



Labour and Social Security during the Coronavirus Pandemic

Recommendations to the Government of Georgia

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Introduction

This document aims at providing Government of Georgia (GoG) with recommendations regarding the temporary social protection measures for Georgian workers. These recommendations are based on the international practice with the consideration of national labour market peculiarities. Considering that recommendations refer to the crisis period only, they do not imply any major reforms in the national social security system, which require much more time and effort. During pandemic the major objective has been to elaborate measures, which could be implemented in a short period of time without much administrative cost. Nevertheless, we cherish the hope that current experiences will prepare the ground for substantial reform of the social protection system in Georgia post-crisis.

On March 11, 2020 the World Health Organization (WHO) declared the new coronavirus outbreak as a global pandemic. According to WHO number of infected patients exceeds one million and it keeps increasing on daily basis. Wide spread of the new coronavirus has put a strain on health systems around the world, including those in the developed economies. Organization for Economic Cooperation and Development (OECD) [considers](#) it impossible to accurately estimate the damage inflicted by the pandemic on the economy; however, it is clearly going to have a profound effect on the global labour markets.

[Preliminary estimates](#) of the International Labour Organization (ILO) indicate a rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario). In order to reduce poverty and unemployment caused by sharp drop in employment rates ILO calls on governments to elaborate timely employment, income support and other policies aimed at stimulating consumption. This is of crucial importance not only for workers’ social protection, but also for avoiding long-term economic recession – says the study.

Tackling the socio-economic challenges imposed by the pandemic requires concerted efforts not only in developing and transition economies, but in the developed countries as well. In case of the latter unemployment insurance systems¹ felt the first blow. However, due to the [rapidly rising number of the unemployed](#) these countries started introducing additional measures for supporting the workers. Their social security

¹ Unemployment insurance is a state administered insurance scheme, in which employers, employees and in certain cases the state make regular contributions. In case of unemployment the worker can claim “unemployment benefits” from the unemployment insurance fund.

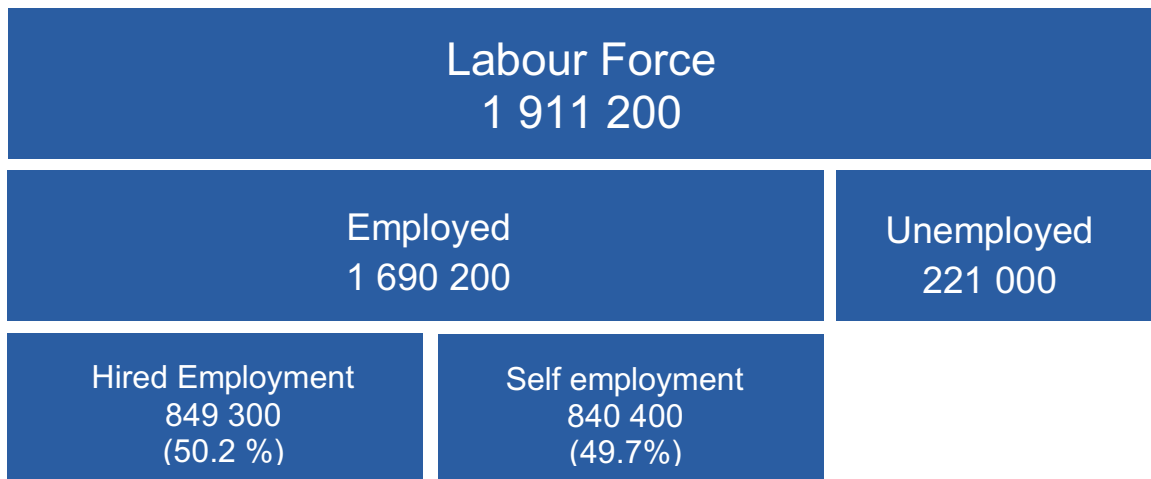
systems clearly have not been designed to contain a crisis of such intensity. The [study](#) by the International Trade Union Confederation (ITUC) which reviews such measures in 86 countries concludes that half of these countries have provided free health care to their citizens during the pandemic. One-third of them has ensured that workers who are quarantined or are in self-isolation are covered with paid leave. Certain countries have [doubled the amount](#) of unemployment benefits during the crisis, while others have resorted to such temporary measures as wage subsidies in order to save jobs. The latter envisages partial or full subsidization of workers' salaries by the state for a defined period of time. Other measures include deferring the mortgage, bank loan and rent payment obligations and stopping evictions during pandemics.

The impact of pandemic on the Georgian labour market

The global crisis caused by COVID-19 has taken its toll on the Georgian economy as well and is getting much more acute day by day. Stopping the large share of economic activity is negatively affecting the workers. However, not all of them are affected equally bad. In this connection, it is of paramount importance to analyze which groups in the labour force are bearing the brunt under current circumstances.

If we talk about hired workers in the formal sector (total of 849 300 individuals – see figure 1) two major factors stand out: the type of economic activity (whether teleworking is a feasible option or not) and the field of employment (private vs. public).

Figure 1: Labour Force Statistics in Georgia



Source: National Statistics Office of Georgia, 2019

The possibility of teleworking became critically important during the pandemic; however, majority on the Georgian labour market cannot afford it. As the distribution of workers according to the occupied positions (figure 2) indicates, teleworking could potentially be done by roughly one fifth (19.3%) – a group comprising of Managers, Professionals and Associate professionals².

The other occupational groups typically perform jobs which require physical presence at the workplace. Given the state of emergency, however, majority of them has to stay home, except of the employees working in large supermarket chains, pharmacies and obviously the medical staff who are currently performing the “necessary labour” for keeping the society running.

Thus, for the large group of workers, whose jobs can not be done from home, staying home puts them in a rather vulnerable state. First of all it affects their income since many of them are wage earners – their monthly income depends on the days worked. After the onset of the crisis news started to spread about employers demanding their employees to take unpaid leave or dismissing them without prior notice or payment of the compensation benefit, which is a [brutal violation of workers’ rights](#). At the same time, labour rights violations are equally alarming in case of those who continue “going to work”. Many of the employers are not providing their employees with personal protective equipment, worker salaries are reduced while they are demanded to work the same or sometimes even more hours than before the crisis.

Obviously, workers that have lost their jobs due to the crisis face much larger problems. As mentioned in the introduction, other developed, as well as some developing countries try to counter this situation by activating their unemployment benefits or unemployment assistance schemes. However, none of these exist in Georgia. Respectively, losing a job (especially during a crisis) may leave one without any source of income³.

When looking at the sector of employment, those employed in the public sector are relatively more privileged than those working in the private sector. This is primarily due to the fact that besides enjoying the guarantees provided through the labour code, they also benefit from the superior social protection schemes stipulated by the [Law of Georgia on Public Service](#). Respectively, it is highly unlikely that the workers in public

² Important to note, however, that highly qualified medical professionals also fall in this group. Obviously teleworking in their case is out of question.

³ Worth to note that existing social assistance system in Georgia cannot be considered a safety net in this case, primarily due to the complexity of administrative measures and time required to go through them.

sector face any significant dismissal risks (irrespective of their capacity to telework). On the other hand, private sector workers, comprising 82% (1 394 400 individuals) of the employees, do not enjoy this “relative advantage”.

Figure 2: Distribution of employees according to occupational groups in Georgia

Occupational Groups	2017	2018
Low-skilled	15.1%	16.7%
Elementary Occupations ⁴	6.5%	7%
Services and Sales workers	8.6%	9.7%
Middle-skilled	12.7%	16.7%
Clerical Support Workers	2.9%	3.6%
Craft and related trades workers	5.5%	7.6%
Plant and Machine Operators and Assemblers	4.3%	5.5%
Highly skilled	18.9%	19.3%
Managers	3.7%	3.6%
Professionals	9.5%	9.3%
Technicians and Associate Professionals	5.7%	6.4%

Source: authors' calculation based on the labour force survey, National Statistics Office, 2018

Discussion until now covered only employees in the formal economy. However, it is of critical importance to talk about workers in the informal sector, since they have a significant share on the Georgian labour market. Based on the Labour Force Survey National Statistics Office estimates that the share of informal workers outside agriculture is [36.2%](#). However, it is widely known that labour force surveys usually do not capture the informal economy fully, especially the grey zones like the work of independent contractors on online platforms, or gigs performed offline via online matching applications. Nevertheless, it is clear that the share of informal workers is sizable. They represent the most vulnerable group during the crisis because their earnings directly depend on their daily labour – thus staying home literally means no income.

Unlike the hired workers in the formal economy, informal workers are particularly vulnerable because they do not have employment contracts and respectively the state

⁴ According to the International Standard Classification of Occupations (ISCO) “elementary occupations” include following low-skilled positions: cleaners, helpers, physical workers in mining, construction, transport, manufacturing, etc.

has no information about them. Formal sector workers whose employment contracts have been terminated can be easily traced by the state. Thus, providing support to these group is relatively easy. Informal workers, on the other hand, are very difficult to trace and respectively it is rather challenging to extend the coverage of social security systems on them. Due to these reasons this group should be considered to be most negatively affected by the pandemic.

Recommendations

Government of Georgia adopted several measures aimed at improving citizens' social security amidst the pandemic. Namely, infected patients are treated free of charge, [communal fees](#) have been subsidized up to a certain threshold, the negotiations started with the transport companies to ensure the [transportation of workers](#) who continue commuting to work, certain restrictions have been lifted in the procedure for issuing [social assistance](#). At the same time, the government announced its plan to provide financial assistance to those workers who have lost their jobs.

It is critical to note however, that the state decree No 181 regarding adoption of the measures to combat the spread of new coronavirus in Georgia included a clause, which restricted the power of the National Bureau of Enforcement to evict citizens from their premises. However, this [clause has been removed](#) as a result of amendments to the decree dated March 30th, 2020.

Considering this background it is of critical importance to carry out following measures:

1. **Workers employed in the formal sector (hired employees)**

1.1. *Workers which continue carrying out their duties at the workplace*

1) The government should control to what extent are the employers fulfilling the obligation to provide transportation for their workers, to what extent do they follow the safety measures in this process and whether the workers are provided with personal protective equipment at work. At the same time, under the supervision of the labour inspection department, the employers should ensure that working hours during the shift are in line with existing labour legislation.

1.2. *Workers directly affected by the pandemic*

2) Workers who are currently quarantined, under the observation in an in-patient facility, self-isolated or are going through a treatment due to contracting COVID 19 should be entitled to paid sick leave from their employers. They should also be entitled to benefit from other measures implemented by the state or the employer as per the recommendations in this document.

1.3. Workers whose contracts have been terminated or are currently on unpaid leave

During the pandemic number of companies seized paying out the salaries or dismissed the employees altogether. It is of paramount importance to provide certain monetary benefits for this group of workers so as they can sustain themselves during the crisis. In order to achieve this:

3) The state should provide monetary benefit (allowance) for workers that have been dismissed or are on unpaid leave for minimum of 3 months duration. The amount of the benefit should be calculated based on the average social assistance allowance provided to the average-sized household. The administration of this “unemployment allowance” should be carried out entirely by the state.

4) For employees who are at the verge of losing their jobs, the state should offer a wage-subsidization program to the small and medium enterprises (SME). Namely, SMEs should be eligible to benefit from this program if they prove substantial loss in profits and revenues as a result of the crisis. In this case, the state should offer them 50% subsidization of employee salaries. The subsidies can be capped relative to the available financial resources for this measure.

2. Workers in the informal economy (without employment contracts)

As it is difficult to trace workers in the informal economy it is challenging to come up with specific measures targeting exclusively at this group. Respectively, it is important to carry out following measures with more universal approach:

5) Evictions should be suspended throughout the crisis period;

6) In addition to the concessions granted on communal fees, the population should be provided with the opportunity to defer the payment for electricity, gas and water bills. Non-payment of these bills should not lead to cutting the provision of these utilities and the clients should be allowed to gradually repay the charges in post-crisis period;

7) The offer of few commercial banks in Georgia to defer the mortgage and other loan payments should be taken up by other banks and micro-financing institutions, so as anyone in need could take advantage of this offer;

8) The system of targeted social assistance should expand its coverage and issue social assistance benefits to those households which have gone through assessment, but whose assessment scores have not been enough to reach the established threshold for issuing the benefit. More precisely, this includes the following cases: households, whose benefit payments have been temporarily suspended and/or stopped or the cases, which require further assessment; also the households whose cases are currently under consideration for inclusion in the program or those who will become eligible for inclusion in the program in coming months. According to the Social Service Agency this includes [13 706 households](#).

9) The unemployment allowance defined in point 3 should be accessible to the informal workers whose monthly earnings have fallen below the subsistence minimum⁵ and who can prove their previous income in any form (for instance, taxi drivers and couriers using the mobile applications receive payment via bank transfer). In such cases, these workers should not be subject to tax liabilities for the undeclared income.

10) In order to reach informal workers who have lost significant share of their earnings due to the crisis, it is essential to mobilize the non-governmental and community organizations who work directly with the representatives of such groups.

11) In parallel to the closure of agricultural markets (bazaars) people engaged in informal trading at these locations should be registered and provided with the unemployment allowance as defined in point 3 above.

Finally, it should be noted that in order to mitigate the negative impact of the pandemic on entire society it is essential to implement the measures at the municipal level. Namely, local self-governance bodies should elaborate needs-based assistance programs for the most vulnerable groups in their area. In urban settings this could be carried out in cooperation with the condominiums (where the latter are effectively operating), while in rural areas village chiefs (Gამგებელი) should play the pivotal role.

⁵ According to the National Statistics Office of Georgia monthly subsistence minimum for a working-age man constitutes GEL 199.

About the author

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