

# CASE Network Studies & Analyses

## Costs and Benefits of Labour Mobility Between the EU and the Eastern Partnership Partner Countries. Country Report: Georgia

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## Contents

Abstract .....	7
1. Introduction .....	11
2. Macroeconomic developments: 1991–2011 .....	13
3. Labour markets in post-Soviet Georgia .....	17
4. Labour migration and its impacts on socio-economic development in Georgia.....	26
4.1. <i>Main Features of Georgian Migration</i> .....	26
4.2. <i>Labour migration and its main determinants</i> .....	27
4.3. <i>Countries of destination</i> .....	29
4.4. <i>Demographic structure of migrants</i> .....	31
4.5. <i>Impact of migration on labour market</i> .....	32
4.6. <i>Employment conditions in the countries of destination</i> .....	36
4.7. <i>Social and living adaptation</i> .....	37
4.8. <i>Incomes of migrants and remittances</i> .....	40
4.9. <i>Impact of remittances on the economic and social conditions of Georgian households</i> .....	45
4.10. <i>Macroeconomic determinants and effects of remittances</i> .....	46
5. Migration Policies and Institutions .....	48
5.1. <i>Relationships with EU</i> .....	49
Conclusions .....	51
References .....	53
Appendix .....	56

## Abbreviations and Acronyms

<b>CIS</b>	Commonwealth of Independent States
<b>EU</b>	European Union
<b>EaP</b>	Eastern Partnership
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ENP</b>	European Neighbourhood Policy
<b>FDI</b>	Foreign Direct Investments
<b>FSU</b>	Former Soviet Union
<b>GDP</b>	Gross Domestic Product
<b>GeoStat</b>	National Statistics Office of Georgia
<b>GOTM</b>	Georgia on the Move
<b>IOM</b>	International Organization for Migration
<b>IT</b>	Informational Technologies
<b>MIA</b>	Ministry of Internal Affairs
<b>NBG</b>	National Bank of Georgia
<b>NDI</b>	National Democratic Institute
<b>NGO</b>	Nongovernmental organization
<b>PPP</b>	Purchasing Power Parity
<b>TIG</b>	Targeted Initiative for Georgia
<b>UN</b>	United Nations
<b>VET</b>	Vocational education and training

## List of Figures and Tables

Figure 1: Contraction of GDP, 1989–2009 .....	15
Figure 2: GDP per capita (PPP) and Real GDP growth of Georgia, 1995–2011 .....	16
Figure 3: Pyramid population for 2011 (thousands) .....	17
Figure 4: Population projections for Georgia .....	18
Figure 5: Georgian employment at a glance.....	20
Figure 6: Unemployment by age, 2010 .....	23
Figure 7: Emigrant distribution by age and gender .....	32
Figure 8: Emigrant distribution by education and gender.....	32
Figure 9: Migrant distribution by field of study and gender .....	34
Figure 10: Remittances and FDI as a percentage of GDP.....	41
Figure 11: Remittances by country and year, Top 10 countries of 2011 (thousands of USD)	42
Figure 12: Remittances by country and year, Top 10 of 2011 without Russia (thousands of USD).....	43
Figure 13: Remittances by country as percentage of total remittances, 2000 vs. 2011.....	44
Figure 14: Spending distribution of remittances.....	46
Table 1: Structural change in the Georgian economy: 1990–2011 (gross output by sector) .	14
Table 2: Manufacturing and agriculture sector developments, 1988–2000 .....	19
Table 3: Distribution of population aged 15 and older by economic status, 1998–2010 (thousand persons) .....	20
Table 4: Unemployment rate (%) in Georgia and by rural-urban area .....	20
Table 5: Unemployment rate by regions.....	21
Table 6: Wages by sector of economic activity, 2007–2010 (monthly gross wages, in USD)	24
Table 7: Net border crossings by Georgian citizens 2000–11 (thousands) .....	27
Table 8: Destination countries of Georgian emigrants (%) .....	30
Table 9: Distribution of labour migrants by family status (%) .....	32
Table 10: Distribution of labour migrants by occupation in destination countries (%).....	36
Table 11: Distribution of returned migrants according to their legal status abroad (%) .....	38
Table 12: Distribution of labour migrants by level of adaptation to the social environment according to recipient countries (%) .....	39
Table 13: Ranking of 2011's top 10 remitting countries over time .....	45
Table 14: Determinants of remittances (regression on quarterly data, 2000–11).....	47



**Lasha Labadze** was born in Tbilisi, Georgia on January 3, 1985. During the years 2002-2006 he studied at Tbilisi State University's (TSU) Department of Mathematics. Graduating with an undergraduate degree in mathematics, he chose a career of an economist. To switch his field of study and gain expertise in economics, Lasha applied to the International School of Economics at TSU (ISET) in 2006. During the years at ISET he found economics research appealing and captivating. After graduating ISET in 2008, Lasha accepted the positions of research associate at ISET and teaching assistant at TSU, where he was teaching economic principles and microeconomics. In parallel, during the 2008-2010 years he was also conducting classes in statistics and data analysis at Caucasus School of Business. In 2008 and 2010 he attended trainings at CERGE-EI University, Prague, to improve teaching skills. In 2011 he became a director of newly based think tank CASE-Georgia, a daughter organization of CASE Warsaw. At the same time he started working as an senior research fellow at ISET Policy Institute. In 2013, Lasha became deputy director of ISET Policy Institute. Recently he studies at PhD program at TSU and keeps doing both conduct research, data analysis and trainings and teach the future generations of economists at Tbilisi State University.

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## Abstract

This study provides an analysis of the costs and benefits of emigration for Georgia, with an emphasis on emigration to the EU. In the concluding section we dwell on the consequences of a possible liberalization of EU migration policies with regard to Eastern Partnership (EaP) countries, and how such a policy change would affect the flow and composition of migration from Georgia to the EU.

The most recent population census in Georgia was conducted in 2002, and therefore, our analysis had to rely on a wide range of survey data which differ in quality and comprehensiveness of coverage, often leading to inconsistent estimates and contradictory conclusions. Data limitations notwithstanding, we do our best to analyse past and current trends in migrations; the push and pull factors affecting migration decisions, including the general macroeconomic environment and labour markets; migrant characteristics and how these have evolved over time.

We look at the costs and benefits of migration through the prism of recent economics developments in Georgia and in particular the sweeping liberalization reforms of recent years. While Georgia remains a poor country, its geopolitical position as a Western outpost in the Caucasus and Central Asian region, its role as a key trade and transportation hub, the superior quality of its bureaucracy, lack of corruption, etc., provide a very different context for migration processes, turning migration into a circular phenomenon, a major factor in modernizing the Georgian economy, society, and politics. The EU should give due consideration to this phenomenon as it (re)considers its policy on migration with regard to Georgia and, potentially, other EaP countries.

Migration was key to Georgia's survival after the collapse of the Soviet Union. Due to internal wars, secession and ensuing economic and political chaos, by 2002 Georgia had lost about a million of its citizens, including whole families and individual labour migrants. Emigration continued in later years, mainly to Russia (until 2003) but also increasingly to other destinations, including Western Europe (particularly Greece) and North America. While Georgia's economy grew from 1995 on, productivity remained very low, pushing people into emigration to look for work opportunities. Russia's very fast economic recovery after the 1998 financial crisis (mainly driven by the price rise of oil and other commodities) provided a powerful pull during this period of relative calm and reconstruction in Georgia.

The liberalization reforms implemented after the Rose Revolution (end of 2003) contributed to the creation of new economic opportunities in Georgia. The much-improved business environment encouraged many Georgian migrants to return home and repatriate part of their capital. While precise data on emigration flows are not available, the predominant view among migration experts is that although significant, labour migration is currently much more circular in nature. Georgian migrants are now primarily targeting the US and EU member states such as France, Spain, Germany, Turkey, and Austria. While Russia still has by far the largest stock of Georgian migrants, the flow of new migrants to Russia has slowed down following the imposition of economic sanctions on Georgia in 2006 and, in particular, after the 2008 military confrontation between the two countries. There are many reasons to believe that Russia will become less and less popular as a destination for younger-generation Georgians, looking for better study and employment opportunities abroad. These reasons include the political stand-off between Russia and Georgia (which however might evolve in view of the recent presidential elections in Georgia), the country's political proximity to the EU, the gradual building up of a Georgian diaspora in some of the EU member states, and the improved foreign language proficiency of Georgian youth. We consider this to be a win-win outcome for the EU and Georgia.

As long as labour productivity in Georgia remains significantly lower than in the EU member states, Georgians will continue to be pushed and pulled into migration. Georgia's *per capita* income – a proxy for labour productivity – is currently a fraction of what it is in the leading EU countries (USD 5,400 PPP). It is important to understand that labour productivity is not low because of a lack of skills. Georgia has a fairly well-educated labour force, and thus the issue is not lack of skills *per se*, but rather the lack of jobs that can make *effective* use of skilled labour. Georgian businesses report difficulties in hiring and retaining skilled workers precisely because they use outdated technology or do not have the necessary scale to provide remuneration that would be competitive by international standards.

As a consequence, Georgia suffers from high and persistent unemployment, particularly among youth with a general university education. The high unemployment figures are the result of a considerable skills mismatch: the country produces far too many university graduates and too few technically skilled workers. Thus, to remedy this situation, the country needs to invest considerably in high-quality vocational training while at the same time upgrading its technological base (leading to the creation of more high-skilled jobs). Until this happens, the labour market will continue to push young Georgians into migration.

Migration from Georgia is presently also dominated by the younger age cohorts because they are affected by the pull factor of Europe, in particular its education system. Younger Georgians



know foreign languages and face lower migration costs, psychologically and otherwise. They are also better able to leverage the experience and education acquired abroad in order to either stay in the EU and legally enter the EU labour market or return to Georgia and enjoy easier entry into leading positions in government, the private sector, international organizations and NGOs.

Despite recent economic woes, Europe, with the possible exception of Greece, will continue to be an attractive destination for Georgian migrants in the years to come. *Per capita* GDP (based on Purchasing Power Parity or PPP) in the main destination EU countries is 5-7 times higher than in Georgia. Thus, while most current emigrants probably lack proper documentation (no precise data are available), the discriminatory wages they earn in the secondary labour market are sufficiently high to serve as a powerful pull factor. Many migrants are able at some point to acquire residency rights, creating a bridgehead for relatives and extended family members. Increasing numbers of skilled Georgian workers, especially in the IT sector, are able to apply for jobs and receive work permits prior to their arrival in the EU. Despite the crisis, Greece still has by far the largest stock of Georgian migrants (mostly female domestic workers), though Italy may be catching up, as reflected in recent remittances data. Germany also attracts scores of students and labour migrants. However, the volume of remittances from Germany is not very high, suggesting that the majority of Georgian migrants to Germany are in fact students.

The main channels through which migration directly affects the Georgian economy and society are remittances, brain drain and gain, and demographic changes.

The flow of remittances to Georgia has steadily been growing at least since 2000 (the earliest year for which data is available), both in absolute terms and as a percentage of GDP. The volume of remittances peaked in 2007, just prior to the eruption of the global financial crisis, reflecting a more favourable investment climate at home and economic prosperity abroad. After a temporary setback in 2009, remittances grew by 25% and 21% in 2010 and 2011, respectively, reaching 8.8% of 2011 GDP (1.27 bln USD). Survey evidence shows that remittances in Georgia reduce poverty, increase household expenditure on consumer goods, health and education, increase savings and foster social capital formation. There is also some evidence that remittances may decrease incentives to work, mostly in rural areas. A relatively small share of remitted capital is used for productive investment, as most of it finances current consumption. Most importantly, remittances are a key source of foreign earnings for Georgia, supporting the local currency and financing a significant part (25% in 2011) of the current account deficit.

Despite the increasing attractiveness of Europe as a migration destination, Russia remains the number one remitting country (more than 50% of the total). Among the top five remitting countries only two are EU nations: Greece and Italy (12% and 9%, respectively). Spain and the UK appear only in the top ten. Thus, at least as far as remittances are concerned, Georgia does not depend on the EU, but rather on the Former Soviet Union (FSU) countries and especially on Russia.

A simplistic “brain drain” argument has it that emigration of skilled workers robs a country of its most valuable resource. What this argument ignores is the fact that emigration can also be a powerful source of brain gain for a country. Of course, for this to happen the country in question has to create the conditions and the business environment for those who left it (in pursuit of better education or work experience) to come back. Georgia is a good case in point. Georgia’s reforms and reconstruction since 2004 have been led by the young, Western-educated elite. While precise data are not available, the vast majority of senior and mid-level leadership employees in the Georgian government, businesses and the NGO community have gone through spells of emigration or study in the EU and US. The experience of living and working in the West has become a powerful source of cultural and social change, helping eradicate corruption, creating a culture of transparency and effective public service delivery.

Throughout the independence period, Georgian labour migration has undoubtedly served as an escape valve, helping absorb unemployed resources, providing financial resources and facilitating a cultural change. At the same time, labour migration has also had negative impacts on families. Fertility among labour migrants is lower than for the corresponding age cohorts; female labour emigrants have basically no part in reproduction processes. These factors will eventually lead to population ageing and an increasing dependency ratio (ratio of retired to workers) in Georgian society. While difficult to accurately assess, both quantitatively and qualitatively, labour migration of parents carries negative implications for the ability of families to perform the basic parental functions, affecting the upbringing and education of children.

Though the prevailing view holds that migration is a positive force in both the country of origin and destination, unregulated migration can entail social, financial and political costs for the individuals, society and governments. It is thus essential to regulate labour emigration flows in Georgia, despite the fact that it would require a great effort and quite some time. We came to this conclusion based on a comparative analysis of sending and receiving countries’ economic development, witnessing a huge contrast in the incomes of employed people as well as high demand for cheap labour on secondary labour markets of European countries. According to this study, steps taken towards readmission lack the efficiency needed to achieve substantial results in terms of the optimization of labour emigration shifts.

## 1. Introduction

After the break-up of the Soviet Union, Georgia went through a process of civil war and economic collapse. Official estimates suggest that Georgia's GDP shrunk by more than 70% between 1990 and 1994. Internal displacement and migration, primarily to Russia, were essential to the nation's physical survival during this period. Three distinct phases of Georgia's external migration may be distinguished.

Based on data from the last two censuses held in Georgia, between 1989 and 2002, about 1 million emigrants permanently left Georgia (roughly 20–25% of the total population). This figure includes a very large number of non-Georgian ethnic minorities, including Jews, Russians, Armenians and Greeks. Mansoor and Quillin (2007, p.33) suggest that Georgia holds third place (after Albania and Kazakhstan) among the 25 East European and FSU nations in the share of population lost to emigration.

While the first phase of migration involved a very large ethnic component, the second wave, between 1995 and 2003, was mainly motivated by the search for better economic opportunities abroad. Outflows remained substantial, if somewhat smaller than in the initial phase. The United Nations' (2009, p.183) global migration assessment for 2006 put net emigration from Georgia between 1995 and 2005 at 598,000 people. Georgia's economy was growing at about 5% per year during this period. However, productivity remained very low, pushing people into emigration to Russia and other destinations, including Western Europe (particularly Greece) and North America.

Emigration slowed down in the third phase, which started with Georgia's Rose Revolution (end of 2003). The liberalization reforms launched in early 2004 contributed to a substantial improvement in indicators of the business environment, and supported a strong economic turnaround. During 2003–11, Georgia's gross national disposable income increased almost threefold, and so did its GDP *per capita*. The new business opportunities and increase in productivity encouraged many Georgian migrants to return home and slowed the outflow of labour migrants. Migration during this period became circular in nature, with many young Georgians going abroad to get a better education and coming back to take up leading positions in government, the private sector, international organizations and NGOs. The volume of remittances during this period also increased dramatically, peaking in 2007, just before the

global financial crisis erupted, reflecting a more favourable investment climate at home and economic prosperity abroad. Still, a relatively small share of remitted capital was used for productive investment. Most of it financed current consumption.

While precise data on emigration flows are not available given the collapse of the residential registration system, the predominant view among migration experts is that labour migration is still high, though nowadays much more circular in nature. Georgian migrants are now primarily targeting the US and EU member states such as France, Spain, Germany, Turkey, and Austria. Russia still has by far the largest stock of Georgian migrants. However, due to the 2008 military confrontation and the complete breakdown in political and economic relations between Russian and Georgia, the flow of new Georgian migrants to Russia has been slowing down since 2006.

This study is structured as follows. We begin by providing an overview of the general macroeconomic developments in Georgia since its independence in 1991, with an emphasis on the post-Rose Revolution period (Section 1). In Section 2, we outline the major labour market trends during the 20 years of independence, focusing on the later period. Next, in Section 3, we take stock of the Georgian migration phenomenon: the typical profile of migrants, destination countries, employment abroad, and remittance flows, including their micro and macroeconomic effects. Section 4 reviews Georgia's current migration policies and relations with EU member states, including existing agreements on visa facilitation and readmission policies, as well as the ongoing policy debate.

This paper is based on all available statistical evidence (census, surveys) on migration and labour markets. In addition, as part of this study, we have organized two focus groups, one with migration and labour market experts and the other with returned migrants. Through the study we will use those focus groups findings, views of leading Georgian experts and concrete examples of returned migrants, to make our arguments stronger.

The costs and benefits of migration for Georgia are discussed throughout the report. In particular, we consider the benefits of remittances, investment in human capital and brain gain from circular migration, the role of Georgian diasporas in the facilitation of foreign direct investment, trade linkages, cultural cooperation, improvements in education, business climate and the quality of government institutions. On the cost side, we consider the negative impact of migration on demographic trends, brain drain, the family institution and the negative impact of remittances on labour supply.

## 2. Macroeconomic developments: 1991–2011

**Economic and political breakdown: 1991–95.** As indicated in the introduction, after the collapse of the Soviet Union, Georgia experienced several civil wars and territorial conflicts that extended and intensified the economic crisis. In 1993, inflation reached 2,000%, reflecting the almost complete breakdown of the economy, caused by military conflicts within Georgia's borders. Despite the ambiguities in official statistics, all available evidence suggests that after 1989 Georgia experienced a catastrophic decline in industrial output, real income, consumption, capital investment, and virtually every other economic indicator.

Indirectly, one can quantitatively derive the depth of the crisis from the collapse of the energy supply – at once a cause and a symptom of a deep economic recession. In 1990, over 95% of Georgia's fuel was imported. After the collapse of the Soviet Union in 1991, Georgia was able to receive only about one-third of the energy needed for full-scale operation, and thus most plants had to operate far below capacity. Georgia has a substantial hydroelectric generation potential, but only 14% of it was in use during this period. The crisis also had a strong impact on the structure of the economy. Between 1990 and 1995, the share of manufacturing fell from 23% to a meagre 10% of total (by now much smaller) output. Construction and transport essentially came to a standstill during this phase of destruction, shrinking to 2% of total output. The only two sectors that gained in relative terms during this period were small trade and agriculture (Table 2 below).

During this initial phase of economic and political collapse, Georgia saw a significant wave of ethnic emigration involving, for example, almost the entire Jewish and Greek communities. The result was a dramatic change in the ethnic composition of the Georgian population (discussed below). The protracted economic crisis – with GDP shrinking by more than 70% between 1990 and 1994 – has continued to push people into migration. While slowing down with the resumption of growth after 1995, migration has remained the main survival tactic for many Georgian households, irrespective of ethnicity, age and other demographic characteristics. People migrated not so much because of a lack of employment, but mainly because of the terrible security situation. The breakdown in law and order made it likewise impossible to engage in productive economic activities, maintain a family, raise children, etc.

**Table 1: Structural change in the Georgian economy: 1990–2011 (gross output by sector)**

	1990	1995	1996	1999	2003	2006	2007	2008	2009	2010	2011*
<b>Agriculture</b>	30%	42%	30%	24%	18%	11%	9%	8%	8%	8%	8%
<b>Manufacturing</b>	23%	10%	15%	12%	13%	15%	14%	14%	13%	15%	17%
<b>Construction and transport</b>	9%	2%	7%	13%	18%	18%	18%	15%	16%	16%	16%
<b>Wholesale and retail trade</b>	6%	26%	12%	11%	12%	14%	13%	15%	12%	13%	13%
<b>Financial intermediation</b>			1%	1%	1%	2%	2%	2%	3%	3%	2%

Source: GeoStat

Note: \* Adjusted data will be published by the end of November of 2012

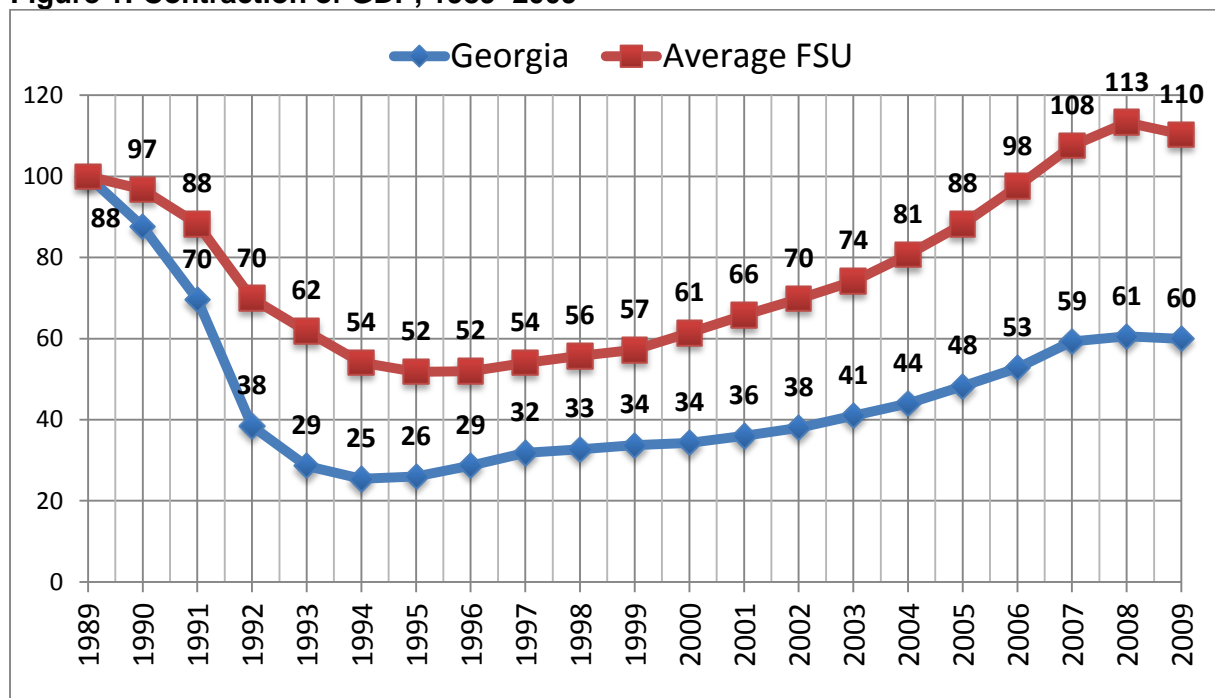
**Political consolidation and resumption of economic growth: 1994–2003.** Between 1995 and 2003, the Georgian economy recovered at an average rate of about 5.9% per annum. GDP *per capita* almost doubled during this period, reaching USD 2,600 (PPP) in 2002. This “improvement” not only reflects a growth in output, but also a steady decline in population size from 5.4 million in 1990 to 4.4 million in 2002. The population declined during this period in part due to a slump in fertility and higher death rates, yet the main cause was migration. As shown in Figure 1 below, the Georgian economy started recovering already in 1995, somewhat earlier than the CIS countries on average, but Georgia was recovering from such a catastrophically low level of output that its GDP as a share of the 1989 figure remained well below the CIS average.

During this phase, unemployment and unproductive employment continued to push people into labour migration. According to official statistics, the unemployment rate in Tbilisi in 1999 was above 32%. As Georgia was going through a very fast deindustrialization process, for many the decision to migrate was the only way to maintain or upgrade their skills. The share of manufacturing in total output remained roughly stable during the recovery period, at 13–14%, which is much lower than its 1991 share in output. While growing at roughly the same pace as the rest of the economy, the manufacturing sector was still operating below capacity and without generating new jobs. The number of manufacturing firms actually increased by 54.4% in 1995–99, yet this growth represents very limited real expansion: many of the new firms were splinters of old Soviet-era enterprises privatized by the Shevarnadze administration.

The security situation during this period improved significantly compared to the early post-independence chaos. However, property rights were anything but secure. Much of economic activity was under the control of the mafia, represented in the various government structures,

all the way up to the presidency. Under these conditions, the best entrepreneurial talent of Georgia left the country in search of better business opportunities, particularly for Russia, joining a very successful Georgian Diaspora there.

**Figure 1: Contraction of GDP, 1989–2009**



Source: EBRD transition reports

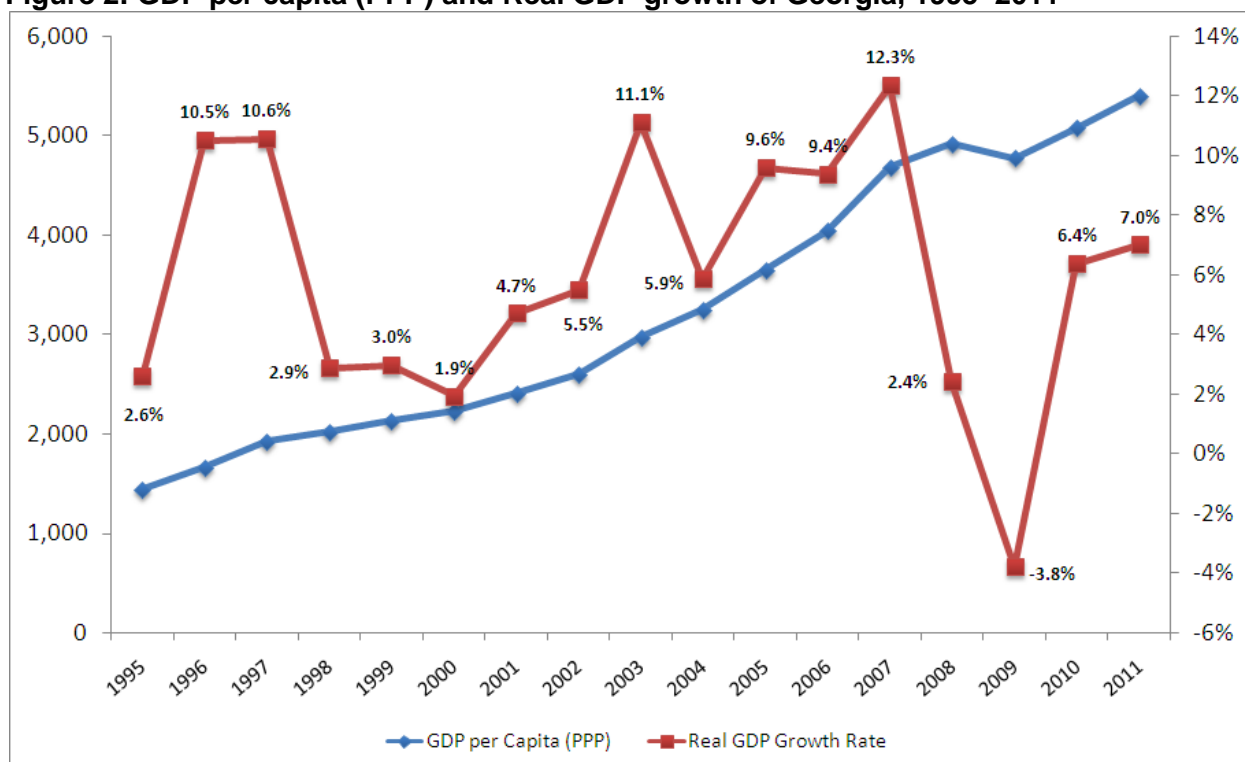
**Economic liberalization in the wake of the Rose Revolution, 2004–12.** The Saakashvili administration was able to implement radical reforms in the business regulatory regime as well as in macroeconomic management, resulting in much improved economic performance. Corruption and criminal violence were drastically reduced. As a result, Georgia has made very fast progress in sovereign credit ratings and key indices such as *The Ease of Doing Business* (International Finance Corporation) and *Corruption Perceptions* (Transparency International).

The totality of economic reforms and enhanced property rights protection resulted in a much improved investment climate: FDI rose from USD 500 million in 2003 to USD 2 billion in 2007 (when it peaked just prior to the August 2008 war with Russia). Georgia also became the beneficiary of substantial aid and technical assistance from the EU, US, Japan and all major international financial institutions. This aid focused on the improvement of public services (creation of electronic databases, policies and procedures, training of staff, etc.) and critical infrastructure. Real GDP growth in 2005, 2006 and 2007 was truly spectacular: 9.6%, 9.4% and 12.3% *per annum*, respectively. Most importantly, GDP *per capita*, adjusted for the cost of living (based on PPP), increased from about USD 3,000 in 2003 to USD 5,400 in 2011.

The global financial crisis and the August 2008 war with Russia punctured the real estate bubble that had been quickly building up until then, ending a wave of FDI into the real estate sector, and unleashing a series of political protests during the first half of 2009. While in 2008 Georgia was still able to post growth of 2.4%, 2009 was a year in which output shrank by 3.8%. Unemployment, which had been very moderately declining in the first three years of Saakashvili rule (from 13.8% in 2005 to 13.3% in 2007), jumped to above 16% in 2009.

It is important to note that unemployment and unproductive employment in subsistence farming have remained at very high levels, despite Georgia's ability to quickly recover from the 2009 recession. While GDP grew at very impressive rates in both 2010 and 2011 (6.4% and 7.0% in real terms, respectively, see Figure 2), the official estimate of unemployment in 2011 was as high as 15.1%. A very large share of the Georgian population, more than 50% by some counts (*WB Development Indicators*), is employed or self-employed in agriculture.

**Figure 2: GDP per capita (PPP) and Real GDP growth of Georgia, 1995–2011**



Source: GeoStat

During the third (current) phase, thanks to the rise in productivity and a renewed sense of abundant business opportunities in Georgia, migration has acquired a much more pronounced circular character. As discussed in the introduction, Russia still has the largest stock of Georgian migrants, yet is no longer the most popular destination for young Georgian migrants. A relatively large number of Georgians nowadays target EU countries, especially for education purposes. Moreover, many of them return to Georgia to occupy positions in the public sector,



private businesses, international organizations and NGOs. Remittances during this phase also increased quite substantially, exceeding FDI from 2009 onwards. Remittances are a major source of hard currency earnings for Georgia, financing 25% of its current account deficit in 2011. Together with earnings from tourism, remittances allow Georgia to import more than it exports, financing both current consumption and investment.

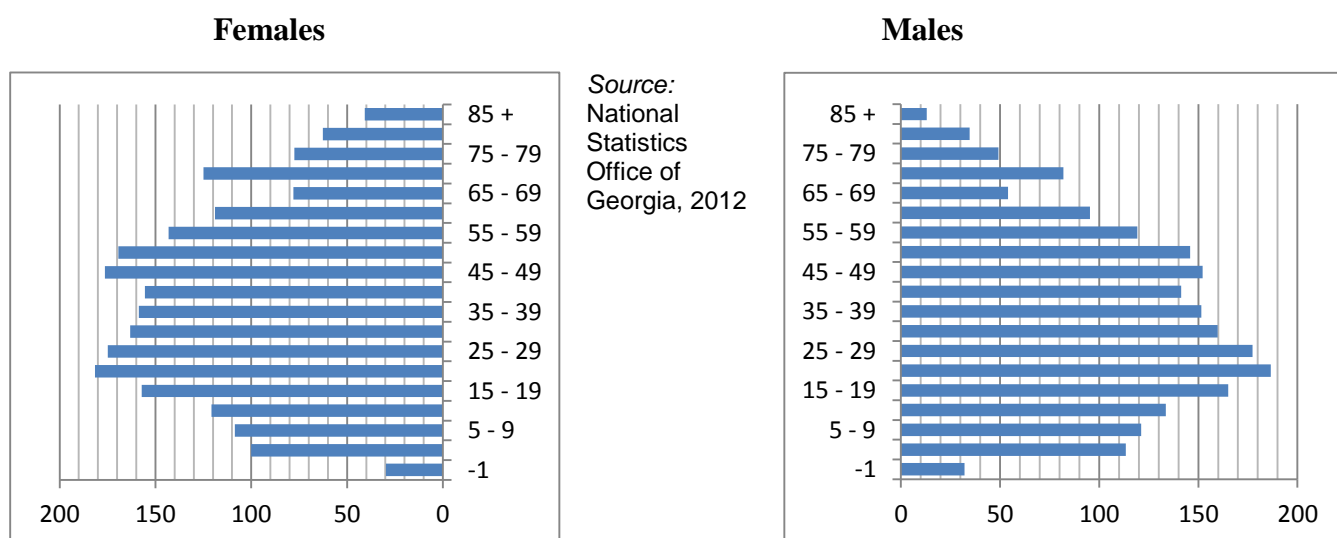
### 3. Labour markets in post-Soviet Georgia

In this chapter, we review some of the structural features and developments of the Georgian labour market, emphasizing its current performance, with a view to putting labour migration, present and future, in context.

Labour market functioning depends on demographic, economic, social, legislative and institutional factors. We first review demographic determinants. Next, we devote attention to the two main reasons for emigration: unemployment and low wages. Finally, we discuss the professional education system, which plays an important role in addressing the unemployment problem in the country.

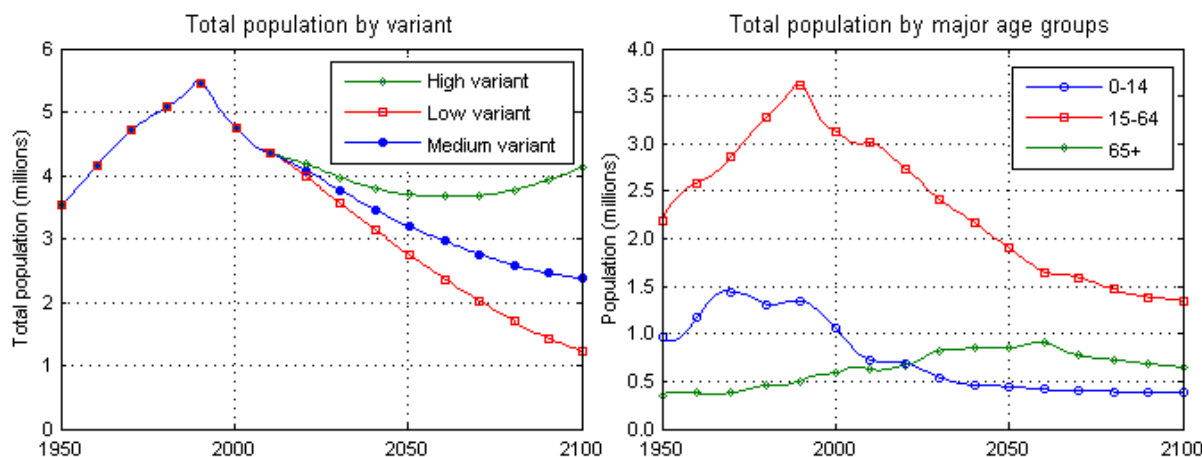
The Georgian population is ageing (Figure 3). As of 2011, 13.8% of the population was over 65 years of age (16.4% female, 10.9% male) compared to 12.7% for 2001. By 2050 almost one in four residents is projected to be aged over 65.

**Figure 3: Pyramid population for 2011 (thousands)**



According to calculations of the UN population division based on 2010 data, the population of Georgia will decrease under all three projection scenarios compared to the year 2000<sup>1</sup> (Figure 4). These projections are based on high, medium and constant fertility rates. Though moving in the same direction, the demographic contraction might not be that steep according to some Georgian analysts, as the average population forecast is 3.3 million by 2050 (Tsuladze et al., 2003, pp. 30–31).

**Figure 4: Population projections for Georgia**



Source: UN, Population Division, Population Estimates and Projections Section

If we look at the UN projections data we see:<sup>2</sup>

- The working-age population (aged 15–64), which currently represents 72.2 % of the total population, is projected to decrease to 60.1% in 2050 under the assumption of constant fertility.
- Assuming a constant fertility rate, the portion of the labour force composed of young people aged 15–24 years is expected to decrease by 3.4% in 2015–50, and the labour force composed of people aged 15–59 is expected to decrease by 8.1% in the same period.
- Gender imbalance will have the same pattern across years. From 2015 to 2050, females will represent 52.9% of the population (constant fertility assumption).

The labour market reforms in Georgia were started during the period of economic collapse. The abolition of the system of planned labour distribution and the introduction of a free labour market was a painful process for Georgia. The employment rate during the first phase fell from 87% to 59%, mainly in manufacturing and agriculture. The manufacturing sector collapsed dramatically, gross output of this sector in 1995 was only 13.6% of the 1988 level (Table 2),

<sup>1</sup>Source: UN population division [http://esa.un.org/unpd/wpp/country-profiles/country-profiles\\_1.htm](http://esa.un.org/unpd/wpp/country-profiles/country-profiles_1.htm).

<sup>2</sup> Source: <http://esa.un.org/wpp/unpp/p2k0data.asp>

the most severe decline among all CIS countries. Agricultural sector production in 1994 was just half of what it had been in 1988.<sup>3</sup> According to experts' opinion, expressed during the focus group, among other things, emigration was one of the significant forces which damaged agricultural production in Georgia in the early 1990s and it remained depressed since that time.

**Table 2: Manufacturing and agriculture sector developments, 1988–2000**

	1988	1994	1995	1996	1997	1998	1999	2000
<b>Manufacturing</b>	100	15.6	13.6	14.2	15.4	15.0	15.8	17.8
<b>Agriculture</b>	100	49.2	55.6	58.9	64.8	59.6	62.9	

Source: GeoStat

During the second phase, unemployment was the main reason for emigration. Georgians were emigrating abroad, in search of better labour market conditions. Later, during the third phase, the reasons for emigrating, as well as the destinations, became more diversified but unemployment and low wages remained among the main drivers.

During the last 10 years, despite the substantial increase in GDP, the unemployment rate has not decreased; after the war with the Russian Federation in 2008 and during the global financial crisis, it rose to over 16%. Murman Tsartsidze, labour market expert, who participated in our focus group, stated that for 2008 the cost of unemployment to the Georgian economy was about half of its GDP, which is USD 10 bill. While the methodology underlying this estimate could be questioned, it clearly speaks about the severity of unemployment.

The employment rate was low during the last decade and ranged from 52–59%. Tables 3 and 4 give a snapshot of the current development trends in the Georgian labour market. The labour force is decreasing, mainly because of emigration but in part also because of discouraged workers having given up their job search. According to World Bank estimates, if discouraged workers were included in these figures, the unemployment rate would rise to 18.8%.<sup>4</sup>

<sup>3</sup>Nodar Chitanava: "Social economic problems of transition period", Tbilisi 1997.

<sup>4</sup> Jan Rutkowski. Skills Mismatch and Unemployment in Georgia: The Challenge of creating Productive Jobs. World Bank, 2011

**Table 3: Distribution of population aged 15 and older by economic status, 1998–2010 (thousand persons)**

	1998	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Active population</b>	1972.8	2104.2	2050.8	2041.0	2023.9	2021.8	1965.3	1917.8	1991.8	1944.9
<b>Employed</b>	1728.5	1839.2	1814.9	1783.3	1744.6	1747.3	1704.3	1601.9	1656.1	1628.1
<b>Hired</b>	724.4	650.9	618.5	600.9	600.5	603.9	625.4	572.4	596.0	618.6
<b>Self-employed</b>	987.1	1184.9	1195.2	1180.8	1143.3	1141.6	1078.8	1028.5	1059.0	1007.1
<b>Not-identified</b>	17.0	3.4	1.3	1.6	0.8	1.8	0.1	1.1	1.2	2.4
<b>Unemployed</b>	244.2	265.0	235.9	257.6	279.3	274.5	261.0	315.8	335.6	316.9
<b>Population outside labour force</b>	1044.0	1135.3	1048.4	1105.9	1136.1	1228.0	1138.6	1145.2	1139.3	1083.3
<b>Unemployment rate (%)</b>	12.4	12.6	11.5	12.6	13.8	13.6	13.3	16.5	16.9	16.3
<b>Activity rate (%)</b>	65.4	65.0	66.2	64.9	64.0	62.2	63.3	62.6	63.6	64.2
<b>Empl. rate (%)</b>	57.3	56.8	58.6	56.7	55.2	53.8	54.9	52.3	52.9	53.8

Source: GeoStat

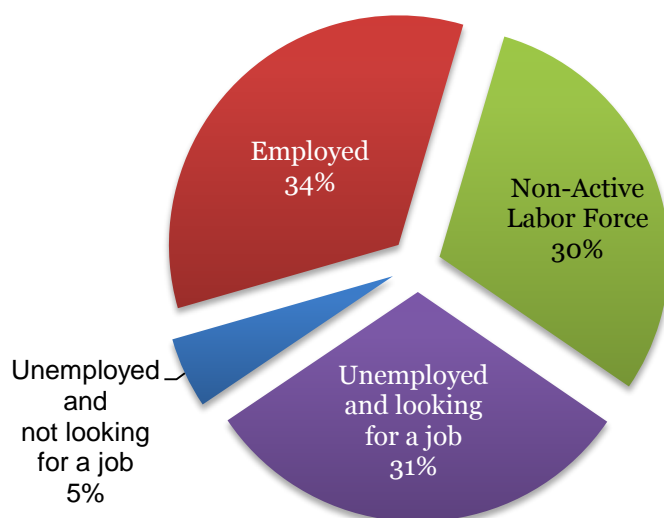
**Table 4: Unemployment rate (%) in Georgia and by rural-urban area**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Country</b>	10.3	11.1	12.6	11.5	12.6	13.8	13.6	13.3	16.5	16.9	16.3
<b>Urban area</b>	18.4	22.3	24.2	22.1	24.3	26.3	26.1	23.9	28.9	28.8	27.2
<b>Rural area</b>	3.9	2.7	3.9	4.1	4.2	5	4.8	5.4	7.1	7.8	7.9

Source: GeoStat

A large part of the workforce is employed in the low-productivity agricultural sector. The structural changes of the 1990s forced large groups of people to migrate back to rural areas, and engage in agriculture again in order to satisfy subsistence needs. Nowadays still more than half of employed people work in agriculture. In the official statistics, all able-bodied members of a household that possesses at least 0.5 ha plot of land are not counted as unemployed. Thus, the true unemployment rate is probably even higher, as suggested by the figures for urban areas, which are 3–4 times higher than the figures for rural areas.

According to a survey conducted by the National Democratic Institute (NDI) in 2011, of a total of 16,161 interviewees, 31% indicated to be unemployed and looking for a job, 5% said not to be looking for work and another 30% made up the non-active labour force, which includes students, retirees, etc. (Figure 5).

**Figure 5: Georgian employment at a glance**

Source: NDI, [www.ndi.org](http://www.ndi.org)

The unemployment rate is also very different across regions. In 2010, Tbilisi had the highest unemployment rate: 30.1%; Achara has the second highest, with 17.9% (Table 5). These differences in unemployment rates are directly reflected in the geography of emigration. As shown by several studies, the first choice of an unemployed person is to migrate internally, in particular to the capital. Thus, Tbilisi is absorbing people in search of work and the pool of unemployed thereby swells. Migration to other countries seems to be the second choice of unemployed people. As was already pointed out, unemployment remains one of the main reasons for emigration in the third phase too, as supported by several studies discussed below.

**Table 5: Unemployment rate by regions**

		Year					
		2003	2006	2007	2008	2009	2010
Region	Tbilisi	26.1	30.2	28.0	29.8	29.6	30.1
	Kakheti	5.8	6.5	5.3	9.3	11.0	11.1
	Imereti	7.8	9.7	7.2	11.8	13.2	11.6
	Achara	12.1	18.9	25.4	25.6	22.1	17.9
	ShidaKartli	9.3	10.2	8.1	16.3	16.6	12.7
	KvemoKartli	6.9	8.4	7.6	10.7	10.7	9.2
	Samegrelo-ZemoSvaneti	6.2	6.4	6.1	11.8	13.1	14.3
	Other regions	6.3	6.4	6.5	8.0	8.3	8.9

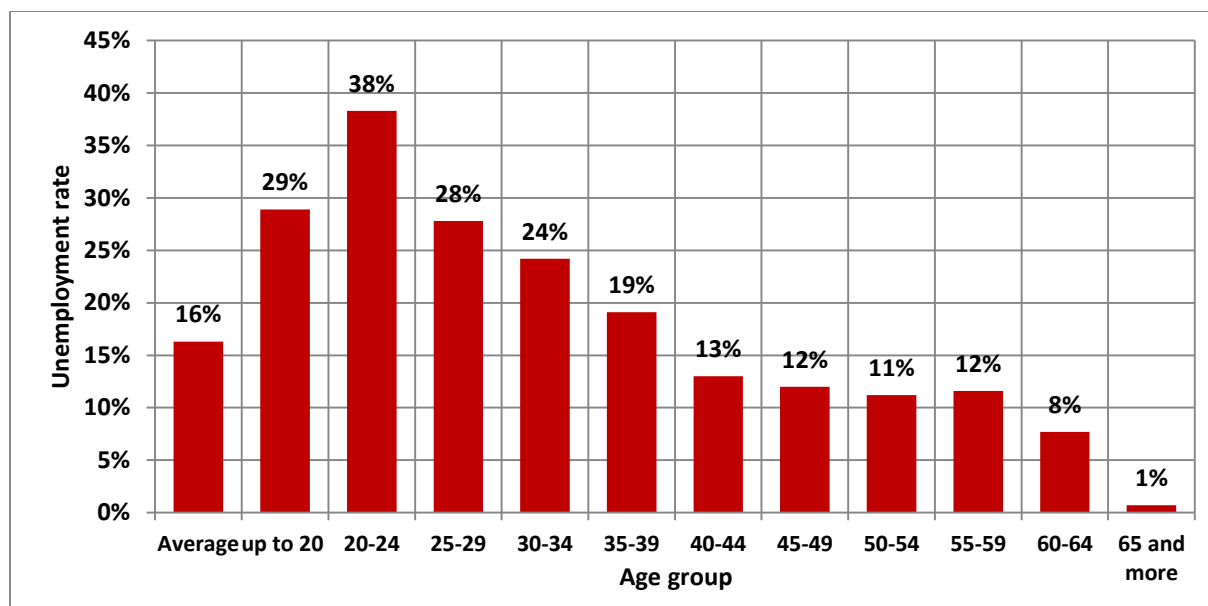
Source:GeoStat

During the first and second emigration phases, economic conditions in Georgia forced people to emigrate regardless of their age. The age structure of emigrants was more or less uniformly distributed unlike in the third phase, which is characterized by younger emigrants. This change in more recent years could be attributable to the relative improvement in general economic conditions, leading to lower migration among older people, who typically bear higher migration



costs. The young have better opportunities to acquire a better education abroad, are more enthusiastic and more demanding. This explains the relatively high unemployment rate for people up to 24 years, who appear to be searching for “good jobs” and not accepting existing ones. According to 2010 data, the unemployment rate was the highest for this age group (38.3%), followed by the 25–29 and 30–34 years of age groups, with 27.8% and 24.2% respectively. The 20–34 age group is the one with the highest probability of migrating for two reasons: most people in this category do not have language barriers and the psychological losses of migration associated with this age group are less.

Employment age characteristics changed after the Rose Revolution with the implementation of a number of crucial structural reforms. Particularly, people over 40 with no relevant job skills were fired and replaced by younger individuals. Most fired persons exited the labour force and are now counted as “discouraged workers”. This movement is partly captured in Table 3 above, which shows a growing number of people outside the labour force during 2003–2008 (together with an ageing population). This “generation replacement” is one outstanding characteristic of the Georgian labour market during the third phase. These numbers are not captured in aggregate statistics but, in everyday life we notice that young, returned migrants with a Western education and/or work experience hold almost all “elite” jobs. For example, ministers, deputy ministers, and the heads of the leading businesses and NGOs all are persons mostly with a Western education. This serves as an incentive for young people to go abroad to study, and thereby ensure a high return on education. This idea is supported by data from the third phase, showing that educational reasons for emigration are emerging (as discussed below). At the same time, some of the experts negatively assess the effectiveness of those reforms of Saakashvili administration directed to unemployment problem, to quote from our focus group: “Unemployment is the primary reason for poverty, which remained as the most important problem even after the Rose Revolution. The administration has said that poverty is its number one enemy, but in reality poverty remains quite high in Georgia.”

**Figure 6: Unemployment by age, 2010**

Source: GeoStat

According to the Human Development Report (2010), Georgia is among the leading countries in terms of size of the unemployed workforce with secondary or higher education levels: about 81% of the unemployed had completed a secondary or higher education in 2008.<sup>5</sup> The World Bank published a similar figure for 2010 (92.3%<sup>6</sup>), and also noted that 40.3% of the unemployed have completed tertiary education against 31.6% of the employed population.<sup>7</sup> One can thus argue that the high and persistent unemployment rate is a reflection of both weak labour demand and the skills mismatch, particularly the surplus of workers with a tertiary and secondary general education and the shortage of workers with technical skills. One should also remember that the economic recession in the post-Soviet period caused the collapse of the educational system as well. It was quite easy to get a diploma and formally join the pool of “overeducated” people. Fortunately, this situation was much improved during the third phase, due to several successful reforms introduced in the higher and professional educational system. Nevertheless, “overeducation” is a persistent problem and the “overeducated” unemployed cohort is emigrating outside the country.

In sum, a distinct feature of the Georgian labour market is the shortage of workers with technical skills. The Georgian Young Economists survey of the business environment in 2007–

<sup>5</sup> Source: Human Development Report 2010. <http://hdr.undp.org>.

<sup>6</sup> Jan Rutkowski. Skills Mismatch and Unemployment in Georgia: The Challenge of creating Productive Jobs. World Bank, 2011

<sup>7</sup>Source: World Bank Statistics 2012. <http://databank.worldbank.org/Data/Home.aspx>

08<sup>8</sup> revealed that there is a high demand for medium and top professional managers, with technical and skilled qualifications. The construction business lacks qualified skilled labour. A lot of people are represented on the supply side with the above mentioned qualifications. Georgian businesses report difficulties in hiring and retaining skilled workers precisely because they use outdated technology or do not have the necessary scale to provide remuneration that would be competitive by international standards. In addition, workers probably do not possess the modern skills required for some specific positions. Official statistics show that the country has quite a large number of VETs, but their quality is still subpar. The World Competitiveness Report (2011–12) concludes that Georgia's inadequately educated workforce represents a major obstacle for doing business in the country.<sup>9</sup> This suggests that the VETs are ineffective at preparing professionals with the skills that meet current market needs. Our focus group findings are in line with the World Competitiveness Report. All experts agree that there are huge gaps between educational programs at VETs and labour market demands, largely because a comprehensive labour market analysis does not exist.

Low wages are another problematic feature of the Georgian labour market. The average wage in 2010 was USD 335.30.

**Table 6: Wages by sector of economic activity, 2007–2010 (monthly gross wages, in USD)**

		Year			
		2007	2008	2009	2010
<b>Sector</b>	<b>Agriculture, forestry</b>	110.7	200.8	158.0	156.7
	<b>Fishing</b>	101.0	141.6	154.0	191.6
	<b>Mining, quarrying</b>	393.7	542.8	405.7	455.8
	<b>Manufacturing</b>	214.1	342.5	268.1	286.5
	<b>Electricity, gas &amp; water</b>	319.5	495.4	459.0	461.7
	<b>Construction</b>	296.0	400.8	374.8	376.5
	<b>Trade; repair</b>	212.8	342.6	309.9	327.4
	<b>Hotels &amp; restaurants</b>	142.7	223.8	218.3	211.8
	<b>Transport &amp; communication</b>	294.7	448.0	436.6	441.9
	<b>Financial intermediation</b>	607.3	901.5	789.6	716.3
	<b>Real estate, renting</b>	242.9	362.4	383.3	334.7
	<b>Public administration</b>	350.4	583.4	532.1	545.9
	<b>Education</b>	91.6	163.5	161.2	171.2
<b>Health &amp; social work</b>	123.5	205.2	219.5	250.7	
	<b>Average</b>	250.1	382.5	347.9	352.1

Source: GeoStat

The ratio of the sector wage to national average wage shows a large sector differentiation, which is partly connected with sector productivity. In agriculture workers earn only 46.7% of the country's average monthly wage. Sectors with relatively high wages are mining and

<sup>8</sup> Source: [www.economists.ge](http://www.economists.ge). (The sample size was about 1,000 and covered small, medium and large businesses' representatives.)

<sup>9</sup> [www.weforum.org](http://www.weforum.org).



quarrying, production and distribution of electricity, gas and water, construction, transport and communication, financial intermediation, real estate, and public administration.

To conclude, the functioning of the labour market in Georgia is still producing undesirable outcomes, despite the systemic reforms introduced in the past few years. Georgia remains characterized by a distorted labour market that lacks dynamism, and the projected changes in the labour supply point to an increasing role of labour migration in the future, unless the current mismatches and lack of opportunities are addressed.

### **The Vocational Education System in Georgia**

The problems highlighted in the text with regard to the mismatch between the qualifications of Georgians and available jobs point to substantial problems with the vocational education system. Attempts have been made to increase the competitiveness of the labour force through the availability of different qualification courses. However, this is complicated by the lack of any comprehensive study and forecast of the structural changes of the national economy, identifying trends in demand changes and employment dynamics, as well as analysing the structure of existing jobs and their qualitative characteristics.

The reform in the sphere of vocational education began in 2007. Two types of professional education institutions are currently being set up in the country, namely colleges and professional education centres. Colleges are institutions of higher education that carry out higher professional education programs. Vocational education centres are legal entities of public law that carry out vocational programs. Vocational education prepares certified specialists and enrolling in a vocational education program is possible only after graduating from a basic level of general education (which is lower secondary education, according to ISCED standards, namely 9 years). A supervisory board, consisting of employers, representatives of social organizations, parents of the students and representatives of vocational education teachers, represents the highest body of professional education administration in these institutions.

The VET system is still in transition. The question “how accurately does the VET system meet the labour market demands?” is still a concern. Some larger enterprises have developed in-house VET programs for their staff. They do this for two reasons: the existing training centres do not offer the required training programs and/or the quality of the labour force they employ does not meet the specific expectations of the enterprises.

The Government of Georgia is currently developing a new strategy for vocational education and training (VET). The financing model of VET centres has recently changed in order to increase motivation. The main problems of the current VET system are the following:<sup>1</sup> (1) Many VET offerings provide no further educational options for learners. (2) The VET infrastructure is somewhat outdated, and the system suffers from under-financing from public sources. (3) There is no evaluation and monitoring information system, which would allow more effective steering of the system. (4) The social partners are not involved in the process of policy development and implementation, nor in the evaluation of VET outcomes at the institutional or national level.

## **4. Labour migration and its impacts on socio-economic development in Georgia**

### **4.1. Main Features of Georgian Migration**

In the late Soviet era, organized migration played a major part in resettling population from labour-intensive territories to regions lacking such resources. In the case of Georgia, labourers drifted mainly to Russia through southern Georgia's border and the majority of migrants were Armenians who lived in this region. After the collapse of the Soviet Union, Russia remained the most popular destination for quite a while. Still, post-Soviet labour migration differs from prior migrations in terms of its scale, causes, social, demographic and economic outcomes, all of which are discussed in detail below.

The political and economic difficulties of the post-Soviet period were reflected in substantial changes in the migration processes of Georgia. With economic activity decreasing dramatically and unemployment skyrocketing, and with political and military strife reaching dangerous levels, many Georgians sought relief from destitution through emigration in the early years of Georgia's independence. By comparing the population censuses of 1989 and 2002, one can gauge that no less than 1 million people (about a quarter of the population) permanently left Georgia and settled in foreign countries. In addition, during the same time period, 400,000 people were internally displaced by force from the territories annexed by Russia and continue living in dire conditions.

According to 2002 census data, most of the permanently resettled population were not ethnic Georgians. There is no definitive statistical data but all experts agree that ethnic emigration mainly took place during 1990–1995, the first emigration phase. People who migrated from Georgia during the first two phases left for the following destinations: Russia (64.5%), Greece (16.4%), Western Europe (5.6%), US and Canada (3.9%), CIS, except Russia (3.5%), northern Europe (0.4%), southern Europe (1.2%), Turkey (1.3%), and to Israel (1.7%).<sup>10</sup> This historically brief time period marks a major change in the Georgian population's ethnic structure. The share of ethnic Georgians in the total population increased from 70% in 1989 to 82% in 2002.

Since the Rose Revolution, the rate of permanent emigration of the Georgian population has decreased significantly, although the process is still ongoing due to the country's lower ranking in terms of living standards compared to other immigration countries.

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<sup>10</sup> G. Tsuladze. Emigration from Georgia Based on 2002 Population Census Records. Tbilisi 2005, p. 44.

Migration into Georgia, on the other hand, is quite low. According to the UN Population Division, about 163,000 foreigners had Georgian residence in 2010.

#### **4.2. Labour migration and its main determinants**

The absence of official comprehensive migration data for Georgia hampers the analysis of labour migration. International migration statistics in Georgia are based solely on numbers of border crossings (Table 7): with every border crossing, passport copies are sent to the Ministry of Internal Affairs' analytical centre, where the number of people leaving the country is tallied by citizenship. Other potential indicators (such as gender, age and birth place) are not analysed.

**Table 7: Net border crossings by Georgian citizens 2000–11 (thousands)**

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Crossings (x1,000)</b>	-35.2	-32.6	-27.8	-27.5	5.5	76.3	-12.1	-20.7	-10.2	34.2	18.1	20.2

Source: GeoStat

Thus, the data in Table 7 above is not popular among the experts and considered underestimated. However, it gives a clear picture of the migration flows and suggests our findings about the increasing circularity of migration during the later years. Overall, according to this official border crossings data, in the period 2000–11 about 12,000 citizens left Georgia.

Labour migration data is thus derived from occasional statistical studies or small-scale surveys carried out for scientific and practical needs. Among these, the most important is the household survey, covering about 7000 households, conducted by the National Statistics Office of Georgia in 2008. This data gives valuable information about the demographic profile of emigrants, their destination, etc. Collected information about emigrants from this survey matches the different private research studies' results. We will refer to a few of them in our paper.

The Civil Registry Agency and other state authorities working on diaspora issues (the Ministry of Accommodation and Refugees, the Ministry of Foreign Affairs, the Office of the State Minister for Georgia of Diaspora Issues) started processing databases pertaining to the diaspora. The further development of this database mainly relies on information provided by the consulates and Georgian Diaspora. Since these institutions also face the difficulty of capturing data on illegal migrants, selective surveys remain the basic sources for obtaining and validating the information on labour migration.

Our estimates of the numbers of labour emigrants are founded on studies carried out in different regions at different times, mainly by the Migration Research Centre and some other

organizations. These research studies aim to gather information on the share of labour emigrants in a given population at several micro settlements. We concluded that the labour emigration ratio varies from one region to another. However, its relatively high value can be observed everywhere, and the existing number of labour emigrants is estimated to lie between 350,000 and 500,000 people originally from Georgia. Thus, our best estimate is that in the year 2011, 8–11% of the Georgian population had to be considered labour migrants.

According to studies conducted by the International Organization for Migration (IOM), at the end of the second emigration phase (2003) primarily economic factors accounted for the labour emigration. Among the factors contributing to labour emigration, 50% of the so-called substitute respondents (family members of a labour migrant who possess detailed information on working and living conditions of an emigrated member) emphasize the need for improvement of the emigrant's material conditions, 11% forcefully cite the wish to save their family from starvation, 9% highlight several failed attempts to find suitable jobs, 5% point to the impossibility of finding any kind of job, 4% refer to invitations from foreign employers, 5% benefits from close relatives living abroad, 12% was simply interested in living and working abroad, 1% married a foreigner, 2% quotes political reasons and 1% other reasons.<sup>11</sup>

During the third phase of emigration, the survey carried out in 2008 by GeoStat<sup>12</sup> shows that labour emigration is attributable to the following factors: unemployment (66.2%), low wages (7.9%), forced displacement (0.8%), family conflict (2.2%), and other reasons (19.2%). As we can see, economic factors dominate in this phase as well.

Our own focus group, which included a number of returned migrants and one family member of current emigrant, confirmed the findings of the survey. As we found, the focus group members emigrated at different times but the main reason for all of them was insufficient income of their families.

Finally, it should be mentioned that labour emigration and remittances became major sources of subsistence income for large segments of the population in the aftermath of the post-Soviet period, which brought along a deep economic crisis and the rapid shrinking of the labour market capacity.

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<sup>11</sup>Labour Migration from Georgia.IOM.2003, p. 21.

<sup>12</sup>Report of Research conducted by National Statistics Office of Georgia in 2008.

### **4.3. Countries of destination**

During the post-Soviet period labour emigration from Georgia was initially directed towards Russia and Turkey and later spread to other countries.

Currently the labour migrant flow to Turkey is relatively small for several reasons, such as Turkey's high unemployment rate, its low wages compared to EU countries or North America, as well as language and social environment adaptation barriers.

In 2002, with the support of the IOM,<sup>13</sup> the Migration Research Center conducted research that covered the capital of Georgia (Tbilisi), the big industrial city of Rustavi, the single-branch mining centre of Tkhibuli and the Akhalkalaki region, densely populated with ethnic minorities (Armenians). The distribution of labour migrant flows across these areas was the following: the main destination by far was Russia (39%), followed by Greece and USA (14%), Germany (about 13%), and the other European countries combined (only 11%). The results drawn from all the research and censuses conducted to date show that the main destination country for labour emigration is Russia. The National Statistics Office of Georgia derived a similar figure (about 40%) through a study it conducted in 2008.<sup>14</sup> A. Takidze came up with the same figure (40.4%) while studying the Adjara population emigration in 2006.

It is worth mentioning that, according to the above-mentioned study, a major share of the labour force that resettled in Russia originates from regional municipalities of Georgia. For example, Tbilisi accounts for only 15% while Akhalkalaki municipality makes up 95% of the local labour emigrants gone to Russia. In conclusion, the bigger is an urbanized Georgian settlement the less it contributes to labour emigration to Russia (Appendix Table 1.3). All other studies support this finding, which applies not only to the first two emigration phases but also to recent years. For example, in a study about labour emigration geography conducted by N. Chelidze in 2006, the author found that in Ambrolauri and Zugdidi municipalities 74% and 75%<sup>15</sup> of labour migrants left for Russia respectively. According to the IOM 2008 publication "Migration in Georgia: a country profile", during the third emigration phase (after 2003), the major destination countries for labour emigration have been: Russia (48%), Greece (13%), Germany (12%), the United States (10%) and Ukraine (5%).<sup>16</sup> Other countries have far smaller shares. Even Turkey, which neighbours the Autonomous Republic of Adjara and grants visa-free entry into

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<sup>13</sup>Labour Migration from Georgia. IOM. 2003, p.24.

<sup>14</sup>National Statistics Office of Georgia Report. 2008.

<sup>15</sup> N. Chelidze. Labour Emigration from Post-Soviet Georgia. Tbilisi, 2006, p. 56.

<sup>16</sup>Labour Migration from Georgia. IOM. 2008.

the country, attracts fewer labour migrants compared to the Russian Federation (41,4%),<sup>17</sup> according to the study carried out in this region.

The findings of this 2008 IOM study are similar to the official data available only for 2002 and 2008.

**Table 8: Destination countries of Georgian emigrants (%)**

	<b>2002</b>	<b>2008</b>
<b>Russia</b>	64.4	40.0
<b>Other FSU states</b>	3.6	20.0
<b>European Union</b>	23.0	35.0
<b>Greece</b>	16.3	16.8
<b>Germany</b>	4.3	4.7
<b>Poland</b>	0.1	-
<b>Italy</b>	0.1	4.3
<b>Spain</b>	0.7	3.6
<b>UK</b>	0.4	3.0

Source: GeoStat

It is worth to mention that Italy is becoming a favourable destination for emigrants, especially for caregivers and household workers. During the focus group discussions it was mentioned that the compensation for such type of work is almost twice higher compared to Turkey for example, although it is more difficult to get there.

As we can see, a sharp fall in the number of Georgian labour migrants in Russia can be observed in recent years and especially after the Russia-Georgia War of 2008. The causes underlying this fall are the following:

- Georgia's breaking of diplomatic relations with Russia, which led to the deportation of illegal Georgians in 2006.
- The Georgian diaspora's gaining ground in European countries. More labour emigrants are acquiring a legal status, contributing to a stronger foothold for migrant workers in Europe. Labour emigrants are becoming more competitive as well.
- English having become the main foreign language being taught across Georgia, displacing Russians the primary second language, especially among the young.

It is still worth mentioning that the relatively small differences in culture and similar religious beliefs facilitate the integration process of Georgian emigrants in the Russian society. The Russian labour market is convenient for Georgia in this sense. As a result, as we highlighted

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<sup>17</sup>A. Takidze. Forming and Use of Labour Resources of Autonomous Republic of Adjara. Tbilisi. 2006, p.63.



above, large numbers of Georgia's labour emigrants still reside there. More than half of the electronic money transfers to Georgia originate in Russia; undoubtedly, labour emigration sustained at a normal rate is beneficial for Georgia.

Turkey constituted another important destination country for Georgian emigrants during the first emigration phase, following Georgia's independence from the Soviet Union and the subsequent economic crisis, mainly due to the ease of access and travel arrangements to Turkey. In later phases Turkey lost its prominence as a destination country for Georgians and became a principal transit route instead.

Another country hosting large numbers of labour emigrants is Greece, where female migrants are in high demand (as housemaids, caregivers, janitors, servers) in the secondary labour market. Germany also attracts scores of labour emigrants, by giving them opportunities to work and study simultaneously.

Lately, migration flows have taken an apparent turn to diversification among European countries as well as within these countries. Italy, Spain and Britain's shares have risen significantly. In addition, some temporary labour emigrants who had originally settled in Turkey have subsequently moved to EU countries.

Georgia is not a key country for irregular transit migration as its transport system remains underdeveloped and the country is not located on the most direct route between destination and origin countries. However, there is some evidence of transit migration from Armenia, Iran, as well as from Russia and Ukraine, towards Turkey and the EU member states.

On the other hand, it is necessary to consider the labour emigration perspectives of Georgia's population as a whole. Demographic depression in Russia, future demands on the labour force and the success of Georgian emigrants in business make us think that once the political situation has settled, it is in the interest of both countries that the effective employment of Georgia's population be maintained in the Russian labour market. Moreover, in such a situation it would be possible to strike a balance and arrive at suitable shares of Georgian labour migrants for the EU, the US and the CIS countries.

#### **4.4. Demographic structure of migrants**

According to the IOM paper of 2003 (the study conducted by the Migration Research Center with support of the IOM), women accounted for 40% of all labour emigrants from Georgia. Similarly, women make up 43.4% of labour emigrants according to the study conducted by GeoStat in 2008. Thus, we can conclude that there was no significant change of gender composition in emigration flows during the last emigration phase. However, the main destinations of Georgian male and female migrants are different. Georgian labour emigration

is less feminized in Russia. The 2008 study shows that among emigrated women only 26.2% settles in Russia; this number is slightly higher for Greece (26.8%). On the other hand, more than half of the emigrated males go to Russia and Greece absorbs only 9.1% of male labour emigrants.<sup>18</sup>

The IOM study revealed that labour emigration is marked by age polarization, and that migrants are likely to be younger than the general population. For example, 41% of emigrants are under the age of 30.<sup>19</sup>

The 2008 study cites the following results for the shares of various age groups in labour emigration: 48.4% are up to 40 years old, 23.7% are 40–49 years old, and the shares decrease for older age groups.<sup>20</sup>

The relatively younger age group makes up most of the labour emigrants in Germany as a great number of them combine work with study there and students dominate in this contingent. Older Georgian females (working as housemaids, nannies, housekeepers) are dominant in the labour emigration flow to Greece.

**Table 9: Distribution of labour migrants by family status (%)**

Marital status	Male	Female	Total
Married	57.7	61.8	59.5
Single	38.5	25.8	33.0
Divorced	2.3	6.4	4.1
Widow(er)	1.5	5.9	3.4
Total	100	100	100

Source: GeoStat, 2008

#### **4.5. Impact of migration on labour market**

Mass labour migration creates certain problems for the functioning of the national labour market. Most emigrants are working-age educated people, as shown by the 2008 GeoStat survey (Figures 7 and 8). This holds true for both men and women, although women in the 50-59 age group are in greater proportion than men, perhaps reflecting the demand for household services in some destination countries. A similar distribution of emigrants by age, gender and education level is shown by the “Georgia on the Move” (GOTM) survey conducted in 2008 (Appendix Figures 15 and 16).

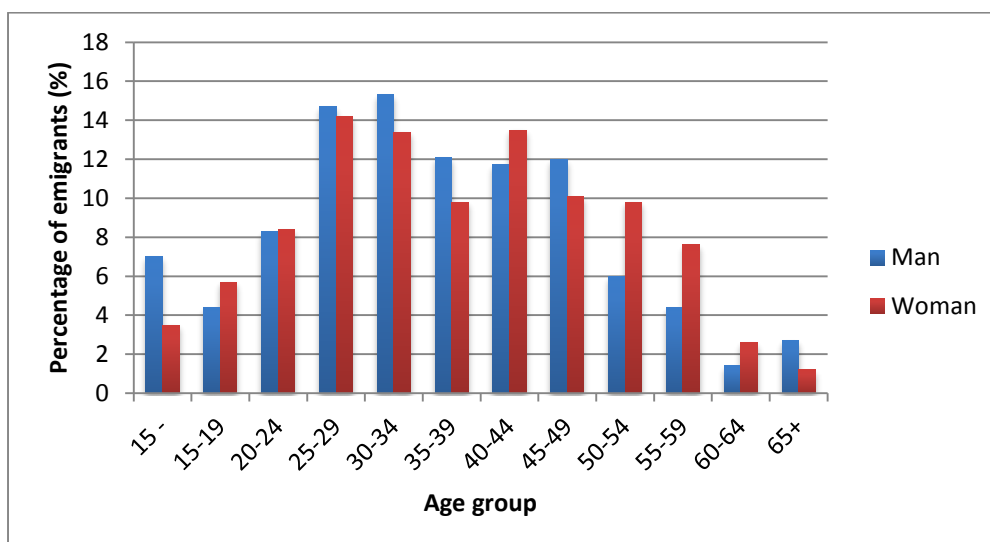
<sup>18</sup>Report of National Statistics Office of Georgia. 2008.

<sup>19</sup>Labour Migration from Georgia.IOM. 2003. p. 32.

<sup>20</sup>Report of National Statistics Office of Georgia. 2008.

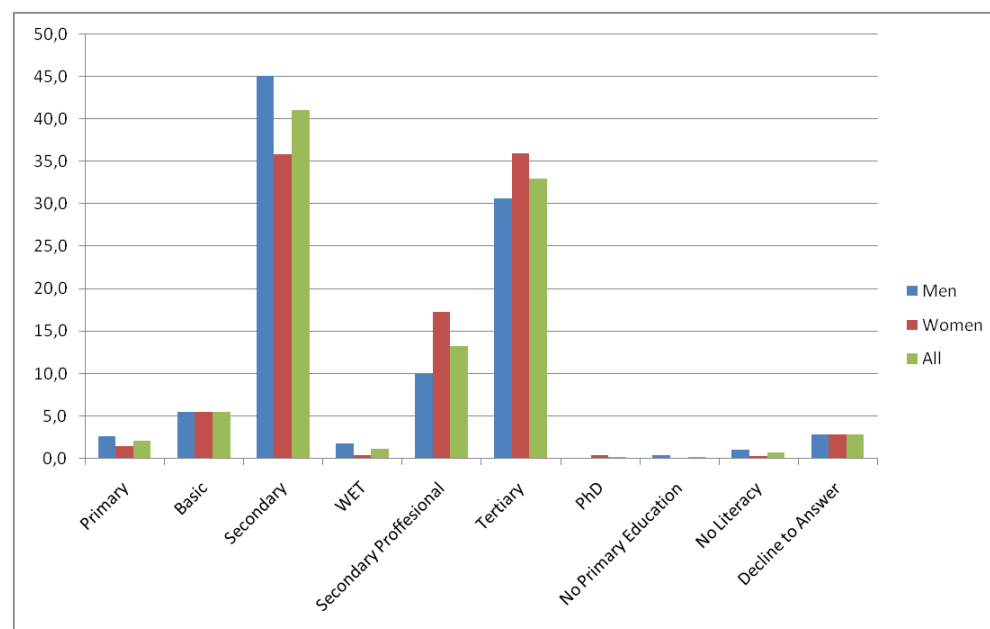


**Figure 7: Emigrant distribution by age and gender**



Source: GeoStat, 2008

**Figure 8: Emigrant distribution by education and gender**



Source: GeoStat, 2008

Labour migration has undoubtedly served as an escape valve for unemployed resources. However, over the long run migration may actually exacerbate the demographic problem mentioned above, which will reduce the labour force in the future. When most emigrants fall in the reproductive age category, emigration can aggravate the problem of the ageing of the population.

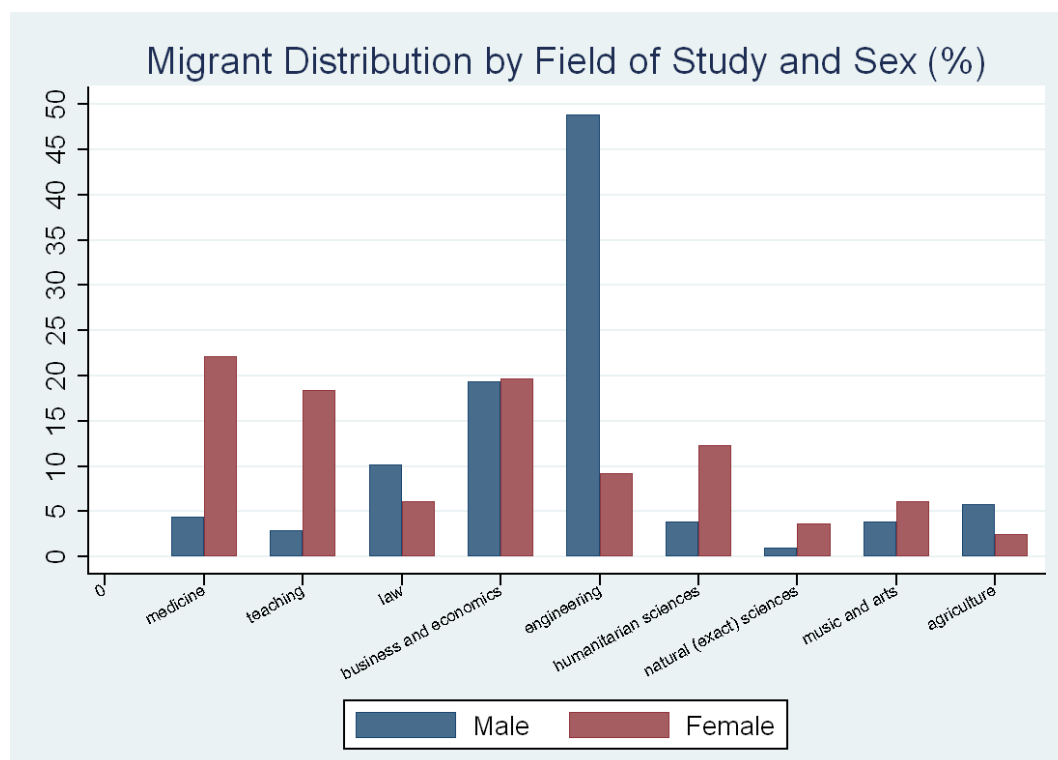
Looking at the educational distribution, another possible negative effect to be considered is the “brain drain”. Both the GeoStat (2008) and the GOTM (2008) survey show that the three main groups of emigrants are people with a secondary, secondary technical or higher education.

However, as we already discussed above, “education” and “skills” do not mean the same thing in Georgia. This was evident in our focus group of returned migrants, almost all of whom had no specific skills at the time of emigration, and, while holding bachelors diplomas, had never worked in their professions. Thus, these figures do not necessarily indicate that skilled people, who could have contributed to the development of Georgia, are leaving their country. For a proper assessment of this phenomenon, the issue of “Brain Drain” needs to be discussed in more detail.

First of all, an important point in this context is discussed in Babych and Fuenfzig (2012), a working paper that tries to determine the binding constraints for the economic growth of Georgia. The authors claim that the main problem is not the lack of skills but rather the lack of jobs for skilled people. As a result, skilled people migrate because there is no job for them or the salaries offered are too low and do not correspond to their skills.

A case in point is the engineers. In the FSU, Georgia was an industrial country with large factories, which pretty much stopped working after the collapse of the Soviet Union, leaving all engineers without a job. Figure 9 below shows the share of (male) engineers among emigrants is most conspicuous.

In such a situation, it is open to debate whether the migration of skilled people should be considered a “Brain Drain” given that, had these people stayed, they would not have been able to work in a job matching their qualifications and probably would have lost their skills. In a way the migration of these highly qualified people enables them to preserve their skills and may in some cases help them enhance their qualifications. Once demand for these people’s skills is created domestically, the possible return of these individuals could have a very positive effect on Georgia’s development. Young migrants who have already returned with a Western education and/or work experience hold almost all “elite” jobs. Aggregate statistics cannot capture these numbers because of their small quantity, but we did observe that ministers, deputy ministers, heads of leading businesses and NGOs are all mostly persons with a Western education. Thus, we argue that there are significant benefits to the “brain Gain”.

**Figure 9: Migrant distribution by field of study and gender**

Source: GOTM (2008), Gerber and Torosyan (2010)

Another point, which also applies to some extent to the Georgian migration, is disqualification that is unavoidable if labour migrants are subjected to low-skill work experiences under discriminating labour conditions with no opportunities for professional development.

A study of return migrants<sup>21</sup> in 2011 revealed that, even at this point, the effect is not one-sided. On the one hand, labour emigration disqualifies professionals but on the other hand, it promotes their adaptation into a more developed market environment, thus helping them acquire skills that make them more competitive and functional within modern market boundaries. The majority of labour emigrants (52.9%) state that they did not gain any significant professional experiences by working abroad and some indicated (26.5%) these experiences had been of no use in Georgia. However, 20.6% said working abroad had played a major role in the successful development of their careers after returning.

In summary, despite the certain negative effect of disqualification, the positive effects of gaining and developing skills prevail; the Georgian migration is characterized by a “Brain Gain” rather than a “Brain Drain”. Moreover, we think that the liberal changes in EU migration policy might even address to some extent the negative effect of disqualification since these changes will help to avoid many problems related to the mostly illegal status of Georgian labour migrants

<sup>21</sup>Labour Market and Return Migrant Reintegration in Georgia. Tbilisi 2011.

and help the skilled migrants avoid low-skill work experiences under discriminating labour conditions.

#### 4.6. *Employment conditions in the countries of destination*

The key issues that labour emigration needs to address are employment of labour emigrants abroad and further advancement of their labour efficiency. According to many research studies, only part of the high labour potential of labour migrants is used. Human capital formed through many years of education and expertise of professionals in highly specialized fields is quietly depreciated. We have mentioned above the lack of correlation between labour emigrants' positions held and their qualifications.

**Table 10: Distribution of labour migrants by occupation in destination countries (%)**

Job held by labour emigrant abroad	Answers given by substitute respondents (family members)	Individuals surveyed in immigration countries	Returned migrants	Online survey
Caregiver	12	14.4	10	-
Nanny	5.3	22.4	8.0	13.6
Server/sales person	8.8	13.7	14	7.5
Service field (Hotel, beauty parlour, casino, cook)	10.1	10.1	10	18.2
Construction worker	26.9	10.8	22	10.6
Car mechanic	3	7.9	8	-
Seasonal worker in agriculture	2.3	-	-	1.5
Driver	4.9	5	3	-
Owns a business	8.5	3.6	-	1.5
Doctor	0.5	-	-	12.1
Nurse	1	-	3	1.5
Has higher education and works in his/her specialized field	7.4	10.1	16	13.6
Tradesman	4	-	7.6	-
Junior office employee	2.2	4.3	5	4.5
Sportsman	0.0	0.7	-	1.5
Other	3	-	1	6.1
Total	100	100	100	100

Source: N. Chelidze. Labour Emigration from Post-Soviet Georgia. Tbilisi. Lega.2006. pp. 88–89

The career structure of the entire emigration flow is shown in Table 10 above, where the facts are presented more accurately under “Substitute Respondent” data, as data on more than 1,000 labour emigrants from different regions of Georgia were collected through their family members. Similar results are found through the other survey sources but the complexity of collecting data from these sources renders results that are less representative in our opinion.

The above-mentioned analysis of the employed contingent in immigration countries (Russia, Germany, Greece, USA) shows that the majority of emigrants in Greece (80.0%) work as caregivers, nannies and housekeepers/cleaners, while only 3.2% of individuals hold similar positions in Russia. Moreover, 12.9% of labour emigrants in Russia run their own businesses, which is less frequently the case in other countries. Also, Russia hosts the largest number of labour emigrants working in their specialized field (13%). In our opinion, two contributing factors here are market demand and better language proficiency.

Russia has particular pull factors for teachers (29%), engineers (32.3%), and economists (23.8%). Germany attracts foreign language specialists (28.6%). Greece draws teachers, economists and engineers. The USA receives economists, engineers, etc.

A recently returned migrants' study<sup>22</sup> revealed every fifth respondent had found a job prior to arriving in their destination country; 44.1% had found employment immediately upon arrival; 21.6% had had to wait around for 3 months and 14.7% had needed longer to find a position.

It is worth mentioning that 52.8% of labour emigrants had found a job through relatives or friends; 11.3% had managed to get employed independently; 12.3% had received help from agencies and "black brokers". Information bureaus, street and office announcements had hardly assisted anyone in finding a position.

Only 36.6% of individuals had signed an official employment contract. Most emigrants (64%) had made an oral agreement with their employer. The terms and conditions of most employment contracts for labour migrants mainly define salary, working hours, number of days off, food and board issues, etc. Adherence to international labour standards in contracts is rare, especially in reference to working hours. The study revealed that every third respondent's working day had lasted more than 10 hours. Only every third person had worked 8 hours a day. Other working terms had not been appealing either.

#### **4.7. Social and living adaptation**

All studies of Georgian labour migration bear evidence of labour emigrants' social hardship in the receiving countries. An analysis of their legal and social status proves the point. However, it should be noted that a comprehensive analysis is not feasible since most labourers residing abroad illegally, or former illegals as well as their relatives prefer not to participate in surveys; consequently, it is difficult to record the precise number of illegals. In this respect, the data

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<sup>22</sup>Labour Market and Returned Migrant Reintegration in Georgia. Tbilisi. 2012. pp.95-96.

provided by different studies may not be entirely accurate as they run into the same kind problems while collecting the information. One of our focus groups, a member who returned after nine years in the US said “I can only be grateful to my employers as they really made my life easier there. I never lacked food and board and had no problems commuting once under employment.” Another participant, who was temporary visiting Georgia also said that she feels comfortable in the family she lives in Turkey. By some estimates, about 75% of the Georgian emigrants are illegal residents. Table 11 shows official statistics about the distribution of returned migrants by their legal status abroad.

**Table 11: Distribution of returned migrants according to their legal status abroad (%)**

Status	%
Has (had) citizenship	5.6
Has (had) work authorization and permanent resident card	28.3
Has (had ) permanent resident card	6.6
Has (had) only temporary registration card	30.1
Did not have official status	25.5
Other	3.9
Total	100

Source: GeoStat, 2008

Besides having to adapt to new labour conditions abroad, emigrants also go through a social adjustment period or even experience a culture shock. Even 20 years of work experience did not really facilitate for the process of adaptation to a new social environment; the need to fit in still leaves its marks on many emigrants. According to the 2003 IOM study, only 48% of interviewees had managed to easily adapt to their new social and living conditions.

**Table 12: Distribution of labour migrants by level of adaptation to the social environment according to recipient countries (%)**

<b>Country of immigration</b>											
<b>Adaptation</b>	<b>Russia</b>	<b>Greece</b>	<b>Germany</b>	<b>USA</b>	<b>Israel</b>	<b>Belgium</b>	<b>Other EU Countries</b>	<b>Azerbaijan</b>	<b>Armenia</b>	<b>Other countries</b>	<b>Total</b>
<b>Adapted easily (to the way and conditions of life)</b>	48.8	32.2	47.3	52.2	50.0	30.0	48.7	44.4	47.3	70.4	48.0
<b>Could not adapt to living conditions</b>	2.4	16.7	2.2	2.2	-	-	2.7	-	-	3.7	2.0
<b>Adapted with difficulty</b>	26.2	51.1	13.2	9.8	37.5	-	12.2	22.2	13.2	11.1	18.0
<b>Adapted, but found it difficult to be away from home &amp; relatives</b>	21.4	-	37.4	35.9	12.5	70.0	36.5	33.3	37.4	14.8	32.0
<b>Other</b>	1.2	-	-	-	-	-	-	-	-	-	0.0
<b>Total</b>	100	100	100	100	100	100	100	100	100	100	100

Source: Labour Migration from Georgia.IOM.2003.p.44.

As demonstrated above, Georgian labour migrants to Greece exhibit the least adaptability. To some extent, belonging to a higher age group with a relatively low education level and having jobs far beyond their qualifications could account for their lack of adjustment capabilities.

Some adaptation problems were also observed in Russia. The language barrier definitely is to be blamed there as most labour migrants in this sample came from the provinces; as a result, their lack of proficiency significantly reduced their chances of employment in their specialized fields (engineers, teachers, lawyers). In addition, the exaggerated fear of migrants (migrant phobia) felt by local residents, especially of people of Georgian origin, and special hostility towards them make it hard for this category of emigrants to feel comfortable socially.

The poor living conditions often experienced by labour emigrants abroad do not make the local environment appealing to them either. Most studies show that the living conditions of labour migrants are hardly ever acceptable and often much worse overseas (often abnormally so) than in their home country.

The returned migrants' survey of 2011<sup>23</sup> shows that a quarter of migrants (nannies, caregivers, housemaids) had lived in their employer's home; 27.1% had lived in rented places with friends

<sup>23</sup>Labour Market and Returned Migrant Reintegration in Georgia. Tbilisi. 2012.

and 36.6% had stayed with a spouse, brother/sister, daughter/son, relative, or parent. Only one out of ten individuals had resided alone.<sup>24</sup>

One of the key concerns of labour emigration is health safety in the destination country. Since most immigrants are illegal or not quite legal residents, they basically do not qualify for health care programs or social security. This lack of protection further complicates the health issues of migrants. A recent study of the Migration Research Center<sup>25</sup> shows that 82% of the emigrated population had felt healthy at the time of departure but only 52% reported being fit upon their return. Two-thirds of the interviewees had needed medical treatment abroad. Only one out of 10 individuals had managed to get hospital treatment and 23.9% had received ambulatory care; 42% had resorted to their own remedies and 19.4% had not been able to afford any kind of treatment at all.

The main causes of health problems given were working under too much pressure (41.8%), the stress of living in an unhealthy social environment (21.3%) and unfavourable working conditions. Therefore, the health care system should be improved, both for returned migrants and for those still working abroad. Moreover, their further rehabilitation should be facilitated through the implementation of special programs by state organizations and NGOs working in this sphere. It is vital to get health care providers abroad more involved in order to better protect their immigrant population.

#### **4.8. Incomes of migrants and remittances**

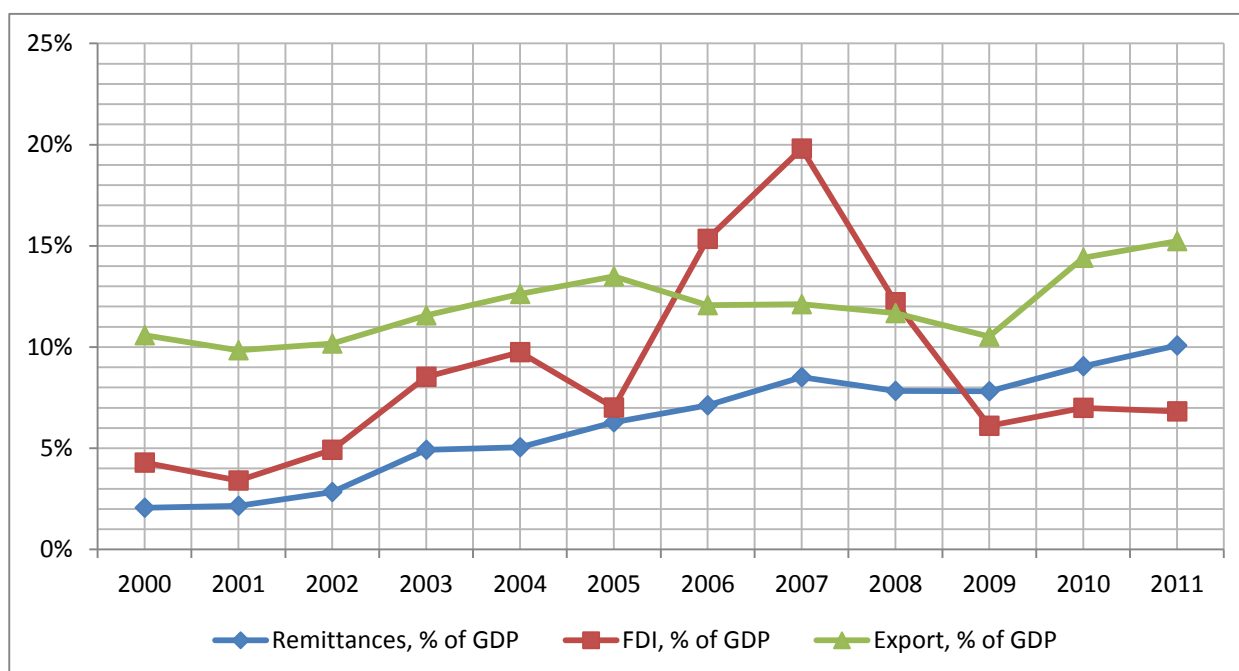
Remittances have become one of the major external income sources in Georgia, not surprisingly given the large share of the migrated population. According to the National Bank of Georgia, the remittances in Georgia have even exceeded total FDI since 2009 (Figure 10). The share of remittances in GDP picked up in 2011, when it constituted slightly more than 10%. It should be noted that due to the use of different approaches and the difficulty of tracking remittances, several sources come up with different data. We will introduce primarily data from the National Bank of Georgia (NBG) as it is the most comprehensive and complete data.

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<sup>24</sup>Labour Market and Returned Migrant Reintegration in Georgia. Tbilisi. 2012. p.94

<sup>25</sup>Labour Market and Returned Migrant Reintegration in Georgia. Tbilisi. 2012, pp. 96-97.



**Figure 10: Remittances and FDI as a percentage of GDP**

Source: NBG

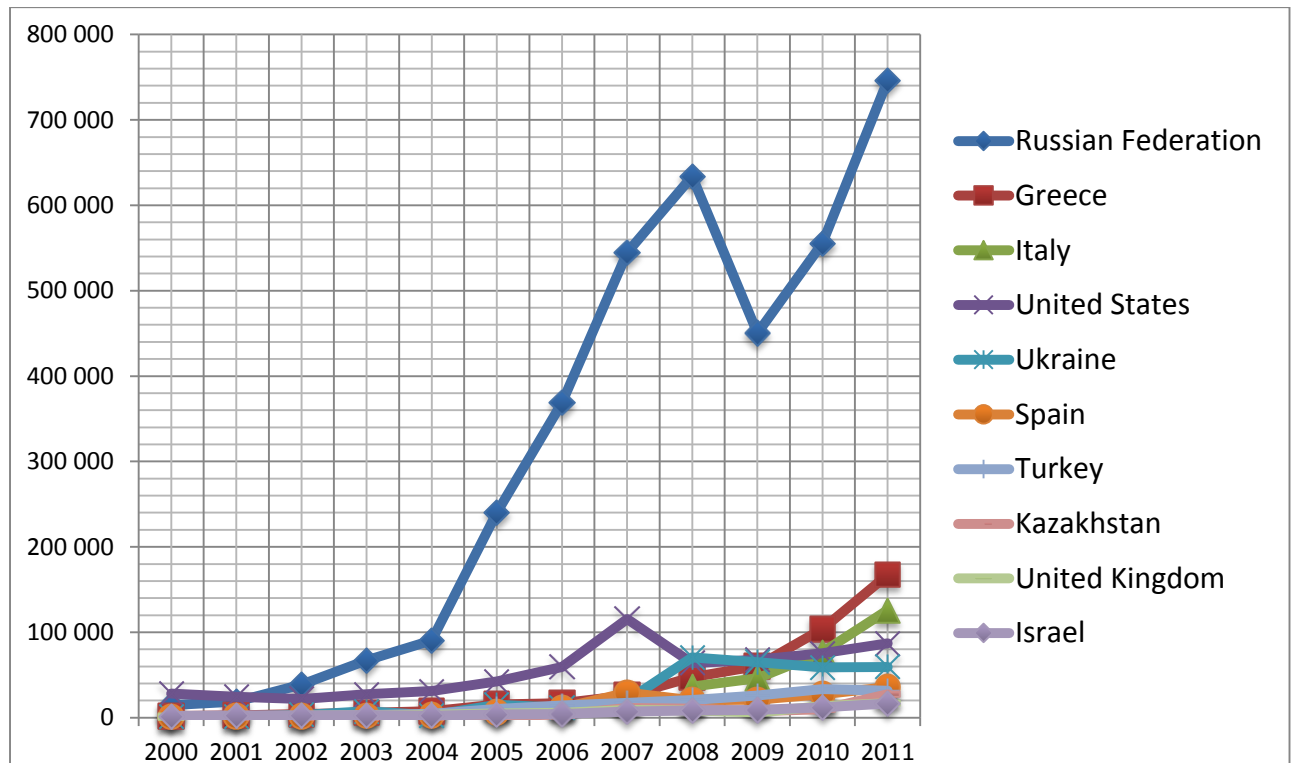
It should also be noted that the NBG only records money flows through official channels. It is therefore likely that the NBG data slightly underestimates the remittances. For example, in 2008 remittances exceeded USD 1 billion, that is, 7.6% of Georgia's GDP, taking into account only remittances sent through official channels. Adding data on remittances sent home in 2008 through unofficial channels, provided by other sources,<sup>26</sup> raises the figure to 10.6% of GDP.

The data on total remittances (as a percentage of GDP) already gives an idea of the importance of remittances for Georgia. But disaggregating this data by country may give some valuable additional insights.

First, it is evident that the Russian Federation is the major source of remittances for Georgia. The amount of remittances from Russia has drastically increased over the last decade. While Russia displaced the USA from first place back in 2002, its remittances continued to increase (aside from the fall during the 2008 crisis) and today the flow of remittances from Russia is much higher than from any other source (Figure 11).

<sup>26</sup>Aslamazisvili N. Datashvili V. Labour Migration and Remittances in Georgia: Advantages and Disadvantages. Jr. Social Economics. 2009. #2.

**Figure 11: Remittances by country and year, Top 10 countries of 2011 (thousands of USD)**

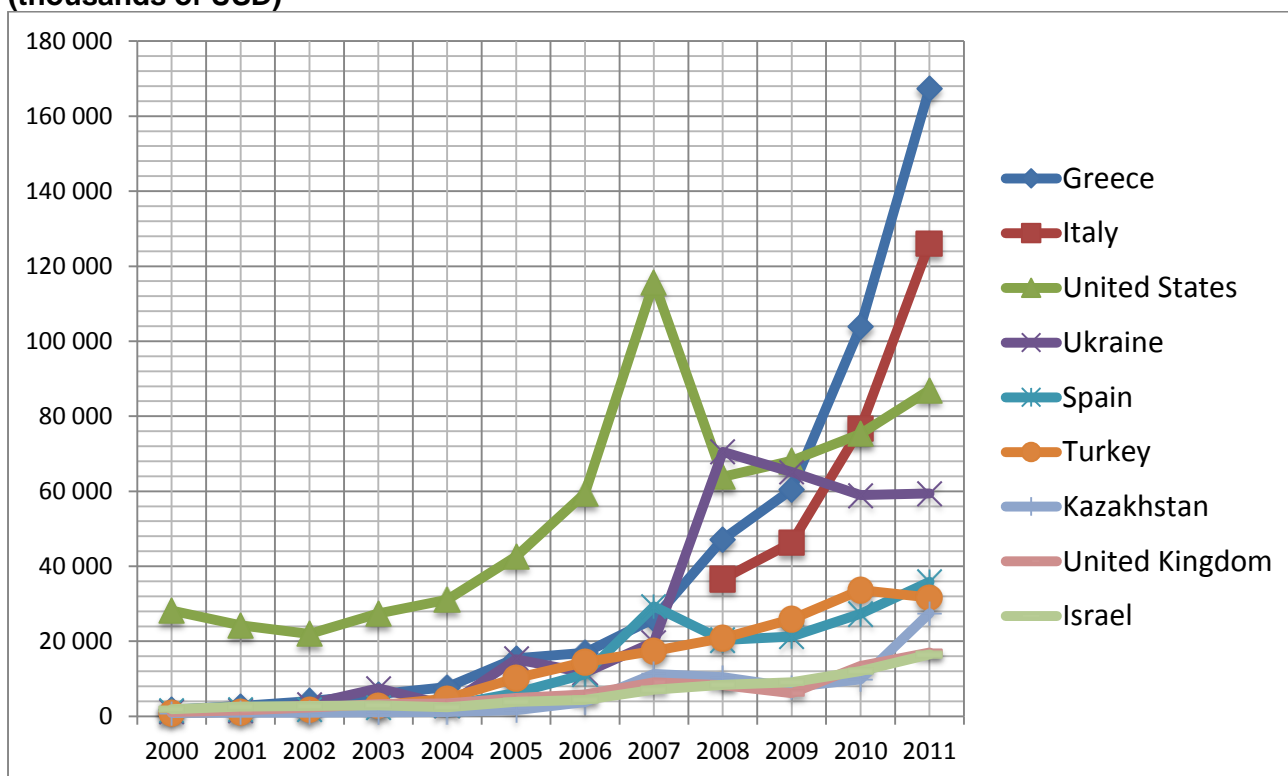


Source: NBG

While displaying the data on remittances from Russia makes it difficult to track the trends of other countries in Figure 11, Figure 12 shows that the remittances from the other top 10 countries have also been on the rise and at an accelerating rate. It is likewise interesting that, although remittances from the USA generally continued to increase (almost threefold from 2000 to 2011), Russia clearly outpaced the USA and every other country. Moreover, over the last years, Greece and Italy have emerged as number two and number three remittance sources while Ukraine has also come closer to the USA (Figure 12). Despite the latter country's threefold increase mentioned above, in 2011 remittances from the USA constituted a mere 6% of total remittances (compared to 45% in 2000) while remittances from Russia made up only 23% of the total in 2000 and yet reached the impressive figure of 52% in 2011 (Figure 13).

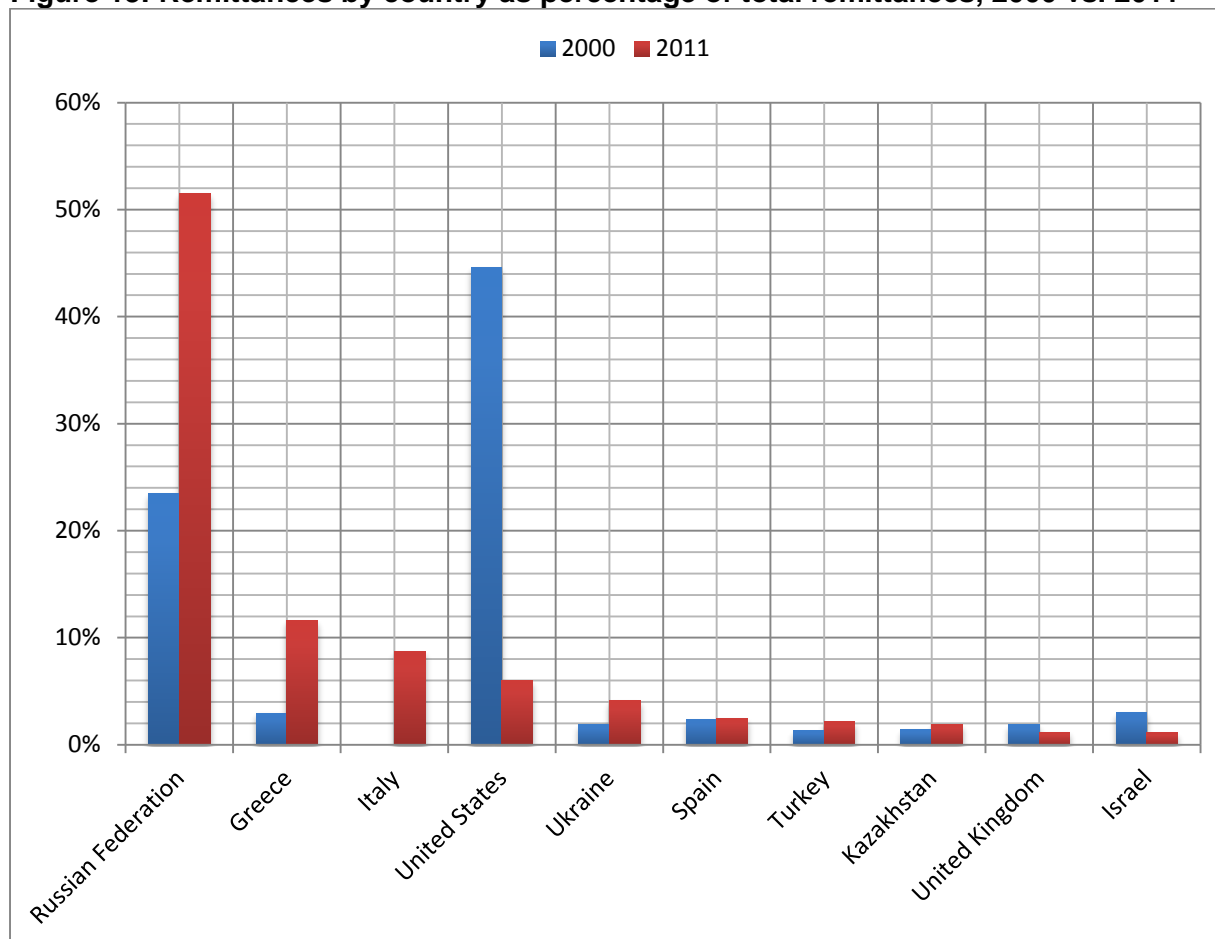


**Figure 12: Remittances by country and year, Top 10 of 2011 without Russia (thousands of USD)**



Source: NBG

In order to explain the rapid growth of remittances from Russia since 2004, it is important to bear in mind that the NBG only records the remittances sent through official channels. Prior to the current administration, the borders with Russia were open and quite a large share of remittances was sent through unofficial channels (people used to carry cash in their pockets). The worsening political relationship of Georgia and Russia made border crossings more difficult, leading to a shift in the flow of remittances towards official sources.

**Figure 13: Remittances by country as percentage of total remittances, 2000 vs. 2011**

Source: NBG

Another interesting point is apparent in Table 13, which depicts how the 2011 ranking of the top 10 countries changed over the past decade.<sup>27</sup>

The table below shows that all the top 10 countries of 2011 have held relatively high places throughout the decade, indicating an unchanged preference among Georgian migrants toward these countries. Countries that used to be in the top 10 but are no longer include Germany (3rd place in 2000 but only 12th place in 2011), France (13th in 2011) and Armenia, which ranked sixth in 2008 but ended up in 19th place after a curious, dramatic drop.

The case of Germany is particularly interesting. As was already pointed out above, Germany (together with Greece) is the second top destination country for Georgian migrants among the EU countries, after Greece, but a large share of the migrants in Germany are actually students whose main purpose is to study. Even if they are combining study with work, as is common, they do so primarily to cover their own expenses rather than to remit.

<sup>27</sup> NBG introduced more diversified list of the countries in 2008, so on table 1 and also on pictures 3, 4, 5 and 6, there is no data about Italy before 2008 because Italy was not in the previous list.

**Table 13: Ranking of 2011's top 10 remitting countries over time**

		Year											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Remitting Countries</b>	<b>Russia</b>	2	2	1	1	1	1	1	1	1	1	1	1
	<b>Greece</b>	5	4	3	4	3	3	3	4	4	4	2	2
	<b>Italy</b>									5	5	3	3
	<b>USA</b>	1	1	2	2	2	2	2	2	3	2	4	4
	<b>Ukraine</b>	7	9	5	3	7	4	5	5	2	3	5	5
	<b>Spain</b>	6	6	8	10	8	6	6	3	8	7	7	6
	<b>Turkey</b>	11	10	10	9	5	5	4	6	7	6	6	7
	<b>Kazakhstan</b>	10	11	12	13	12	12	10	7	9	12	11	8
	<b>UK</b>	9	8	7	6	6	8	7	8	12	13	9	9
	<b>Israel</b>	4	5	6	8	10	9	9	9	11	11	10	10

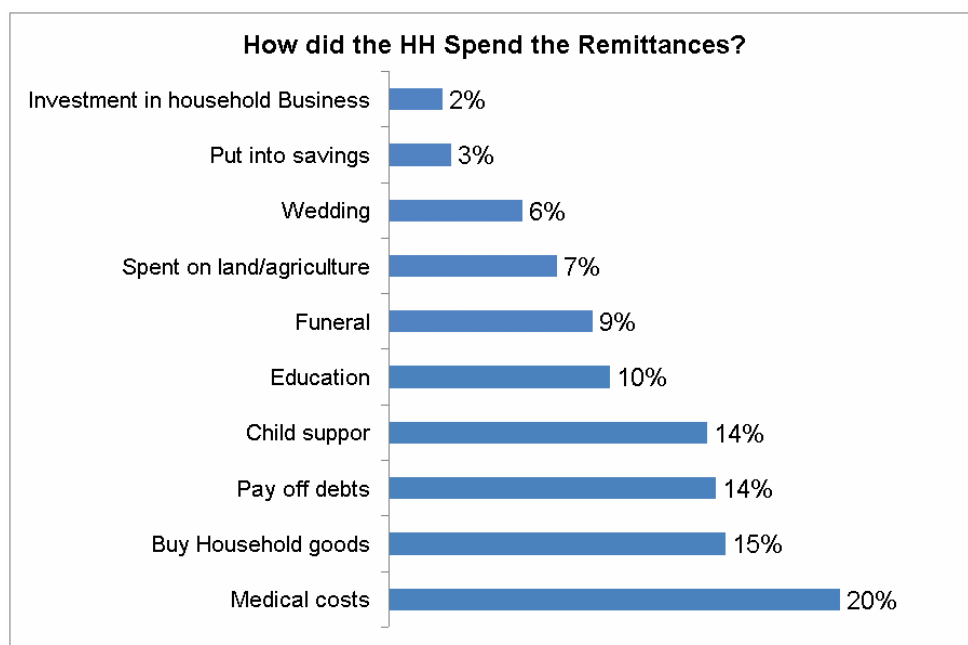
Source: NBG

Considering the analysis above, the following conclusions may be drawn. Remittances play an important role in the Georgian economy and the group of countries that Georgians prefer to migrate to is more or less stable. However, even though the share of remittances from Greece and Italy is quite significant (12% and 9% respectively), only these two EU countries appear in the top 5 while the other two EU members, Spain and the UK, are listed in the top 10. Clearly, in terms of remittances Georgia does not rely heavily on EU countries but first and foremost on the FSU countries, especially the Russian Federation, from where Georgia is receiving more than half of its total remittances.

#### **4.9. Impact of remittances on the economic and social conditions of Georgian households**

There is quite a large amount of literature in Georgia on migration and its effects, be it very few studies that specifically address the effects of remittances. This topic is generally controversial since remittances themselves, like migration in general, may have both positive and negative effects. Yet most of these effects heavily depend on the specificities of each country and the remittance structure. Clearly, not all possible repercussions may apply to Georgia and, conversely, some may be specific to Georgia.

Quite optimistic are the results of a study entitled “Remittances in Georgia: Correlates, Economic Impact and Social Capital Formation”, by Gerber and Torosyan (2010). According to the authors, in the case of Georgia remittances improve the welfare of the households mostly without producing the adverse effects often suggested in the worldwide literature on the subject. In Georgia remittances are used to buy consumer goods, increase savings and spending on education (at least in urban areas) and improve health care (particularly in rural areas).

**Figure 14: Spending distribution of remittances**

Source: GOTM (2008), Gerber and Torosyan

Very little evidence was found for the premise that remittances create disincentives to work in urban areas and that they put a downward pressure on the earnings of those who are left behind in rural areas. Moreover, the study detected one effect that had never been discussed previously in the literature. It appears that remittances in Georgia foster social capital formation by increasing the volume of gifts that households give to other households.

This effect is very typical for Georgia (clearly, not only Georgia) given the cultural habits of the Georgian people. Large families, for instance, are very common in Georgia and the Georgians highly value their relationships with friends and relatives. A numbers of families often support each other to deal with problems and very frequently one migrant tries to feed not just one but several families.

However, this study failed to find some of the positive effects sometimes associated with migration. For example, there was little to suggest remittances actually stimulated small business investment.

#### **4.10. Macroeconomic determinants and effects of remittances**

On a macro level, considering the share of remittances in GDP shown in the previous chapter, the clearest effect is the improvement of the export-import balance. Table 14 shows the results of an analysis of determinants of remittances conducted by Givi Melkadze,<sup>28</sup> using quarterly

<sup>28</sup>Macroeconomic Determinants of Remittances in Georgia.2012.GiviMelkadze, ISET, working paper.

data on remittances. The availability of remittances data by country of origin allowed the author to employ a panel data approach to control for remitting countries' individual heterogeneity.

Though this regression shows what factors cause changes in remittances, several conclusions may be drawn about the purpose and impact of remittances as well.

**Table 14: Determinants of remittances (regression on quarterly data, 2000–11)**

Dependent Variable: Ln(remit)	AB GMM	Logarithm of volume of remittances
Ln(remit) (t-1)	0.816**	Logarithm of volume of remittances of previous year
Growth Rate Differential (t-1)	0.00430*	Difference in growth rates of remitting country and Georgia in previous year
Unemployment (t-1)	-0.0112*	Unemployment rate in remitting country in previous year
Interest Rate Differential(t-1)	0.00219	Interest rate differential between Georgia and remitting country in previous year
Exchange Rate (t-1)	0.00636**	One-period change in the nominal exchange rate between GEL and the remitting country's currency in previous year (an increase in this variable represents a nominal depreciation of GEL against remitting country's currency)
Crisis	-0.0884**	Dummy variable indicating the recent global financial crisis
RusGeo Conflict	0.177	Dummy variable indicating the Russia-Georgia conflict (1 only for Russia)
Number of Observations	614	

Source: NBG. Official Data from Sending Countries

Note: \*\* Significant at 99% level, \* Significant at 95% level

Firstly, the interest rate differentials between sending countries and Georgia is not significant, suggesting that people do not respond to changes in the investment environment. This result coincides with the result of Gerber and Torosyan (2010) that remittances are not used much for business investments.

Another interesting point is the strong significance of the exchange rate. This means that when GEL depreciates, migrants respond by sending more foreign currency (mainly USD) because their relatives at home will gain on the exchange. Since more USD enters the country, domestic GEL will appreciate again. In this way, remittances serve as a counterbalancing force for exchange rate changes.

## 5. Migration Policies and Institutions

Georgia borders four countries – Armenia, Azerbaijan, Russia and Turkey. With 1,461 km total length of state border (including 310 km of sea border), the country operates 19 official border crossings, 16 of which have international and 3 of which have interstate status.

Russia and Georgia have agreed to delimit 80 per cent of their common border, leaving certain small, strategic segments and the maritime boundary not yet demarcated. Since mid-2006, all land and sea borders between Georgia and Russia have been closed, following a unilateral decision by Russia prompted by strained diplomatic relations between the two countries. Relations further worsened in 2008, when this tense situation culminated and Russia occupied 20% of Georgian territories (Abkhazia and South Ossetia). Because of this situation, there are currently no direct transport links between Georgia and Russia. Nevertheless, in 2012 the Georgian government unilaterally decided to introduce a visa-free regime with Russia.

The Georgian government does not currently exert control over the two conflict areas mentioned above, including control over movements in those regions, especially regarding border crossings from and into Russia. The Georgian government applies a strict policy against foreigners who enter Georgia illegally, in particular when this concerns entry through the conflict zones of Abkhazia and South Ossetia. This mainly affects aliens who, knowingly or unknowingly, enter Georgia without officially registering their entry into the country.

Generally, Georgia has an extremely liberal and open policy on migration in line with its free market policies: it has a very liberal visa regime, in terms of visa categories as well as in relation to visa issuance at its borders.

Until 2011, the coordination mechanism between government entities and ministries with regard to migration issues was very weak, or even non-existent. But in 2011, the State Commission on Migration Issues was set up, whose main goal was to strengthen the coordination between agencies working on migration issues.

A number of ministries and other government entities are represented in the Migration Commission: the Ministry of Foreign Affairs, the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia, the Ministry of Finance, the Civil Registry and Migration Department under the Ministry of Justice, the Ministry of Education and Science (it is actively involved, takes care of returning migrants' professional development and facilitates their integration), the Ministry of Economy and Sustainable



Development, the National Statistics Office of Georgia, the Georgian Parliament, the European Integration Ministry and the Ministry of Diaspora (all actively involved as well). Meetings are held at least once a month.

The Commission is working on a migration strategy, and an action plan should be ready by the end of 2012. The Commission also intends to improve the legal framework for migration issues. The main points discussed in the draft migration strategy document are the promotion of legal emigration, the fight against and prevention of illegal migration, asylum system development and the promotion of dignified return and reintegration. The draft migration strategy document clearly defines the responsibilities of the different entities involved (e.g., MIA, the Ministry of Internal Affairs, is responsible for border protection, the Ministry of Diaspora is in charge of cooperation and relations with diasporas, the Ministry of Education and Science will take care of returned migrants' professional development).

### **5.1. Relationships with EU**

In 2004 Georgia was invited to intensify political, security, economic and cultural relations with the EU, based on the so-called EU/Georgia Action Plan<sup>29</sup>, the political document laying out the strategic objectives of the cooperation between Georgia and the EU. The EU/Georgia Action Plan was developed in the framework of the European Neighbourhood Policy (ENP) and covered a timeframe of 5 years; it was signed in November 2006. Implementation of the Action Plan was expected to bring Georgian legislation, norms and standards closer to those of the EU. One of the Action Plan's priorities was to "Enhance cooperation in the field of justice, freedom and security, including in the field of border management". Specific planned actions included migration management (readmission, visas and asylum); enhanced dialogue on migration issues, including prevention and control of illegal migration and readmission of own nationals, stateless persons and third-country nationals.

On May 7, 2009, The Heads of Governments and representatives of different Republics, including Georgia, and representatives of the EU as well as its Member States met in Prague to bring their relationship to a new level by establishing the Eastern Partnership and adopted the "Joint Declaration of the Prague Eastern Partnership Summit". The declaration addressed, among other things, "a more ambitious partnership between the European Union and the partner countries" and "deeper bilateral engagement". On the latter point it stated: "Supporting mobility of citizens and visa liberalization in a secure environment is another important aspect of the Eastern Partnership. It will promote mobility of citizens of the partner countries through

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<sup>29</sup>EU/Georgia Action Plan [http://ec.europa.eu/environment/enlarg/pdf/enp\\_action\\_plan\\_georgia.pdf](http://ec.europa.eu/environment/enlarg/pdf/enp_action_plan_georgia.pdf).

visa facilitation and readmission agreements; the EU, in line with its Global Approach to Migration, will also take gradual steps towards full visa liberalization as a long term goal for individual partner countries on a case-by-case basis provided that conditions for well-managed and secure mobility are in place”<sup>30</sup>.

Acting within the existing framework for cooperation, in particular the EU-Georgia European Neighbourhood Policy Action Plan, and taking account of the Joint Declaration mentioned above, the Council of the European Union confirmed its commitment to “improving facilitation of movement of persons between Georgia and the European Union, whilst working to ensure better management of migration flows, including preventing and reducing illegal migration flows”<sup>31</sup>. The EU has opted for a Mobility Partnership based on reciprocity: “The Mobility Partnership will have the purpose of better managing legal migration including circular and temporary migration, in particular for development purposes, within the limits of the respective competences of the Signatories and taking into account their labour market and socio-economic situation, establishing cooperation on migration and development, and preventing and combating illegal immigration and trafficking in and smuggling of human beings, as well as promoting an effective readmission and return policy, while respecting human rights and the relevant international instruments for the protection of refugees and taking into account the situation of individual migrants and the socioeconomic development of the Signatorie”.

As a result, in 2011, the Council of the EU concluded two agreements with Georgia: one on visa facilitation and one on readmission. Both agreements entered into force on March 1, 2011<sup>32</sup>. The visa facilitation agreement makes it easier and cheaper for Georgian citizens, in particular those who travel a lot, to acquire short-stay visas for travels to and throughout the EU. The readmission agreements between the EU and third countries set out clear obligations and procedures for the authorities of EU member states and the third countries concerned as to when and how to take back people who are illegally residing in the territories of the parties.

A Presidential Decree dated April 26, 2011, appointed the MIA as the state structure responsible for implementing the readmission agreement signed by Georgia with the EU that came into force on March 1, 2011<sup>33</sup>. In this context, it is worthwhile noting that the Ministry of

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<sup>30</sup>Joint Declaration of the Prague Eastern Partnership Summit 2009

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/107589.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf).

<sup>31</sup>Joint Declaration on a Mobility Partnership between the European Union and Georgia

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/jha/111580.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/111580.pdf).

<sup>32</sup>Conclusion of two EU agreements with Georgia on visa facilitation and readmission 2011.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/jha/118885.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/118885.pdf).

<sup>33</sup> A dedicated e-mail address was created within the MIA for receipt of all requests related to readmission. The International Relations Division in the Patrol Police Department has been tasked with the coordinating function in terms of receipt of these requests and its subsequent processing in close coordination with the Ministry of Foreign Affairs and the Civil Registry Agency, among other government agencies.

Internally Displaced Persons from Occupied Territories, Accommodation and Refugees of Georgia cooperates with the EU-funded project “Targeted Initiative for Georgia (TIG)” in reaching out to Georgian returnees and offer reintegration assistance. All readmitted nationals are met at the airport by the Ministry and TIG staff and receive on the spot information on available reintegration opportunities.

It still early to gauge what effects the implementation of the agreements have had with respect to both the facilitation of entry into the EU and the repatriation of undocumented migrants. The analysis of the previous chapter shows however that more far-reaching initiatives with regard to possibilities of legal and perhaps temporary labour migration might be desirable to address the de facto undocumented situation in which the majority of labour migrants appear to be. It is to be hoped that progress under the Mobility Partnership will lead to such agreements.

## 6. Conclusions

Despite a number of successful reforms in Georgia, the labour market is still depressed. Quite a large number of people decide to emigrate because of the unemployment situation and low wages. The current high unemployment rate is a reflection of both weak labour demand and a skills mismatch. The problem of the Georgian labour market is not so much the lack of skills but the lack of jobs with an adequate salary for skilled people. This means that skilled workers from Georgia emigrate because there is no work for them at home or the salaries offered are too low and do not correspond to their skills. Most emigrants are illegal residents and employed on a secondary labour market abroad, earning discriminatory wages, be it higher than in Georgia. Russia, Greece and Germany have the largest stocks of Georgian migrants. In recent years, the destination palette has become more diverse and the shares of Italy, Spain, Great Britain and other European countries, as destination countries of Georgian labour emigrants, continues to increase. The lower chance of finding a job abroad is partly due to the language barrier. In fact, foreign language study (mainly English) has recently become a priority in Georgia but, as results in this field take time to materialize, the problem won't be solved overnight. Migration has in recent years acquired a “circular” nature, with many young Georgians going abroad to get a better education and coming home to take up leading positions in the public and private sectors. Thus, Georgia may be experiencing a so-called brain gain.

The volume of remittances has also increased dramatically, peaking in 2007, just before the global financial crisis erupted, reflecting a more favourable investment climate at home and



economic prosperity abroad. Still, a relatively small share of remitted capital is used for productive investment. Most of it finances current consumption and helps reduce poverty, by raising expenditures on health and education, increasing savings and fostering social capital formation. Only little evidence was found to support the premise that remittances decrease the incentive to work, mostly in rural areas. Despite the fact that Russia is no longer a popular holiday destination for Georgians, more than half of total remittances come from Russia, as this country still has by far the largest stock of Georgian migrants. In the top 5 of remitting countries, only two are EU members, namely Greece and Italy, with shares of 12% and 9% respectively. Two other EU countries, Spain and the UK, only show up in the top 10. Thus, Georgia is not most heavily dependent on remittances from EU countries but from FSU countries, especially Russia, be it that current trends will change that picture in the future.

One of the major problems of migration is that married labour emigrants are separated from their loved ones. This split often takes a tragic turn, as being illegal migrants, they can't go back home temporarily to visit their families. Liberalizing the migration policy will alleviate this situation, without producing any negative effects for the host country.

One of the key concerns of labour emigration is health safety in the destination country. Since the majority of immigrants are undocumented, they in most cases cannot apply to health care programs or enjoy social security. This lack of protection further complicates the health issues of migrants. Thus, implementing a sound migration policy is important, and the negotiations under way in the context of the Mobility Partnership talks will hopefully lead in that direction.

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## Appendix

**Table 15: Population by age and gender at beginning of year, 2008–11 (x 1,000)**

Age	2008			2009			2010			2011		
	Both sexes	Males	Females	Both sexes	Males	Females	Both sexes	Males	Females	Both sexes	Males	Females
Total	4,382	2,078	2,303	4,385	2,080	2,304	4,436	2,108	2,327	4,469	2,127	2,341
-1	48.5	25.5	23.0	55.6	31.2	24.4	62.5	31.9	30.6	61.9	32.1	29.8
1 - 4	186.3	98.5	87.8	189.4	99.9	89.5	196.8	105.8	91.0	213.5	113.4	100.1
5 - 9	235.1	123.9	111.2	229.4	121.0	108.4	228.7	120.5	108.2	229.7	121.2	108.5
10 - 14	285.1	147.7	137.4	275.2	143.3	131.9	268.5	140.5	128.0	254.3	133.6	120.7
15 - 19	366.5	185.9	180.6	355.2	180.5	174.7	341.4	174.1	167.3	322.2	165.0	157.2
20 - 24	359.8	182.0	177.8	360.7	182.4	178.3	363.7	184.0	179.7	368.2	186.6	181.6
25 - 29	330.9	165.3	165.6	333.4	167.0	166.4	342.6	172.2	170.4	352.2	177.4	174.8
30 - 34	309.7	152.0	157.7	311.9	153.1	158.8	318.0	156.7	161.3	323.0	159.8	163.2
35 - 39	300.5	144.6	155.9	298.9	144.1	154.8	307.3	149.4	157.9	310.3	151.6	158.7
40 - 44	306.4	144.0	162.4	298.0	140.4	157.6	294.8	139.5	155.3	296.8	141.3	155.5
45 - 49	334.5	155.4	179.1	335.0	155.3	179.7	337.1	156.4	180.7	328.5	152.1	176.4
50 - 54	281.0	129.3	151.7	291.7	134.0	157.7	301.4	139.2	162.2	315.2	145.8	169.4
55 - 59	246.7	111.7	135.0	251.0	113.5	137.5	259.7	117.8	141.9	262.5	119.3	143.2
60 - 64	148.2	66.2	82.0	169.7	75.6	94.1	192.0	85.7	106.3	214.3	95.3	119.0
65 - 69	211.7	86.7	125.0	179.8	73.6	106.2	153.8	62.7	91.1	132.0	54.0	78.0
70 - 74	179.9	73.5	106.4	191.6	77.1	114.5	200.5	80.1	120.4	206.8	81.9	124.9
75 - 79	136.7	52.5	84.2	129.6	50.0	79.6	129.0	49.7	79.3	126.7	49.2	77.5
80 - 84	76.9	25.6	51.3	88.9	30.2	58.7	91.4	31.9	59.5	97.3	34.6	62.7
85 +	37.7	8.1	29.6	40.4	8.6	31.8	47.2	10.8	36.4	53.8	13.1	40.7

Source: National Statistics Office of Georgia, 2012

**Table 16: Remittances by country and year, Top 10 of 2011 (USD, in thousands)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Russia</b>	14841	18776	38729	67019	90495	240209	368716	544633	633919	450368	555567	746280
<b>Greece</b>	1860	2762	4048	5904	7773	15487	16887	26024	47198	60406	103801	167426
<b>Italy</b>									36621	46312	76725	126038
<b>USA</b>	28196	24292	21972	27403	31123	42631	59400	115724	63866	68119	75304	86967
<b>Ukraine</b>	1206	1458	3262	7427	2906	15252	11634	19810	70474	65117	58982	59443
<b>Spain</b>	1504	1775	1903	2412	2887	6302	11229	29280	20369	21286	27310	35856
<b>Turkey</b>	834	1221	1786	2927	4694	10215	14447	17420	20885	25870	33628	31659
<b>Kazakhstan</b>	883	1002	1006	1038	1176	1639	3812	11307	10436	7759	9869	27485
<b>UK</b>	1170	1531	2346	3285	3414	4902	5873	9070	8318	6204	13460	17027
<b>Israel</b>	1903	2575	2738	2950	2431	3915	4404	7131	8430	9044	12094	16499

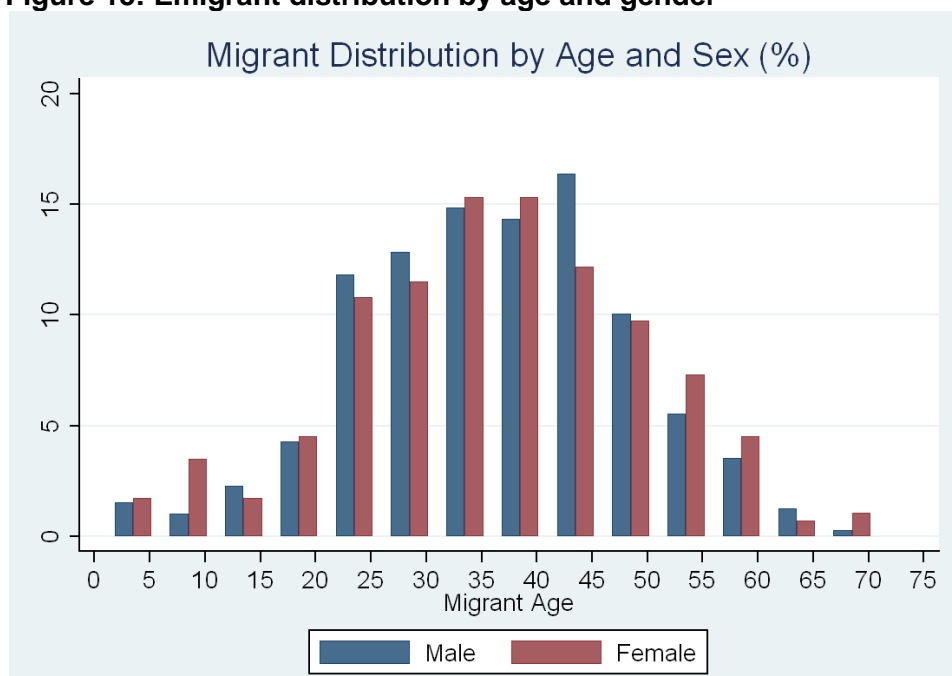
Source: NBG



**Table 17: Distribution of labour migrants by their regions and destination country (%)**

Country Of Destination	Tbilisi	Rustavi	Tkibuli	Akhalkalaki	Total
Russian Federation	15	21	61	95	39
Greece	18	22	9	-	14
Germany	17	19	13	-	13
USA	21	11	10	-	14
Israel	2	1	-	-	1
Belgium	3	-	1	-	2
Other European countries	19	9	4	1	11
Other countries	4	10	2	-	4
Azerbaijan	1	7	-	-	1
Armenia	-	-	-	4	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

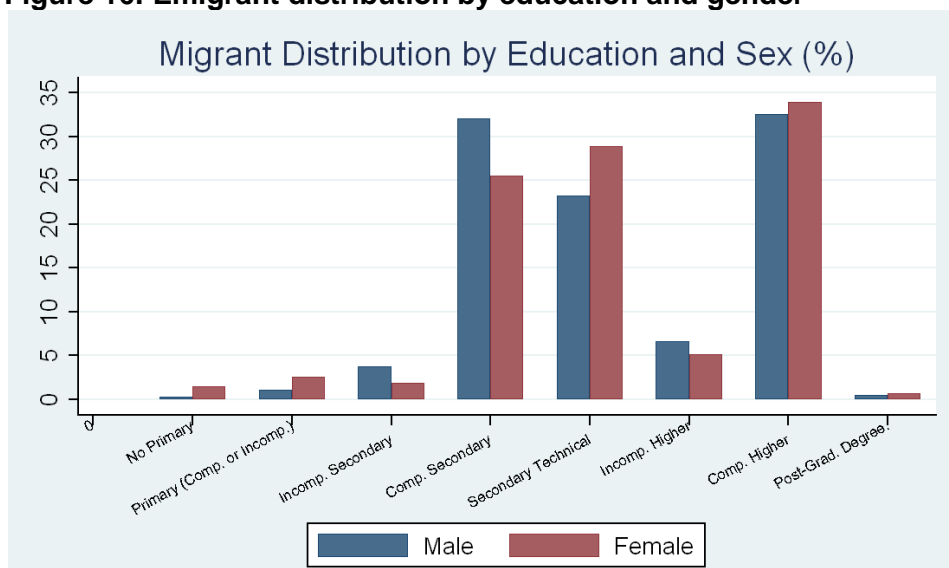
Source: Labour migration from Georgia. IOM, 2003.p.24.

**Figure 15: Emigrant distribution by age and gender**

Source: GOTM (2008), Gerber and Torosyan (2010)



**Figure 16: Emigrant distribution by education and gender**



Source: GOTM (2008), Gerber and Torosyan (2010).