

Non-Standard and Informal Employment – Concepts and Their Relevance in Georgia

1. *What does non-standard employment mean?*

In the past decade, the “new world of work” has been actively discussed in academic and political circles. This concept denotes gradual disintegration of “standard employment contract” and the establishment of new, more flexible, and non-traditional forms of labor and employment. “Standard employment contract,” or “standard employment” is a Western concept born in the era of Fordism. Broadly speaking, it is “a stable, open-ended and direct engagement between a dependent, full-time employee and their unitary employer” (Walton 2016). The following characteristics define the employment contract: personal subordination of the employee to the employer, mutuality of obligations between the two parties, and most importantly, economic dependency – employment relationship being the main source of income of the worker (Schoukens & Barrio, 2017). It should be noted that these definitions, formed in the Fordist era, underwent changes in the following decades in light of the developments in the service sector. For example, if in the Fordist era subordination referred to the execution of orders received from a direct supervisor, today it signifies functional subordination of workers in one group to another. With the development of the service sector, this has led to an increase in the number of skilled workers who have more autonomy in performing their responsibilities than those engaged in manual labor (Veneziani, 2009). It is also important to note that a standard employment contract guarantees employment stability and social security.

In contrast, non-standard labor is a general concept that refers to labor relations that lack the attributes of a standard labor contract. The International Labor Organization (ILO) distinguishes between four main forms of non-standard employment: a) temporary (fixed-term) employment, b) part-time employment, c) multiparty employment, and c) disguised self-employment (ILO, 2016). It is notable that the above-mentioned forms of non-standard employment are not mutually exclusive and the boundaries between them are blurred.

Temporary Employment. Unlike standard employment, is limited to a certain period of time. The term “temporary” can be understood in a broad sense. Both individuals with a temporary contract of several years and those engaged in the so-called irregular or casual work can be described as temporarily employed. An example of the latter is on-demand and/or wage workers. The employment contract in the first case is longer yet in both cases, the employment is temporary.

Irregular and casual work is mainly prevalent in developing economies where it arguably represents the dominant form of employment. It is notable, however, that similar forms of employment are growing in developing countries as well. For example, the so-called zero-hour workers in Europe whose contract does not oblige the company to establish minimum

working hours and accordingly, a minimum wage. The worker is expected to perform the work when needed and for as many hours as needed (e.g. a company may have such an agreement with a translator).

Table 1: Forms of non-standard employment

Forms of non-standard employment	Examples
Temporary	<ul style="list-style-type: none"> - workers on a temporary contract hired for specific projects - on-demand workers - wage workers - domestic workers
Part-time	<ul style="list-style-type: none"> - part-time workers - on-demand workers - wage workers - seasonal workers
Multiparty	<ul style="list-style-type: none"> - workers hired through temporary employment agencies (babysitters, domestic helpers, cleaners and sanitation workers, etc.)
Disguised	<ul style="list-style-type: none"> - those working via online applications (e.g. taxi drivers, delivery workers, etc.) - freelancers

Source: ILO, 2016

Part-time Employment – this category includes any job that is not full-time. The classic example is part-time work, which is regulated by law in the majority of developed and developing countries. According to the EU directives¹ and the conventions of the ILO², a person whose working hours are less than the working hours of a person employed full-time in a similar type of work is considered a part-time worker. The Organization for Economic Co-operation and Development (OECD) defines part time work as working less than 30 hours per week.³

Similar to the first category of non-standard employment, part-time employment means different things in different countries. In high-income countries, for example, this type of employment includes job sharing, progressive retirement, and so on. However, such practices are less common in the developing world. Here, the category of non-standard employment includes the already-mentioned “on-demand and wage workers” and more generally, those whose employment is unstable and unpredictable. It is important to consider part-time employment over a period of time (e.g. one year), because a worker may work full time on specific days yet may not have full-time employment throughout the entire year. A good example of this is seasonal employment.

¹ https://www.eumonitor.eu/9353000/1/j4nvk6yhcbpeywk_j9vvik7m1c3gyxp/vitgbgi1btxs

² https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C175

³ <https://data.oecd.org/emp/part-time-employment-rate.htm>

Multi-party employment – workers in multi-party employment do not have a direct contractual relationship with the company/person they work for. There is also a third party – an agency or a company that hires workers to perform a specific job. Such agreements can take different forms. In some cases, temporary employment agencies hire workers and then rent them out to a company/household where the work is to be carried out. The service recipient (company or private individual) pays a fee to the agency, which in turn is obliged to pay wages, and in some cases, social contributions, to the worker. This is how domestic helpers, babysitters, cleaning staff, and other service workers are employed.

A slightly modified version of multiparty employment is when one company contracts a service rather than workforce from another company (e.g. cleaning, security service, catering, etc.). The latter, in turn, provides services with hired workers. In the case of multiparty employment, there may be several links between the worker and the service recipient, often obscuring to whom the former is accountable and who may be held responsible if workers' rights are violated. Moreover, this type of employment is in the interests of the employer since it eliminates liability towards the “employee” as the latter is not in a formal employment relationship with the company.

Disguised self-employment – the ILO distinguishes between “genuine” self-employment and “disguised” self-employment. The former applies to workers who are not in an employment relationship since they do not have an employer. This means we are not dealing with an employment relationship (e.g. workers involved in subsistence agriculture in Georgia, or dentists, massage therapists, or other doctors who have their own practice at home or in a rented space and have no employees). Accordingly, the ILO does not consider “genuine self-employment” as a non-standard form of employment.

In contrast, there is a growing tendency around the world of workers who appear to be self-employed, but in reality, are in an employment relationship with a “contractor” (quasi employer). An example is taxi drivers and delivery workers, labeled as “independent partners” by companies. Unlike in the case of “genuine self-employment,” these workers cannot independently decide when and how much to work, their activities are constantly being controlled and, most importantly, they are often economically dependent on a single company/application. Drivers of intercity minibuses in Georgia represent a good example – they formally rent the route from a transport company and transport passengers on their own. A service agreement is signed between the company and the driver yet the driver does not act as an independent entity since his/her working conditions (schedule, route, transportation conditions) are fully controlled by the transport company. Moreover, drivers are economically fully dependent on the mentioned work.

Many factors contribute to the spread of non-standard forms of employment. Especially noteworthy is the globalization of business – the emergence of multinational companies that operate through a global supply chain, technological development, the transfer of production from the developed to the developing world, and finally, the rise of the service economy.

These trends have upended the labor legislation, which was developed according to the national context of a single country in the Fordist era. The globalization of labor processes produced a reality that could no longer be regulated by national labor law. With the reinforcement of the neoliberal paradigm since the 1970s, labor laws and general policies have become subject to liberalization in many countries. Consequently, employers globally had the opportunity to no longer register workers who produced their products or provided their services as “employees.” Instead, they became “independent partners,” or only engaged with the employees via a third party.

2. Informal Employment and Overlap with Non-Standard Employment

According to Recommendation 204 of the ILO, issued in 2015, informal economy “refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements (ILO, 2018). In line with international standards, it is important to distinguish between employment in the informal sector and informal employment. The former is determined by a person’s workplace and the latter by the type of employment relationship one enters in a particular workplace. This distinction is relevant insofar as employment in the informal sector is, evidently, informal. Informal employment, on the other hand, is not limited to the informal sector – in many countries, informal employment is also found in the formal sector (ILO, 2018).

The informal sector typically includes a sum of unregistered enterprises that do not exist as independent legal entities. They are owned by household member(s) and as a rule, operate on a very small scale. In their case, there is no division between capital and labor (both the worker and the owner of the capital are the same) (e.g. small family enterprises in agriculture). As for “informal employment,” it is defined as an employment agreement that is not de facto or de jure subject to national labor law and income tax, and does not require the employer to provide social security or other employment-related benefits (e.g. paid leave, advance notice, etc.) (ILO/OECD, 2019).

The 2003 International Conference of Labour Statisticians identified the following types of informal employment:

1. Own-account workers and enterprise owners in the informal sector;
2. Contributing family workers;
3. Members of informal (agricultural) cooperatives; and
4. Informal workers engaged in the formal sector.

The above categorization shows that self-employment and informal employment overlap yet are not identical. The self-employed often engage in informal labor (e.g. street hawkers), as well as in formal labor (e.g. individual entrepreneurs who have no employees and work alone).

A large share of non-standard employment is also informal employment. The two concepts, however, are not identical (ILO/OECD, 2019). Considering that the ILO defines informal

employment as an employment relationship that is not de facto or de jure subject to national labor law and income tax, and does not provide social security guarantees, a significant proportion of temporary and part-time workers fall into the informal employment category. The overlap between informal and non-standard employment mainly happens in the case of the so-called casual workers who work without a contract, and not in the case of experts employed in multi-year projects or individuals who are formally employed part-time.

As for multiparty workers and workers in disguised self-employment, they might seem formally employed since they usually work on a contract basis. However, in most cases, these contracts are service agreements rather than employment agreements. This in itself excludes these workers from social security systems and deprives them of the opportunity to enjoy the labor rights established by law. Judging based on the mentioned criteria, these workers fall into the category of “informal employment.” What complicates matters, however, is the fact that many of them (e.g. drivers employed via applications, freelancers) may be registered as individual entrepreneurs and even pay certain taxes. Thus, it would be more accurate to say that this category is in a “gray zone” between the formal and the informal sectors.

3. Issues Related to Non-standard and Informal Employment

According to the ILO, the number of non-standard workers is increasing annually, although their share in the labor force varies by region (ILO, 2016). For example, in 2014, the rate of temporary employment in Europe ranged between 5% (Romania) and 25% (Poland). The contrast is also significant in the less developed economies of the world. In 2013, the share of non-standard workers was 0.1% in Qatar and 65% in Vietnam (ILO, 2016).

The chief problem common to the majority of non-standard and informal workers is the lack employment security. These workers do not have a stable, predictable employment, which is associated with many other challenges. Problem areas discussed in the specialized literature (e.g. Pulignano et al. 2021) can be summarized as follows:

- *Lack of financial stability*: non-standard workers earn much less than standard workers.⁴ For example, part-time employment in Europe and the United States involves significant wage fluctuations. Due to the nature of the employment, the worker may have a normal income in one month and no income at all in the next. Naturally, this has a negative impact on all other dimensions of the worker’s life;
- *Poor work-life balance*: unpredictable and non-fixed working hours disrupt the balance between personal life and work;
- *Health problems*: non-standard workers often have to work more hours full time, which causes fatigue, stress, and harms their health;
- *Lack of safety at workplace*: non-standard and informal employment often poses a physical treat to the worker. For example, street hawkers have to work in extreme weather conditions (strong heat, cold). The bonus system for delivery drivers working with applications increases the risk of traffic accidents. Delivery workers receive bonuses if they complete a certain

⁴ The hourly pay of a part-time employee is often much lower than of a full-time employee working the same job.

number of orders in a short period of time. This encourages them to accelerate their vehicles, which is a major safety risk;

- *Lack of social security*: due to irregular and unpredictable income, workers are often excluded from national social security, which typically require a stable monthly contribution and set certain preconditions for membership (e.g. work experience). Non-standard workers do not satisfy these requirements;

- *Lack of unionization opportunities*: it is very difficult for non-standard workers to join trade unions since they are geographically dispersed. Consequently, they are deprived of the opportunity to protect their labor rights;

- *Lack of professional development opportunities*: non-standard and informal employment offers minimal opportunity for training and professional development. According to the ILO, the chances of transitioning from non-standard to standard employment are very low both in developing and developed countries (ILO, 2016). As such, this type of work is more a professional “trap” than an opportunity to transition to a standard job.

4. Informal and non-standard employment in Georgia

Informal employment is not new to Georgia. Like most post-Soviet countries, Georgia is a leading country in terms of the informal employment index. 2020 data of the National Statistics Office of Georgia⁵ suggests that the share of informal workers in the non-agricultural⁶ sector is 31.7%.

Formal data on non-standard employment is scarce. Based on the labor force survey, the Statistics Office estimates that “atypical workers” made up 52% of the labor force in 2019.⁷ Under this category, the Statistics Office classifies workers who work evening and/or night shifts, on weekends and/or from home. According to the same source it can be identified that 33.4% of atypical workers are in hired employment, 39% are independent workers and 26% are contributing family workers. At the same time, 44.7% of the atypical workers are informal workers in the non-agricultural sector. Unfortunately, existing data does not provide for the opportunity for deeper analysis. Based on the described statistics, however, we can conclude that non-standard and informal labor is quite common in Georgia.

When speaking about non-standard employment in Georgia, it is important to mention the specifics of the local context. The first concerns the phenomenon of “temporary employment.” According to the international standard, “temporary contract” is the opposite of indefinite contract. The EU Directive 1999/70/EC (1998)⁸ states that “contracts of an indefinite duration are, and will continue to be, the general form of employment relationship between employers and workers. [...] Fixed-term employment contracts respond, in certain circumstances, to the needs both employers and workers.” Indefinite employment has never

⁵ <https://www.geostat.ge/ka/modules/categories/683/dasakmeba-umushevroba>

⁶ This figure will be much higher in the agricultural sector, but since these workers fall into the category of “genuine self-employment,” they cannot be considered as non-standard workers and are not relevant to this analysis.

⁷ Author’s calculations based on labor force survey data.

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A31999L0070>

been the norm in Georgia. Even today, we only find “indefinite” contracts in the public sector, while multi-year contracts predominate in the private sector. Hence, the latter is more a norm than a deviation from the norm in Georgia. As such, in the Georgian context, it would be more advisable to understand the “temporary” category as employment for a very short period of time (several days or months) since even one-year contracts have become the “standard.”

The second important issue concerns part-time employment. In Georgia, as in other low-income countries, non-standard employment implies working non-fixed and unpredictable hours rather than part-time employment. The number of hours one works in this case can be more or less than the full-time load. The ILO offers a similar interpretation of this category, especially when it comes to developing countries (ILO, 2016). Thus, Table 2, which shows categories of non-standard workers in Georgia, refers to this type of employment as “non-fixed working hours.”

Some forms of labor listed in Table 2 are “old” and others relatively “new” for Georgia. For instance, the first two categories are quite familiar. There is a significant overlap between the two and therefore, the table offers shared examples. The listed examples are illustrative, which means that in individual cases, one might find attributes typical of either both (temporary and non-standard) or only one category of non-standard employment.

It is crucial to note that in certain cases, individual workers who fall into these two categories may not be considered as non-standard workers. For example, a babysitter or a beauty salon employee who works full time and has a multi-year (even one-year) verbal agreement with the employer fails to satisfy two criteria of non-standard employment – temporary labor and non-fixed hours. The person may be informally employed, but fit the understanding of “standard employment.” Even the ILO, when discussing the status of domestic workers, only refers to them as non-standard workers when they work part-time, unsystematically and/or with several employers (ILO, n.d.).

The appearance of the third and fourth categories of workers is associated with technological innovations and changes in business processes in Georgia, as in the rest of the world. Thus, unlike the first and second groups, they represent “new” forms of non-standard employment. It should also be noted that temporality and non-fixed working hours are clearly applicable in their case (obviously with some exceptions).

Table 2: Non-standard Employment in Georgia

Forms of non-standard employment	Examples from Georgia
Temporary	<ul style="list-style-type: none"> - Beauty salon workers who go to work only when they have client appointments; - Handymen (on-demand workers);
Non-fixed working hours	<ul style="list-style-type: none"> - Construction site workers; - Daily workers;

	- Domestic workers (hired by families for a few hours or days).
Multiparty	- Babysitters hired through the agency; - Security staff; - Cleaners and sanitation workers; - Catering staff.
Disguised self-employment	- Delivery workers, taxi drivers, babysitters, and tutors working via applications; - Freelancers; - Beauty industry workers; - Fixed route drivers.

Source: author’s analysis

Georgia is not unique in terms of the overlap between non-standard and informal employment. As in the rest of the world, a large share of non-standard workers are informally employed or in the “gray zone.”

5. The Needs of Workers in Georgia

Workers engaged in non-standard and informal labor in Georgia face similar challenges as their counterparts in other parts of the world. Clearly, the most important problem for both groups of workers is employment stability and related financial security. In terms of income, there is a large variation among informal and non-standard workers. Research (Beerepoot & Lambregts, 2014; D’Cruz, 2017; Eisenmeier, 2018;) shows that drivers employed through applications and freelancers working on online platforms earn fairly good wages for the local context. On the other hand, scholars working on these issues argue that “on-demand” workers have to engage in unregulated labor to earn minimum wages (Hunt & Machingura, 2016).

Irrespective of income differences, workers in each category face the lack of security. In this regard, Georgia differs from the developed economies of the West and some other low-income countries as it has neither unemployment insurance nor unemployment assistance systems. The only social security benefit is targeted social assistance, which has no direct connection with an individual’s employment status. As such, neither informal and non-standard workers, nor standard employees benefit from this social security feature. Even so, those involved in irregular and non-standard labor are in a worse place. This became clear during the Covid-19 pandemic, when the state started issuing one-time unemployment benefits to those who lost their jobs due to the pandemic. Informally employed individuals were the least to benefit from the financial assistance since the state did not have a mechanism to identify them (Diakonidze, 2021).

As already mentioned, the ILO considers non-standard labor as a “trap,” from which the chances of transitioning to standard employment are low. The lack of a proper social security system in Georgia further exacerbates this problem. Finding a “better” job usually requires a

higher level of competence and qualification.⁹ Even if there are free retraining opportunities in the country (e.g. state vocational schools and vocational courses offered by the state Agency for Employment Promotion), they are less accessible to non-standard informal workers since they require taking time off work, which this type of workers cannot afford.

It should also be noted that informal and non-standard workers are generally deprived of the rights and benefits offered by the Georgian labor law (maternity leave, annual leave, overtime pay, etc.). An important innovation in this regard was the 2020 amendment to the Labor Code, according to which the law regulates the labor of part-time workers and extends to them the guarantees that apply to full-time employees. Furthermore, the Georgian labor law favors lifelong employment.

The above overview clearly shows that problems faced by informal and non-standard workers are complex and difficult to address. When developing relevant policies, it is important to distinguish between three analytical categories: the informal nature of labor, being in the “gray zone,” and non-standard labor (beyond the gray zone). In the case of non-formal work, one of the solutions is to move the employment relationship to the formal sector so that the worker can enter the social security system and enjoy labor rights. However, “formalization” of an employment relationship is quite “expensive” – the employee pays income tax, the employer – social contributions, etc. The state can encourage the formalization of labor relations by reducing these costs. There are numerous similar precedents around the world. For example, in Slovenia in the 2000s, a new employment concept of “small work” was created, which granted legal status to those who worked up to 20 hours per week or 40 hours a month with a wage not exceeding 50% of minimum wage. The state exempted the employers from drawing up a contract as long as they registered the workers for social security. Their cost of health and pension contributions were also reduced. As a result of the initiative, 15% of household workers registered for social security (ILO, n.d.).

In the case of non-standard labor, recognition of the employment status at the legislative level may lead to certain rights. In some countries, labor law recognizes non-standard forms of employment relations and accordingly, grants some rights to non-standard workers. For example, Chilean labor code recognizes the status of “domestic workers.” In 2014, the maximum limit of working hours was set for domestic workers; in Thailand, a special labor regulation of 2012 granted domestic workers annual leave, paid holidays, and one rest day weekly. In Brazil, a domestic worker enters an employment relationship only when she/he is employed full time (workers who work two days or less for a household do not have an employment relationship with the employer). Similar regulations also exist in Switzerland, Uruguay, Burkina Faso, etc. (ILO, 2016).

⁹ I should mention here that “higher level qualification” is a necessary but insufficient condition for finding a “good job.” A person might resort to non-standard/informal work because very few “good jobs” are available in the country and not because she lacks qualifications. Even if the second scenario is also common in Georgia, it does not weaken the argument that a “good job” requires appropriate (higher) competence.

The priority in the case of “gray zone” workers is for the state to recognize such “labor agreements” as “employment relationships,” which will automatically enable the workers to enjoy their labor rights. There are many interesting developments in this regard. For example, in 2016, the Italian government issued a labor act that defines different categories of self-employed workers, among them “those performing activities coordinated by the client,” which includes delivery drivers and others who work via platforms. The act entitled these workers to certain labor rights.¹⁰

Clearly, this is not an exhaustive list of examples. The mentioned policy measures may not fully meet the needs of non-standard and informal workers, but they provide a sufficient foundation to start thinking of similar solutions in Georgia.

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¹⁰ <https://www.eurofound.europa.eu/publications/article/2017/italy-new-rules-to-protect-self-employed-workers-and-regulate-ict-based-mobile-work>

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