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Strengthening Social Protection for Workers in Georgia

Report I
Proposal for social insurance schemes against employment injury and unemployment

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ISBN: 978-92-2-039934-7 (print)
ISBN: 978-92-2-039935-4 (web PDF)

Also available in Georgian: დასაქმებულთა სოციალური დაცვის გაძლიერება საქართველოში. ანგარიში I: წინადადება სამუშაო ადგილზე ჯანმრთელობის დაზიანებისა და უმუშევრობის სოციალური დაზღვევის სქემების შესახებ
ISBN: 978-92-2-039936-1 (print)
ISBN: 978-92-2-039937-8 (web PDF)

Information on ILO publications and digital products can be found at: **www.ilo.org/publns**

Printed in Hungary
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Summary

This report analyses the key challenges of the current social protection system of Georgia and presents reform options to strengthen the social protection for persons in working age and their families. The report proposes that Georgia should consider reintroducing social insurance schemes against employment injury and unemployment.

As part of the liberal economic reform since mid-2000s, Georgia has completely dismantled the pre-existing social insurance schemes. It was only recently that the government has adopted a series of measures to bring Georgia's labour legislation in line with the ILO international labour standards and the European Union acquis with a view to its accession to the European Union.

Insufficient social protection for the working-age population

The current social protection system in Georgia is a combination of the tax-financed benefits, and the benefits provided directly by employers as well as the defined-contribution pensions based on mandatory savings. The main state social protection benefits consist of the social benefits for certain categories of population such as children, elderly and persons with disabilities, and the means-tested social safety nets targeting the poor. Although the current social protection benefits cover essential risks across lifecycle, they are fraught with gaps in coverage and inadequacies in the protection level. The protection gap is most evident for people of working age, as summarized below:

- There is an insufficient attention to work accidents and occupational diseases. In the events of work-related injuries and sicknesses, the only protections available for employees are health care from the universal health care under which patients are asked to make substantial out-of-pocket payments, ordinary sick leave for temporary incapacity paid directly from the employer for up to 30 days, and tax-financed flat-rate pensions for permanent disability. A crucial gap exists in fatal cases. Under the current system, there is no cash benefit for the survivors in working age who lost the breadwinner regardless of the cause of death. These arrangements obscure the financial obligation of the employers to fully compensate for work-related damage and the costs of any treatment required, and they do not create an incentive for the employers to take effective preventive measures.

- In the event of termination of an employment contract by an employer, the only income protection available for employees is the severance allowance, regulated by the Labour Code. The amount of severance allowance is at least one month's salary if the employer notifies at least 30 days in advance, and two months' salary if the employer notifies at least 3 days in advance. The severance allowance is not payable in case of voluntary resignation of employees. Moreover, employers are not legally obliged to pay severance allowance to dismissed employees in the case of collective redundancy.

Proposal for reintroducing social insurance schemes for employment injury and unemployment

Based on the analysis of the current system in Georgia, it is recommended that Georgia consider the reintroduction of an employment injury benefit scheme and an unemployment benefit scheme based on social insurance principle. Both schemes should provide comprehensive benefits which should comply with the ILO international social security standards.

Social insurance schemes entail multiple advantages. First, the proposed schemes will fill in the protection gaps and significantly improve the benefit levels. Second, transforming employers' direct liability into social insurance schemes will better guarantee the payment of benefits in full. Third, since there is a transparent link between contributions and benefits, it is more feasible to obtain consent for raising taxes in the form of social insurance contributions under tight fiscal constraints.

Proposed employment injury insurance scheme

The employment injury scheme should cover all types of employees. The employment injury benefits should consist of medical care, short-term cash benefits for incapacity for work, pensions for permanent loss of ability to work, and pensions for survivors in case of death due to a work accident or an occupational disease. The benefits should be payable as of the beginning of employment without any conditions on prior contribution payment and provided throughout the contingency. The cash benefits for permanent disability and survivorship should be paid in the form of pensions and the pension amounts should be adjusted in line with increase in the cost of living. The costs of employment injury benefits should be financed wholly by employers as a continuation of the responsibility for workplace safety. In any year, contributions must be sufficient to cover all current and future costs related to the benefits occurring in the year.

Recommendations on each employment injury benefit are described as follows:

- The medical care should include preventive care, medical examination and treatment including hospitalization, as well as medical and vocational rehabilitation. The employment injury scheme should cover the whole costs associated to work-related injuries and diseases.
- The current employer-financed sick leave should be transformed into a short-term cash benefit which compensates the loss of income during the period of incapacity for work. The temporary employment injury benefit should be paid immediately after the incidence or with a maximum 3 days waiting period. The benefit should be at least the minimum level of 60 percent of the worker's salary. The benefit is paid until recovery or for a certain period, for example 90 days, after which the worker is referred to the Medical Commission for an assessment of permanent disability.

- The current flat-rate, non-contributory disability pension should be transformed into an earnings-related employment injury pension. The employment injury pensions should be paid to injured workers who are assessed to have lost earning capacity totally or partially. The benefit should be payable as long as the incapacity for work persists. The benefit should be at least 60 percent of the worker's salary for total loss of earning capacity.
- The survivors' pensions for families of deceased workers due to work injuries or diseases should be introduced. This implies that the current flat-rate, non-contributory survivors' (orphans) pension should be transformed into an earnings-related employment injury pension benefit which is also payable to the survivors of working age. The benefit should be at least 50 percent of the deceased worker's salary.

Proposed unemployment insurance scheme

The unemployment insurance scheme should cover all employees. Although a large number of self-employed workers in Georgia work in unregistered subordinate relationship as independent contractors, it would be advisable to start with the employees at least in the initial implementation stage due to the administrative and financing challenges of covering the self-employed. When the scheme is proved to be fully operational after few years of implementation, consideration should be given to extend the coverage to the self-employed workers.

The unemployment benefits should be payable to the insured workers who have become unemployed involuntarily including the collective redundancy subject to the completion of a certain qualifying period. The duration of unemployment benefits is up to a defined maximum period. As conditions for receiving unemployment benefits, the unemployed beneficiaries are required to be registered to the State Employment Support Agency and actively search for a job.

After the implementation of the unemployment insurance scheme, the existing severance allowance should be scaled down to provide benefits for the involuntary unemployed workers who do not meet the qualifying period for unemployment insurance benefits.

Concerning the qualifying period, the level and duration of the unemployment benefit, in consultation with the key stakeholders, three options have been formulated as summarized in Table S.1.

▶ Table S.1. Three options of the proposed unemployment insurance

	Option A	Option B	Option C
Qualifying period	6 months in the 12 months preceding unemployment	12 months in the 24 months preceding unemployment	12 months in the 36 months preceding unemployment
Maximum benefit duration	4 months	6 months	9 months
Benefit level	50% of the average contributory earnings	• 60% of the average contributory earnings for the first 3 months; • 40% of the average contributory earnings for the remaining 3 months	• 65% of the average contributory earnings for the first 3 months; • 45% of the average contributory earnings for the next 3 months; • The subsistence minimum for the remaining 3 months
Waiting period	7 days	7 days	7 days
Contributory earnings	Maximum: 1.5 times the national average earnings Minimum: The subsistence minimum	Maximum: 2 times the national average earnings Minimum: The subsistence minimum	Maximum: 2.5 times the national average earnings Minimum: The subsistence minimum
Total contribution rate	1.1 percent of the contributory earnings	1.4 percent of the contributory earnings	1.7 percent of the contributory earnings
Recommended rate for employers	0.55 percent of the contributory earnings	0.7 percent of the contributory earnings	0.85 percent of the contributory earnings
Recommended rate for workers	0.55 percent of the contributory earnings	0.7 percent of the contributory earnings	0.85 percent of the contributory earnings

Source: ILO 2023.

The costs of the unemployment benefits and administration should be financed collectively by contributions from employers and insured workers. The above table presents the recommended contribution rates of the proposed unemployment insurance scheme according to the actuarial assessment conducted by the ILO.

The way forward

As the administrative body of the employment injury insurance and unemployment insurance schemes, autonomous public institutions should be created. They are to be supervised by tripartite Boards and guided by the government policy. The employment injury insurance scheme should closely coordinate with the authority in charge of occupational safety and health as well as the Labour Inspection Service. Similarly, the unemployment insurance scheme should closely coordinate with the State Employment Support Agency. In most countries, public employment services play a key role in registering unemployment benefits claims, while providing job placement services.

In view of the crucial role of the social protection system in protecting people's lives in normal times and at unprecedented shocks such as the COVID-19 crisis, Georgia should be committed to making efforts to build a system which ensure higher levels of protection. It is hoped that the proposed introduction of the employment injury insurance and the unemployment insurance could close the gap in the current social protection system of Georgia and that they could form an essential component of the forthcoming Social Code.

To move the reform agenda forward, the ILO stands ready to provide further technical assistance and act as a resource in the nation-wide social dialogue process.

Introduction

The purpose of this report is to analyse the key challenges of the current social protection system of Georgia, and to present reform options to strengthen the protection for persons in working age and their families against the risks of employment injury and unemployment by means of a social insurance mechanism.

The report is organized as follows: **Chapter 1** provides a brief overview of the socio-economic context and recent labour law reforms. **Chapter 2** analyses the gaps in the existing social protection system in particular for the population of the working age and suggests the reintroduction of social insurance schemes for workers in Georgia. **Chapters 3** and **4** present the key structures of the proposed employment injury insurance and unemployment insurance schemes, respectively. **Chapter 5** concludes with remarks on the future reform agenda.

The report was prepared by Kenichi Hirose, Senior Social Protection Specialist of the ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe (ILO DWT/CO–Budapest) with actuarial inputs from Alexandre Landry, ILO actuarial consultant. Comments were provided by the Social Protection Department of the ILO Geneva, and Prof. Audrius Bitinas, the team leader of the European Union project “Strengthening Social Protection in Georgia,” implemented by the Expertise France and the Czech Development Agency.

1. The country context

1.1. Brief overview

Georgia is an upper middle-income country with GDP per capita 6,628 USD (20,113 USD adjusted by Purchasing Power Parity) in 2022. The population of Georgia has been nearly stable at around 3.7 million although it shows a slight declining trend over the last two decades. By age group, 20.8 percent was less than 15 years, 63.7 percent was between 15 and 64 years, and 15.5 percent was aged 65 years or above in 2022. Almost 40 percent of the population live in rural areas, where their livelihood relies on low-intensity self-sufficient farming.

Since its independence in 1991, Georgia has been following a unique path of transition to a market economy. During the first half of 1990s, Georgia fell into a deep economic crisis that resulted in a loss of almost three quarters of GDP. The crisis had a severe impact on the labour market. While labour market participation rate decreased from more than 90 percent in 1990 to below 60 percent in 1996, unemployment emerged from 2.7 percent in 1991 to 7.6 percent in 1995 and rose subsequently to double-digit levels. At the same time the size of the informal economy grew from 43.6 percent of GDP in 1990–1993 to 60 percent in 1994–1995. Almost one million people migrated to other countries.

As the Georgian economy started to recover during the second half of 1990s, the government implemented reforms to liberalize the prices and trade, introduce the new currency “lari” (GEL), and privatize state-owned enterprises. However, the country suffered from perceived corruption and unstable security.

Since the Rose Revolution in 2003, the government has vigorously pursued anti-corruption measures, monetary and fiscal system reforms, and market-oriented economic reforms.[1] The deregulation of the labour market entailed the introduction of one of the most liberal labour codes in the world and the abolishment of the state labour inspection system. In addition, the trade unions have lost substantial number of their membership.

Bold tax cuts were carried out to stimulate the economy and to attract foreign direct investment. Most taxes are now flat-rate. Personal income tax is collected at 20 percent (foreign-source personal income is exempt), corporate profits tax at 15 percent (non-distributed profits are exempt), and value-added tax at 18 percent. Other taxes include excise tax, import tax, and property tax.

1 In terms of the ease of doing business index, Georgia was ranked the seventh among 190 surveyed countries in the 2020 Doing Business Report by the World Bank (source: https://www.worldbank.org/en/businessready/doing-business-legacy).

The government faces strict budget constraints. To ensure the free-market policy and maintain a small government, the parliament adopted in 2011 the Economic Liberty Act. The Law introduced the amendment of the Constitution that prohibits the government to increase tax without calling a referendum and sets the ceilings of government expenditure at 30 percent of GDP, the debt to GDP ratio at 60 percent, and the budget deficit at 3 percent of GDP. Under these strict budget constraints, the government has to operate within a limited fiscal space for social protection interventions.

As a result of these reforms, the real GDP grew relatively fast at higher than 6 percent except for the period between 2008 and 2009 where the country faced the war with Russia and the international financial crisis. However, growth has not had a strong impact on unemployment. The unemployment rate increased from 13 percent in 2003 to more than 18 percent in 2009. Since then, it fluctuates between 17 and 23 percent, where around 40 percent are of long-term unemployment (for more than 12 months). Unemployment is significantly higher in urban areas than in rural areas. In particular, as an issue of great concern, Georgian labour market exhibits high youth unemployment (40 percent of population aged 15–24 years) with a large share of those not in employment, education or training (NEETs) (30.7 percent of population aged 15–24 years in 2022). Also, unemployment is higher among men than women; however, the labour force participation rate of women is 20 percent lower than that of men. Selected labour market indicators in the last decade are summarized in Table 1.1.

▶ Table 1.1. Key labour market indicators of Georgia, 2013–2022

	unit	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Population	‘000	3,718	3,717	3,722	3,729	3,726	3,730	3,723	3,717	3,729	3,689
Population aged 15 and over	‘000	3,037	3,032	3,019	3,009	3,012	3,034	3,037	3,019	3,010	2,989
Labour force	‘000	1,627	1,629	1,676	1,654	1,641	1,605	1,573	1,524	1,534	1,552
Employed	‘000	1,198	1,255	1,308	1,295	1,287	1,296	1,296	1,242	1,217	1,284
Employees	‘000	739	795	855	854	869	903	898	845	829	871
Self-employed	‘000	449	453	446	434	417	392	398	396	387	412
Unemployed	‘000	430	374	367	359	354	309	277	282	316	268
Unemployment rate	%	26.4	23.0	21.9	21.7	21.6	19.2	17.6	18.5	20.6	17.3
Labour force participation rate	%	53.6	53.7	55.5	55.0	54.5	52.9	51.8	50.5	50.9	51.9
Share of employees	%	61.7	63.4	65.4	66.0	67.6	69.7	69.3	68.1	68.1	67.8

Source: National Statistics Office of Georgia (https://www.geostat.ge/en).

Inequalities of income and wealth and the poverty prevalence in Georgia remain high. The Gini index of total income in 2021 was 0.37, which is among the highest of the countries in transition. The share of the population in absolute poverty has been decreasing since its peak of 37.3 percent in 2010. However, as of 2022, 15.6 percent of the population (12.3 percent in urban areas, 20.6 percent in rural areas) are still living in absolute poverty.[2] The small social transfers and the regressive flat-rate taxes could have little impact on reducing inequality and poverty.

1.2. Issues in the labour market governance

While Georgia's business-friendly policies have induced positive economic performance, they have not adequately addressed the issues of governance in the labour market and tax system. These problems are interlinked and altogether impose barriers to strengthening the social protection system.

The large informal economy has been a persistent problem in Georgia. The labour market of Georgia also exhibits high informality. In 2021, the share of informal employment was 28.8 percent of the employed persons in non-agricultural sectors. It should be noted, however, that the statistics of informal employment do not include a large number of Georgian workers who are involved in agriculture and household activities that have high occurrences of informal employment. High levels of informality undermine State's ability to raise revenues which are crucially dependent on the income tax.

There is a rising concern over the potential growth of workers in dependent self-employment and disguised employment relationships. In Georgia, a large number of self-employed workers who are classified as independent contractors, in fact, work in a subordinate employment relationship.

Under extremely liberal labour regulations, the State' function of supervising labour standards and regulating labour relations was almost completely eliminated. In particular, the state labour inspection was abolished in 2006. However, the government resumed workplace inspections in 2016 on issues related to safety and health but not labour rights. In these circumstances, the government continued to make efforts to re-establish an effective system to ensure labour market governance. In this context and with a view to accession to the European Union, the government has developed a comprehensive labour law reform with supports from the ILO and the European Union. In 2020, the Parliament adopted a package of labour law reform amending the Labour Code and relevant laws[3] as well as adopting new ones.

2 The subsistence minimum for working age males was GEL 212.0 in 2021, which is equivalent to 64 percent of the median consumption. The subsistence minimum reflects goods and services which ensure the minimum physiological and social needs according to the level of the socio-economic development of the country.

3 Including: the Organic Law on Trade Unions; the Code of Civil Procedure; the Organic Law on Occupational Safety; the General Administrative Code; the Administrative Procedure Code; the Code of Administrative Offenses; the Law on Civil Service, among others.

As an achievement of the labour law reform, the Law on Occupational Safety of 2018, which applied to hazardous workplace, was promoted to the Organic Law in 2019. It now covers all economic activities and authorize the labour inspectors to conduct safety inspection in any organizations without prior notice. In addition, following the adoption of a new Law on Labour Inspection in 2020, the Labour Inspection Service was created in 2021. There are currently 123 labour inspectors (planned to be increased to 150 by the end of 2023).

Overall, the labour law reform package was considered a major step forward in bringing Georgia's labour legislation in line with the ILO international labour standards and the European Union Directives. Yet there remain challenges that require urgent solutions, as described below.

- Workplace inspections can only be carried out at the request of the enterprises. Labour inspectors can only notify recommendations to correct violations and they are not equipped to apply sanctions or prosecution.
- The Labour Code does not effectively fix the minimum wage. Since the minimum wage was defined at GEL 20 in 1999,[4] it has not been updated for over twenty years and has now lost its relevance in the current working conditions and living standards in Georgia.
- Social protection for workers is particularly insufficient and inadequate; there is no employment injury insurance, unemployment insurance, or survivors' benefits for adults. In 2021, the government announced the development of a Social Code of Georgia. However, no concrete steps have been taken so far.

Against this background, we shall look into the challenges in social protection for people of working age in the next chapter.

4 Ordinance No. 351 of the President of Georgia on the Minimum Wage of 4 June 1999.

2. Challenges in social protection of Georgia

2.1. The current social protection system

The current social protection system in Georgia is a combination of the tax-financed benefits, and the benefits provided directly by employers as well as the defined-contribution pensions based on mandatory savings. The main state social protection benefits consist of (i) the social benefits for certain categories of population such as children, elderly and persons with disabilities, and (ii) the means-tested social safety nets targeting the poor.

It should be observed that through the reform process in the mid-2000s Georgia has completely dismantled the pre-existing social insurance schemes financed by contributions from employers and workers. These features reflect Georgia's distinct economic and social development.[5]

The provisions for the existing social protection benefits are summarized in Appendix.[6] Although the current social protection benefits cover essential risks across lifecycle, they are fraught with gaps in coverage and inadequacies in the protection level. The protection gap is most evident for people of working age.

2.2. Lack of employment injury benefits

There is an insufficient attention to work accidents and occupational diseases. The Georgian Trade Unions Confederation reports, based on their limited sources, that there were 42 fatal accidents in 2015 and 58 fatal accidents in 2016.[7] In the events of work-related injuries and sicknesses, the only protections available for employees are health care from the universal health care programme, ordinary sick leave for temporary incapacity, and tax-financed pensions for permanent disability.

5 For the recent trends and outlook of the social protection systems in Central and Eastern Europe and Central Asia, see ILO 2021.

6 Based on the recent ILO study. See ILO 2020.

7 Tskitishvili *et. al.* 2022. It should be noted that the experiences in the neighbouring countries show that the number of reported non-fatal accidents is more than 10 times the number of fatal accidents.

While it is common to provide a higher benefit level for work-related cases, there is no difference in the levels and duration of the benefits between work-related and non work-related cases. In particular, sick leave is paid up to 30 days (with a possible extension). Moreover, disability pensions are flat-rate benefits differentiated according to three levels of disability, and hence do not replace the lost income of workers. It should be noted that many countries provide significantly higher benefits for work-related sickness, disability and death than non-work-related cases, which are paid as long as the impact of work accidents or occupational diseases persists.

A crucial gap exists in fatal cases. Under the current system, survivors' benefits are payable only to children (orphans) aged 17 years or less. There is no cash benefit for the survivors in working age who lost the breadwinner regardless of the cause of death. As a result, survivors in working age can only receive targeted social assistance if their household's proxy means test score fell below the poverty threshold. Otherwise, they are eligible for old-age pensions when they attain the pensionable age at 60 years for women and 65 years for men.

The payment of sick leave is employers' direct liability, which cannot fully guarantee the payment especially in cases of severe or collective accidents which may lead to insolvency of the employer. In addition, disability pensions are financed by the State budget. The costs of health care services are financed by the universal health care programme but patients are asked to make substantial out-of-pocket payments.[8] These arrangements obscure the financial obligation of the employers to fully compensate for work-related damage and the costs of any treatment required,[9] and they do not create an incentive for the employers to take effective preventive measures.

The Organic Law on Occupational Safety and Health (Article 5, paragraph 9) requires that the employers operating in hazardous working conditions should mandatorily provide their employees with private health insurance cover against work-related injury or disease. As of August 2023, necessary administrative legal act defining the rules and procedures of the work accident insurance has not been issued yet.

A compulsory private workers accident insurance can better guarantee the payment of compensation than a system based on employers' liability. However, some countries adopting this system report that insurance companies investigate large claims and may

8 In 2017, out-of-pocket expenditures on health care represented 54 percent of the total expenditure on health in Georgia. Around two thirds of these out-of-pocket payments go to pharmaceuticals.

9 The Labour Code provides the following:

Article 45 — Right to safe and healthy working environment

1. Employers shall provide employees with a work environment that is as safe and healthy as possible in respect of the life and health of the employees. (...)

6. An employer shall fully compensate an employee for work-related damage caused by the deterioration of the employee's health and for the costs of any treatment required.

delay settlements to the point that claimants may be willing to negotiate a reduced payment. Moreover, a usual benefit provision from private insurance is in a form of a lump sum payment. It is neither common nor efficient for private insurance companies to administer periodical payments over a long period of time.

To overcome these difficulties, many countries were led to introduce social insurance schemes which ensure a greater protection to workers and their families against the adverse consequences of work accidents and occupational diseases, as a continuation of the employers' responsibility for workplace safety. It is thus recommended that Georgia consider the introduction of a social insurance scheme for employment injury that covers all types of employees. In particular, in the case of Georgia, the employment injury benefits should include periodical payments such as permanent disability pensions and survivors' pensions to replace lost income of workers and family members.

2.3. Lack of unemployment insurance

Clearly, participation in the labour market exposes all types of workers to the risk of unemployment. The statistics shows that 268,000 persons, or 17.3 percent of the labour force, were unemployed in 2022. However, the only income protection available for employees is the severance allowance, regulated by the Labour Code. In the event of termination of an employment contract by an employer,[10] Article 48 of the Labour Code stipulates that:

- If the employer notifies the employee in writing at least 30 days in advance, the employee shall be granted severance allowance of at least one month's salary.
- The employer may notify the employee in writing at least 3 days in advance. In such case, the employee shall be granted severance allowance of at least two months' salary.

The severance allowance is not payable in case of voluntary resignation of employees. Moreover, employers are not legally obliged to pay severance allowance to dismissed employees in the case of collective redundancy.[11]

The ILO Termination of Employment Convention, 1982 (No. 158) gives equal recognition to both severance allowance and unemployment insurance as methods for protecting income in the case of termination and it leaves countries to determine an appropriate income protection system adapted to their specific conditions.

10 Article 47 of the Labour Code provides a list of valid grounds for terminating employment contracts.

11 Article 49 of the Labour Code refers to a collective redundancy as the dismissal of at least 10 employees in an enterprise with 20–99 employees, or at least 10 percent of employees in an enterprise with 100 or more employees.

However, employer-financed severance allowance is less reliable than unemployment insurance benefits. Since its payment depends on employer's financial capacity, it is difficult for the employer to pay all entitlements, in particular, when enterprises have run into difficulties or when the country is hit by an economic crisis. As noted above, the Labour Code of Georgia does not oblige employers to pay severance allowance in cases of collective redundancies. On the contrary, an unemployment insurance scheme pools the financial risk through contributions from employers and workers; hence, it can better guarantee the payment of benefits which replace lost income of workers.

This is why the ILO Convention No. 158 advises countries to move gradually from a scheme providing only severance allowance to one in which the protection afforded by the severance allowance is supplemented by partial protection under a social security scheme that is providing unemployment benefits, or to one providing only unemployment insurance benefits.[12]

When protected persons have received severance pay directly from their employer or from any other source, the ILO Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) permits the suspension of the unemployment benefit to which they would be entitled or the reduction of the severance pay as a function of the total amount of the unemployment benefit.

The recent COVID-19 crisis has highlighted the importance of making proactive investment to build a comprehensive and shock-resilient social protection system in Georgia. Typically, unemployment benefits are known as an automatic stabilizer which provides cash benefits for loss of jobs and income during economic downturns. However, the COVID-19 crisis has revealed the weakness of the existing Georgian social protection mechanism which provides low levels of benefits only to the full-time regular employees in formal employment. In response to the COVID-19 crisis, Georgia introduced special cash transfer programmes for those affected by the pandemic.[13] In addition to the statutory tax-financed social protection expenditure, the government had to allocate more than GEL 1 billon for social support (the total Anti-Crisis Plan was worth GEL 3.5 billion).

12 ILO 2011.

13 The main benefits are summarized as follows:

- A monthly assistance of GEL 200 for six months (extended in 2021) was paid to 350,000 employees in the formal economy who lost their jobs or were on unpaid leave.
- A one-time assistance of GEL 300 was paid to 170,000 persons employed in the informal sector and self-employed persons.
- A top-up benefit of GEL 100 for six months was paid to persons with severe disabilities, families with low a proxy means test score, and other vulnerable groups (estimated total beneficiaries 270,000 persons).
- Pension indexation in line with inflation (with additional increase for pensioners aged 70 and above) was introduced to approximately 410,000 pensioners.

2.4. Proposal to reintroduce social insurance schemes for workers

Based on the analysis of the current system in Georgia, it is recommended that Georgia consider the reintroduction of an employment injury benefit scheme and an unemployment benefit scheme based on social insurance principle. The schemes should provide comprehensive benefits which should comply with the ILO international social security standards (see Box 2.1). The relevant up-to-date instruments include: [14]

- Social Security (Minimum Standards) Convention, 1952 (No. 102) (in particular Parts IV and VI);
- Employment Injury Benefits Convention, 1964 (No. 121) and its accompanying Recommendation, 1964 (No. 121);
- Termination of Employment Convention, 1982 (No. 158) and its accompanying Recommendation, 1982 (No. 166);
- Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) and its accompanying Recommendation, 1988 (No. 176).

As analysed earlier, social insurance schemes entail multiple advantages. First, the proposed schemes will fill in the protection gaps and significantly improve the benefit levels. Second, transforming employers' direct liability into social insurance schemes will better guarantee the payment of benefits in full. Third, since there is a transparent link between contributions and benefits, it is more feasible to obtain consent for raising taxes in the form of social insurance contributions under tight fiscal constraints.

Specifically, the employment injury insurance scheme clearly recognizes the employers' responsibility for ensuring safe and healthy working conditions. An effective coordination between employment injury protection and prevention will provide incentives for employers and workers to improve the safety and health at work. Furthermore, the introduction of an employment injury benefit scheme could contribute to improving the reporting and recording of occupational accidents and diseases. Similarly, an effective coordination between unemployment protection and the active labour market policy will contribute to increase the employability of the unemployed.

14 Recommendations are international instruments similar to Conventions but not subject to the ratification. They establish non-obligatory guiding principles for national policy and practice. When a Convention is accompanied by a Recommendation, the latter will suggest certain lines of advance beyond the limits defined in the former.

In moving this agenda forward, it is crucial that employers and workers agree on the introduction of social insurance principle in recognition of the fact that it has been adopted by most of the European countries.[15] At the same time, the government should develop institutional capacity to implement the proposed system, in particular relating to the collection of contributions and the administration of benefit approval and payment.

Formalization of the economy and extension of social security are interconnected. Re-introducing social insurance can create incentives to formalize the economy. At the same time, formalization of the informal economy is a crucial prerequisite for reintroducing the social insurance mechanism. Unless the government effectively tackles the informal employment and undeclared work, introducing social insurance contributions will create a financial disincentive to formal employment and thus exclude a great number of people involved in informal work, as well as the self-employed or persons not in the labour force, from the social insurance coverage.

A high level of informality continues to weigh on the budget and also limit the State's ability to raise revenues through income tax. To break this vicious cycle, the government should be firmly committed to effectively reduce the informal employment and undeclared work by promoting the transition to the formal employment and strengthening the public institutions and services, including the social insurance system.

▶ Box 2.1. General principles of the ILO international social security standards

The ILO plays an important role in the social security development through international labour standards. The landmark Convention, the Social Security (Minimum Standards) Convention, 1952 (No. 102) is the sole international document that regroups in one comprehensive international treaty the whole range of nine core social security benefits, namely, medical care, sickness (cash) benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit. Importantly, it lays down both core principles of administration and financing as well as minimum requirements as to coverage of the population and the content and level of benefits. Later, the ILO adopted a series of more advanced Conventions accompanied by Recommendations, as regards specific branches of social security. These standards focus on setting higher level of protection in terms of the population covered, rates and types of benefits.

15 See ILO 2021.

In many countries, ILO Conventions and Recommendations have served as a model for the formulation of social security policies and for the development of social security legislation. Regardless of the formal ratification of a given Convention, these standards form an internationally agreed and recognized reference framework useful for designing the social security policy and legal framework of Georgia.

- The minimum benefit levels required by ILO Conventions are expressed in terms of the benefit replacement rate for a "standard beneficiary," as presented in Table B.1. As part of flexibility clauses, States are permitted to choose alternative methods for calculating the benefit rates.

▶ Table B.1. Minimum level of social security benefits required by ILO Conventions and Recommendations (as a percentage of the reference wage)

	Standard beneficiary	Minimum Standards C.102	Higher standards	
			C.121, 128, 130, 168, 183	R.121, 131, 134, 176, 191
Old-age	A couple of pensionable age	40	45	55
Invalidity	A couple with two children	40	50	60
Survivors	Widow(er) with two children	40	45	55
Employment injury				
Temporary incapacity for work	A couple with two children	50	60	66.7
Total loss of earning capacity	A couple with two children	50	60	66.7
Survivorship due to employment injury	Widow(er) with two children	40	50	66.7
Sickness	A couple with two children	45	60	66.7
Maternity	Woman	45	66.7	100
Unemployment	A couple with two children	45	50	—

Notes: ILO Conventions establish that the reference wage for an earning-related benefit is the wage of a skilled manual male employee.

- Concerning the financing of social security schemes, the costs of the benefits and administration should be financed collectively by contributions or taxes (Article 71 of Convention No. 102).

- ILO Conventions also establish general rules and principles concerning the organization and functioning of social security schemes, including the following:
  - States assume general responsibility for the due provision of benefits and the proper administration of institutions and services;

- The representatives of the persons protected, and as appropriate, the representatives of employers and public authorities, should participate in the administration of the social security schemes;
- Every claimant has a right of complaint and appeal in case of refusal of the benefit or complaint as to its quality or quantity;
- Non-nationals have the same rights as nationals, in particular as regards employment injury benefits;
- States also have to take measures to prevent work accidents and occupational diseases, provide rehabilitation services and take measures to further the placement of disabled persons in suitable employment (Article 26 of Convention No. 121);
- States have to adopt appropriate steps to coordinate their system of protection against unemployment and their employment policy. The system of protection against unemployment, and in particular the unemployment benefit, should contribute to the promotion of full, productive and freely chosen employment and must not discourage employers from offering and workers from seeking productive employment (Article 2 of Convention No. 168).

3. A proposed employment injury insurance scheme for Georgia

This chapter presents the key structure of the proposed employment injury[16] insurance scheme which incorporates the basic principles embodied in the relevant up-to-date instruments, namely the Social Security (Minimum Standards) Convention No. 102 (particularly Part VI), the Employment Injury Benefits Convention No. 121 and Recommendation No. 121, as well as the observations from international good practices.

3.1. Benefit

The employment injury scheme should cover all types of employees in both public and private sectors. The employment injury benefits should consist of (i) medical care, (ii) short-term cash benefits for incapacity for work, (iii) pensions for permanent loss of ability to work, and (iv) pensions for survivors in case of death due to a work accident or an occupational disease.

The medical care and cash benefits should be provided throughout the contingency. Namely, they should be granted until the full restoration of the capacity to work; during the whole period of invalidity; in case of death, during the whole period when the spouse is incapable of self-support and until the child reaches school-leaving age or the age of 15 years.

The cash benefits for permanent disability and survivorship should be paid in the form of periodical payments (pensions). The pension amounts should be reviewed following substantial changes in the cost of living. The benefits may be commuted for a lump-sum only in limited number of cases with a view to protecting the victims and effectively sustaining their livelihoods. The ILO Conventions and Recommendations set higher benefit levels for work-related sickness, disability and death than non-work-related cases. Convention No. 121 provides additional protection such as benefits for injured persons requiring the constant assistance of another person and a funeral benefit.

The benefits should be payable as of the beginning of employment and the eligibility should not be made conditional on a contribution from workers or prior time spent in employment. The benefits have to be provided even if the employers have not paid

16 The term “employment injury” is used to include measures for both accidents at work and occupational diseases. This follows the terminology in the Social Security (Minimum Benefits) Convention, 1952 (No. 102) and the Employment Injury Benefits Convention, 1964 (No. 121).

contributions to the social insurance scheme or if the symptoms of occupational diseases appear long after the work engagement but within the timeframe established by law.

Recommendations on each employment injury benefit are described as follows:

- The medical care should include preventive care, medical examination and treatment including hospitalization, as well as medical and vocational rehabilitation. To avoid any cost-sharing by injured workers, the employment injury scheme is required to cover the whole costs associated to work-related injuries and diseases. The provision of medical and vocational rehabilitation must be included as it contributes to re-integrate injured workers into the labour market.
- The current employer-financed sick leave should be transformed into a short-term cash benefit which compensates the loss of income during the period of incapacity for work. The temporary employment injury benefit should be paid immediately after the incidence or with a maximum 3 days waiting period.[17] Following the ILO Convention No. 121, the benefit should be at least the minimum level of 60 percent of the worker's salary. The benefit is paid until recovery or for a certain period, for example 90 days, after which the worker is referred to the Medical Commission for an assessment of permanent disability.
- The current flat-rate, non-contributory disability pension should be transformed into an earnings-related employment injury pension. The employment injury pensions should be paid to injured workers who are assessed to have lost earning capacity totally or partially. The benefit should be payable as long as the incapacity for work persists. However, the conditions should be assessed regularly and the benefit should be adjusted or stopped accordingly. Following the ILO Convention No. 121, the proposed benefit level is at least 60 percent of the worker's salary for total loss of earning capacity. For partial loss of earning capacity, the pension is reduced according to the degree of disability. The pension amounts should be adjusted in line with increase in the cost of living.
- The survivors' pensions for families of deceased workers due to work injuries or diseases should be introduced. This implies that the current flat-rate, non-contributory survivors' (orphans) pension should be transformed into an earnings-related employment injury pension benefit which is also payable to the survivors of working age. Following the ILO Convention No. 121, the proposed benefit level is at least 50 percent of the deceased worker's salary.
- In view of the fact that employment injury benefits in many countries are much higher than those provided by general health insurance or general disability and survivors'

17 Convention No.102 (Article 38) allows for a possibility of establishing a waiting period of maximum 3 days only in the case of temporary incapacity for work. Convention No. 121 is more restrictive in this respect, and Recommendation No. 121 advocates the removal of the waiting period.

pensions, a higher benefit level option should be explored. In all options, the cash benefit should not be less than the subsistence minimum prevailing in Georgia.

3.2. Financing

The costs of employment injury benefits should be financed wholly by employers as a continuation of the responsibility for workplace safety. In any year, contributions must be sufficient to cover all current and future costs related to the benefits occurring in the year.

For this purpose, the government and the social partners should first formulate a set of alternative benefit options with due consideration of their associated social impacts, risks and trade-offs. Then an actuarial assessment should be conducted to evaluate the contribution rates under each option based on the actuarial estimate of the risk of work accidents and occupational diseases in Georgia.

In general, there are three systems for fixing the contribution rates of employment injury insurance, as described below. The list is in an increasing order of sophistication in expressing the assessed risk in terms of contribution rates. Namely, the second method is more elaborate than the first one; and the third method is more refined than the first and second ones but requires detailed analysis in designing and monitoring implementation.

- Under the uniform rate system, a single contribution rate is fixed for all employers regardless of the risks in different workplace or industries.
- Under the differential rates system, the contribution rates are fixed according to the occupational risk of an individual industrial branch or activity carried out by the establishments.
- Under the experience rating system, also referred as the “bonus–malus” system, the contribution rates are adjusted upwards or downwards within certain limits according to the accident experience in individual establishments.

As a comparative benchmark, Table 3.1 summarizes the social security contribution rates in selected countries. It should be observed that the employer’s contribution rate as a percentage of the wage ranges between 0.04 and 1.33 percent with the unweighted average 0.57 percent. Also, it should be noted from this table that the contribution rates for employment injury and unemployment are generally much lower than the contribution rates for pensions or other short-term benefits.

▶ Table 3.1. Social security contribution rates by branch and contributor in selected countries, 2018 (as a percentage of the contributory earnings)

	Old-age, disability, and survivors	Sickness and maternity	Employment injury	Unemployment
Albania				
Worker	8.8	0.69	0	0
Employer	12.8	1.01	0.3	0.9
Total	21.6	1.7	0.3	0.9
Austria				
Worker	10.25	3.78	0	3
Employer	12.55	3.87	1.3	3
Total	22.8	7.65	1.3	6
Belgium				
Worker	7.50	1.15	0	0.87
Employer	8.86	2.35	1.33	1.46
Total	16.36	3.5	1.33	2.33
Bulgaria				
Worker	8.78	1.4	0	0.4
Employer	11.02	2.1	0.4	0.6
Total	19.8	3.5	0.4	1.0
Croatia				
Worker	20	0	0	0
Employer	0	15	0.5	1.7
Total	20	15	0.5	1.7
Czech Republic				
Worker	6.5	0	0	0
Employer	21.5	2.3	0.28	1.2
Total	28	2.3	0.28	1.2
Finland				
Worker	6.35	1.53	0	0
Employer	17.75	0.86	0.1	0.65
Total	24.1	2.39	0.1	0.65
Germany				
Worker	9.3	8.575	0	1.5
Employer	9.3	8.575	1.18	1.5
Total	18.6	17.15	1.18	3.0

	Old-age, disability, and survivors	Sickness and maternity	Employment injury	Unemployment
Italy				
Worker	9.19	0	0	0
Employer	23.81	2.68	0.04	2.26
Total	33.00	2.68	0.04	2.26
Lithuania				
Worker	3.0	0	0	0
Employer	22.3	3.6	0.18	1.4
Total	25.3	3.6	0.18	1.4
Luxembourg				
Worker	8	0.25	0	0
Employer	8	0.25	0.9	0
Total	16	0.50	0.9	0
Poland				
Worker	11.26	2.45	0	0
Employer	16.26	0	0.4	2.45
Total	27.52	2.45	0.4	2.45
Slovakia				
Worker	7	1.4	0	1
Employer	17	1.4	0.8	1
Total	24	2.8	0.8	2
Sweden				
Worker	7.00	0	0	0
Employer	10.91	6.95	0.2	2.91
Total	17.91	6.95	0.2	2.91
Unweighted average of 14 countries				
Worker	**8.78**	**1.63**	**0.00**	**0.48**
Employer	**13.72**	**3.64**	**0.57**	**1.50**
Total	**22.85**	**5.35**	**0.57**	**2.09**

Source: Social Security Programs Throughout the World: Europe, 2018. (https://www.ssa.gov/policy/docs/progdesc/ssptw/2018-2019/europe/guide.html).

3.3. Administration

As the administrative body of the employment injury insurance scheme, it is suggested that an autonomous public institution be created. It is also important to ensure that the employment injury insurance scheme should closely coordinate with the authority in charge of occupational safety and health as well as the Labour Inspection Service.

The performance of the scheme should be monitored by the Board composed of tripartite stakeholders. The Board is charged with the overall supervision of the scheme to ensure that it complies with the legislative and policy requirements. The Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia is directly responsible for policy and legislative aspects.

Furthermore, under a more comprehensive reform which goes beyond the scope of this report, a unified social insurance scheme could be created which provides all short-term cash benefits including sickness, maternity, unemployment and employment injury benefits.

Another option of institutional organization that can possibly minimize the administration costs would be to create a Department within the existing structure, such as the State Pension Agency or the Social Service Agency, and to rely on the Revenue Service for collecting mandatory contributions. In this case, however, it is important to create and maintain a separate account, or a fund, to which contributions are credited and out of which benefits are paid.

4. A proposed unemployment insurance scheme for Georgia

This chapter presents the key structure of the proposed unemployment insurance scheme which incorporates the basic principles embodied in the relevant up-to-date instruments, namely the Social Security (Minimum Standards) Convention No. 102 (particularly Part IV), the Employment Promotion and Protection against Unemployment Convention No. 168 and Recommendation No. 176, as well as the observations from international good practices.

4.1. Benefit and qualifying conditions

The unemployment insurance scheme should cover all employees. Although a large number of self-employed workers in Georgia work in unregistered subordinate relationship as independent contractors, it would be advisable to start with the employees at least in the initial implementation stage due to the administrative and financing challenges of covering the self-employed. As evidenced in the international practice, when the scheme is proved to be fully operational after few years of implementation, consideration should be given to extend the coverage to the self-employed workers.

The unemployment benefits should be payable to the insured workers who have become unemployed involuntarily and who have consequently lost their earnings. For specific aspects, the following points should be taken into consideration.

The eligibility of unemployment benefits may be subject to the completion of a qualifying period. The ILO Conventions stipulate that such qualifying period must not exceed the duration considered necessary to preclude abuse. Typically, countries require either 6 months of contributions in 12 months preceding the employment termination, or 12 months of contributions in the preceding 24 months. Most countries prescribe initial waiting days between the last day of employment and the first day for which benefit is paid. Convention No.102 (Article 24) and Convention No. 168 (Article 18) allow for a possibility of establishing a waiting period which must not exceed seven days in each case of suspension of earnings.

As conditions for receiving unemployment benefits, the unemployed beneficiaries are required to be able and available for work and actively searching for a job. The unemployed persons are required to be registered to the State Employment Support Agency and report to it on a regular basis. Refusal to accept suitable employment offer[18] or failure to take training opportunity may result in the refusal, withdrawal, suspension or reduction of the unemployment benefit.

Concerning the unemployment benefit, Convention No. 102 recommends a periodical payment replacing at least 45 percent of the previous earnings for at least 3 months within a period of 12 months. Convention No. 168 sets a higher standard, at 50 percent replacement rate for 6 months during each spell of unemployment, or 9 months over any period of 24 months. Most countries set a replacement rate of between 50 and 60 percent. In all options, the amount of the unemployment benefit should not be less than the subsistence minimum prevailing in Georgia.

Undoubtedly, the best way to provide a secure income for persons of working age is through decent work supported by active labour market programmes and well-functioning employment services (see Box 4.1). Unemployment benefits must provide an adequate income protection; however, bearing in mind that employment is the prime objective, they should not create disincentives or barriers to employment.

After the implementation of the unemployment insurance scheme, the existing severance allowance should be scaled down to provide benefits for the involuntary unemployed persons who do not meet the qualifying period for unemployment insurance benefits. As the new unemployment insurance scheme is expected to cover a large majority of involuntary terminations of employment, the severance allowance will remain as a complementary measure.

In Georgia, the consultation and policy making process relating to a prospective unemployment insurance scheme has already started. In view of the above considerations and in consultation with the key stakeholders, three options have been formulated. Their key features are summarized in Table 4.1.

18 Convention No. 168 (Article 21, paragraph 2) enumerates a number of elements which must be taken into account in assessing the suitability of employment, including the age of unemployed persons, their length of service in their former occupation, their acquired experience, the length of their period of unemployment and the labour market situation. Recommendation No. 176 (paragraph 14) indicates the types of employment to which the concept of suitable employment should not apply.

▶ Table 4.1. Key features of the three options of the proposed unemployment insurance

	Option A	Option B	Option C
Coverage	Mandatory coverage for all employees in the private and public sectors		
Contingency and conditions	Involuntary termination of employment Able and available for work and actively searching for a job		
Qualifying period	6 months in the 12 months preceding unemployment	12 months in the 24 months preceding unemployment	12 months in the 36 months preceding unemployment
Maximum benefit duration	4 months	6 months	9 months
Benefit level	50% of the average contributory earnings	• 60% of the average contributory earnings for the first 3 months; • 40% of the average contributory earnings for the remaining 3 months	• 65% of the average contributory earnings for the first 3 months; • 45% of the average contributory earnings for the next 3 months; • The subsistence minimum for the remaining 3 months
Waiting period	7 days	7 days	7 days
Contributory earnings	Maximum: 1.5 times the national average earnings Minimum: The subsistence minimum	Maximum: 2 times the national average earnings Minimum: The subsistence minimum	Maximum: 2.5 times the national average earnings Minimum: The subsistence minimum

Source: ILO 2023.

▶ 4.2. Financing and administration

The costs of the unemployment benefits and administration should be financed collectively by contributions from employers and insured workers.

Contributions are calculated as a percentage of contributory earnings. The employers remit the contributions in respect of the employers and insured workers (usually workers' contributions are deducted from the monthly payroll) to the unemployment insurance scheme on a regular basis.

The contributory earnings are the salary of individual insured workers subject to minimum and maximum thresholds. The minimum threshold of contributory earnings is set equal to the minimum substance level. The maximum threshold (ceiling) of contributory earnings should be high enough to ensure that the unemployment benefits are adequate in relation to the previous earnings. With respect to the maximum contributory earnings, three variants have been assumed under Options A, B and C.

Similar to the case of the employment injury insurance discussed in Section 3.3 earlier, an autonomous administrative body of the unemployment insurance scheme, which is supervised by a tripartite Board and guided by the government policy, should be created. It is important that the unemployment insurance scheme should closely coordinate with the State Employment Support Agency.

4.3. Actuarial assessment of the unemployment insurance

The ILO has conducted an assessment of the financial impact of the proposed unemployment insurance scheme under the above-mentioned three options. In this assessment, the numbers of insured workers and beneficiaries, and the amounts of contributory earnings and benefit expenditure have been estimated for the 10-year period from 2023 to 2032 based on the latest statistics and actuarial assumptions. Then, the necessary contribution rates have been calculated which ensure the financial sustainability of the scheme. For the detailed explanations and results, reference is made to the companion report on the actuarial assessment of the proposed unemployment insurance scheme for Georgia.[19]

The key results of the actuarial estimate are summarized as follows:

- The estimated number of employment termination cases is around 108,500 per year on average. Of these the estimated number of involuntary cases is around 62,000 per year or 57.2 percent of the total number of employment termination cases.
- Under Option A, when the scheme is fully operational, it is estimated that about 44,700 or 72 percent of involuntary terminated members will receive the unemployment benefit for 3.05 months on average.
- Under Option B, when the scheme is fully operational, it is estimated that about 50,400 or 81 percent of involuntary terminated members will receive the unemployment benefit for 3.86 months on average.
- Under Option C, when the scheme is fully operational, it is estimated that about 57,800 or 93 percent of involuntary terminated members will receive the unemployment benefit for 4.88 months on average.

19 ILO. 2023. Strengthening Social Protection for Workers in Georgia. Report II: Actuarial assessment of the proposed unemployment insurance scheme.

Based on these actuarial estimates, contribution rates under three Options have been calculated so that the contributions are adequate to cover both benefit expenditure and administrative expenditure and that the scheme will accumulate a contingency reserve, equivalent to one year's total expenditure by the end of the 10-year projection period, to absorb the fluctuations and unexpected large number of claims.[20] The results are summarized in Table 4.2. As a percentage of the contributory earnings, the estimated total contribution rate is 1.1 percent under Option A, 1.4 percent under Option B, and 1.7 percent under Option C. These rates are to be divided equally between employers and workers.

▶ Table 4.2. Contribution rates for unemployment insurance under three options (as a percentage of the contributory earnings)

		Option A	Option B	Option C
Net contribution rate	A=B+C	**0.94**	**1.21**	**1.47**
Benefit	B	0.64	0.91	1.17
Administration	C	0.30	0.30	0.30
Contingency loading	D	0.16	0.19	0.23
Total contribution rate	E=A+D	**1.10**	**1.40**	**1.70**
Recommended rate for employers	E/2	**0.55**	**0.70**	**0.85**
Recommended rate for workers	E/2	**0.55**	**0.70**	**0.85**

Source: ILO 2023.

The actuarial valuation of unemployment insurance schemes takes into consideration the underlying assumptions concerning the employment termination and re-employment in the labour market, and the policy parameters in the design of the unemployment benefit. The relatively low contribution rates, as presented above, reflect our prudent scheme design with respect to the coverage, qualifying conditions and the benefit level and duration. When the scheme is fully operational, subject to the post-implementation review, consideration should be given to possibilities to extend the scheme coverage to the self-employed and extend the protection against loss of earnings due to partial unemployment, such as part-time workers who are actually seeking full-time work, and the temporary suspension or reduction of earnings due to short-term employment, such as casual or seasonal workers.

20 Moreover, the contribution rates were estimated under alternative assumptions to check possible errors of margin from the baseline estimate (sensitivity tests). For almost all cases, possible deviations are estimated to fit within the contingency loading. This confirms the robustness of the recommended contribution rates. For more technical details, see ILO 2023.

▶ Box 4.1. Active labour market policies in Georgia

An unemployment insurance scheme must complement measures to promote full, productive and freely chosen employment. Evidence shows that countries with functional active labour market policies linked to unemployment protection are able to reinsert workers in the labour market faster and reduce the time that they receive unemployment benefits. Furthermore, countries are better equipped to cope with shocks, as the COVID-19 pandemic, and address the decent work deficits, which primarily affect the most vulnerable, because they can rely on active labour market policies to preserve employment relationships and offer alternative jobs available immediately.

International labour standards recognize the links between unemployment protection and employment policy. The Employment Service Convention (No. 88) recognizes cooperation between public employment services and unemployment protection measures. The Employment Promotion and Protection Against Unemployment Convention, 1988 (No. 168) promotes the coordination of unemployment protection and employment policy, including employment services, vocational training and vocational guidance. The Social Protection Floors Recommendation, 2012 (No. 202) and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) also highlights the importance of linking social protection and employment policies to protect people and create exit strategies from social protection programmes and (re)insertion into the labour market.

In Georgia, following the adoption of the National Active Labour Market Policies Concept by the government in 2016, the stakeholders embarked on their implementation. At the end of 2019, the government adopted the National Strategy of Labour and Employment for 2019–2023, and the Law on Facilitating Employment in 2020.

The State Employment Support Agency of Georgia, established in 2019 and started its operations in 2020, is the key institution responsible for implementing the employment policies. Although the services currently provided by the State Employment Support Agency are still limited, the current employment policies include a wide range of interventions intended to foster the quality of workforce (e.g. short-term vocational training and retraining courses), increase labour demand (e.g. wage subsidies, job protection, internship programmes, public work programmes), and improve the job matching (e.g. career counselling and assistance, intermediary activities to facilitate connections between employers and job seekers, employment forums). Further support of the State Employment Support Agency is foreseen in the framework of the Human Capital Programme supported by the international community.

5. Conclusion

The social protection system of Georgia has a serious gap in protecting people of working age. It requires urgent action to strengthen the protection for persons in working age and their families against the risks of employment injury and unemployment. The proposed two new schemes could form an essential component of the forthcoming Social Code of Georgia.

In order to achieve a nation-wide consensus, the principles of tripartism and social dialogue must be underpinned throughout the policy-making and implementation process. The government must strengthen their policymaking capacity. Social partners should also strengthen their technical capacities to play a more active role in the social protection discussion.

To support the reform and implementation processes, the ILO stands ready to provide further technical assistance in the following areas subject to the resources available.

- (Co-)organize national dialogue with all key stakeholders to discuss the proposed measures and to build a consensus towards committed actions.
- Provide legal assistance in the benefit provisions, including the eligibility conditions, benefit formula, adjustment of benefits, and transition measures.
- Design the institutional structure of the administrative bodies of the employment injury insurance scheme and the unemployment insurance scheme.
- Support for a smooth implementation of new schemes, including
  - Conduct trainings for the staff and the Board members of the administrative bodies to effectively implement and manage the schemes.
  - Support to develop information systems for efficient administration and enforcement.
  - Disseminate the information to a wider public about their rights and responsibilities associated with the new schemes through various media in collaboration with the social partners.
- Strengthen the policymaking capacity of the tripartite partners through knowledge sharing of policy instruments and international good practices.

And in particular concerning the employment injury insurance –

- Develop benefit options and assess the contribution rate(s) of the employment injury insurance. This assistance is linked with a parallel support to improve the reporting and recording of work accidents and occupational diseases.

In view of the crucial role of the social protection system in protecting people's lives in normal times and at unprecedented shocks such as the COVID-19 crisis, Georgia should be committed to making efforts to build a system which ensure higher levels of protection. It is hoped that the proposed introduction of the employment injury insurance and the unemployment insurance in Georgia will be a first step towards a more comprehensive reform to build a shock-responsive, adequate and sustainable social protection system for all.

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Appendix

▶ Table A.1. Summary of the current social security benefits in Georgia

Risk	Scheme	Type	Covered population	Qualifying condition	Benefit amount	Financed by	Legal basis	Administered by
Old-age	Universal old-age pension (State Pension)	Universal (non-contributory, non-means-tested)	Legal residents of Georgia	Men aged 65 or above Women aged 60 or above	GEL 220 per month	State budget	Law on State Pensions (2005)	Social Service Agency
	Funded pension (supplementary pension)	Contributory (defined contribution with individual accounts)	Legally employed persons Mandatory if aged 40 years or younger Voluntary if aged 40 or above or self-employed	Men aged 65 or above Women aged 60 or above	Benefits are paid from the final balance of the individual account Benefits are paid as of a lump-sum withdrawal, a programmed withdrawal or by purchasing an annuity	Contributions: 5% or 6% of the earnings • Employee: 2% • Employer: 2% • State: 2% of earnings if lower than GEL 2,000 or 1% if greater than GEL 2,000 • Self-employed: 4% of declared earnings • State: 1% or 2%	Law on Funded Pensions (2018)	State Pension Agency The National Bank regulates the investment
Disability	Disability pension (social package)	Universal (non-contributory, non-means-tested)	Residents of Georgia	Assessed with Group I, II, III disability	GEL 220 (Group I) GEL 140 (Group II) GEL 100 (Group III from childbirth), per month	State budget	Law on Social Assistance (2006)	Social Service Agency
	Child disability benefit (social package)	Universal (non-contributory, non-means-tested)	Children aged 0–17 years	Assessed with Group I, II, III disability	GEL 220 per month	State budget	Law on Social Assistance (2006)	Social Service Agency

Risk	Scheme	Type	Covered population	Qualifying condition	Benefit amount	Financed by	Legal basis	Administered by
Survivors	Survivors' (orphans) benefit	Universal (non-contributory, non-means-tested)	Children aged 0–17 years	One or both parents deceased	GEL 100 per month (up to GEL 144 for certain veterans)	State budget	Law on Social Assistance (2006)	Social Service Agency
Sickness	Temporary cash sickness benefits	Employer liability	Employed persons	Certified as temporary incapable for work after medical examination	100% of the previous salary for up to 30 days (with a possible extension)	Employers	Ministerial Order No. 87/n on the Approval of the Allocation and Provision of Aid due to Temporary Disability (2009) and Ministerial Order No.281/n on Temporary Incapacity Appraisal and Rules for Providing Sick-Leave Certificate (2007)	Employers directly pay benefits to employees
Employment injury	Employment Injury insurance (not yet implemented)	Employer liability	Employed persons	Workers suffering work-related injuries and illnesses including occupational diseases No minimum qualifying period	Full compensation for medical costs Amount of permanent disability pension not yet defined	Compulsory insurance through private carriers	Labour Code, Chapter VIII (2013) Law on Occupational Safety (adopted in 2018, but not yet implemented)	Supervision provided by the Labour Conditions Inspection Department of the Ministry of IDPs
Unemploy-ment	Severance pay (termination of employment)	Employer liability	Persons employed in arduous professions defined by law/regulation (Decree No. 381)	Workers whose employment contract is terminated	One-month salary with at least 30-day prior notification Two-month salary with at least 3-day prior notification	Employers	Labour Code, Articles 47 and 48 (2013)	Employers directly pay benefits to employees

Risk	Scheme	Type	Covered population	Qualifying condition	Benefit amount	Financed by	Legal basis	Administered by
Maternity	Maternity benefit (civil servants)	Employment related	Women civil servants	Certified as pregnant or adopting a newborn	100% of salary for six months, and two-year unpaid leave	State budget (as the employer)	Law on Public Service	State pays paid-maternity leave to women civil servants
	Maternity benefit (private sector)	Employment related	Women employed in the private sector and public-sector workers who are not civil servants	Certified as pregnant or adopting a newborn	A lump sum equal to six months (183 days) salary with a maximum of GEL 1,000.	State budget	Labour Code, Chapter VI (2013)	Employers must apply to the Social Service Agency
Family benefits	Child benefit	Non-contributory, means-tested	Children aged 0–15 years	Living in a household with proxy means test score of 100,000 or less	GEL 50 per month	State budget	Law on Social Assistance (2006)	Social Service Agency

Source: ILO 2020 with modifications.

This report analyses the key challenges of the current social protection system of Georgia and presents reform options to strengthen the social protection for persons in working age and their families. The report proposes that Georgia should consider reintroducing social insurance schemes against employment injury and unemployment.

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ILO Office for Central and Eastern Europe
14 Mozsár utca
H–1066 Budapest
Hungary