

Informality Before and After the Pandemic

Who has (and who has not) been covered by the Georgia
State Anti-Crisis Plan?

Challenge, failure, and the opportunities for policy Change

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Introduction

Globally, informal employment accounts for 60% of total employment, equivalent to around 2 billion informal workers. Most of them (90%) are concentrated in developing countries (ILO 2018). According to the latest data, 8 out of 10 businesses in the world are informal, while 6 out of 10 employees are informal workers (OECD 2021). In the early period of the pandemic crisis, the ILO predicted that the COVID 19 pandemic would hit the informal sector the most - with up to 1.6 billion people losing more than 60% of their income, resulting in poverty levels increased from 26% to 59% among the informally employed (ILO 2020). The current escalation of poverty is equal to a 30-year lag, which in the case of Georgia equals the its entire period of being independent republic.

There are many reasons why the sector of informal employment is the most vulnerable to the pandemic. Among these reasons are the level of country's economic development, the sustainability of economic production, the country's social protection policy, the specifics of economic sector, the measures of COVID restriction, and the socio-economic profile of the informally employed. Like as the COVID 19 virus attacked the most exposed sides of human's health and exacerbated chronic diseases, the identical effect had COVID pandemic on the socio-economic fabric of society - causing enormous damage to the most frail and vulnerable groups and sentencing them to chronic poverty.

Today, Georgia is fighting against another wave of the pandemic. Consequently, it is too early to discuss the final damage that COVID 19 has done to informal employees. However, based on various data, including the Revenue Service representatives, more than half a million self-employed people lost their income by 2020.¹ The exact damage in long-term is still unknown. There have been organized number of protests by informal workers since the restrictions were imposed. Among the protesters were extraterritorial petty-traders who were crossing the Sarpi border on daily basis,² travel guides employed by tour-operators,³ agricultural market traders,⁴ drivers of intercity minibuses,⁵ and, petty-retailers of clothing and household items in the vicinity of the Station Square. They demanded the state-provided benefits, social support for the alleviation of acute social and work-related challenges, and help for handling the everyday challenges. The way in which state

¹ Interview with the Director of the Customer Service Department at the Revenue Service, September, 2021.

² A protest rally in Sarpi, 01.07.2020, <https://batumelebi.netgazeti.ge/news/286943/>

³ Why are the travel guides left without a compensation? 25.05.2020, <https://bm.ge/ka/article/57088>

⁴ EMC responds to the protests of the traders of the open markets and calls upon the state to support them, 24/12/2020, <https://socialjustice.org.ge/ka/products/emc-ghia-bazrobabis-movachreta-protests-ekhmianeba-da-sakhelmtsifos-mati-mkhardacherisken-moutsodebs>

⁵ The minibus drivers went on strike in Batumi, 12.07.2021 <https://ipress.ge/new/bathumshi-mikroavtobusis-mdzgholebi-gaiphitsnen/>

apparatus responded to their demands was largely due to what policy instruments the state had in place to identify these challenges and assess their needs.⁶

The aim of this paper is to study the Anti-Crisis measures and social policies that the state has developed in 2020 to support ones who were most affected by the pandemic, in particular, informal workers. The paper seeks to analyze how state apparatus conceived and responded to informal employment before the pandemic, and how did the pandemic affect this outlook. In addition, what opportunities are there for policy transformation towards the informal employment? As history teaches us, the crisis of given magnitude has been provoking the paradigm shifts in the understanding of community and commonwealth. And, perhaps, now is the most proper time to initiate a political discussion on the questions of informality, related social policies and the ways to ensure the informal workers' engagement in the decision-making process.

1. Ambiguity related to measuring informality

Informal employment, as a sub category of labor employment was officially introduced in Georgian social and labor market analysis in 2017. It was when the Georgian National Statistics Office (Geostat) replaced the Integrated Household Survey with a Labour Force Survey. Through this change the Labor Force module was separated from the Integrated Household Survey, and became the distinct labor survey report, where a separate subcategory emerged in terms of **informal employment in the non-agricultural sector**. This category of employees is defined by Geostat as follows: “Informal employment – Persons employed in the non-agricultural sector who were not at all protected or partially protected by formal agreements (e.g. did not pay income tax from their wages; were not ineligible for paid annual vocation; could not use the pay slip in case of sick leave; and / or the employer did not pay any pension contribution), or who determine their own employment status as helping in a family or household business/farm, or working in an unregistered enterprise or business.

According to the Geostat measurement, the share of informal employment in non-agricultural employment has been fluctuating over the years. In 2017 it was 33.9%; in 2018, it increased to 36.2%; by 2019, it dropped to 34.2%, and by 2020 it stabilized at 31.7%. How is informal employment measured, what methodology Geostat uses, or what employment sectors are encompassed by this category remains ambiguous, and the questions it provokes are more than the ones it answers. It is evident when looking at the fluctuating percentage of informality share over the years. These changes do not reflect the changing trends in the country's labor market (see Chart 1):

⁶ Traders are holding a rally and demanding the halving of the commercial rent,03/09/2021, <https://formulanews.ge/News/56048>

Share of informal employment in non-agricultural employment by years

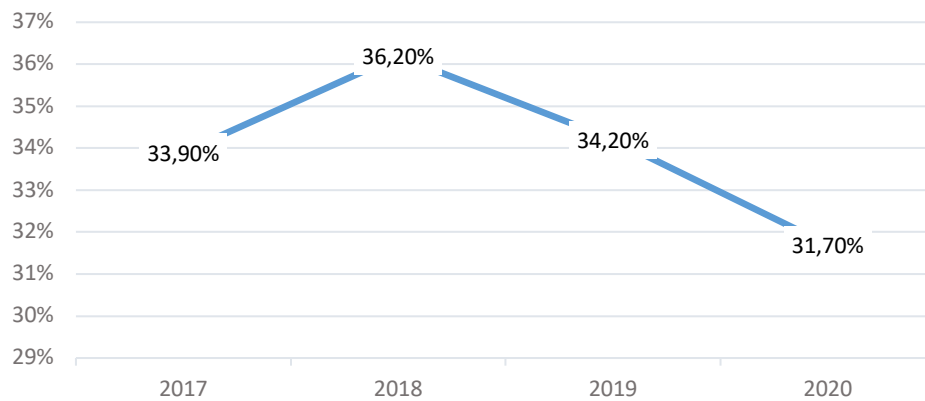


Chart 1 - Number of informal employees in the non-agricultural sector, by years

A much broader definition of **informality (both in the form of economics and employment)** is provided by the International Labor Organization – “Informality is defined as all those economic activities by workers and / or economic units, which whether legally or practically are fully or partially beyond formal agreement” (ILO, 2018).⁷ Whereas the **informal employment** is directly defined as an activity that is not covered by labor law, is not taxed in relation to the income, is not protected by social security policies or labor protection laws, etc. If we insert this definition in case of Georgian labor market, it will become even more difficult for us to really measure the informal employment since the practice of employment contracts and social protection benefits are hardly accessible for a large proportion of formally employed workers, not to mention the informally employers,

As Ana Diakonidze explains, the ILO distinguishes between the employment in the informal sector and informal employment, where the former determines the place of employment and the latter the type of employment agreement, and the combination of these two constitutes the scale of the informal economy within the country.⁸ The existing conceptual ambiguity about the informal employment and informal economy as well as the statistical manipulation related to measurements, render it exceedingly difficult to define.

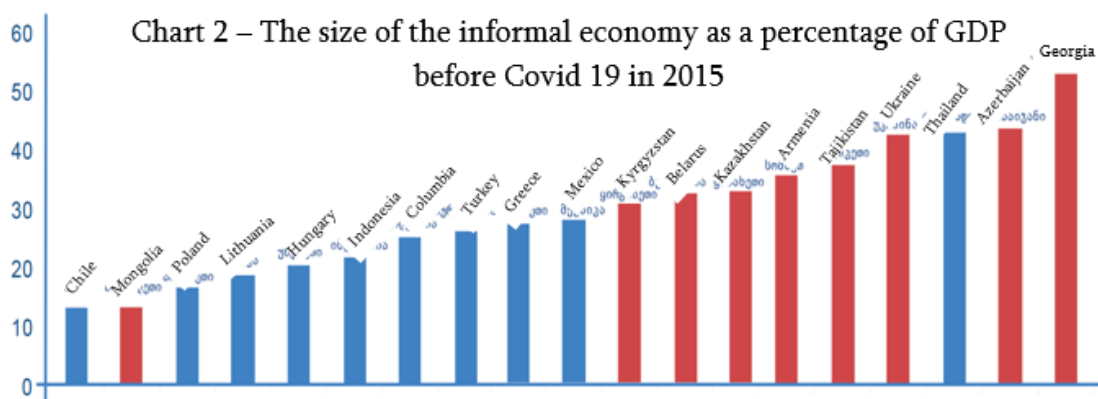
The size of the informality in the national economy as estimated by Georgian State Institutions does not match the scale of informality investigated by international organizations. According to the IMF methodology, the share of the informal economy in the country’s GDP was 53.1% (2015 data)⁹ while according to Geostat, it was only 27%

⁷ See part by Ana Diakonidze.

⁸ Ana Diakonidze, *Non-standard and Informal Employment - Concepts and their Relevance for Georgia*, The Social Justice Center, 2021.

⁹ It should be noted that these data have not been updated by the IMF and the World Bank since 2015 and the data for 2015 are cited even in their latest reports to the present day.

(according to 2018 data).¹⁰ However, according to the IMF methodological approach, Georgia presents the world leader when it comes to the share of the informal economy in the GDP (see Chart 2). In addition, it should be noted that when it comes measuring the informal employment, most of the international organizations, including ILO, do not apply alternative calculations or methodologies, and rely on data from the Georgian National Statistics Office. On the other hand, the Georgian National Statistics Office uses a methodology guide defined by the ILO to identify or record the number of formal and informal workers.



Source: IMF

The way the State Institutions are measuring and seeing the informality determines the way they approach the informal workers. Conversely, as Joseph Stiglitz writes, “What we measure affects what we do. If we measure the wrong thing, we will do the wrong thing. If we don’t measure something, it becomes neglected, as if the problem didn’t exist.”¹¹

In what follows, I explore the challenges and failures that government institutions faced when registering the informal employees, identifying their status, and determining whether they were eligible for the one-time GEL 300 compensation within the frames of state-initiated Anti-Crisis Plan. Observing the difficulties that have been actualized between May and August 2020 reveals the extent to which informal employment happens to be a hidden and ungraspable sphere. Following my findings, I argue that in the context of the Anti-Crisis Plan, the state bodies themselves had to search for loopholes or grey areas in their policies. Only that would allow them to administer and direct the Anti-Crisis Plan in the manner that it covers the full range of the target group. The given explorations and analysis is based on interviews conducted with members of the Anti-Crisis Plan team (see Appendix 1). In addition, I heavily reply on the statistical data and other secondary reports requested from the Agency for Employment Promotion. In the concluding part of the

¹⁰ National Statistics Office of Georgia, 2020.

¹¹ Joseph E. Stiglitz, Jean-Paul Fitoussi, and Martine Durand, *Measuring What Counts: The Global Movement for Well-Being*, Illustrated Edition (New York: The New Press, 2019).

paper, I discuss the possibilities how to engaging informal employees in the formal structures and the main recommendations that are necessary for policy change and recovery.

2. The structure of State Anti-Crisis Plan and its limitations - the case of the self-employed and the informally employed

On May 4, 2020, the Government of Georgia adopted Resolution №286, which regulated the plan for mitigating the damage of infection (COVID-19) caused by the new coronavirus (SARS-COV-2).¹² The plan was to assist hired and self-employed workers who, due to pandemic constraints, could no longer continue their economic activities and lost their income. In terms of the State Anti-Crisis Plan, GEL 1,200 was allocated for officially hired employees who were left without an income (GEL 200 per month for a maximum of 6 months), and a one-time payment of GEL 300 for the those self-employed, who remained without income and filled up the online application form. Both officially registered self-employed workers, as well as unregistered (informally employed) persons, were eligible to apply for the State Anti-Crisis compensation.

The social compensation program consisted of several phases. The last phase was completed in August of this year. Initially, the social compensation program was introduced in May-July¹³ during the so-called first wave of the Covid pandemic when the largest number of self-employed persons, a total of **248,875 persons**, received 300 GEL compensation (the total amount of compensation 74,662,400 GEL).¹⁴ The program was also renewed in November-December during the so-called second wave, when the one-time compensations of 300 GEL were issued for both hired and self-employed people (total number of beneficiaries - **121,634 persons**). According to the State Employment Promotion Agency, the recipients of compensation during the second wave were identified by the following methodology:

“In December 2020 the persons who were taking up their duties on November 27, 2020 and did not get paid from December 5 to December 24 were identified as employed. Whereas the persons whose job activities were suspended due to the pandemic restrictions applied from November 28, 2020 were identified as self-employed or informally employed.

¹² Regarding the approval of the Targeted State Program for Mitigation of the damages caused by the New Coronavirus (SARS-COV-2) Infection (COVID-19) <https://matsne.gov.ge/ka/document/view/4864421?publication=17>

¹³ Ana Diakonidze’s article offers a detailed analysis on the administration of compensation for the informal sector within the framework of the state anti-crisis program developed during the pandemic. See Ana Diakonidze, “The pandemic as a litmus test for social security systems in transition economies – the case of Georgia” in *Social Policy Review 33: Analysis and Debate in Social Policy, 2021*, 1st ed. (Bristol University Press, 2021) (pp. 181-200).

¹⁴ Data provided by the LEPL - State Employment Promotion Agency, 08.10.2021.

Compensation for the abovementioned persons was subsidized at one time in the amount of GEL 300 (three hundred).”

As for the third phase of the program, namely, the State funded re-compensation of various types of workers who got affected by the restrictions imposed during the so-called third wave of Coronavirus in the period of January-August, 2021 - we could not find any reliable data for the self-employed recipients of one-time compensation of 300 GEL (despite requests from the State Employment Promotion Agency). However, the number of recipients of GEL 200 compensation in the period of January-August in 2021 amounted to 158,255 persons.¹⁵

Based on the available data, provided in part by the State Agency for Employment Promotion and in part by the website of the same agency, the number of recipients during three different waves since the onset of the pandemic was distributed as follows:

Table 1 – Number of recipients of anti-crisis support issued from the beginning of the pandemic to September 2021

Type of Anti-Crisis compensation	1 st wave May-July 2020	2 nd wave November-December 2020	3 rd wave January-September 2021
One-time in amount of GEL 300 for the self-employed	248 875	–	–
200 GEL p/m compensation across six months for the employed	162400	–	158 255
One-time compensation of GEL 300 for both self-employed and employed persons	–	121 634	–

(Source: Data of the LEPL - State Agency for Employment Promotion)

The **working group** administering the Anti-Crisis Plan consisted of representatives of the Employment Promotion Agency and the Revenue Service. Their roles and functions were distributed as follows: The employment agency checked the applications and documents of all self-employed persons who applied for the 300 GEL compensation and who were not traceable as officially registered self-employed workers in the Revenue Service database (be they sole traders, landlords, micro or small business entrepreneurs, etc.). The finalized list of officially registered self-employed workers from the Revenue

¹⁵ The Employment Promotion Agency releases information on the payment of GEL 200 compensation to casually hired employees. 30.08.2021, <https://accentnews.ge/ka/article/45243-dasakmebis-xelshecqobis-saagento-dakiravebit-dasakm?fbclid=IwAR0Y-Nd11baj4qE5TsWiwY-mzL1HkvVc9eRRgqFq6M->

Service, as well as the list of documentation of persons qualified as eligible informal employees (prepared by the representatives of the Employment Promotion Agency), were sent to the Ministry of Health for final check-up and compensation instalment. In the given situation, the main requirement for the self-employed applicants was to provide the proof of employment from the employer specifically related to his or her competence. However, there were many cases when the applicants were unable to submit such a document.

A large proportion of the self-employed workers **were left without compensation due to the informality of their employment**. In interviews with the Anti-Crisis working group, those responsible for administering the program often stressed the challenges to recognize the group of informal self-employed applicants. Precisely, it turned out to be highly problematic and challenging for the Revenue Service representatives to determine whether the self-employed applicants met the criteria for a one-time 300-GEL compensation or not because of incomplete nature of submitted documentation. The most common practice was that the documents proving their professional competence failed to meet the requirements. There were certain cases, for example, when tailors employed in ateliers sent photos of their products to fulfill the document requirements; street vendors and petty-traders obtained their letters of references from the same type of informally employed people working side by side with them, confirming that they were indeed engaged in the same kind of work. There have also been cases where local municipalities have issued registration notices confirming that a person (for example, a petty-trader selling the souvenir or small outdoor shopkeeper) was engaged in economic activity within their municipality, although the municipality did not have such competence, and therefore, this kind of documentation was also turned down as unreliable.

The members of the Anti-Crisis group were aware of these difficulties even before the launch of the Plan and discussed the possibilities of inclusion of informally employed people within the frames of Anti-Crisis Plan - "The discussion was about how to identify the segment of informal employees. Various options have been examined, including the idea of reaching informally employed people by using the deduction method, that is, the excluding of all other social and economic groups, which would somehow lead us to identify the people whom the state failed to see".¹⁶ Besides, the group members expected that far more officially registered self-employed would apply for 300 GEL compensation than it was the case during the program's implementation period. As the result, during the first wave period (May-July 2020), 36.3% of those receiving the one-time 300 GEL compensation were officially registered self-employed (90,748 persons), while the remaining 63.7% were unregistered self-employed. (The same applies to unregistered

¹⁶ Interview with the director of the State Employment Promotion Agency, August, 2021.

informal workers among the self-employed and hired workers, for a total of 158,127 persons) (see Chart 3).¹⁷

Distribution of the recipients of one-time 300 GEL assistance according to the registration in the Revenue Service

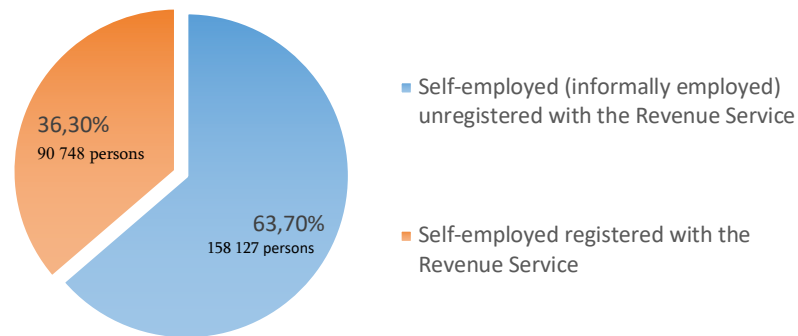


Chart 1 – Distribution of the recipients of one-time 300 GEL assistance during the first wave, according to the registration

At the initial stage of social compensation program, the informally employed workers, the ones who were not registered as self-employed in the Revenue Service databases, would be recognized as eligible for 300 GEL compensation if they provide a certificate of employment or the legal proof of permanent economic activity from their employer (the employer being either a legal entity or an individual person). For unregistered workers this could have been a legal reference letter issued by the market administration, in the case of traders; a certificate issued by the owners of the car park, in the case of drivers; certificates issued by small entrepreneurs (owners of confectioneries, bakeries, beauty salons, ateliers and other micro-enterprises). The idea was that the informally employed person applying for the 300 GEL compensation should certify his / her activities with a certificate issued by a person related to the economic sector they were working for. For example, if a different entrepreneur (for example, a baker) issued a certificate for a babysitter claiming that the person was employed by him or her, such a certificate would not be valid and credible because the certificate would have to be issued by a babysitting agency or babysitter association.

Despite this apparently obvious principle, there has been still many difficulties and most of these difficulties were related to **the identification of non-standard workers**. For example, the agriculture market administrations did not issue references for street vendors who moved around in the market territory (due to not having the fixed counters and trading places). Travel guides also faced problems - due to the seasonality of the work, a large number of travel guides were not paid in the wintertime, so they could not confirm their status as employees in the period of May-July 2020, and faced being left without any

¹⁷ Data provided by LEPL - the State Employment Promotion Agency, 07.09.2021.

State allocated compensation. Another group of non-standard employees who faced problems with eligibility for compensations were taxi drivers - in some cases expired licenses were revoked, and some platform companies (Yandex, Bolt, Maxim, etc.) did not renew their certificates, or sometimes the certificates issued by Taxi companies were defective. Another most active group of non-standard workers, for whom compensation was also bound to be problematic, were seasonal workers who were engaged in the extraterritorial seasonal work (most of the time in Turkey) in the fields of agriculture, services or trade.

In parallel with the denial of documents and the refusal of compensation, there was growing dissatisfaction and grievances among the informally employed groups, which was followed by numerous protests or demonstration on their part. During the same period, several meetings were held between representatives of the ministry and associations of various professional groups, among them market administrations, guides' associations, representatives of taxi companies, babysitting agencies or a group of women, who were crossing the Sarpi border on daily basis, demanding the eligibility for State Anti-Crisis compensation.

2.1. Amendments in the State Anti-Crisis Social Compensation Program

On August 14, 2020, the Government of Georgia Resolution № 5505¹⁸ entered into force, amending the Resolution No. 286 of 2020 of Georgian Government on Targeted State Program to Mitigate Damage from Infection (COVID-19) caused by Novel Coronavirus SARS-COV-2. This amendment has created new opportunities for Anti-Crisis working group members. In particular, due to the changes, compensation of GEL 300 could be assigned to any individual who would “submits a document from a person registered as a taxpayer in Georgia (excluding non-entrepreneurial individuals) proving the information that he/she was engaged in economic activity in the first quarter of 2020 and/or had income and/or for the purposes of this subsection, had registered as an applicant on the registration portal and completed the electronic application form by 1 August 2020, regardless of the submission of an economic activity and/or income document in the first quarter of 2020”.¹⁹

Consequently, even if an informal worker, who registered for 300 GEL compensation, could not submit the proof of his/her employment certificate, this would not be considered a precondition for disaffirming the compensation. In this case, the program administrators required from him/her to submit any other documents proving their income, including a bank transfer statement or a loan statement issued by a bank or microfinance organization, which in turn was approved based on the existence of income.

¹⁸ On Amendments to the Resolution №286 of the Government of Georgia of May 4, 2020, Resolution №505, <https://matsne.gov.ge/ka/document/view/4964576?publication=0>

¹⁹ Resolution №505, Article 2, F.A. subsection <https://matsne.gov.ge/ka/document/view/4964576?publication=0>

As Anti-Crisis group member declared “certain credit institutions issue loans to informal employees based on their informal income. In the end, this became one of the reasons for us to issue the compensations - if the beneficiary had a certificate proving that he/she took a loan based on his/her activities, then we considered that it was a confirmation of his/her informal economic activity, and consequently he or she qualified for a one-time 300 GEL compensation”.²⁰

Representatives of both the Revenue Service and the Employment Agency noted in interviews that the process of issuing a one-time compensation of GEL 300 was made much easier by an amendment passed by the Government of Georgia in August 2020²¹ - under the amendment, a one-time compensation of GEL 300 would be issued to majority of persons who applied for compensation from the Employment Agency (despite the incomplete nature of the documents submitted by them). A spokesman for the Revenue Service explained: “Ultimately, the Prime Minister’s decision to grant compensation to anyone who applied for compensation was timely and significant, otherwise too many informal workers would not be compensated”.²²

2.2. Follow-up limitations

Despite the amendments in the State Anti-Crisis Compensation Program, there were still exceptions for groups who were denied compensation regardless of their registration. In addition, there were some of informal workers who for various reasons were unable to apply for the Anti-Crisis compensation.²³

The largest group that could not receive compensation, despite the modifications in Resolution No. 286, were babysitters and private tutors – “The new amendments in the Resolution could not and would not cover this group. Because it would mean that the compensation should have been paid to everyone - everyone could have said that this and that person teaches or babysits my child. This meant that this compensation was going to be paid to the whole of Georgian population, which was literally impossible”.²⁴

Another structural challenge that the State-initiated Anti-Crisis program has drastically put on the agenda has been the unreachability of those employed in the **formal employment sector** or those employed under a service contract. Their unregistered labor activity or service contracted activities prevented them from being identified by state

²⁰ Interview with the Director of the Employment Promotion Agency, August 2021.

²¹ Resolution of the Government of Georgia №505, August 14, 2020.

²² Interview with the Director of the Customer Service Department of the Revenue Service, September 2021.

²³ For example, traders had problems with online registration, groups of people employed in the agricultural sector (farmers, haulers, produce vendors, etc.) could not qualify as self-employed when Geostat data attributed them to the self-employed group. For an analysis of the reasons that prevented informal workers from applying for 300 GEL compensation, see. Keburia Tamar, “Labor Market Segmentation and Informal Labor in Crisis” (United Nations Development Program (UNDP); Human Rights Education and Monitoring Center (EMC), 2020), https://socialjustice.org.ge/uploads/products/pdf/შრომის_ბაზრის_სეგმენტაცია_1606217461.pdf

²⁴ Interview with the Director of the Customer Service Department of the Revenue Service, September 2021.

institutions as hired employees. Consequently, such individuals could not qualify for the 1200 GEL compensation, nor did they have access to the 300 GEL compensation. Often the reason for this was that their employer refused to issue an employment certificate in order to hide informal accounting. Such cases were frequent in hairdressing salons, beauty salons, and ateliers – “Because we asked for a certificate of employment, the applicant would go to the employer in the salon and ask her to issue this certificate, which was often refused. It can be said that the persons employed in salons who managed to received 300 GEL compensation, forced their bosses and owners of their salons to issue such kind of certificates”.²⁵

2.3. What does the Quantitative Data of State Anti-Crisis Compensation Program tell us about informally employed?

A total of \$ 1.13 billion has been spent on social assistance to the population in the year since the pandemic began. Most of these funds were directed to subsidies for utility bills (GEL 469.6 million). 317.7 million was spent on financial compensation for the unemployed, of which GEL 206.5 million was spent on employment assistance, while the expenditure on compensation for the self-employed amounted to 111.2 million.²⁶ According to the data requested from the Employment Promotion Agency, the largest group receiving 300 GEL compensation was the self-employed crossing the border. They are followed by the group of informal employees at markets, taxi drivers, and so on (See Table 3).

Table 2 – Distribution of self-employed recipients of the one-time 300 GEL assistance according to areas of economic activity

Areas of economic activity identified by registered self-employed	
Areas of economic activity	Number of recipients of 300 GEL compensation
Border crossing	61625
Agrarian markets and all types of open markets	19619
Taxi operation	14112
Different types of trade - *Different groups of trade are combined	12200
Other economic activities	11800
Other types of service	10738
All types of construction	5515
Travel by small vehicle	3406
Restaurants / Food facilities	1717
Beauty salons and centers of aesthetic medicine	1033

(Source: Data provided by LEPL – the State Employment Promotion Agency)

²⁵ Interview with the Acting Director of the Employment Promotion Agency, August 2021.

²⁶ *Monitoring of Covid-19 Expenses During and After the State of Emergency*, Final Report, IDFI, July 2021.

For additional explanations of the data shown in the table, it is necessary to note that the given numbers of informally employed persons receiving GEL 300 compensation neither illustrate the size of the groups engaged in the listed economic activity or the number of certain employees in the labor market, nor it gives us additional information about the structure of informal employment in general. But in contrast, the data from the table and newly reinvented economic activities, which do not correspond to any of the official economic activities acknowledged by the National Statistics Office of Georgia, demonstrate how unsystematic and eventual it was to be included among the recipients of Anti-Crisis compensation. For example, at the initial stage of the Anti-Crisis Plan, those from the economic group of “Border crossing” were not considered to be the target of a one-time compensation of 300 GEL. However, after several protest events and radically articulated demands, they managed to gain access to the State Anti-Crisis compensation. Similarly, the low number of beneficiaries from the economic categories of “Beauty salons and aesthetic medical centers” does not necessarily mean that the number of informal workers in those employment sectors is small, but rather that workers in these fields have less access to Anti-Crisis compensation.

After monitoring the State's one-year Anti-Crisis Plan, IDFI reckons that Anti-Crisis compensation designed to mitigate the damage caused by the pandemic crisis has provided significant financial support to the most vulnerable and defenseless informal employment groups, especially in the context of expanding the scope of targeted social assistance, subsidizing utility bills, the deferral of bank loans, regulating prices for basic food products and other social programs of a universal type.²⁷ However, the same report states that “effective planning and implementation of individual programs and measures, it would be possible to allocate significant resources that would make it possible to increase the target segment and the volume of assistance.”²⁸ In addition, this and numerous other reports confirm that numerous groups of informal workers were left out from the access to this one-time 300-GEL compensation scheme.²⁹

Against the background of the experience gained during the management of the pandemic crisis, as well as the accumulation of additional knowledge about the structure of the labor market, there is a desperate need for the state to develop long-term, sustainable and universal policies, which will not only help the system to identify the target groups in time of crisis but will also be a precondition for rethinking the employment status of

²⁷ The report was prepared by the Institute for Development of Freedom of Information (IDFI) with the support of the European Union (EU), where the main methodology was to monitor Covid-19-related public finances, public procurement, government anti-crisis plan, StopCov fund spending and donor distribution.

²⁸ Monitoring Covid-19 related Public spending During the State of Emergency and After, Final Report, IDFI, July 2021, pp.60.

²⁹ Labor Relations and Social Protection during the Pandemic - Georgia Report, 12/2020, Human Rights Education and Monitoring Center (EMC).

workers and defining both rights and obligations as well as social benefits. This, in turn, ensures universal access to social protection policies, even beyond the realm of specific crises.

3. Future steps and summary

Despite the numerous damages and negative consequences caused by the pandemic crisis, which will once again become the subject of research, it has also generated a new understanding of collectivity and social well-being that has the potential to become an organic part of real politics. Access to universal healthcare, the importance of civic responsibility, caring for the elderly or the homeless, the role of solidarity and collective self-awareness, the importance of social welfare are the areas on which world politicians and international organizations have begun to speak openly. To this day, there is an expectation among the critical thinking groups of population that more caring and social welfare-oriented political decisions will emerge from within the fissures exposed by the tectonic movements created by the pandemic. Clearly, this is a matter for future reasoning, but on a more practical level, one particular positive outcome of the pandemic that has occurred in the case of informally employed is that state institutions have for the first time acquired a tangible amount of information and knowledge about the group. The Ministry of Health now have access to huge databases of people whose activities and existence were not graspable before the pandemic. As discussed above, collecting this data was a complex and challenging process, but today the Ministry of Health has a database where the personal data of approximately 250,000 informal employees – including contact information, bank account details, and employment profile - are allocated.

During the interview with the representatives of the National Employment Agency and the Revenue Service, there were asked questions about how social policy institutions will take advantage of and translate their experience into political steps to reduce the share of informality in the country's economy, increase the level of protection for informal employees and provide them with equal opportunities. Representatives of the Employment Promotion Agency perceive their role in this as an opportunity to increase the competence of their agency, where they proactively offer to informal employees a transition to the formal employment sector when the relevant vacancies show up in the employment market. They also talk about the possibility of increasing the effectiveness of advanced training programs and the need to increase awareness among informal employees about transfers into the formal sector and about the advantages of formal employment.

As for the Revenue Service, according to them, a concrete step has already been taken in this regard and a register of employees has been initiated, the creation of which was

adopted as a law in August 2020, and came into force in January 2021.³⁰ According to the representative of the Revenue Service “the registration of employees is based on the experience of Austria, Estonia and other countries and implies that the employer is obliged to electronically register their employees in the hired database prior to the actual date of commencement of the employment”. Registration is mandatory at the time of hiring, when minimum information is required. “In this database, employees are given three statuses - active, suspended and terminated. Active status belongs to all employees who perform labor relations; suspended status is granted to an employee with whom the employment relationship is not terminated but is temporarily suspended (for reasons such as holidays, sick leave, lockout, strike, military leave, etc.); Terminated status means that the employment relationship with the person has been terminated”.³¹ According to a representative of the Revenue Agency, this initiative will improve employees registration process and functional databases will be maintained. However, it should be noted that the new initiative does not cover the registration of self-employed and informally employed persons. Moreover, the registry does not accommodate the employees with service contract. Moreover, since the registration does not require obtaining data about the educational level, professional experience and its length, etc., the existing program will lack the analytical function and not stimulate the improvement of policies. While, on the other hand, in the countries of Austria, Estonia and others, similar labor registration projects aim to collect as much information about the employees as possible to better assess the necessity of new policies.

A report prepared by the OECD in 2021, which examines the problems posed by the high proportion of the informal economy in Eurasia before and after the pandemic, stress the necessity of formalization of informal micro, small and medium-sized businesses.³² The report cites examples from Ukraine, Azerbaijan, Kyrgyzstan and other countries that have developed and approved specific work plans for formalization. Amendments to the Labor Code, the greater transparency of tax systems and the development of the financial sector are the main issues highlighted in this report. It should be noted that while the international organizations fostered the politics of simplified business registration, tax regime liberalization and the deregulation of labor legislation when talking about formalization, this approach has been reconsidered after the pandemic – “The international evidence suggests that simplifying business registration alone has not made a significant impact on business formalisation, underlining the need for a more

³⁰ Order №331 of the Minister of Finance of Georgia of December 31, 2020, Article 1, <https://matsne.gov.ge/ka/document/view/5076161?publication=2#DOCUMENT:1;>

³¹ Interview with Revenue Service Coordinator, September 2021.

³² OECD, ‘Informality and COVID-19 in Eurasia: The Sudden Loss of a Social Buffer’, Policy Insights, 2021.

comprehensive plan and set of measures. All Eurasia countries still lack comprehensive strategies and plans to address informality and help the transition to the formal sector”.³³

To summarize the main findings, it is necessary to highlight, once again, the challenges and failures (as well as the ways and means of responding to them) that government agencies faced when operating the State Anti-Crisis Plan.

First of all, because the State Agencies had neither specific mechanism for measuring and identifying the informal sector, nor an informal employee registration methodology was functional, verifying the persons registered as beneficiaries of Anti-Crisis compensation was problematic at the initial stage. Due to this systemic failure, the people responsible for the implementation of the program had to manage the input data and check it manually, which delayed the process and made it inflexible.

That was the reason that people who were in charge of administering the Anti-Crisis Plan became extremely creative in their approaches and methods along the way to make the State compensation distribution as easily manageable as possible. A special contribution to ease the registration process was made by the amendment initiated by the state in August 2020, on the basis of which various documents submitted by the majority of registered for a one-time compensation of 300 GEL as proof of employment were in fact considered valid. Following this change, the basis for obtaining the compensation was: bank payrolls, photos of products uploaded by entrepreneurs, loans based on the frequency of income issued by small credit institutions, etc.

Despite the changes initiated by the state and the use of various workarounds by the very people working for the administration of the Anti-Crisis program, in order to let most of the registered employees use the 300 GEL compensation during the first wave (May-July, 2020) of the pandemic, it was still the case that large groups of non-professionals - private tutors, babysitters and other professionals - found themselves outside the Anti-Crisis compensation system.

Finally, three phases of Anti-Crisis compensation system were initiated within a year of the onset of the pandemic. The compensation system depended on the intensity of the pandemic measures imposed by the State. During this so-called three waves of pandemic, the compensation was provided to different occupational groups or persons with different employment status under the different conditions. The largest number of informal workers was covered during the first wave of the pandemic, when 248,875 people were given a one-time 300-GEL allowance. It is unknown to what extent informally employed people were included in the program of the 3rd wave of 2021 (when in the period of January-August the 200 GEL compensation was issued per month for a maximum period of

³³ OECD, 41

6 months). Nevertheless, according to recent studies, the total amount of compensation provided to self-employed people amounted to 111.2 million GEL in the last one year.

To sum up, the one-year experience of implementing an Anti-Crisis Plan has shown how important the role of professional associations and unions are in protecting the interests of informally employed people outside formal structures and in articulating their needs. Therefore, it is necessary to further strengthen the function and role of professional associations or sectoral Unions, especially for non-standard labor groups and informally employed professional groups. Such associations should be named as legitimate representatives and should have access to communication with all formal or State structures.

Appendix 1 - List of Respondents

- *Nino Veltauri – The Head of the LEPL – The State Employment Promotion Agency;*
- *Nino Agashenashvili – Head of the department of employment seekers and employers registry at LEPL - The State Employment Promotion Agency;*
- *Levan Dgebuadze – Head of the Department of Customer Service at the Revenue Service;*
- *Arsen Tevdorashvili – Senior Analyst at the Analytics Department of the Revenue Service.*