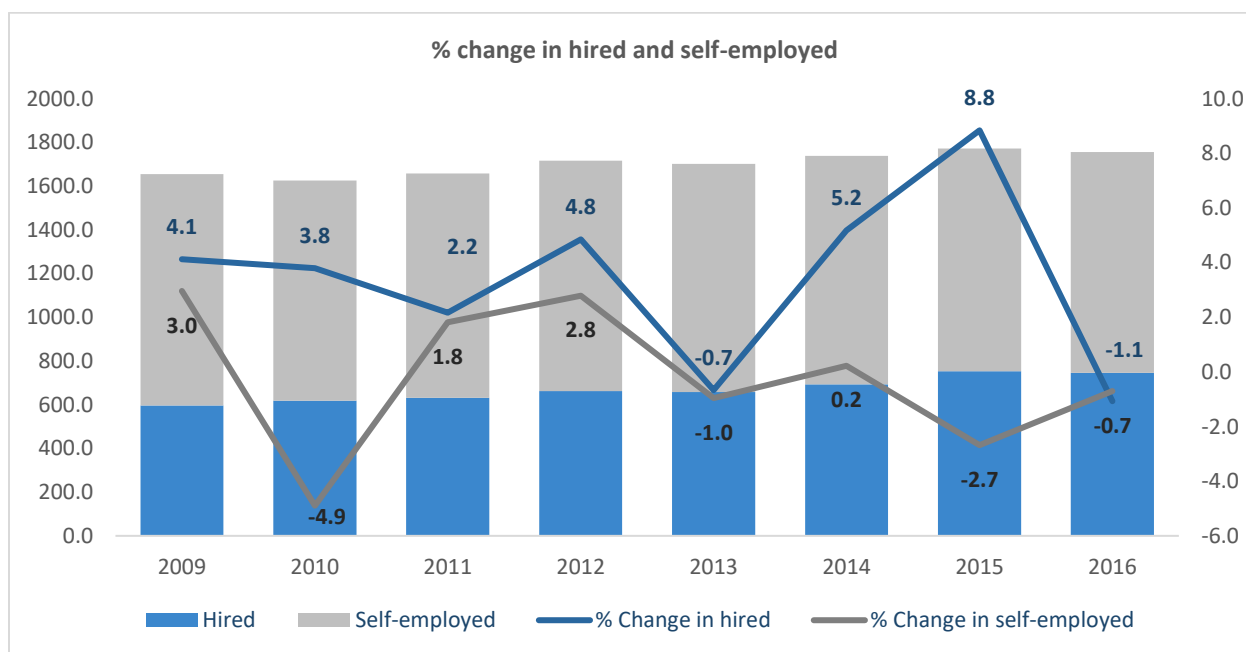
Source: Geostat

Decrease in economic activity rate and working age population was observed in 2016 as well, which significantly affected the employment rate of 2016. In 2016 the employment rate amounted to 59.5% (1 763.3 thousand), which is 0.2 percentage points lower compared to the last year's figure (1 779.9 thousand employed). In 2016, compared to the previous year, employment rate in city-type settlements decreased by 0.5 percentage points, while in rural settlements - 0.1 percentage points. It is noteworthy that the decline of working age population is related to the results of the general census of the population according to which the number of Georgian's population is generally reduced.

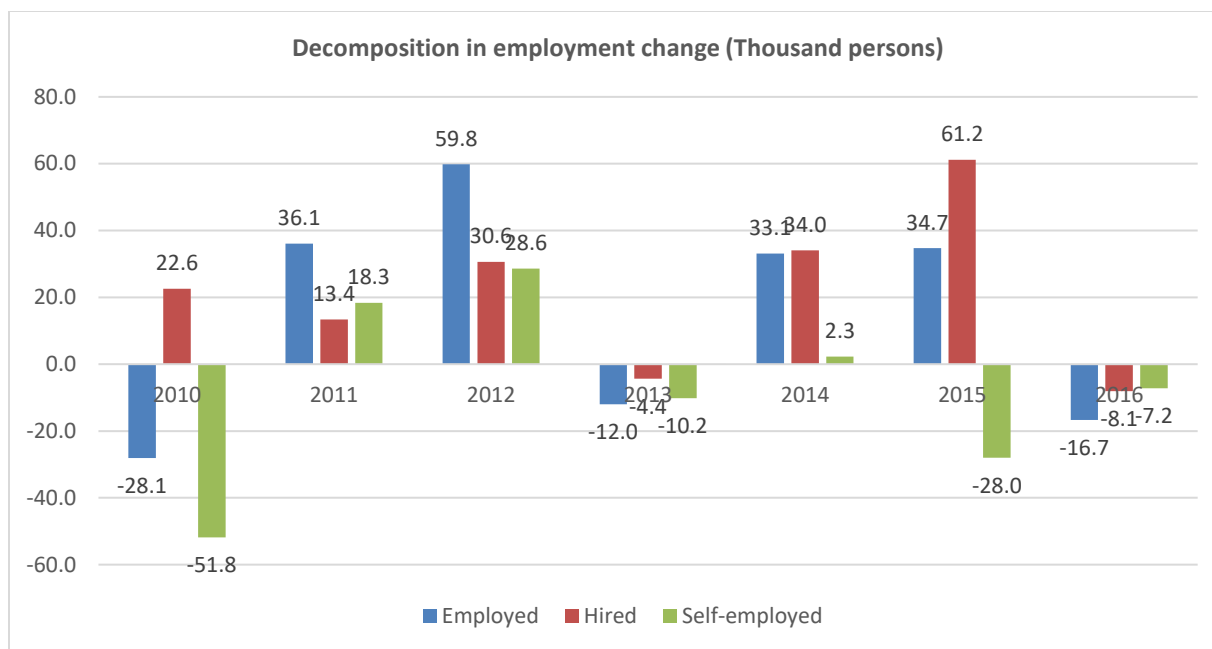
Distribution of employees (self-employed and hired) remains an important challenge in the terms of employment. It should be noted that traditionally, share of self-employed prevails among the employees. This indicator practically has not changed in 2016, which is mainly caused by the decline in the number of employees in the public sector in 2016 compared to 2015 (in 2016 - 262.2 thousand people, 274.9 thousand people in 2015). Furthermore, in self-employment share of employed in agriculture is very high, where self-employment rate is 47.7%. In 2016, in comparison with last year, the decrease of employment trend together with the decrease of unemployment trend was observed both in number of hired employees, as well as self-employed. In particular, the number of hired employees decreased by -1.1% and the number of self-employed by 0.7%. In 2016, share of self-employed and hired amounted to 57.3% and 42.3% respectively in total employment.



Source: Geostat

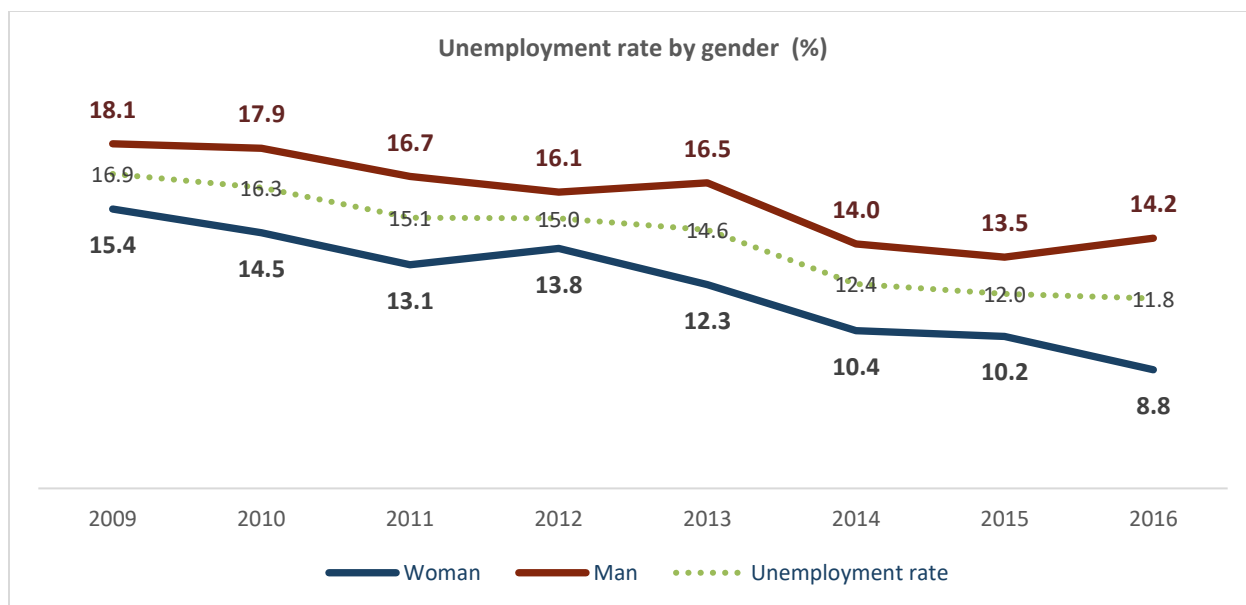


Source: Geostat



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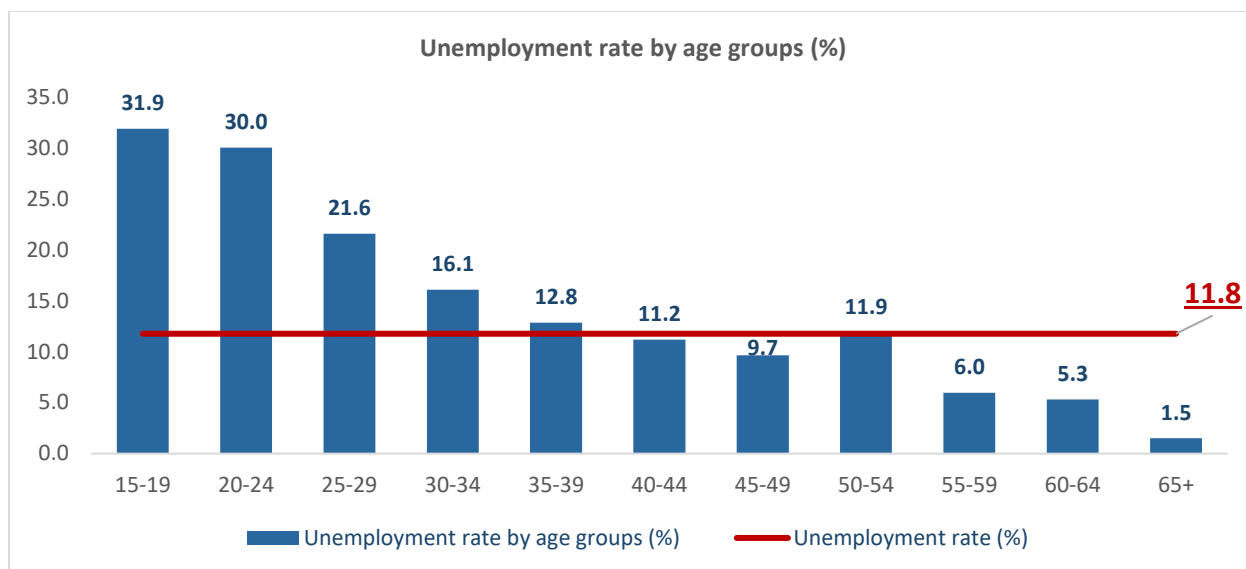
Unemployment in the gender context is no less important, which is characterized by the following tendency: 1) unemployment rate of men significantly prevails unemployment rate of women, which is explained by high participation of men (economic activity rate of men amounts to 75% and in women – 59%) 2) unemployment rate of women is characterized by a declining trend, which gives the opposite picture in case of men. While discussing employment and unemployment rates by gender, it is noteworthy that in 2016, in comparison with 2015, unemployment rate of women has decreased by 1.4 percentage points, and on the contrary, it was increased by 0.7 percentage points for men, and amounted respectively to 8.8% and 14.2%.



Source: Geostat

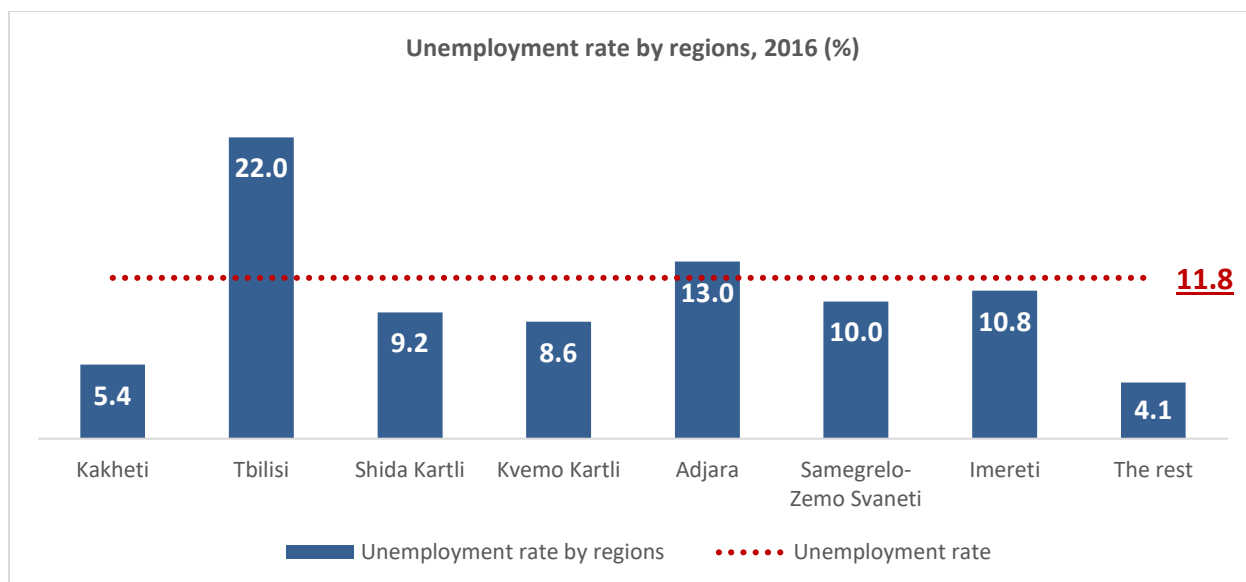
The most significant problem of unemployment structure is high unemployment rate among young people.

Unemployment rate by age groups shows that in 2016, it reached the highest level for the age group of 15-19 years (31.9%), which is 5.7 percentage points higher than the indicator of 2015. Unemployment rate is also high for the age group of 15-24 years and according to 2015-2016 data, it amounts respectively to 30.8% and 30.5%. This can be explained by the fact that young people in Georgia mostly study at higher education institutions and after completing their studies they face two types of problems: 1) There is no demand for the professions they have acquired in the labour market or/and 2) their qualifications and working experience cannot meet the requirements of the labor market. Furthermore, in this category, share of the frictional unemployment is high, because young people need more time to find a desired job. Unemployment rate is traditionally the lowest for the age group 65+. It can be explained by a reason, that 65+ is a pension age and the large number of the population is not employed, does not search for work and consequently belong to the category of inactive population.



Source: Geostat

As regards to geographic concentration of employment and unemployment, it clearly reflects the necessity of balancing the country's economic development. Unemployment rate by regions is quite different. Jobs creation is closely linked to the existence of investment projects in the country. According to the GeoStat's preliminary data of 2016, foreign direct investment in the country amounted to 1 645.4 million USD which is 80.9 million USD more than the 2015 index. There is quite big gap in distribution of GDP and foreign direct investments by regions, which is reflected in jobs creation, employment opportunities and labour migration. In 2016 77.5% of foreign direct investments came to Tbilisi and amounted to 1 275.9 million USD, Adjara was on the second place with 160.9 million USD. It should be noted that considering the country's economy almost half of the total Gross Value Added was created in Tbilisi (49% by 2015). Consequently, the unequal distribution of economic activity and foreign direct investments by regions affect internal migration, mobilization of labour force takes place particularly in the capital, which in its turn increases unemployment rate in Tbilisi. In particular, the highest unemployment rate is in Tbilisi and amounts to 22% according to the GeoStat's data for 2016.

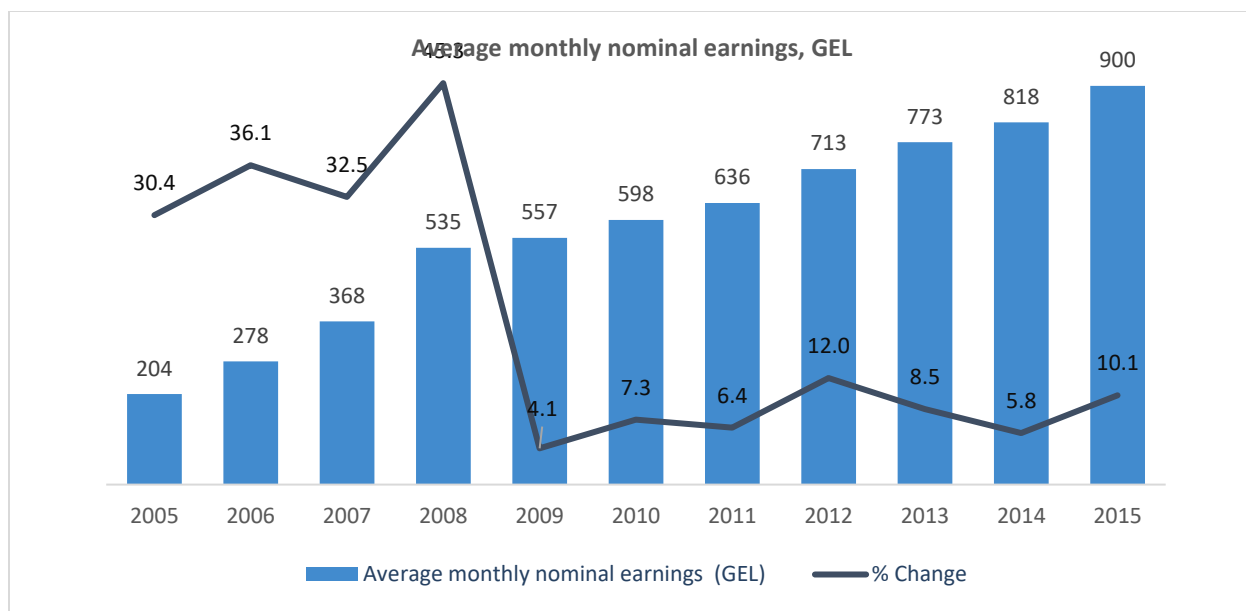


Source: Georstat

In 2016 in comparison with the previous year, unemployment rate increased in Imereti, Tbilisi and Shida Kartli regions. In Tbilisi, where unemployment level is the highest, this indicator is increased by 0.6 percentage points and in Imereti and Shida Kartli regions respectively by 2.0 and 0.2 percentage points. Unemployment rate is significantly decreased in Samegrelo-Zemo Svaneti region and Adjara AR, respectively by 2.5 and 2.1 percentage points.

In 2016 In comparison with the previous year, unemployment rate decreased by 16.5% for individuals with secondary professional education (in 2016 - 33.4 thousand people, in 2015 - 40.0 thousand people), while in the same period unemployment rate increased by 1.1 % for individuals with higher education (in 2016 - 92.8 thousand people, in 2015 - 91.8 thousand people).

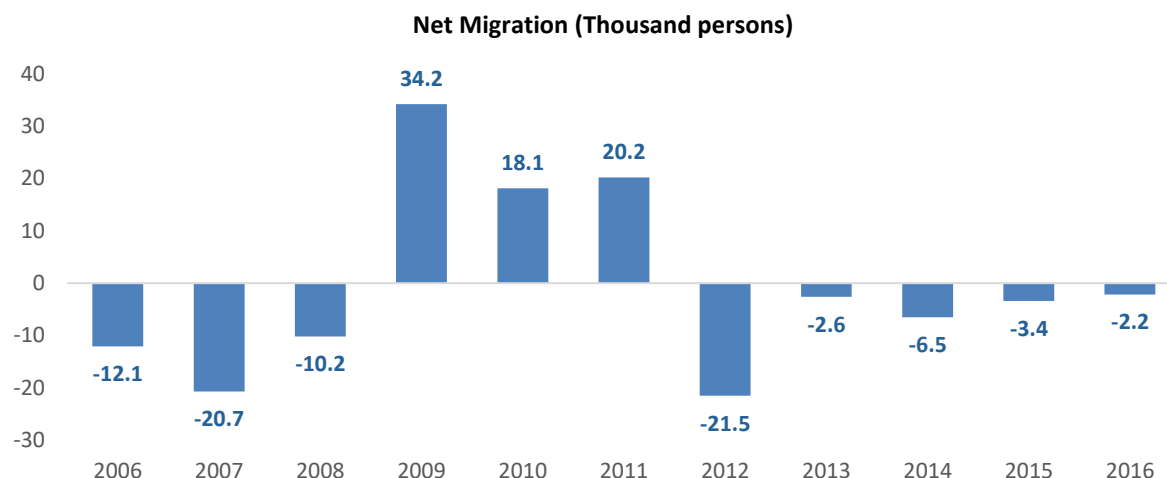
While analyzing supply of the labour market, it is necessary to pay attention to one of the main determinants that is salary. One of the main challenges of employment is the difference between salaries by economic sectors. Rapid increase of average monthly nominal salaries, in recent years, can be considered as positive political trend, which amounted to 900.4 GEL in 2015.



Source: Geostat

Despite increase of salaries, there is a significant difference between salaries by types of economic activities, which demonstrates low labour productivity in some sectors. Salary is high in the following sectors: financial activities, transport and communications, construction, electricity, gas and water supply. Salary is low in the following economic sectors: education, hotels and restaurants, agriculture, hunting and forestry.

While analyzing the labour market the Special attention should be paid to the migration issues, as this is important in terms of adequacy and access to labour forces. Since 2006, significant changes has been occurred regarding Net Migration, which demonstrates divergent situation. In 2016, the number of emigrants reached 98.3 thousand people, which is 2.4% more than the figure of 2015. In the same period, the number of immigrants decreased by 2.5% compared with the previous year and amounted to 90.2 thousand people. As a result, in 2016 negative Net Migration (difference between number of immigrants and the emigrants) was observed and it amounted to -8.1 thousand people. However, it can be considered as a positive trend reduction of Net Migration in 2015-2016.



Source: Geostat

The role of the private sector in employment

In the conditions of the current labour market supply component, the issue of effective use of labour resources in labour market is important. In recent years, this process has evolved positively. However with the new stage of economic development of the country, it is necessary to implement the economic policy oriented to the improvement of labour market structure and in parallel increase the private sector demand for labour resources in order to achieving the threshold level of productivity in this sector. Herewith, it is important to carry out this process in a balanced manner between the sectors.

The sectoral analysis of the economy demonstrates that despite the rapid growth of total productivity of the country's economy, productivity rate is significantly low in certain sectors, especially in the agriculture sector. One of the reasons for this is high self-employment in the sector. Almost half of the total employment comes on the agricultural sector. In addition, agriculture sector creates only 9% of Gross Domestic Product. Consequently, it is necessary to improve labour mobility between sectors to overcome this problem and increase the efficiency of the sector.

Unlike the agriculture sector, the impact of business sector activity on economic growth and employment is clearly reflected in other economic sectors. Trade (0.9 percentage points), manufacturing (0.8 pp) and construction (0.5 pp) sectors significantly contributed to the average economic growth in 2010-2016. Accordingly, employment growth has been observed in these sectors. In particular, according to the data of 2016, more than 50% of business sector employment comes on trade, industry and construction sectors. As for employment dynamics by sectors, in 2010-2016 trade, real estate, construction and industry sectors made the highest contribution to the average employment growth in the business sector.

Within the recent years, increased private sector activity was also conditioned by positive trends in terms of foreign direct investments. Among the countries of the region Georgia is distinguished with investment attractiveness. Consequently, significant growth of foreign direct investment is observed in Georgia.

Foreign direct investment flow contributes not only to the growth of economic activity and employment, but also to the transfer of knowledge and technologies and like domestic investments has a positive influence on productivity growth.

In 2010-2016, with respect to foreign direct investments flow, transport and communications, energy, financial, manufacturing and real estate sectors were distinguished. It should be noted that these sectors were also distinguished with the highest level of productivity per employee. In parallel to productivity growth in these sectors, also high salary is observed and it exceeds the average monthly nominal earning of an employee in the country, which is also characterized by high trend in recent years both in nominal, as well as in realistic expression. Compared to the public sector, the average salary is higher in the private sector. In 2010-2016, salary rapidly increased in fishing and fisheries and health care sectors.

Employment by economic sectors

The number of employees is unequally distributed among economic sectors. Almost half of the employees are in the agricultural sector. The employment in the industry sector is 7%, while the number of employees in the service sector exceeds 40%. Trade (9%) and education sectors (8%) are distinguished among the services sectors.

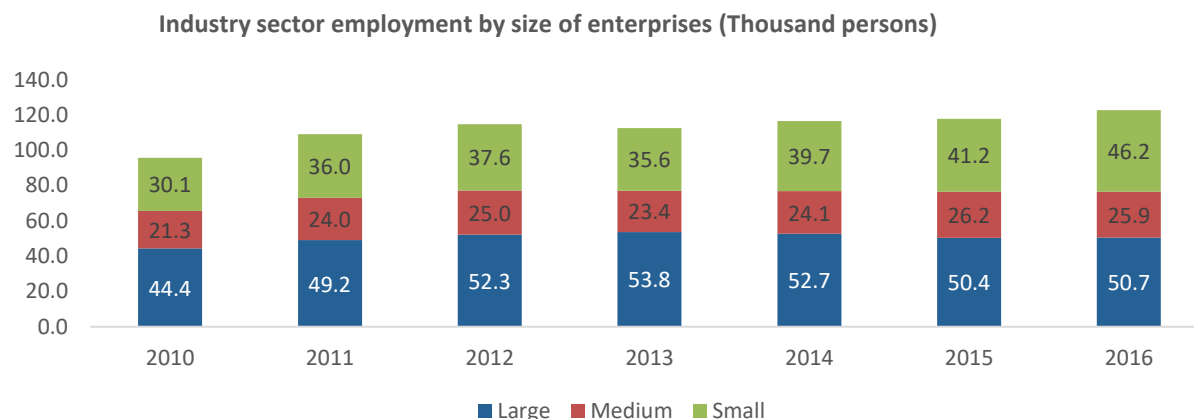
As for the employees in business sector, the trade (25%), industry (19%) and construction (11%) sectors are distinguished with the highest share of employment. Agriculture and education sectors have the lowest share, which is caused by the high level of self-employment in these sectors.

Industry

Industry sector provides 7% of total employment and 19% of business sector employment. In its turn, the main share of industry sector employment is on the manufacturing industry, which is about 70% of industry sector employment. Food production and metallurgical industry is traditionally distinguished by the highest employment rates.

According to new classification of business statistics¹, more than half of the employees in the industry sector are employed in small and medium sized enterprises.

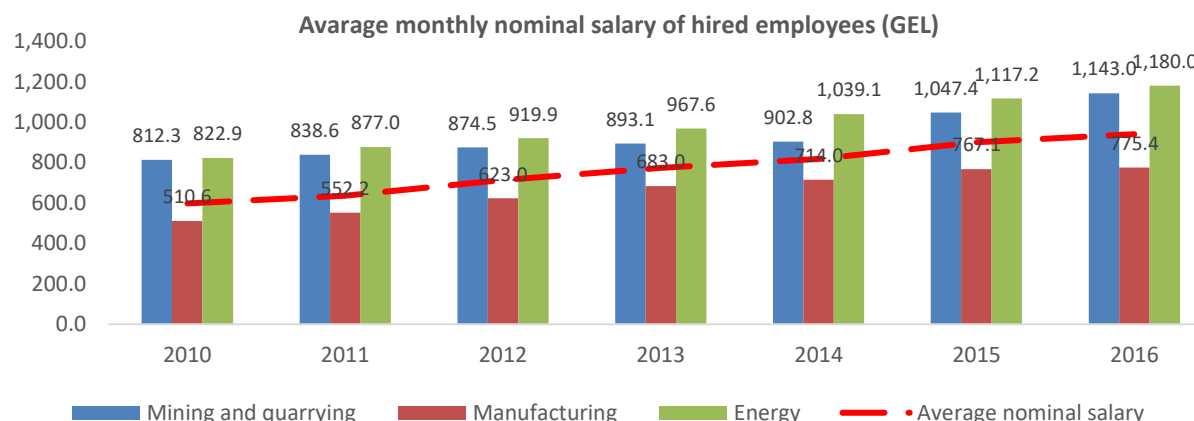
¹ Since 2017 size of enterprises determined by the following methodology: Large enterprise is an enterprise, where average annual number of employed exceeds 249 persons and/or volume of average annual turnover - 60 million GEL. Medium size enterprises are all enterprises of organizational-legal form, where average annual number of employed ranges from 50 to 250 persons and average annual turnover – from 12 million to 60 million GEL. Small size enterprises are all enterprises of organizational-legal form, where average annual number of employed does not exceed 50 persons and average annual turnover - 12 million GEL



Source: Geostat

The manufacturing and energy sectors have been distinguished by foreign direct investments flow in recent years, which has contributed to the increase in productivity in these sectors.

Compared to the average monthly nominal salaries of hired in business sector average monthly nominal salary is higher in the energy and mining sectors than in any economic sectors.



Source: Geostat

Over the next years, the implementation of investment projects in the field of manufacturing and energy will contribute employment growth in these sectors and the demand for the relevant qualifications work will increase. Only in the energy sector, the total investment cost of projects planned for 2017-2025 is about 8.5 billion USD, which will give a serious boost to the creation of jobs in the sector.

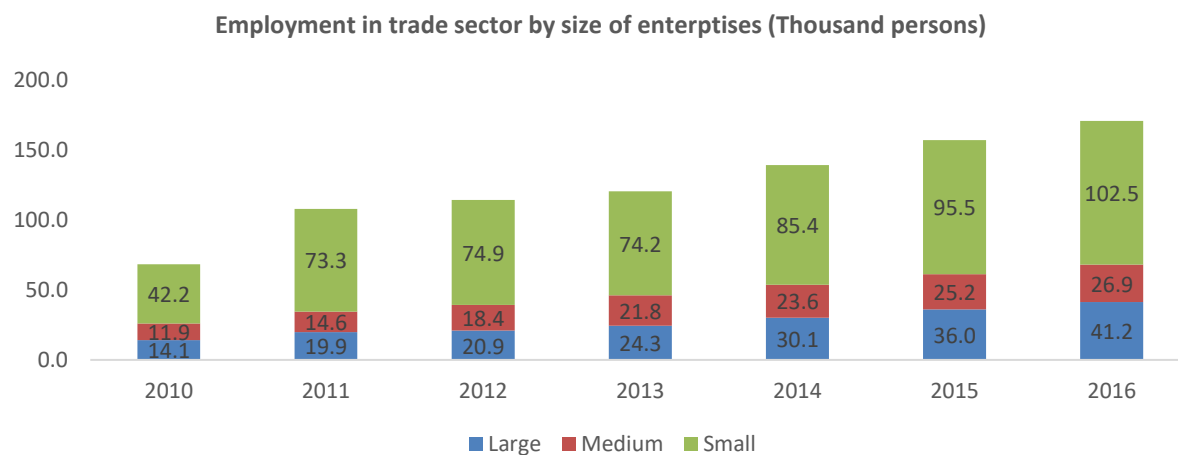
With respect to manufacturing, it is planned to start production of composite parts of an aircraft, energy efficient blocks, metal parts and other production, the total investment cost of which is about 200 million USD. In addition, the light industry, especially the textile industry, is also increasing, which will generate demand for qualified work force in the following years as well.

Trade

Trade sector provides 9% of total employment and 25% of business sector employment. In 2010-2016, the trade sector made the highest contribution to growth of business sector employment.

Date of the entire employment in this sector and the employment of business sector is somewhat different from each other, which indicates to informal employment in this sector, however the difference is gradually decreasing, which is the result of transition of informal employment to formal employment.

Based on the business sector data, more than 60% of trade sector employment is on small enterprises. The smallest part is employed in medium size enterprises.



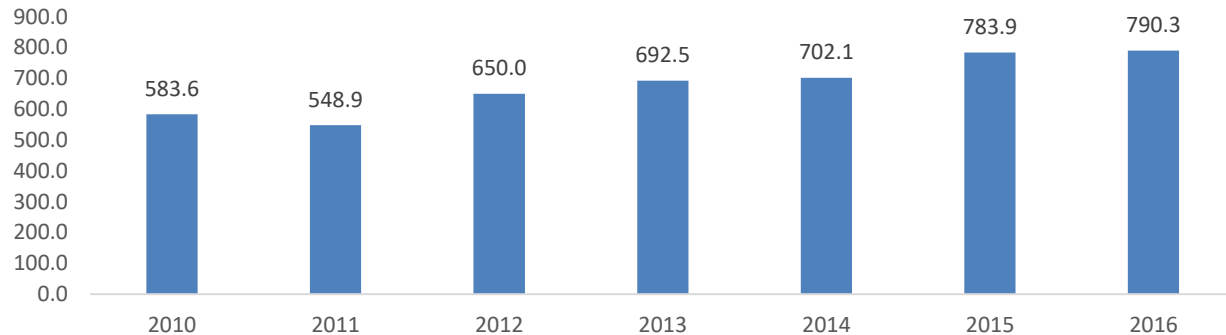
Source: Geostat

According to the types of activities, the largest share of employed is on wholesale and retail trade, and the smallest share on repair of motor vehicles, personal and household goods.

Most of the employees of the trade sector are employed in Tbilisi, Adjara and Imereti. Salary is lower in the trade sector than generally average monthly salary in the country.

Source: Geostat

Average monthly nominal salary of the hired employees in trade (GEL)



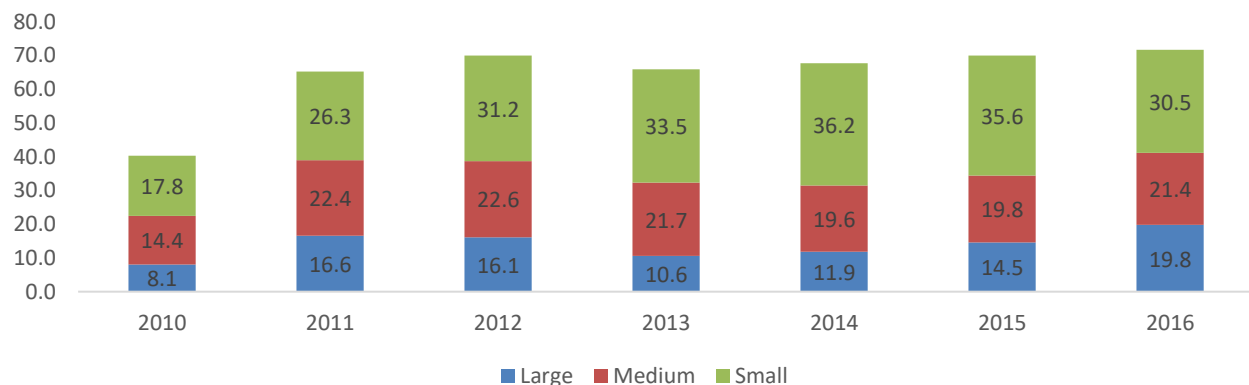
Source: Geostat

With respect to retail trade, opening of a large shopping center "Gallery Tbilisi" is planned in 2017, the investment cost of which is 70 million USD. Herewith, together with the rapid growth of tourism, further development of this sector is expected.

Construction

Construction sector constitutes 4% of total employment and 11% of business sector employment.

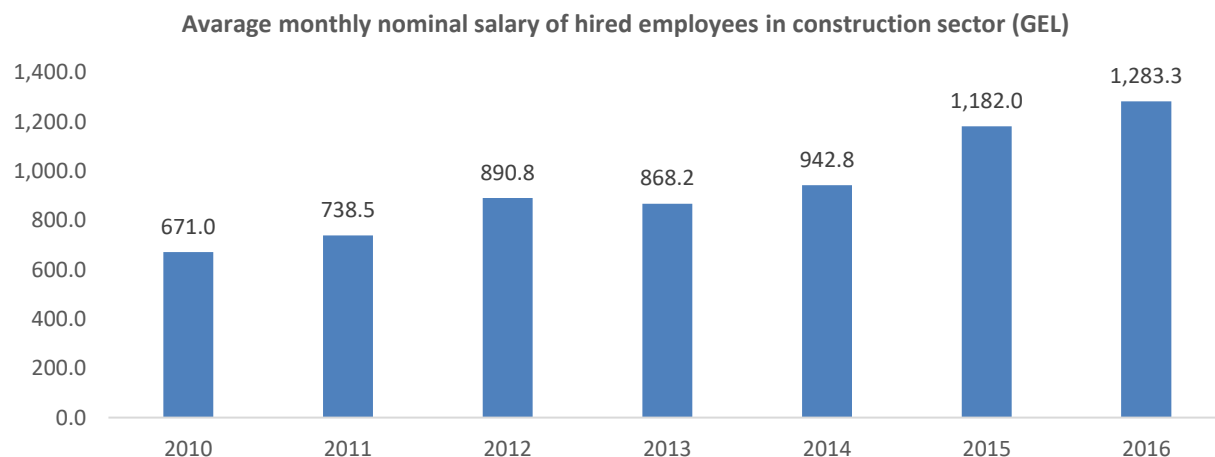
Employment in construction sector by size of enterprise (Thousand persons)



Source: Geostat

Based on the data of the business sector, major part of employees in the construction sector are employed in small enterprises.

The construction sector was distinguished by foreign direct investment flow and productivity of the sector is higher than the average productivity level of the business sector. Along with productivity, average salary is high in this sector.



Source: Geostat

In 2017-2020, construction of new transport network and acceleration of major infrastructural projects are planned to facilitate economic growth. Only road construction investment projects more than 9 billion GEL is planned and for the development-rehabilitation of water supply network – 1.8 billion GEL investment.

In terms of development of mountain resorts in 2017-2018, cost of planned projects amounts approximately to 100 million GEL. Consequently, demand will increase for both highly qualified, as well as relatively low qualified workers.

Furthermore, the developing of basic infrastructure has a positive transmission impact on the development of different sectors, reduces logistical costs of private sector and stimulates private investments.

Agriculture

Almost half of the employees are employed in the agriculture sector, however, its share in the business sector employment is only 2%, which is explained by the high share of self-employees in this sector.

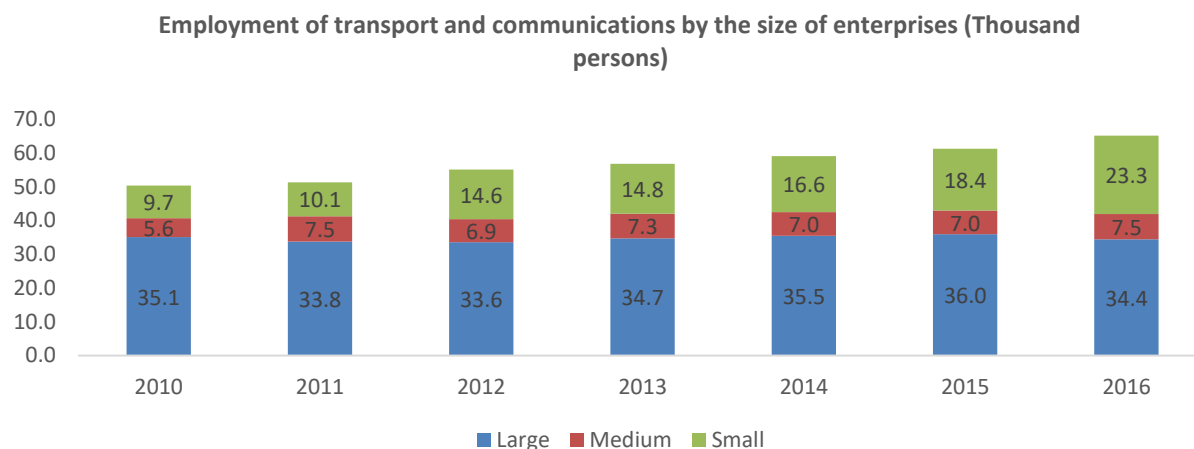
Compared to other sectors, productivity index in agricultural sector is lowest. Consequently, it is important to increase formation of the technology and capital for the development of this sector, as well as outflow the workforce in other sectors.

Approximately 117 mln USD investment is planned in the agricultural sector for the development of greenhouse and farms, which will increase the demand for highly qualified workers.

Transport and communications

The transport and communications sector provides 5% of total employment and 10% of business sector employment.

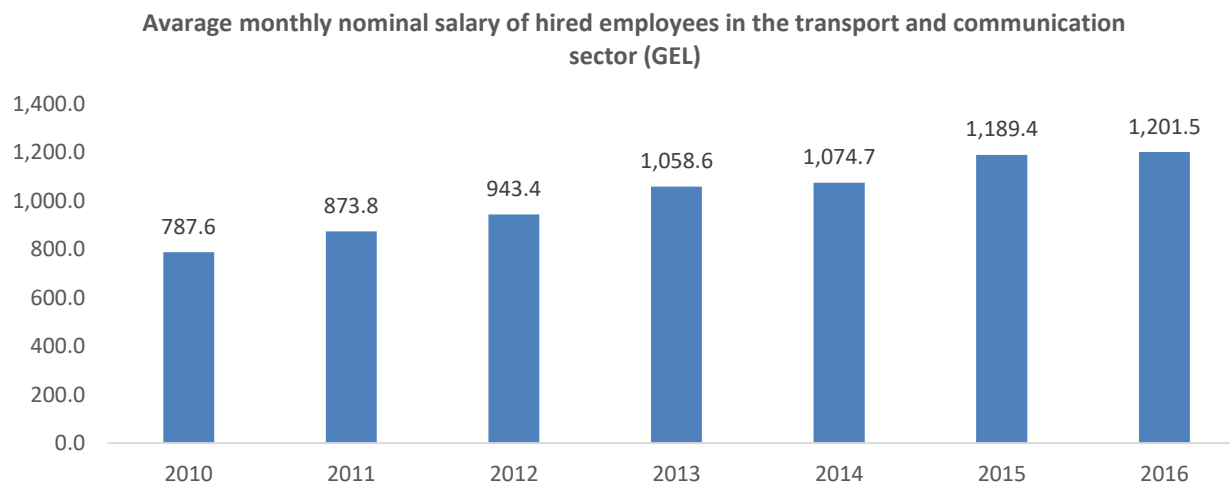
Based on the data of the business sector, the largest share of the employees in this sector are employed in large size enterprises, however their share in transport and communications sector is characterized with the decrease trend.



Source: Geostat

According to the types of activities, more than half of the employees are engaged in land transport, and the smallest part of them, less than 1% - in air transport. 20% of employees of the mentioned field are employed in postal and communication sectors.

In 2010-2016 the transport and communication sectors occupies the first place with an average annual investment flow. Especially in 2015-2016 its share in total investments was high. Productivity level and average monthly salary in this sector is high.



Source: Geostat

In order to increase the transit potential of the country, implementation of large projects that will facilitate the growth of employment in this sector is planned and in progress. These projects include: construction of the Anaklia Deepwater Port, Baku-Tbilisi-Kars railway line and east-west highway, modernization of railway and development of logistical centers. In total, 2.5 billion USD investment is planned for the construction of Anaklia port, and 586 million USD investment is planned for the first phase, which will be completed in 2020. More than 60 million USD investment is expected for construction of logistic centers.

Real Estate

Share of real estate in total employment is small and amounts to 2%, however, share of this sector is high in the business sector employment and equals to 10%. This difference may be caused by employment of individuals in several places.²

Based on the business sector data, number of employees in this sector has doubled in 2010-2016. In recent years, real estate sector is one of the fastest growing sectors and makes significant contribution to the GDP growth. The highest growth of employees was observed in 2011. In this year the highest real growth and the largest foreign direct investment was observed in the sector.

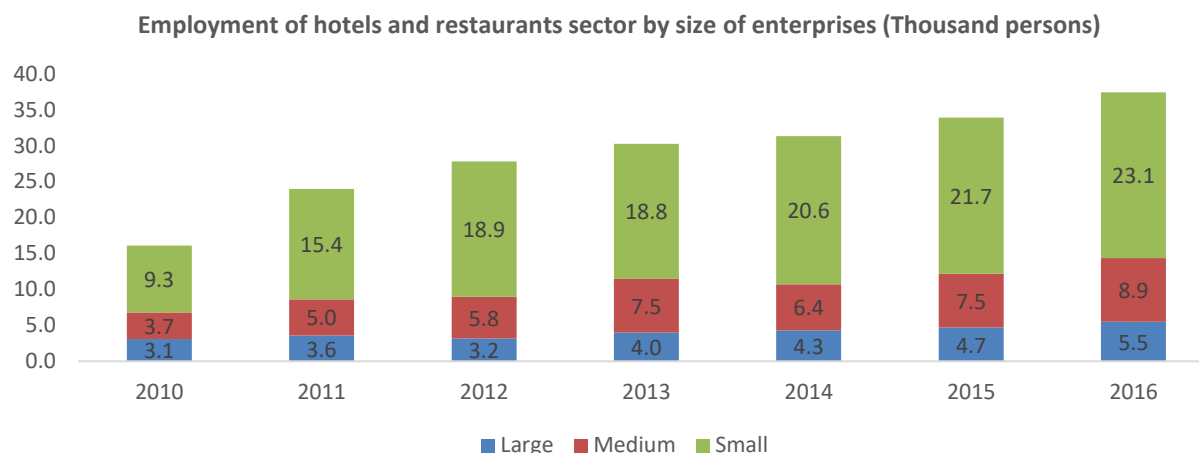
Along with high real growth and direct foreign investment inflows, salary also increased significantly in this sector.

Hotels and Restaurants

Employment in hotels and restaurants is 1% of total employment and 5% of business sector employment. Contribution of the hotels and restaurants sector in economic growth equals to average 0.2.pp.

Tourism is one of the fastest growing sectors of the economy and therefore demand for labour force by hotels and restaurants is increasing. According to the business sector statistics, in 2016 the number of employees was increased by 132% compared to 2010. Following to the sector development and growth of tourism, further increase of the number of employees is expected.

² For some people operations with the real estate are not main activity, consequently, according to the Integrated Household Survey, they fall under employment of other sectors.



Source: Geostat

Based on the business sector data, the major part of employees in the hotels and restaurants sector are employed in small size enterprises, as for the regional context the most part are employed in Tbilisi, Adjara and Imereti.

In the coming years it is planned to invest more than 200 million USD in the hotel sector. It should be noted that the average monthly salary in hotels and restaurants is lower than generally the average salary. However, following further development of tourism infrastructure and improving the quality of service, considering revenue growth from tourism, further increase of salary is expected in the above sector.



Source: Geostat

Financial Sector

Financial sector is one of the fastest growing sectors and its contribution to economic growth is 0.4 pp on average. The financial sector provides 2% of the total employment, and salary is almost twice higher than generally the average salary.



Source: Geostat

In the wake of increase and further diversification of financial sector, the demand for highly qualified labour force will increase.

Especially large-scale changes are expected in the field of capital markets development. Over the next years, the management and investment of accumulated pension assets as a result of the implementation of the Pension Reform will significantly increase the demand for the established (emitted) financial instruments in Georgia that will eventually develop financial and brokerage as well as general financial activities. This implies that demand for new specialized professions and highly qualified labour force will increase. At the same time, the insurance market growth and emergence of new products will also increase demand for highly qualified workforce.

Demand for labour force by mini survey and data of the private employment agency – HR.GE

In 2012-2016, according to the vacancy announcements by the private employment agency -hr.ge, three leading economic sectors are: wholesale and retail trade, administrative and support service activities, financial and insurance activities. Service has a leading role in terms of employment.

Share of demand for labour force by types of economic activities

Types of economic activities	Share of the demand component (%)				
	2012	2013	2014	2015	2016
Wholesale and retail trade; Repair of motor vehicles and motorcycles	21.1	22.3	23.0	22.9	23.5
Administrative and support service activities	19.5	17.9	19.3	19.7	21.1
Financial and insurance activities	12.8	14.3	16.6	16.2	16.2
Accommodation facilities and food service activities	7.0	6.7	5.8	6.8	7.2
Professional, scientific and technical activities	5.8	7.7	6.7	6.2	6.0
Human health and social work activities	4.2	4.6	5.3	5.7	5.1
Information and communication	6.2	6.1	6.3	5.2	4.9

Source: hr.ge

The share of the workforce demand component changes slightly for each economic sector by 2012-2016 years, which gives a stable picture of the demand component by economic activities.

According to vacancy announcements published by private agency of employment - hr.ge, demanded occupations are: sales workers; professionals associated with business and administration sphere (buying and selling agents and brokers, commercial services agents), business and administration professionals (finance professionals, administration professionals, sales, marketing and public relations professionals).

Share of demand for labour force by occupations

Occupations by International Standard Classification of Occupations (ISCO 2008)	Share of the demand component (%)				
	2012	2013	2014	2015	2016
Sales workers	16.80	19.62	22.94	22.19	24.48
Business and administration associate professionals	8.75	10.29	12.06	12.85	14.36
Business and Administration Professionals	11.44	11.53	10.13	8.47	7.93
Administrative and commercial managers	7.66	7.01	7.02	7.50	6.52
Healthcare professionals	4.14	4.34	5.04	5.34	4.86
Production and specialized services managers	6.48	5.18	5.05	4.86	4.79
Personal service workers	4.55	4.47	3.64	4.00	4.32
Customer service clerks	2.55	3.08	3.24	3.76	4.19
Information and Communication Technology Professionals	5.27	5.35	5.58	4.50	3.98

Source: hr.ge

List of demanded occupations like economic activities by 2012-2016 years, gives a stable picture and they are related to: trade, finance, health care, hotels and restaurants, information technologies.

Majority of vacancy announcements published in 2016 by private employment agency – hr.ge include positions such as: sales consultant; manager and agent; credit manager; loan expert; cashier; distributor; waitress; cleaner; call center operator; office manager; cook; accountant; advertising agent; nurse; security guard; courier; IT specialist.

In July 2017, the Ministry of Economy and Sustainable Development of Georgia conducted a small survey in order to analyze trends of the labour market demand. Twenty large organizations of the Georgian Business Association that represent trade, information and communication, financial and insurance, transport and processing industry sectors participated in the survey. It is noteworthy that all organizations have announced vacancies during the last 12 months, which have been completed within 3 months. Nevertheless, each sector had difficulties in selecting the desired candidates.

Representatives of financial sector are experiencing lack of qualified staff in regions for the managerial and senior positions. Insurance companies face difficulties in finding sales agents, call center operators and developers.

Difficulty for trade representatives is to fill in following positions: experienced corporate sales managers, trade representatives, brand managers and drivers.

The problematic issue for the manufacturing industry sector is to find engineers, technologists, system administrators and sales consultants.

Almost every respondent organization faced a problem of finding labour force and its primary reasons were lack of applicants and the low level of qualification.

The attitude of the interviewed companies is quite optimistic in terms of future employment, which is reflected in the announcement of new vacancies for next 12 months.

It's noteworthy that respondent organizations actively work in terms of human capital development, namely they are engaged in retraining and qualification rising of the employees.

Conclusions

On the bases of this analysis, by the assessment of current situation and future trends of the Georgian economy, which include the analysis of fast growing sectors and possible increase of demand for workforce as a result of implementation of planned investment projects in various economic sectors, on the one hand and by taking into consideration existing structure and trends of labour force, on the other hand, the following conclusions can be made:

- With respect to labour resource supply, it is noteworthy that, in recent years there has been a rapid demographic change that is reflected in reduction of the labour force. All of these are reasoned by migration and the unstable change of birth rate. The negative balance of recent Net Migration may be considered both in positive and negative context. On the one hand, the "brain drain" in the short period of time makes a country to lose intellectual potential, and on the other hand, in case of return, a country gets more qualified workers and effective use of their knowledge is important for a country's economic development. Also it should be mentioned, that according to the researches, migrants both in receiving country as well as in the country of origin are characterized with more initiatives and interest in entrepreneurship, than the rest of the population.³ Herewith, 17-18% of interviewed returned migrant are employers or self-employed.⁴ It should be mentioned, that the migration (especially in terms of approximation with the EU) will make pressure on the Georgian labour market and cause labour force flow in the future. Therefore, this factor is necessary to be taken into consideration in the policy development process.
- Currently, the main challenges facing the labour market in Georgia are high unemployment rate, employment structure and low productivity of self-employees. Analyzing the employment in sectoral context in Georgia gives diverse picture in terms of employment in agriculture, industry and services. Rapid distinction between the urban and rural unemployment rate is explained by high rate of self-employment in rural areas. This is due to the low generation of new jobs in rural areas, which leads to rural self-employment.
- Women's unemployment rate is significantly lower compared to men's unemployment rate, which is explained by higher economic activity rate of men compared to women.
- In terms of labour force demand, it is noteworthy that the transformation of Georgian economy into service economy is gradually going on. In this regard, sectors such as financial services, transport and communications, tourism, are rapidly growing spheres in recent years. Due to growing trends of these sectors and planned investments, further development of these sectors is expected, which on the one hand requires qualification raising of employees in order to increase productivity and quality, and on the other hand, it will further increase the demand for labour force;
- The field of financial sector, such as financial intermediation, which in this case does not include the commercial banking sector shall be particularly mentioned. The effect of the planned and current measures in this direction will be especially high, since this direction in Georgia is especially undeveloped and does not create a substantial demand for employment. As a result of the capital market reform and pension reform, as well as following to the changes in the insurance sector, the necessity of highly qualified personnel with specific knowledge in these fields will arise in the upcoming years;

³ Organization for Economic Co-Operation and Development (2010), Entrepreneurship and Migrants, Report by the OECD working party on SMEs and Entrepreneurship

⁴ European Training Foundation (2013), Migration and Skills in Georgia, results of the 2011/12 migration survey on the relationship between skills, migration and development; p.40.

- As regards to other directions of the service, the Labour Market Components Survey implemented by the Ministry of Labour, Health and Social Affairs of Georgia in 2015 and the research conducted by the Ministry of Economy and Sustainable Development of Georgia in July 2017 resulted in the similar picture and shows that the demand for service workers is high. There is a special opportunity for young people who is characterized by high unemployment rate. Vacancies on hotel service personnel, call center operators, waiters, cooks, advertising agents, security personnel, couriers, IT specialists are highly demanded and in parallel with the rapid growth of tourism and other services, this demand will further increase.
- Necessity of highly qualified personnel will emerge in the real economic sectors as well, in particular in the context of the unprecedented high planned investments and capital costs, which is planned to be implemented in the energy sector, manufacturing, construction of new transport network and in general infrastructure of the country will increase the demand for particular professions, including engineers and architects.
- What concerns to agriculture, despite the high employment rate in this sector, the productivity is very low and consequently share in GDP is low as well. Through the introduction of high technologies and knowledge in this sector, employment will be reduced, employees will outflow to other sectors, however, at the same time demand for highly qualified personnel with specific knowledge (agronomies, veterinarians) will increase. Currently demand growth is on the surface and it will continue in the following years.
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Recommendations

- Active involvement of private sector in the development of vocational education curricula in order to meet the labour market requirements;
- Encourage cooperation between private sector and vocational institutions in order to move to the work-based learning;
- Improvement/promotion of the image and attractiveness of vocational education among young people (advertisements about successful examples, advertisement/other means developed for breaking old stereotypes towards vocational education);
- Development of a system of professional qualifications recognized at national and international level;
- Raising awareness of the private sector on the effectiveness/withdrawal of expenses incurred for the capacity building of employees.
- Facilitate the process of mastering entrepreneurial skills for youth in the school process. Development of entrepreneurial culture in youth from school will be positively reflected on the creation of successful business organizations.
- Promotion of the development of exact and natural sciences (mathematics, physics and other) and technical sciences (engineering, architecture and other) and encouragement of youth to become proficient in this field in order to develop of high-tech products in the country and provide them with employment focused on it.