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A Profile of Informal Employment: The Case of Georgia

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Foreword

This report is the first of a series of papers that were commissioned under the auspices of the ILO Inter-Sectoral Task Force on the Informal Economy in preparation for the general discussion on the informal economy at the 90th International Labour Conference (ILC) in Geneva in June 2002. The papers in this series include studies of regional trends, selected country level studies and thematic investigations at the global level. Most of them seek to identify new trends and patterns that have emerged over the last several years and to go into more depth regarding the factors underlying the continuing growth of the informal economy, not only in developing countries, but also in advanced countries and countries undergoing transition. Particular attention has been paid to the impact of globalization, liberalization, privatisation, migration, industrial reorganization and macro-economic policies prompting these trends.

The present paper, "A Profile of Informal Employment in Transition: The Case of Georgia", has been prepared by Sabine Bernabè, London School of Economics. It highlights the massive changes that have taken place in the labour market situation in Georgia, one of the poorest of the newly independent countries of the former Soviet Union. Accompanying the informalization of employment has been a comparable reduction in social protection. The increase in poverty levels is underlined by the fact that a large number of pensioners engage in informal employment to make ends meet. Subsistence agricultural production on small plots of land is one of the most important forms of informal employment. The paper also attempts to advance the concept of the 'informal sector' by focussing on informal activities rather than units (i.e. enterprises).

The reader will observe that nearly all of the papers in this series attempt to tackle the problem of conceptualising the informal sector. The development of a conceptual framework for the International Labour Conference report was carried out at the same time as the production and finalization of the papers included in this series. As such it was not possible to agree in advance upon a single concept for use by the authors of these papers.

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Executive Summary

Since the break-up of the Soviet Union over a decade ago, the Newly Independent States (NIS) have seen a growing informalisation of their labour markets. Preliminary evidence suggests that Georgia has one of the largest informal economies in the region, which accounts for up to 65% of GDP (EBRD,1999; Kaufmann and Kaliberda, 1996). The growth of informal employment has largely been a result of a contraction of both private and public income. On the one hand, the collapse in output and large-scale privatisation resulted in a severe fiscal crisis, crippling the Government's ability to provide social security and contributing, amongst other things, to the informalisation of payments for social services. On the other, it resulted in a contraction of formal employment and a reduction in real wages. With no private income from employment and no state social safety net, people have resorted to a variety of informal, low-skilled, precarious activities to survive.

This paper provides a profile of informal employment in the Republic of Georgia based on the analysis of the Georgia Labour Force Survey data (1998, 1999). It begins with a review of the definitions used in the existing literature in developing countries, Western industrialised countries, the Soviet Union and transition countries, and shows that there is no agreement on what constitutes the informal sector. Moreover, it reveals that, in transition countries, the term 'informal sector' (or economy) has been used to describe a wide variety of activities, which have very little in common with each other, such as subsistence agriculture, barter, petty trade, corruption, the stealing of state property, bribery, tax evasion, and organised crime. We build on the conceptual frameworks of Bernabè (2002a) and Hussmanns (2001), which isolate 'informal' from 'underground' activities and provide a structure for the analysis of informal employment. In particular, they enable the distinction between employment in *the informal sector*, which only includes employment in certain types of household enterprises, and *total informal employment*, which includes all informal employment regardless of the units in which it takes place.

The results reveal that the majority of Georgians are informally employed. Moreover, the analysis highlights that there is a dual dimension to employment in Georgia. On the one hand, there are the formally employed. These are paid employees, working for the State in urban centres. Such employees tend to have higher education and they are generally middle-aged. On the other hand, there are the informally employed. These are largely self-employed living in rural areas, working both in agriculture and other sectors; they have lower levels of education and also include significant proportions of pensioners and youth. The findings also suggest that informal employment could be a rational coping strategy in the absence of formal jobs and social security. More than one quarter of pensioners engage in informal employment, and one third of workers with higher education are either own-account agricultural workers or informally employed. Moreover, Georgia's poorer regions have higher shares of informal employment.

However, there is a risk that informal employment may be contributing to deskilling the labour force, as we find that a significant share of those with higher education are either unemployed or employed in low-skilled, informal jobs. Finally, there is almost no formal, private sector employment in Georgia, and the little that there is consists of registered agricultural own-account workers. These findings seriously question the success of the transition process and of the labour market models which predicted that privatisation and restructuring would result in the creation of a private sector labour market similar to that of Western market economies.

1. What is the informal sector?

There is no consensus over what constitutes the 'informal' sector. Over the past 30 years, the term has been used in developing, industrialised, centrally-planned and transition countries to analyse a wide spectrum of activities that escape taxation and registration. It has been used to describe such diverse activities as street vending, hawking, undeclared domestic work, barter, stealing public property, corruption, tax evasion, the Mafia and organised crime.

1.1 Concepts and definitions in developing countries

In developing countries, the term 'informal sector' has broadly been associated with unregistered and unregulated small-scale activities (enterprises) that generate income and employment for the urban poor. There have been two parts to the informal sector debate in developing countries: the first, which dominated the 1970s and 1980s, focused on the informal-formal sector relationship, while the second, which took off in the late 1980s in Latin America with the publication of de Soto's work on Peru (1989), is concerned with the underlying causes of the informal sector.

Relationship with the formal sector: dualism or continuum?

The first part of the debate is essentially between those who support the 'duality' approach', and argue that there are two distinct urban economies (the poor/informally unemployed vs. the rich/formally employed), and those who see these as two aspects of the same, single, capitalist economy. **The dualist model** was largely developed by the International Labour Office (ILO)[1] in its 1972 report on income and employment in Kenya, which concluded that there existed a marginal, poor, 'informal', sector of the economy, which produced goods and created employment and income for the poorest of the poor (ILO, 1972). The ILO's interpretation focused on units (or enterprises), which were defined in contrast to formal ones through seven distinguishing characteristics. Thus, for instance, whereas formal enterprises were characterised by large-scale production, incorporation, and the use of capital-intensive technology, informal enterprises involved small-scale production, family ownership, and labour intensive technologies (ILO, 1972, p.6). An alternative dualist interpretation of the informal sector was offered by PREALC, ILO's World Employment Programme in Latin America. PREALC also viewed the informal sector as a marginal, unprotected sector of the economy in which people survive. However, in contrast to ILO's focus on the enterprise, PREALC concentrated on income and the labour market (Souza and Tokman, 1976, pp. 356-357). Similarly, Mazumdar bases his dichotomy on the labour market rather than the enterprise and distinguishes between informal, 'unprotected' urban labour and formal, 'protected' urban labour (Mazumdar, 1976). Finally, other dualist approaches have defined informal activities in terms of their position vis-à-vis state protection (Weeks, 1975).

Critics of the dualist model have argued that formal and informal activities are not separate and independent, but rather parts of one overall capitalist system in which informal activities are subordinate to, and dependent on, the formal sector. The Marxist critique, for instance, does not recognise the informal sector as a valid analytical concept. Instead, it suggests the use of the term 'petty commodity production' to refer to these activities, which exist at the margins of the capitalist mode of production but are integrated into and subordinate to it (Birkbeck, 1979; Bromley and Gerry, 1979; Moser, 1994; Portes, 1978;

[1] The first to use the term 'informal sector' was anthropologist Keith Hart to describe urban self-employment in Ghana (Hart, 1973).

Portes, Castells, and Benton, 1989; Portes and Schauffler, 1993). MacGafee, for instance, argues for the introduction of a new conceptual framework, that of the 'real economy', which recognizes the informal-formal continuum and includes the totality of economic activity, and not just its component parts (MacGaffey, 1991, p.7).[2]

In an attempt to reconcile the two interpretations, both Sethuraman (1981) and Thomas (1995, p.34) argue that the concept of dualism does not necessarily deny the presence of interdependence. In fact, as Moser suggests, the debate is not so much on whether or not the informal sector is independent, but on the nature of the formal-informal relationship. Where the dualist approach assumes a benign relationship and therefore advocates the development of closer links through subcontracting and credit, the petty-commodity production school assumes the relationship is exploitative and consequently advocates an increased autonomy of petty commodity production and cutting the links with large-scale capitalist enterprises (Moser, 1994, p.12).

The causes of the informal sector: excessive regulation or poverty?

Much of the debate on the informal sector in the past decade focused on its causes: is the informal sector a result of rural-urban migration and urban poverty or of excessive regulation, taxation and a heavy state bureaucracy? The ILO and PREALC schools of thought emphasise the survivalist nature of informal activities, arguing that poverty is the cause of the informal sector. In their view, activities are undertaken as an alternative to open unemployment since, in the absence of social security benefits, individuals cannot afford to be unemployed (Souza and Tokman, 1976, pp.355-356). Informal activities are seen as marginal, and workers are vulnerable, as they are unprotected by labour laws. Some have emphasised the 'discrete logic of production', which differs from that prevailing in the formal economy, in that 'the accent is on employment generation and not on seeking suitable investment opportunities for the sake of realising a return on investment' (Guerguil, 1988, p.60; Sethuraman, 1981, p.16).

On the other hand, de Soto argues that the informal sector is a result of excessive regulation and the state bureaucracy (de Soto, 1989). The informal sector is comprised of 'potential entrepreneurs' who are forced to operate illegally because of flaws in the tax system and in other laws and regulations. This view of an informal sector resulting from excess taxation and regulation has been the basis for numerous studies of the informal sector in Latin America in the past decade (Castells and Portes, 1989; Loayza, 1997; Portes et al., 1989).

As highlighted by many (Guerguil, 1988; Thomas, 1992), these two approaches essentially define two different groups of activities. In the ILO/PREALC approach, illegality may be a related characteristic of informality, but it is not the basic defining one, whereas in the de Soto approach illegality is the basic defining characteristic whereas the 'production rationale' of informal enterprises is identical to that of formal ones.

[2] MacGaffey suggests that the real economy should consist of 'the recorded economy, that is, all economic activities that are recordable and reported and that are gathered by statistics; the non-monetised economy that is, all activities concerned with the non-monetised production for self-consumption; and all the remainder, which is monetised (though operating with a variety of currencies and also through barter), unrecorded, and, because it is more or less legal, inadmissible (MacGaffey, 1991, p.10).

1.2 Concepts and definitions in Western industrialised countries

Whereas in developing countries the debate on the informal sector has been mainly conceptual, in Western industrialised countries, it has been methodological, focusing principally on measurement techniques. However, although there is general agreement over what constitutes the informal sector, there is no agreement over what to call it; the terms 'informal' 'black', 'underground', 'unrecorded', 'hidden', 'shadow' 'irregular', 'subterranean' and 'parallel', economy have all been used to essentially describe the income which escapes taxation and/or GNP estimates. There have been two main **'income-based' definitions:** (1) the national production or income that is missed by the statistical offices when they calculate the value of national product; and (2) the revenue not reported to or discovered by the tax authorities, which is produced in underground activities (Tanzi, 1999, p.344)[3]. On the one hand, Tanzi, Macaffee and Feige define the 'underground', 'unobserved' or 'hidden' economy as the GNP that is not measured by official statistics because of unreporting and/or underreporting (although Feige also includes activities which escape registration due to convention - e.g. household activities) (Feige, 1983, 1979, 1980; Macaffee, 1982; Tanzi, 1982; 1983). On the other, Gutmann defines it as 'the economic activity or transactions that escape taxation' (Gutmann, 1979, p.14).

Others, such as Dallago (1990) and Thomas (1992; 1995), have used a definition of the 'irregular' economy based on **legal status** rather than income. Dallago, for instance, defines the 'irregular' economy as activities which are *"deliberate attempts to evade or avoid the rules (laws, regulations, contracts and agreements) that apply to a particular context, the purpose being to achieve a goal that is permitted, tolerated, or at any rate not explicitly condemned in the economic system concerned"* (Dallago, 1990, p. XVIII).

The core of the debate in Western industrialised countries has been on empirical methodologies. Apart from a few direct methods (such as the tax auditing approach), most methods used have been indirect (i.e. using available statistics). There have been three main approaches: monetary, expenditure-income discrepancy, and employment census methods.

Monetary approaches, which have been the most common, are based on the Cagan (1958) *currency-ratio method*, which assumes that transactions in the underground economy are conducted in cash and that changes in the ratio of currency to money supply could partly be explained by changes in the size of the underground economy. Gutmann (1977; 1983), elaborates the model and develops the *currency demand deposit method*, based on the assumption that there exists a base period in which little subterranean activity existed, and attributes changes in the ratio of currency to demand deposits to changes in the level of subterranean activity (Gutmann, 1977, p.27). Feige and Tanzi also use similar methods. Feige develops the *transactions-ratio method*, which assumes that not only cash, but also cheques are used in the irregular economy, and compares GNP derived through an estimate of total transactions, to official GNP to arrive at an estimate of the underground economy (Feige, 1979). Tanzi combines *regression analysis and the currency-deposit method* to estimate the size of the US underground economy (Tanzi, 1983, p.290).

Finally, two other, less common, empirical methods have been used. The **expenditure-income discrepancy methods** derive the size of the underground economy by comparing production and consumption data, either at the national or household level (Macaffee, 1982,

[3] These two approaches do not necessarily measure the same thing. It is possible to have a lot of tax evasion without understating GDP as these two things may be measured in completely different ways (Tanzi, 1999).

p.148). The **employment census methods** compare the official rate of employment and the employment rate as calculated by other means, such as by using national accounts data (Hayes and Lozano, 1998). What is worrying is that these methods give considerably different estimates of the underground economy. Frey and Pommerehne find that in the United States, the underground economy estimates for 1976 range from 4% of GNP if one uses the income-expenditure discrepancy approach to 22% if the transactions method is used (Frey and Pommerehne, 1982, p.18).

1.3 Concepts and definitions in the Soviet Union

The informal economy in transition countries is not new. There has long been a parallel, private, unregistered and untaxed part of the economy, which during the Soviet period was referred to as the 'second economy'. It was Grossman who was largely responsible for spreading the term 'second economy' which he defined as comprising 'all production and exchange activity that is either for private gain, or in knowing contravention of existing law (Grossman, 1977, p.25). Others have adopted definitions based on ideology. Los defines it as *all areas of economic activity which are officially viewed as being inconsistent with the ideologically sanctioned dominant mode of economic organisation* (Los, 1990, p.2; Shelly, 1990, p.12).

Thus, some second economy activities were legal, but ideologically unacceptable and therefore officially discriminated against, while others were clearly illegal. The most common **legal second economy** activity was the cultivation of private 'garden' plots. Private agricultural production was permitted not only for farmers who worked on collective or state farms, but also for many workers of industrial and other enterprises, including those in urban areas who were allocated plots outside the city limits on which they could build their *dachas* (summer houses) (Braithwaite, 1994, p.6; Grossman, 1982, p. 256). Numerous studies have highlighted that private plot production was an important source of additional income, especially as it was often sold (illegally) on the black market (Grossman and Treml, 1987). **The illegal second economy** consisted of four types of activities: (1) stealing from the State, (2) speculation, (3) illicit production and (4) underground enterprises (Grossman, 1982, p.249). Stealing from the State, which involved stealing anything from enterprise light bulbs to output, was widespread. Grossman relates:

> *"All sources agree that it is practised by virtually everyone. All also agree that the public takes it for granted, attaches almost no opprobrium to it - and on the contrary, disapproves of those who do not engage in it - and sharply distinguishes between stealing from the state and stealing from private individuals"* (Grossman, 1982, p.249).

Apart from the stealing of state property, it also included so-called *left hand work*: the earning of informal income during formal working hours, using state tools, equipment and means of transport (Simis, 1982, p.261). Left hand work was widespread and considered a normal aspect of working life. Both Simis and Kurkchiyan illustrate it with the example of bus drivers in Georgia and Armenia, respectively, who, with the tacit approval of passengers and employers, derived their main source of income not from their official wages, but from pocketing fees and not issuing tickets to passengers (Kurkchiyan, 2000, p.86; Simis, 1982, p.265). The official economy served to provide a basic standard of living, while the second economy complemented it, ensured a principal source of income and provided a reasonable lifestyle for the population (Kurkchiyan, 2000, p.86).

Another illegal second economy activity was *speculation*, which was essentially black market trading. As Grossman relates: *"given the invariable maldistribution by the State of goods over time and space and chronic shortages of many items in the USSR, the opportunities for black market trading for profit are nearly unlimited"* (Grossman, 1982, p.251). A third was *illicit production* (or moonlighting). This was production which took place for private gain outside official working hours (as opposed to left-hand work which took place during working hours). 'Moonlighters' were referred to as *'shabashniki'*, and were typically men who worked in construction trades or as agricultural workers on state and collective farms. *Shabashniki* accounted for more than half of the construction workers in some regions of the USSR (Shelly, 1990, p.16).

A final group of illegal second economy activities was that of *'underground enterprises'*, or formal enterprises that were simultaneously involved in anything from small-scale "plan manipulation" to large-scale illegal production. Berliner argued that the main motivating factor for a Soviet manager was not the wage, but the 'premium', a bonus paid in return for fulfilling the planed output target, which often led to a behaviour which was contrary to the interests of the State. Managers thus inflated statements of material requirements, arranged to have the firm's output plan set at a level well below capacity, produced the wrong assortment of products, falsified accounts, lowered the quality of the output and, misappropriated funds (Berliner, 1952, pp. 348-356). These techniques were also used for widespread parallel, illegal production for private gain. Through their study of a Georgian biscuit factory, Mars and Altman found that similar techniques were used and that the extra produce was then sold by "making a deal" with the retailer, who would sell them in shops next to the "official produce" and share the profits with the factory managers (Mars and Altman, 1987, pp.201-205). Another common example of illicit production in state enterprises was the hiring of so-called 'dead souls' (or 'ghost workers'). These workers took on a second job but never appeared at their place of work and then shared their secondary wages with those who hired them (Shelly, 1990, p.17).

Finally, *corruption* has also been included in the study of the second economy, either as an integral part of it or as a closely related activity. Grossman identifies three types of corruption: the daily "petty bribing" of Soviet authorities, and particularly of law enforcement officials; the tradition of *prinosheniye* (literally "bringing to") which involved the regular bringing of valuable gifts to one's supervisors; and the purchase of lucrative official positions (Grossman, 1982, pp.251-252). Another widespread form of corruption was *'blat'*, or the use of personal influence to obtain favours to which a person or firm was lawfully entitled. Berliner argues that *blat* was common in all aspects of firm's activity, and that its need was so great that special people were hired, the so-called *'tolkach'* ('pushers'), who were responsible for 'pushing' for the firm's interests (Berliner, 1952, pp.356-358).

The second economy was heterogeneous and pervasive; it involved everyone, from the top government official to the poorest citizen. As we will see below, many have argued that it is the legacy of the second economy and, more specifically, of the incentive structures that dominated it, which has created such an extensive underground and informal economy during the transition period and which is responsible for the failure of formal economic policies.

1.4 Concepts and definitions in countries in transition

In the past ten years, since the break-up of the Soviet Union, the informal economy in countries in transition has increasingly become the focus of both policy and academic

research (Anderson, 1998; Braithwaite, 1994; Commander and Tolstopiatenko, 1997; EBRD, 2000; Kaufmann and Kaliberda, 1996). This is the result of a growing concern with corruption, tax evasion and crime as well as with an unprecedented increase in poverty and inequality. Given this wide spectrum of concerns, studies of the informal economy have used a variety of definitions depending on the aspect they are addressing. The informal economy has included everything from tax evasion, corruption, money laundering and organised crime, to the bribing of officials, subsistence farming, barter, and petty trade. Moreover, the term has been used interchangeably with 'unofficial', 'hidden', 'underground' and 'shadow' economy.

Studies of the informal economy in transition can broadly be grouped into three groups, depending on the issues they are addressing. **The first group** consists of those whose aim has been to understand how people survive during the transition period, given the collapse of real wages and persistent arrears in their payments. In these studies, the informal economy (or sector) is essentially the set of survival strategies. For example, Johnson, Kaufmann and Ustenko identify six types of survival strategies used, which they also refer to as 'informal activities': (1) having another job; (2) using a dacha or other plot of land to grow food; (3) working as private taxi driver; (4) renting out one's apartment; (5) business trips abroad (to purchase goods for resale), and (6) renting out one's garage (Johnson, Kaufmann, and Ustenko, 1997, pp.185-186). Clarke (1999a; 1999b; 1999c) defines the 'informal sector' as including unregistered primary and secondary employment (including small-plot agricultural production), but argues that in fact it has not provided a social safety net during the transition period in Russia, as informal work is more of 'an additional security for those who are already well placed to weather the storm' (Clarke, 1999b, pp. 20, 33).

Others have adopted the traditional ILO definition of the informal sector. Anderson defines the Mongolian informal sector as 'small-scale, usually family-based, economic activities that may be undercounted by official statistics and may not be subject, in practice, to the same set of regulations and taxation as formal enterprises' (Anderson, 1998, p.2). Analogous approaches have looked at the role of informal social networks and informal transfers in providing a social safety net during transition (Barberia, Johnson, and Kaufmann, 1997; Yakubovich, 1999).

The second group of informal sector studies consists of those which have analysed the transformation of the Soviet second economy into the present informal economy. Their focus has been on the impact of the Soviet second economy on the scope and character of the informal economy during transition. These definitions are much broader, including a wide spectrum of activities from barter, to survival activities, left hand work, bribery, corruption, money laundering, tax evasion and corruption.

Kurkchiyan includes 'tax evasion, stealing from employers, illegal contracts, bribing politicians and officials, money laundering and so forth' (Kurkchiyan, 2000, p.96). Gaddy and Ickes (1998, p.2) adopt an equally broad definition, including 'barter, tax offsets and survival activities'. Others, such as Braithwaite (1994) and Sik (1992) argue that the second economy definition still holds, as most private activities have an uncertain legal status. Braithwaite includes 'all activities outside the state sector undertaken for private gain and/or unregistered for taxes, etc., with the authorities', while Sik uses the lack of regulation as the main defining criterion. Finally, Feige defines 'underground economies' as 'non-compliant behaviour with institutional rules', and suggests there are a multitude of underground economies, depending on the institutional rule being violated: 'unreported' economies when fiscal rules are violated,

'unrecorded' economies when income-producing activities are concealed from national accounting, and 'illegal' economies, when the criminal laws are violated (Feige, 1997, p.25).

Most of these studies argue that transition policies have not been successful because they have failed to recognize that the existing incentive structure is in fact a product of the Soviet 'second economy'. Feige (1997) propounds that formal policies have failed because they are based on the incentive structure of formal institutions, whereas the dominant incentive structure is that of informal institutions, which are a result of the Soviet system of non-compliance. Kurkchiyan makes a similar point, and argues that the new market economy may officially be the product of the legislative reform, but that behaviour is in fact dominated by the informal sector, which today accounts for the largest share of the total economy (Kurkchiyan, 2000, pp.93-97). Similarly, Gaddy and Ickes also argue that the legacy of the Soviet incentive structure, which dominates 'informal activities', is responsible for the failure of enterprise restructuring in Russia, and the emergence of a dual economy (Gaddy and Ickes, 1998, p.2).

Ledneva provides specific examples of second economy practices which have persisted through the transition period and become core parts of the informal economy, such as *blat* (the use of personal networks in order to obtain goods and services in short supply or to influence decision-making), and *pripiski* (false reporting) (Ledeneva, 2000, p.7). Similarly, Birdsall argues that 'covert-earning schemes' (or in other words 'left-hand work') which are carried out alongside the worker's official responsibilities continue to be a widespread means of making ends meet during the transition period (Birdsall, 2000, p.1).

The third group of studies of the informal economy in transition countries has focused on the measurement of unrecorded GDP and/or tax evasion. The definitions used have generally been narrower, although they tend to include both survival activities and large-scale tax evasion. Kaufmann and Kaliberda define the 'unofficial' economy as *the unrecorded value added by any deliberate misreporting or evasion by a firm or individual* (Kaufmann and Kaliberda, 1996, p.2). They use a *'macro-electrical approach'*, first applied by Dobozhi and Pohl (1995) to estimate its size in the countries of Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS).[4] Commander and Tolstopiatenko also use the non-payment of taxes as the basis for their concept of the informal sector, and suggest that the informal sector is comprised of private activities that are largely untaxed, while the 'formal' sector consists of state activities that deduct payroll taxes (Commander and Tolstopiatenko, 1997, p.4). Finally, Lackó presents an alternative to the Kaufmann and Kaliberda model, by using household electricity consumption (as opposed to *total* electricity consumption) to estimate the size of the underground economy.[5] Like Kaufmann and Kaliberda, she adopts a definition of the 'underground' economy which includes 'activities that are assumed to be measured but escape official registration or measurement' (Lackò, 2000, p.199).

In conclusion, it is clear that there is no consensus over what constitutes the informal sector (economy) worldwide. In developing countries, the term has largely been associated

[4] They compare the level of income that should have been produced given the total level of electricity consumption, to official measures of national income. In 1994, the unofficial economy accounted for approximately one quarter of GDP in CEE countries and one third in the CIS, reaching 65-70% of GDP in Georgia (Kaufmann and Kaliberda, 1996).

[5] Her estimates are slightly more conservative than those of Kaufmann and Kaliberda, with the Czech Republic and Slovenia having 22-23% of their national income 'unreported' while Ukraine and Georgia had unofficial economies accounting for 53% and 57% of GDP, respectively.

with small-scale, urban enterprises and the main policy and research question has been the extent to which these are marginal, 'survival activities' or 'potential capitalist enterprises' being oppressed by excessive bureaucracy and regulation. In Western industrialised countries, the term has been used to describe all income that escapes taxation and/or GNP estimates, while in the Soviet Union, the corresponding 'second economy' referred to the private, and often illegal, activities, which were inconsistent with the dominant ideology. In addition, there is much confusion as to what constitutes the 'informal economy' in transition countries. As illustrated in this brief review of existing literature, the term has been used to describe an extremely wide spectrum of activities, which do not necessarily have much in common. Such a broad term is not particularly useful for policy purposes and, therefore, a new conceptual framework is needed to distinguish between these different activities.

2. The conceptual and operational framework

2.1 Why is a new definition of informal employment needed for countries in transition?

As we have seen, the term 'informal sector' has been widely used in transition countries. However, its meaning is far from clear. Whereas within other regions there is a general understanding of what is meant by the 'informal sector', in transition countries each individual piece of research has simply used the term to define its own particular area of interest, thereby giving rise to a wide variety of definitions.

In an earlier paper[6], I argue that although there is no need for a unique definition of the informal sector *per se*, for policy purposes it is important to distinguish small-scale income and employment-generating activities, which are undertaken to meet basic needs in the absence of formal employment opportunities and social protection, from those which are deliberately concealed from the authorities for the purpose of evading taxes or not complying with certain regulations. These activities raise different (and at times conflicting) policy issues. On the one hand, small-scale income-generating activities raise issues of poverty, employment and labour market regulation. On the other, large-scale tax evasion and organized crime undermine the legal system and, by eroding its revenue base, hinder the Government's ability to manage the economy and provide a social safety net. It is important to distinguish between these two concepts in order to ensure, for instance, that policies aimed at 'eradicating' the informal sector, to improve public finance or law and order, do not have damaging implications for livelihoods.

Others have made similar calls for making a distinction between informal and underground activities (ILO, 1993b; Organisation for Economic Co-operation and Development, 1997; Thomas, 1992, 1995). The European Bank for Reconstruction and Development (EBRD) differentiates between 'informal work undertaken to maintain subsistence levels' and 'informal labour motivated by market incentives such as tax evasion or the business environment' (EBRD, 2000, p.102).

The concept of the informal 'sector' should not be limited to small-scale enterprises, but should also include other forms of precarious, unprotected employment such as 'under-the-table' paid-employment, casual and temporary employment, and contributing family members working 'for free'. Similarly, Hussmanns argues that a distinction should be made between

[6] This section makes extensive use of arguments developed in Bernabè 2002a.

the enterprise-based concept of the 'informal sector', and the labour-based concept of 'informal employment', which in addition to 'informal sector' employment includes small jobs, casual work, precarious employment, unpaid family work, piece-rated work and outwork (Hussmanns, 2001, pp.1-2).

Therefore, a conceptual framework is needed which is based on 'activities'[7] instead of 'units' (i.e. 'enterprises') and distinguishes between informal activities undertaken to meet basic needs and underground activities deliberately concealed from the authorities for the evasion of taxes and regulation. A definition of the informal sector based on activities rather than units means that all individuals who engage in such activities are considered informally employed, regardless of the units in which these activities take place, thereby also including those who are precariously employed in 'formal sector' enterprises.

2.2 The conceptual framework

The conceptual framework (Bernabè, 2002a and Hussmanns, 2001) distinguishes between four types of unregistered, unmeasured and/or unregulated activities: household, informal, underground and illegal activities. Informal activities are defined as *'productive economic activities, which fall within the SNA (1993) production boundary*[8] *and are unmeasured, untaxed and/or unregulated, not because of deliberate attempts to evade the payment of taxes or infringe labour or other legislation, but because they are undertaken to meet basic needs'.*

This conceptual definition can be used to analyse informal employment and to develop a **typology** of informal employment for countries in transition. The typology consists of individuals whose status in either their primary or secondary job is one of the following: (1) own-account workers and employers in household enterprises; (2) (unpaid) contributing family workers; (3) non-regular employees; (4) others casually, temporarily or seasonally employed, and (5) employees engaging in left-hand work (or the earning of informal income at the formal workplace).[9]

In order to operationalise this definition, proxies are used for 'non-regular employment' and for 'household enterprise'. First, 'oral agreement' is used as a proxy for 'non-regular

[7] The term 'activities' is used here in the sense of economic activities as in the SNA (1993) and the 'International Standard Industrial Classification of All Economic Activities (ISIC) (ILO 1989).

[8] The System of National Accounts production boundary defines all activities which are to be included in estimates of GDP (Commission of the European Communities - Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and World Bank, 1993).

[9] Self-employment in household enterprises corresponds to self-employment in the traditional ILO 'informal sector'; these are 'informal own-account workers' or 'informal employers' (ILO, 1993b). However they also include those engaged in the production for own consumption, which are not included in the ILO definition. Non-regular employees are employees who do not have a 'regular' status as defined by the 'International Classification of Status in Employment' (ICSE). 'Regular' employees are those who have 'stable contracts for whom the employing organisation is responsible for payment of relevant taxes and social security contributions and/or where the contractual relationship is subject to national labour legislation' (ILO, 1993a, par.8, 9). For similar reasons, contributing family workers (who, by definition, are not paid monetary wages) and casual, temporary employees cannot be considered 'regular employees'. Finally, left-hand work refers to the earning of unregistered income at the formal workplace during formal working hours, and as previously mentioned research has shown that left-hand work is still a widespread means of making ends meet in transition countries (Birdsall, 2000). It can be considered an 'unregistered' secondary job. However, left-had work is very difficult to operationalise for quantitative analysis.

employment'.[10] Second, location is used as a proxy for 'household enterprise'.[11] Own-account workers and employers in household enterprises include: (1) own-account workers or employers whose business is located at home, outside home, in a street booth, on a construction site, in a market place, at a customer's home or in a non-fixed location; (2) own-account workers or employers whose business takes place in a factory, office, establishment, shop, workshop, etc., which is independent from the home and is not registered; and (3) own-account workers or employers working on their own or rented plot of land, in agriculture, either in an urban area or in a non-registered rural enterprise.[12]

Moreover, left-hand work is omitted, as it is problematic to operationalise. Not only are there no questions in the Georgia Labour Force Survey that would permit to identify individuals engaging in informal income-earning activities at the formal work place, but also, even if there were such questions, responses may not be reliable, as individuals are likely to be reluctant to disclose such information.

Therefore, the operational definition adopted for the analysis of informal employment in Georgia is the following: (1) *informal self-employed* (own-account workers and employers working in household enterprises); (2) *contributing family workers;* (3) *informal employees* (employees with oral agreements, and employees employed casually or temporarily), (4) *other informals* (including members of producers co-operatives, working either casually, temporarily or in typically informal activities);[13] and (5) *informal secondary jobholders* (workers with formal primary jobs and informal secondary jobs).

Hussmanns proposes a conceptual framework for the analysis of informal sector employment (as defined by ILO, 1993b) and total informal employment. As we have seen, the ILO has traditionally defined the informal sector in terms of characteristics of enterprises. Informal enterprises are a subset of household unincorporated enterprises with certain

10 In many transition countries, including Georgia and Russia, oral employment agreements are illegal and those employed under such agreements have no protection under the labour code (Clarke, 1999c, p.8). Moreover, employment based on an oral agreement is unregistered and therefore employers will not pay any of the taxes and social security payments required by the law.

11 Location is used as a proxy for household enterprises instead of registration (as per ILO, 1993b) because the question on registration in the Georgian Labour Force data is not particularly meaningful. Over 90% of own-account workers said they were 'registered'. However, qualitative research and anecdotal evidence suggest that this may refer to the payment of some kind of local licence fee (to obtain a permit to sell in a market for instance), or to the payment of bribes to local police, sanitary inspectors, tax inspectors, and local racketeers. However, in none of these cases does it refer to registration under national legislation as per ILO (1993b). The ILO also suggests identifying informal (household) enterprises by the number of employees (less than 4 - which is generally the lowest number used in such cases). However, this is also inappropriate, as over 97% of own-account workers and employers work in enterprises with less than 4 people, and it could be argued that this would also include professionals (doctors, lawyers, accountants, etc.) who could have relatively high incomes and intentionally conceal their activities to avoid the payment of taxes.

12 The registration criterion is used for employers and own-account workers working in 'non-household' locations such as offices, factories, establishments, etc. (although they only represent 0.03% of total employment). Registration is also used to identify informal rural agricultural own-account workers and employers. This is because the data suggests that agricultural workers who say their enterprise is located 'at home' rather than 'on a plot of land' are less likely to be registered. This suggests that these could be smaller, subsistence 'garden plots'. We also include own-account workers and employers engaging in urban agriculture for similar reasons.

13 Members of producers' cooperatives and those with unidentified status in employment are not asked about the location of their work. We therefore use casual/temporary employment as criteria and check whether they are involved in activities or occupations for which more than 50% of workers are informal. This group represents a very small share of total employment. Overall, others informally employed account for only 0.8% of total employment.

characteristics. Informal sector employment comprises all persons employed in informal sector enterprises. Total informal employment comprises informal sector employment plus others informally employed, which encompass: (1) contributing family workers; (2) employment in production for own final use; and (3) employees whose *employment relationship is not subject to standard labour legislation, taxation, social protection, etc. because the employee or job is not declared, the job is casual or of limited duration, the hours of work or wages are below a certain threshold, the employer is a person in a household, or the employees' place of work is outside the premises of the employer or customer* (Hussmanns, 2001, p.5).

He presents a matrix, replicated below, which explains the relationship between total informal employment and informal sector employment. Individuals can be classified according to the type of enterprise in which they are employed and their job status. Matrix cells shaded in black refer to jobs, which by definition do not exist in the sector in question. Matrix cells shaded in grey refer to jobs which are found in the sector but which are not relevant in this context. The remaining, un-shaded matrix cells refer to groups of jobs that represent different segments of employment in the informal sector and/or informal employment. Thus, total informal employment (the total number of informal jobs or the total number of persons engaged in informal jobs during the reference period)[14] is the sum of cells 1-4 and 6-8. Employment in the informal sector is the sum of matrix cells 1-5 (Hussmanns, 2001, p.6).

[14] For the purpose of analysing the characteristics of the informally employed in the following section, we will consider informal employment to be the total number of persons engaged in informal employment, although figures for total number of informal jobs are also presented in Annex 2. In theory these two concepts should produce different results as people may have more than one informal job. However, in reality, the Georgian data shows that very few people have two informal jobs: one formal primary job and an informal secondary job.

Table 1: Hussmanns (2001) matrix for Informal sector and informal employment (ILO)

Enterprises by type		Jobs by status in employment											
		Own-account workers			Employers		Contributing family workers		Employees		Members of producers' co-operatives *		Others (unidentified status in employment)
		Producers for own final use only	Producers for sale or barter										
		Informal	Informal	**Formal**	Informal	**Formal**	Informal	**Formal**	**Informal**	**Formal**	Formal	Informal	informal
Private unincorporated enterprises	**Informal sector**		**1**		**2**		**3**		**4**	**5**		**11****	**9****
	Other sectors	**6**					**7**		**8**				**10****
Other enterprises													

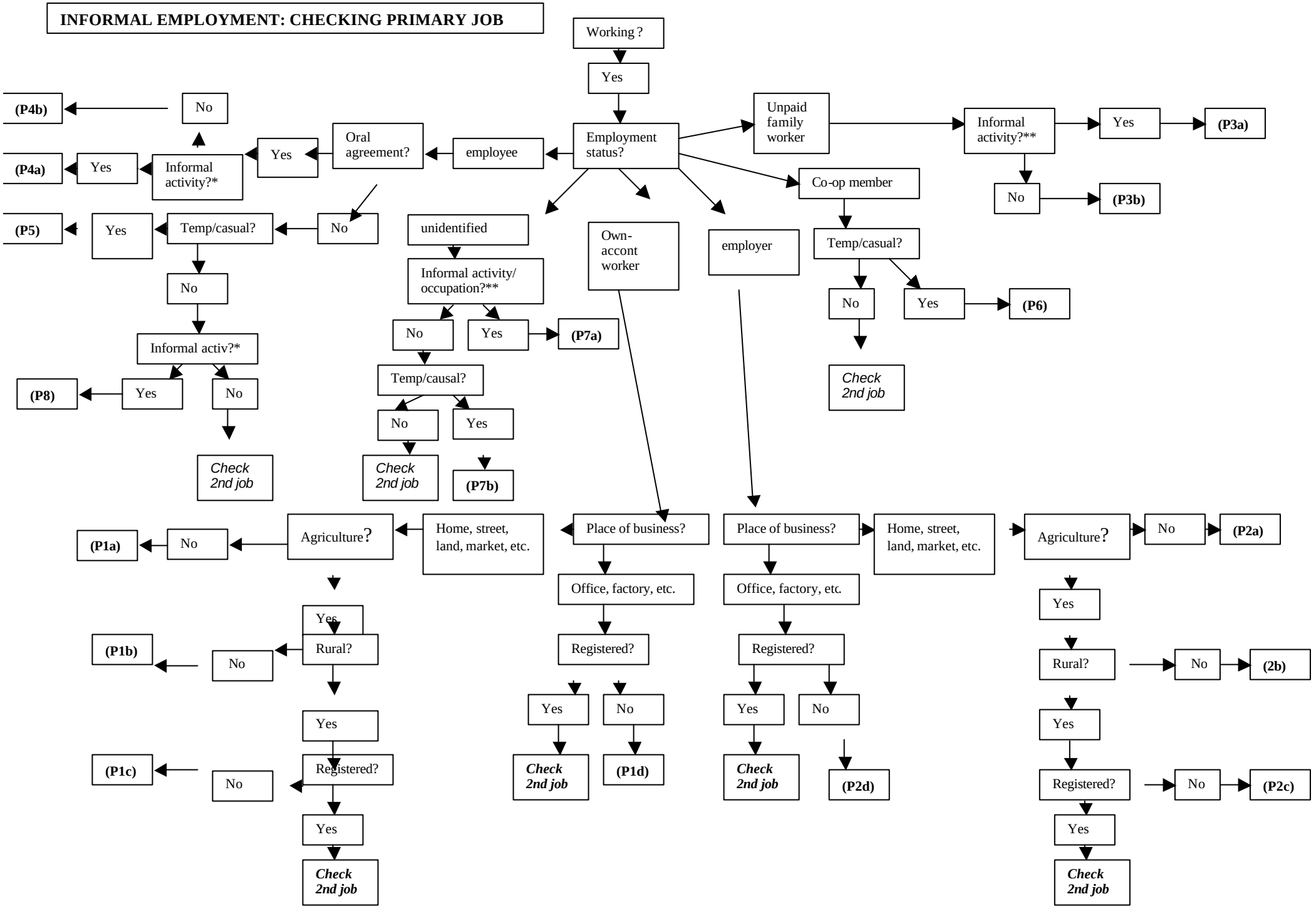
* Producers' co-operatives, which are not formally established as legal entities, are treated as private unincorporated enterprises. Persons working in such informal co-operatives are included in one of the other categories of status in employment, and their jobs classified accordingly.

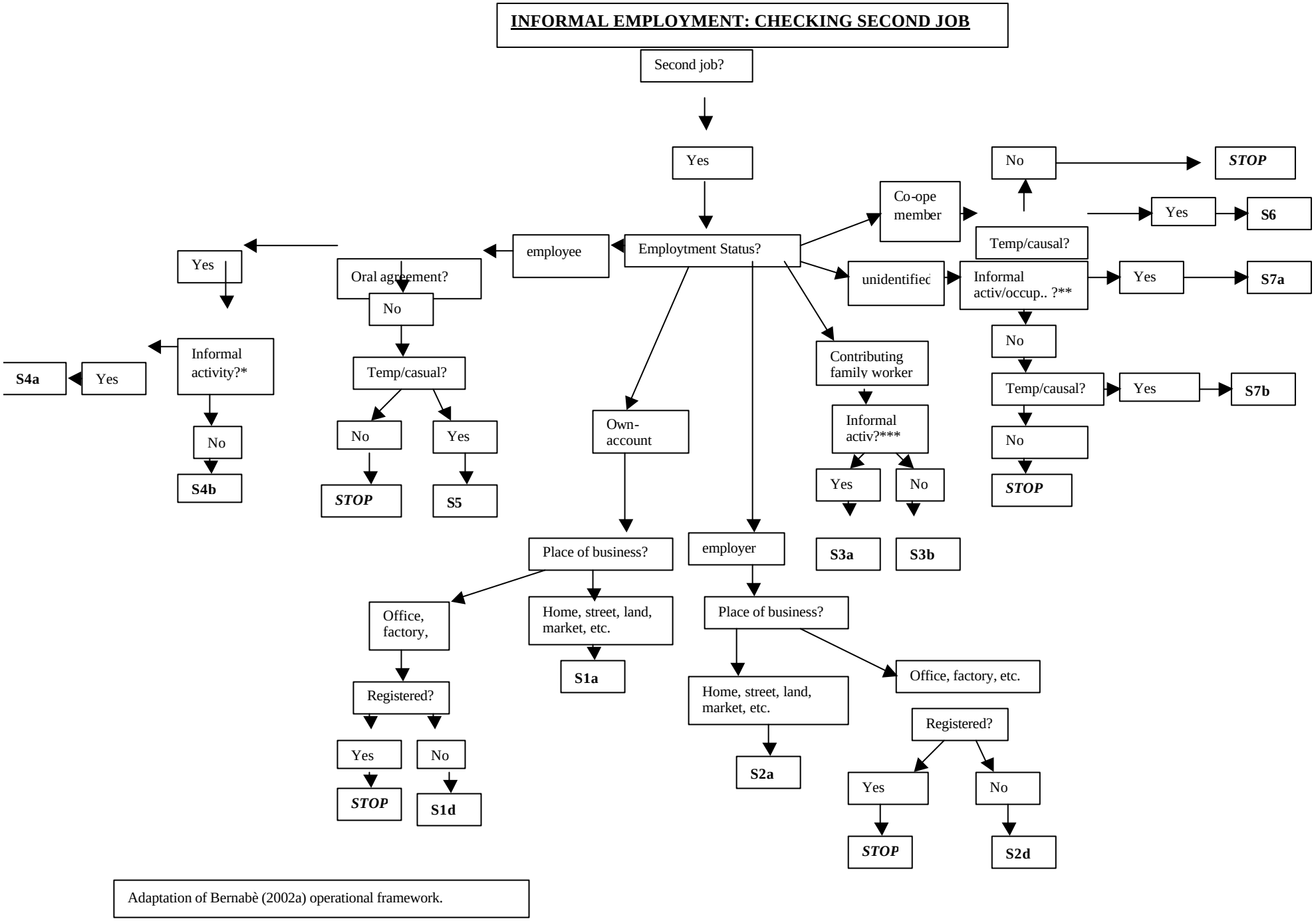
** Categories 9, 10 and 11 have been added by this author. Categories 9 and 10 have been added to account for respondents whose job status is unknown and who either worked in the informal sector (9), or were informally employed in other sectors of the economy (10). Category 11 has been added to isolate members of producers' co-operatives that are not formally established as legal entities. This is necessary as in the Georgian Labour Force Survey members of producers co-operatives are not asked about their job status, so they cannot be included in other categories of status in employment as suggested by Hussmanns (2001). Note that in any case, they constitute a very small share of total employment (less than 0.5%).

2.3 Data and the operational framework

Although the Bernabè (2002a) and Hussmanns (2001) approaches are somewhat different, the resulting definitions of informal employment are very similar. In fact, with a few adaptations, the first can be used to operationalise the second. Moreover, a flow-chart is presented, which serves to identify individuals involved in the different types of informal employment through the Georgia Labour Force Survey. This flow-chart is adapted to reflect all of the Hussmanns matrix cells. Specifically, categories 3 and 4 (contributing family workers and informal employees) are split into two groups in order to isolate employment in the informal sector from employment in other sectors, and category 8 has been added to account for formal employment in informal sector enterprises.

In the adapted flow-chart below, P and S refer to Primary and Secondary employment. We consider all those with an informal primary job or with a formal primary job and an informal secondary job to be informally employed. Primary employment is checked first. If primary employment is not informal, then secondary employment is checked, thereby avoiding any double counting. All those with formal primary jobs and informal secondary jobs are grouped into one category; 'informal secondary jobholders'. In contrast, the Hussmanns (2001) matrix includes both primary and secondary jobs in each matrix cell.


INFORMAL EMPLOYMENT: CHECKING PRIMARY JOB
Working?
Yes
Employment status?
employee
Oral agreement?
Yes
Informal activity?*
Yes
(P4a)
No
(P4b)
No
Temp/casual?
Yes
(P5)
No
Informal activ?*
Yes
(P8)
No
Check 2nd job
unidentified
Informal activity/ occupation?**
No
Yes
(P7a)
Temp/causal?
No
Yes
Check 2nd job
(P7b)
Own-accont worker
employer
Unpaid family worker
Co-op member
Temp/casual?
No
Yes
(P6)
Check 2nd job
Informal activity?**
Yes
(P3a)
No
(P3b)
Agriculture?
Home, street, land, market, etc.
No
(P1a)
Yes
Rural?
No
(P1b)
Yes
Registered?
No
(P1c)
Yes
Check 2nd job
Place of business?
Office, factory, etc.
Registered?
Yes
No
Check 2nd job
(P1d)
Place of business?
Home, street, land, market, etc.
Office, factory, etc.
Registered?
Yes
No
Check 2nd job
(P2d)
Agriculture?
No
(P2a)
Yes
Rural?
No
(2b)
Yes
Registered?
No
(P2c)
Yes
Check 2nd job



Adaptation of Bernabè (2002a) operational framework.

Notes to Figures 1 and 2:

* Informal activity: check whether respondents, which are not asked questions regarding their place of employment, are employed in 'typical informal activities'. Activities (EUROSTAT 1996b) for which more than 50% of the employed work in informal sector enterprises are considered 'typical informal activities'.

**Informal activity/occupation: as above, but we also check if respondents have 'typical informal occupations'. Occupations (ILO 1988) for which more than 50% of paid-employees are informal are considered 'typical informal occupations'.

***Informal activity: to determine whether contributing family workers work in informal enterprises, we check whether their activity code (EUROSTAT 1996b) is the same as that of another household member involved in an informal enterprise either as a primary or secondary activity.

Categories of informal employment

(P stands for primary employment, S for secondary employment)

(1a) own-account workers in household enterprise
(1b) own-account workers in urban agriculture
(1c) own-account workers in unregistered rural agriculture
(1d) own-account workers in unregistered non-household enterprise
(2a) employers in household enterprise
(2b) employers in urban agriculture
(2c) employers in unregistered rural agriculture
(2d) employers in unregistered non-household enterprise
(3a) contributing family workers in informal sector enterprises (see *** above)
(3b) other contributing family workers
(4a) employees with an oral agreement in informal sector enterprises (see * above)
(4b) other employees with an oral agreement
(5) casual, temporary and seasonal employees
(6) casual, temporary and seasonal co-operative members
(7a) unidentified employed in typical informal activities or occupations (see ** above)
(7b) unidentified temporarily, casually or seasonally employed
(8) formal workers in informal enterprises (see Hussmanns 2001)

Table 2 explains how the operational definition used here relates to the Hussmanns matrix cells. It shows how each category in the operational definition relates to the categories of informal employment in the flow-chart presented above.

Table 2: The operational definition and the Hussmanns (2001) conceptual framework.

Operational Definition of Informal Employment	Categories in adapted flow-chart	Type of informal work	Hussmanns (2001) matrix cell
1. Informal self-employed	P1a to P1d + P2a to P2d	Own-account workers and employers, producing for sale or barter in informal sector enterprises, or for own consumption in other private unincorporated enterprises.	Primary jobs in cells 1, 2 and 6[15]
2. Contributing family workers	P3a+ P3b	Contributing family workers in informal sector and other enterprises.	Primary jobs in cells 3 and 7
3. Informal employees	P4a+ P4b+P5	Employees with oral agreements in informal sector and other enterprises, and temporary, casual or seasonal employees with written agreements.	Primary jobs in cells 4 and 8
4. Other informals	P6+P7a+P7b	Others employed in informal sector enterprises or informally employed in other enterprises (employed casually, temporarily or seasonally), including members of producers' co-operatives	Primary jobs in cells 9,10 and 11*
5. Informal secondary jobholders	S1 to S7b	Employed with secondary jobs as 'informal self employed', 'contributing family workers', or 'informal employees'.	Secondary jobs in cells 1 to 11
		Formal employees in informal sector enterprise (gray)	Primary and Secondary jobs in cell 5**

** Categories 9, 10, 11 have been added by this author (see Hussmanns (2001) matrix above).*
*** Hussmanns (2001)considers that formal employees in informal sector enterprises are not informally employed. They are, however, considered to be employed in the informal sector. They will therefore be included in figures of informal sector employment, but will be excluded from the general analysis of the characteristics of informal employment, and are consequently excluded form our operational definition of informal employment.*

The above operational definition is applied to Georgian Labour Force Survey data to analyse the extent and nature of informal employment and informal sector employment in Georgia. The Georgia Labour Force Survey (1998, 1999) is a nationally representative, quarterly survey, co-designed by Georgian and ILO statisticians. It covers the entire territory with the exclusion of the regions of Abkhazia and Tsingvali (South Ossetia). The sample consists of individuals aged 15 years and over and the sample size is 6,645 households.

As more than 60% of informal employment is in agriculture, results will be presented both including those employed in agriculture ('with agriculture') and excluding them

[15] It is not possible to isolate own-account workers producing for own-consumption from those producing for sale or barter. Therefore cell 6 must be combined with cells 1 and 2.

('without agriculture').[16] Comprehensive tables including weighted frequencies and percentages for informal employment and informal sector employment, broken down by quarter, gender and Hussmanns (2001) category of informal employment can be found in the Annex 1.

3. Informal employment in Georgia

3.1 Background: The Georgian labour market in transition

During the Soviet period, the Georgian labour market, like that of other former Soviet republics, was characterised by very high labour force participation rates. This was mainly a result of high employment rates, particularly for women, thanks to a well-developed system of child-care. The system ensured full-employment and by the time the Soviet Union disintegrated in 1989-1990, 91% of the Georgian working age population was officially employed, and 86% was employed by the State (EUROSTAT 1996a, p.39, 40). Moreover, a wide variety of social benefits were guaranteed through employment, including housing, garden plots, child-care, subsidized meals, vouchers for the purchase of durable goods, family allowances, and vacation facilities.

At the same time, as discussed above, there existed a parallel, secondary labour market, in which workers engaged to supplement their income. There is considerable evidence that Georgia's was perhaps the most extensive, visible and tolerated second economy of the Soviet Union (see Gougouchvili and Zurabishvili 1983; Grossman 1977, 1982; Mars and Altman 1983; 1987).

> *"Georgia's [second economy] has a reputation second to none in this respect…In form this activity may not differ greatly from what takes place in other regions, but in Georgia it seems to have been carried out in an unparalleled scale with unrivalled scope and daring"* (Grossman 1977, p. 35).

Agriculture accounted for the greater part of Georgia's second economy, and some estimates have put the share of private agricultural revenue, in the early 1970s, at 40% of total agricultural revenue (Gougouchvili and Zurabishvili, 1983, p.113).

The break up of the Soviet Union and the resulting disruption of inter-republican trade links, coupled with a civil war and two territorial conflicts, left Georgia's economy in shambles. By 1996, GDP had shrunk to 29% of its 1991 value, or to the equivalent of its value in 1963 (Samorodov and Zsoldos, 1997, p.11).[17] The fall in output was accompanied by large-scale privatisation, resulting in a collapse in both public and private income. On the one hand, the collapse in output led enterprises to reduce and delay the payment of wages and

[16] The ILO 'Resolution Concerning Statistics of Employment in the Informal Sector' (1993:16) excluded agricultural activities from the informal sector 'for practical reasons'. It had no objection to their inclusion from a conceptual point of view, but from an operational one it deemed that it would be inconvenient to do so, as agriculture represents such an important share of employment in developing countries and it would therefore be very expensive to cover agricultural activities in informal sector surveys. However, precisely because it is such an important source of (largely informal) employment in developing and in the poorer transition countries and because it has proved to be one of the main strategies employed by households to cope with the fall in living standards in many transition countries, Bernabè (2002a)argues that agriculture should be included.

[17] There is considerable doubt regarding the reliability of GDP figures in the Former Soviet Union. During the Soviet period, GDP was greatly inflated. Since the beginning of transition, GDP figures have continued to be inflated. However, with IMF assistance the new estimates of nominal GDP for 1996-1999 have been revised downward by approximately 34% (IMF 2000, p.7). Nevertheless, comparisons of pre- and post-transition GDP remain unreliable.

benefits, and to place workers on unpaid leave. At the same time, the contraction of state employment, as a result of privatisation, was not accompanied by private sector job creation, thereby further reducing private income. On the other hand, the collapse in output led to a severe fiscal crisis, which coupled with an increasing corruption, tax evasion and crime, crippled the Government's ability to provide social security. The result has been a severe contraction of both private and public income, and increased poverty. By 2000, 53% of Georgia's population was estimated to be living below the official poverty line (World-Bank 2001, p.viii).[18]

This begs the question: How do people survive in the absence of formal, remunerated, employment opportunities and social benefits?

Small-plot agricultural production may be providing a social safety net in the absence of formal jobs and social security. There has been a considerable reallocation of labour from paid employment into small-plot agricultural self-employment. Contrary to the Russian experience, where labour was hoarded in large agricultural enterprises during the first years of transition, Georgian agriculture underwent profound restructuring and resulted in the division of land into very small (0.5–1 hectare) private plots. The share of agriculture in total employment increased from 26% in 1990 to 52% in 1999, while at the same time, the employment shares of industry and construction collapsed from 20% to 8%, and from 10% to 1.4% respectively (Bernabè 2002b, p.23). In addition to small-plot farming, a significant proportion of the labour force engages in various forms of informal employment. [19]

There emerges a two-tier labour market: on the one hand, there are paid employees, who are mostly formal and almost exclusively employed by the State in urban areas, while on the other there are the self-employed who are largely informal, working mostly in agriculture and petty trade in rural areas.

3.2 Overview of informal employment

The majority of the Georgian employed population works informally. In 1998, 56% of the employed (close to 1 million people) worked informally.[20] This share decreased slightly in 1999 to 52%. Although the majority is involved in agriculture, we find that even if we exclude all agricultural workers from our sample, 37% and 34% of the Georgian non-agricultural employed were working informally in 1998 and 1999 respectively. In 1998-1999, roughly one quarter of Georgia's employed (including agricultural workers) worked in the informal sector (see Annex 1).[21]

[18] According to a new 'recommended' World Bank poverty line, which is based on actual consumption patterns of the population and household survey prices, only 23% of the population would be living below the poverty line (World-Bank, 2001, p.ix).

[19] Although this paper can highlight an increase in informal employment and small-plot agricultural employment, it cannot answer the question of whether these are providing a social safety net. Further research is being carried out by this author to determine whether there is a causal relationship between poverty and informal employment.

[20] Recall that we consider anyone with an informal primary job or a formal primary job and an informal secondary job to be informally employed. The rest of the employed are considered to be formally employed.

[21] Note that unless otherwise specified all figures, in this and subsequent sections, are for 1999.

Table 3: Formal and informal employment (1998, 1999)
% of total employment

		Formal	**Informal**	Total
1998	With agriculture	44	**56**	100
	Without agriculture	63	**37**	100
1999	With agriculture	48	**52**	100
	Without agriculture	66	**34**	100

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

The majority of informal employment consists of contributing family workers. In 1999, they represented approximately 56% of all informal workers. Contributing family workers, who by definition are not remunerated, are often women, youth and old-age workers working on household agricultural plots. As shown in Table 4, the informal self-employed, or own-account workers whose activities are based at home, in the street, in a market or at a customer's home, accounted for 22% of informal employment in 1998. This share decreased to about 17% in 1999, as the total number of informal self-employed fell by roughly one quarter. [22] In fact, small-plot agricultural production and petty trade account for almost 98% of all 'employers' and 'own-account workers' (both formal and informal) in Georgia, suggesting that privatisation and restructuring have not succeeded in creating the small businesses, which were expected to generate employment and be the driving force behind economic growth.

A third, surprisingly large, category of informal employment is that of informal employees (13%-14%). These are 'paid employees', typically working casually, temporarily, or with an oral agreement, and often for very long hours, in trade and manufacturing. The fourth category of informal employment, which consists of the formally employed with informal secondary jobs, accounted for roughly 8% total informal employment. These were mainly state employees with (formal) primary jobs in public administration, education and health, and informal secondary jobs, mainly in agriculture. In fact, almost three quarters of employees work for the State and anecdotal evidence suggests that given the extremely low wages and extent of wage and benefit arrears, a very significant number turn to secondary activities to make ends meet.[23] Finally, the fifth category of informal employment, 'others informally employed', identifies temporary and casual co-operative members or workers for whom status in employment is unknown, but who are either casually employed, or work in 'typical informal activities'. However, as the number of observations for this group is very small (they represent only 0.8% of total employment) it will not be possible to draw any significant conclusions on their characteristics. They will therefore be excluded from most of the analysis below.

[22] The drop in total number of informal self-employed seems to be a result of an increase in registration of agricultural activities in 1999. The proportion of self-employed in agriculture to be registered increased from 70% in 1998 to 90% in 1999, whereas registration of non-agricultural activities increased only from 78% to 81%.
[23] Although only 14% of employees said that they had a second job in 1999, this figure probably underestimates the extent of secondary employment in Georgia, as people may be reluctant to reveal additional sources of income for fear of taxation.

Table 4: Informally-employed by category of informal employment (1998, 1999)
% of total informal employment

	1998	1999
Informal self-employed	22	17
Contributing family workers	56	59
Informal employees	13	14
Other informals	1	2
Informal secondary job holders	9	8
Total	**100**	**100**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

The analysis of the Labour Force data reveals that there are significant disparities between categories of informal employment in Georgia, depending on state or private sector of activity, branch of economic activity, gender and age, rural and urban setting, region and ethnic background, level of educational attainment and profession, and the number of hours worked. Each of these dimensions will be analysed in turn below.

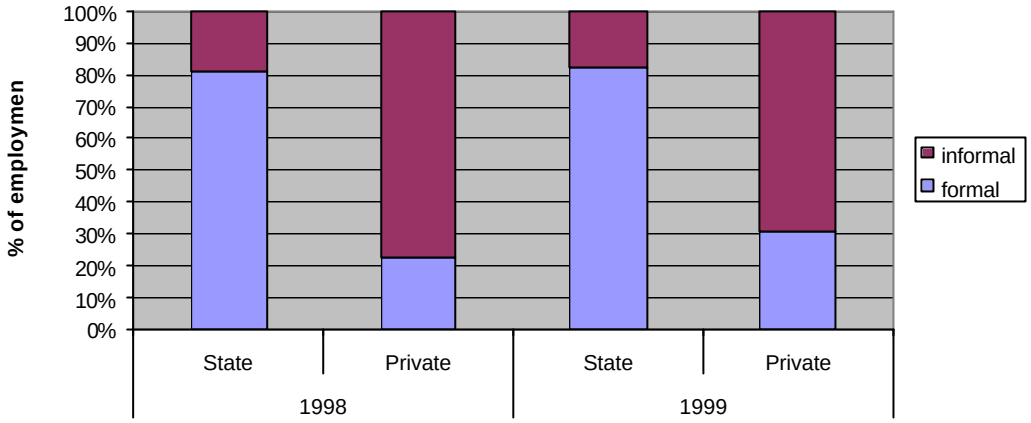
3.3 State and private sector

The most obvious and significant distinguishing feature of informal employment in Georgia is the public/private dimension. In 1999, approximately 80% of state sector employment was formal, whereas almost 70% of private sector employment was informal. Paid-employment is almost entirely limited to the state sector, with only 29% of paid-employees working in the private sector. It is worrying that such a high proportion of private sector employment is informal, particularly as it accounts for 58% of total employment. Moreover, more than 60% of formal private sector employment is own-account agricultural work, which means that the private sector is limited to registered small-plot agriculture and informal employment (both agricultural and non-agricultural). It is also surprising that as much as 20% of state employees work informally. Two thirds of informal state employees are secondary jobholders, mainly professionals who have formal primary jobs in public administration, health or education, and informal secondary jobs in agriculture. As previously argued, the exceptionally low wages and arrears in budgetary organisations[24] mean that workers supplement their income through informal employment. Another third of informal state employment consists of informal employees, mostly low-skilled workers in state-owned manufacturing (mainly tea and bread), as well as in agriculture. It also includes teachers employed in state schools on the basis of oral agreements.

Nevertheless, apart from the informal secondary jobholders, there is a clear dual dimension to Georgian employment: on the one hand, there are the formal, mostly urban, state employees, while on the other there are the informal, mostly rural, private self-employed.

[24] State budgetary organisations are those financed entirely from the state budget.

Figure 3: State and private employment by formal/informal status (1998 - 1999)

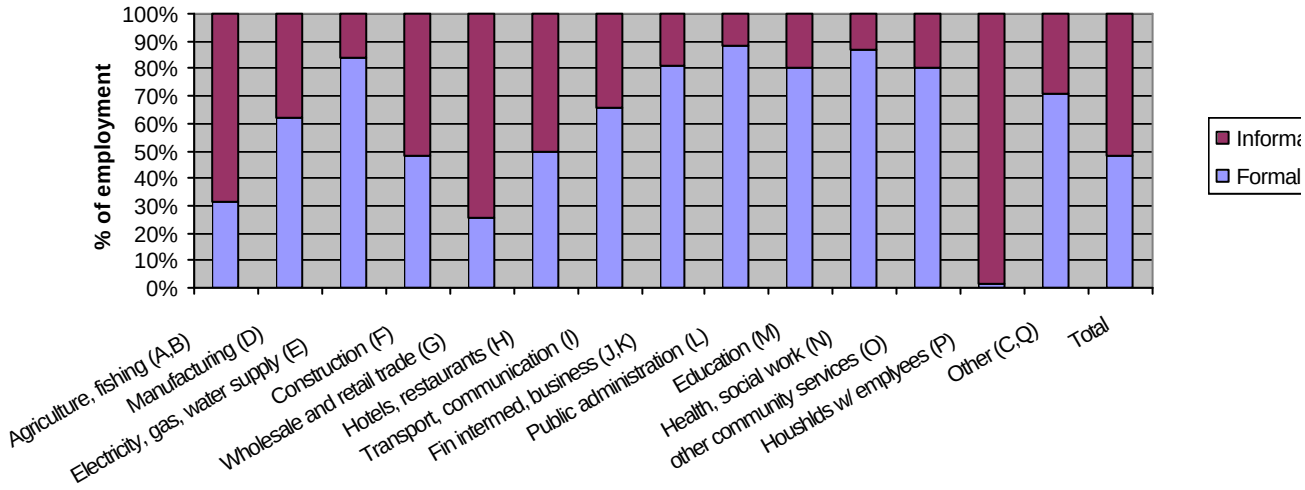


Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999

3.4 Branch of economic activity

Formal and informal workers are employed in different branches of economic activity. As illustrated in Figure 4, households with domestic employees, agriculture, trade, and to some extent construction and hotel/restaurant activities are largely informal whereas public administration, education, health and other community services are largely formal. These eight sectors together account for 85% of total employment. The results are not surprising as education, health, and public administration are almost exclusively in the state sector while employment in private households, agriculture, construction and trade is largely private self-employment and unpaid family work.

Figure 4: Formally/Informally employed by branch of economic activity (1999)



Letters in brackets refer to branch of economic activity according to NACE classification (EUROSTAT, 1996b).

Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

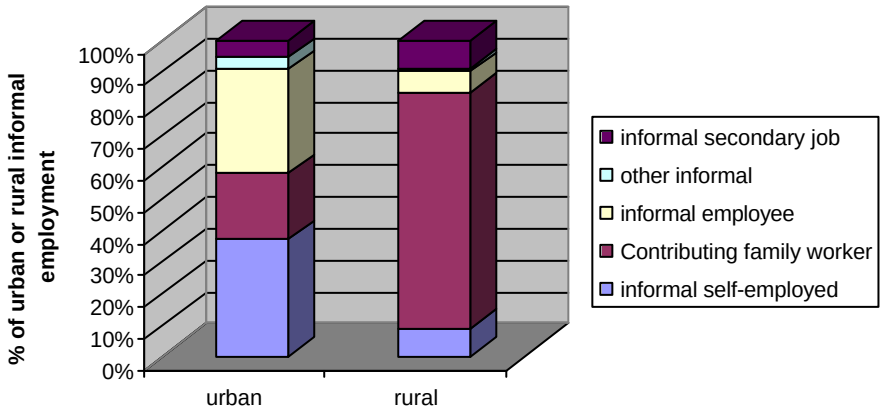
Agriculture accounts for 69% of total informal employment compared to only 34% of formal employment. Most agricultural workers are unpaid family workers and self-employed working on small household plots. As previously mentioned, there is evidence that much agricultural activity in Georgia may be subsistence farming. The very small size of these plots (0.5 –1 hectare average), coupled with the reduction in the use of capital equipment, tractors and fertilizers, as a consequence of the breakdown in industry and of trade links with other countries of the former Soviet Union (FSU) has led to a dramatic fall in productivity. The World Bank estimates that by 1997, agricultural productivity hardly exceeded GEL 100 (approximately US$50) per month; four times lower than in trade and five times lower than in industry and construction (Yemtsov, 1999, pp.11-12). The very low level of productivity means that agriculture generates very low incomes, as reflected by the fact that the agricultural self-employed make up 66% of the country's poor households (Yemtsov, 2001, p.3). Moreover, a significant proportion of Georgians are employed on urban agricultural plots. Although these have existed since the Soviet period, when they were allocated by the State as 'garden plots', they now represent the primary source of employment for one seventh of the urban employed population (Bernabè, 2002b).

3.5 Urban and rural

If we include agriculture, we find that three quarters of informal employment is concentrated in rural areas. However, if we exclude agriculture, results show that almost 60% of informal workers are in urban areas. Nevertheless, rural non-agricultural employment still remains largely informal with one half of rural non-agricultural workers informally employed.

Whereas in urban areas 62% of the employed work formally, in rural areas 62% are informally employed. Indeed, significant rural-urban disparities are to be found in the labour market as a whole. Where the urban labour market was characterised by low employment rates, high unemployment rates (especially for youth), and paid employment in state enterprises and organisations, the rural labour market featured exceptionally high employment rates (particularly for old-age workers) and self-employment in (private) agriculture (Bernabè, 2002b, p.8).

Figure 5: Urban and rural informal employment by type of informal employment (1999)



Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

As illustrated in Figure 5, most **urban** informal employment consists of informal self-employed and informal employees. About 14% of total urban employment was informal self-employment. Table 5 shows that more than one third consists of those employed in urban agriculture, while the rest is largely in wholesale and retail trade (which is almost entirely limited to retail sale through street stalls and markets), informal taxi service (driving their own, private cars), and home-based manufacturing (mainly of bread).

Table 5: Urban informal employment by branch of economic activity (1999)
% of urban informal employment

	Informal self-employed	Contributing family workers	Informal employees	Informal secondary job holders: *primary job*	**Total urban Informal Employment**
Agriculture, fishing (A, B)	35.5	92.0	10.2	7.6	**36.3**
Manufacturing (D)	5.7	1.2	18.5	5.3	**8.8**
Electricity, gas, water supply (E)	0.0	0.0	0.4	3.8	**0.3**
Construction (F)	2.7	0.3	6.6	2.2	**3.4**
Wholesale and retail trade (G)	40.5	4.4	36.0	2.5	**30.4**
Hotels, restaurants (H)	1.3	0.4	4.7	2.4	**2.2**
Transport, communication (I)	8.9	0.6	5.8	9.5	**6.0**
Financial intermediation, business (J, K)	1.6	0.2	2.6	5.2	**2.1**
Public administration (L)	0.1	0.1	2.9	9.5	**1.6**
Education (M)	1.0	0.1	2.9	23.5	**2.7**
Health, social work (N)	0.2	0.1	1.9	20.1	**1.8**
Other community services (O)	1.1	0.4	3.1	6.1	**1.9**
Private Households with employees (P)	1.2	0.4	4.2	0.0	**2.1**
Other (C, Q)	0.1	0.0	0.3	2.2	**0.3**
Total	**100**	**100**	**100**	**100**	**100**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.
Note: Letters in brackets refer to branch of economic activity according to NACE classification (EUROSTAT, 1996b).

Informal employees account for an additional 13% of total urban employment. Once again, of the 36% that are employed in wholesale and retail trade, more than half are employed with an oral agreement (and often on a 'casual' basis) in street stalls and markets. Of the 19% employed in manufacturing, almost half are in bread manufacturing or tea processing, and 10% are casual employees on urban agricultural plots, and almost exclusively in the growing of fruits, nuts and spices.[25] Finally, two other noteworthy groups of informal employees are those working as (casual) construction workers, who make up 7% of informal paid employment in urban areas, and domestic employees (90% of whom work on the basis of oral agreements) who account for 4% of informal paid employment in urban areas.

In **rural** areas, unpaid contributing family workers make up almost half of total rural employment, and 99% work in agriculture.[26] A relatively high proportion of them are fwomen over the age of 65, and young men aged 15-24.

[25] The scale of urban agricultural employment, and particularly of informal paid employment, raises the question of the extent to which its size is determined by the definition of urban and rural areas used in the Labour Force Survey.
[26] Recall that contributing family workers are informal by definition.

Table 6: Rural informal employment by branch of economic activity (1999)

% of rural informal employment

	Informal self-employed	Contributing family workers	Informal employees	Informal secondary job holders: *primary job*	**Total Rural Informal Employment**
Agriculture, fishing (A,B)	57.37	99.37	21.61	16.22	**82.1**
Manufacturing (D)	4.13	0.19	26.24	7.31	**3.0**
Electricity, gas, water supply (E)	0.05	0	2.41	2.38	**0.4**
Construction (F)	0.9	0.02	5.82	1.34	**0.6**
Wholesale and retail trade (G)	32.07	0.26	21.61	3.11	**5.4**
Hotels, restaurants (H)	0.46	0	2.83	0.73	**0.3**
Transport, communication (I)	2.58	0.02	5.76	6.01	**1.3**
Financial intermediation, business (J, K)	1.12	0.01	2.36	3.98	**0.7**
Public administration (L)	0	0	2.08	12.83	**1.3**
Education (M)	0.21	0.01	3.48	32.18	**3.2**
Health, social work (N)	0.1	0	0.81	8.64	**0.9**
Other community services (O)	0.51	0.01	1	4.53	**0.5**
Private Households with employees (P)	0	0.01	2.64	0.12	**0.2**
Other (C, Q)	0.49	0.09	1.34	0.62	**0.3**
Total	**100**	**100**	**100**	**100**	**100**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

Letters in brackets refer to branch of economic activity according to NACE classification (EUROSTAT 1996b).

In addition to contributing family workers, 6% of rural informal workers were informal self-employed. Although more than half work in agriculture, almost one third were petty traders in street stalls and markets.

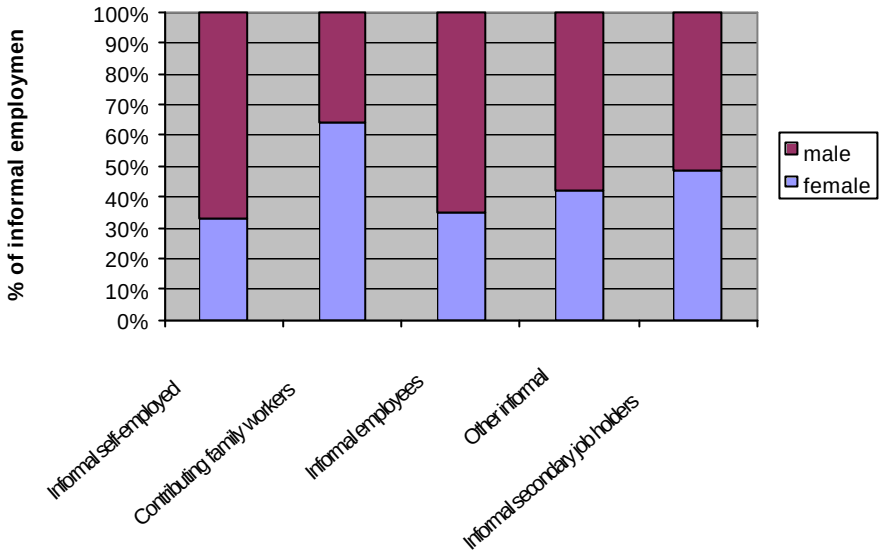
A third category of informal rural employment is that of formal employees with informal secondary jobs. Most of them have a primary job in education, public administration, health, and agriculture. Almost all respondents who admitted to having a second job explained that they did so because the income from their primary job was insufficient to support their families - 92% gave this as a reason. However, the fact that informal secondary job holding is more prevalent in rural areas and that 86% of it is in agriculture suggests that rural areas offer greater access to informal income-earning opportunities for low-income workers than urban areas. Finally, the remaining 4% of informal rural employment is made up of informal employees employed on the basis of oral agreements, or on a casual or seasonal basis, in manufacturing, agriculture, and petty trade.

3.6 Age and gender

There is no significant gender difference in labour market participation as a whole, although there is a gender bias in the distribution of employment by occupation, with women being under-represented in managerial and senior positions and over-represented in low-skilled positions (Bernabè, 2002b, p.31). Similarly, although women are only slightly over-represented amongst informal workers, there is a larger gender imbalance between different types of informal employment. As illustrated by Figure 6, 64% of contributing family workers are women, whereas 67% of self-employed and 65% of informal employees are men. Much of this difference can probably be explained by the fact that both male and female household members may work for an equivalent number of hours in the same household enterprise, but

the man, head of household, may be considered 'self-employed' (i.e. own-account worker or employer), while the woman will be classified as a 'contributing family member'.

Figure 6: Type of informal employment by share of men and women (1999)



Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

The gender imbalance becomes more significant if age is also considered. Informal employment seems to be particularly common amongst youth and pensioners (and particularly female pensioners). Compared to their European counterparts, Georgian youth have higher unemployment rates and lower employment rates (Bernabè, 2002b, p.30, 44).[27] The youth who are employed work almost entirely informally, 'helping out' on family farms. This can be explained by the high levels of participation in higher education in Georgia, as in many other countries in the region.[28] As illustrated in Table 7, three quarters of the employed 15-25 year olds worked informally, mostly as contributing family workers on family farms.

Table 7: Employed by category of formal/informal employment and age group (1999)
% within age group

	Formal	Informal self-employed	Contributing family workers	Informal employees	Other informals	Informal secondary job holders	**Total**
15-25	**24**	4	61	9	1	1	100
26-35	**46**	7	33	9	1	4	100
36-45	**50**	11	23	10	1	5	100
46-55	**53**	9	21	9	1	7	100
56-65	**51**	10	29	5	1	4	100
66-100	**52**	10	35	2	0	2	100
Total Employed	**40**	**9**	**31**	**8**	**1**	**4**	**92**

Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

[27] 27% of 15-24 year old Georgians are employed compared to 39% in the EU-15, whereas the unemployment rate is approximately 27% for Georgians in the same age group, compared to only 18% in the EU-15 (Bernabé, 2002b).

[28] Georgians have a greater share of adults with higher education than the EU-15 average. Hence, they would tend to enter the labour force at a later age.

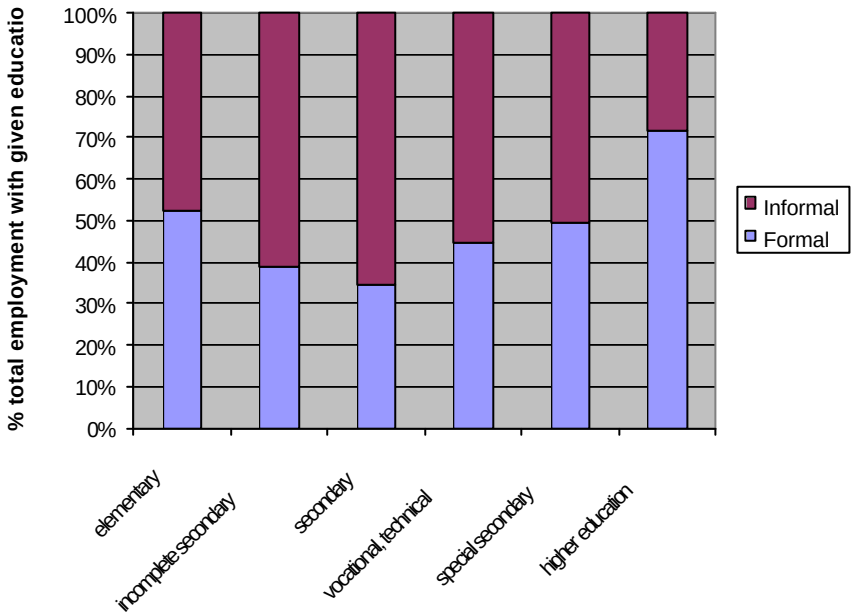
At the same time, exceptionally high employment rates (formal and informal) were found for both men and women over 50 years of age, and particularly over 65. More than 40% of women, and over 55% of men over 65 years of age were employed in 1999, compared to only 2% of women and 5% of men in the EU-15 (Bernabè, 2002b, p.9). The large majority of them work in agriculture. Employed women over 65 are mostly contributing family workers, while their male counterparts are largely self-employed, however not all informally. In fact, only 36% of employed men over 65 worked informally in 1999. Whether formal or informal, such high employment rates amongst those over 65 suggest that pensioners cannot afford to live of their extremely low pensions, which, if paid at all, amount to only 11% of the poverty line. They, therefore, turn to subsistence agriculture to survive. In fact, almost one quarter of the informal self-employed is made up of pensioners, as is one quarter of contributing family workers.

As shown in Table 7, whereas youth and old-age workers are particularly active as contributing family workers, middle-age workers appear to work more in formal jobs as well as informal self-employment, informal paid-employment and informal secondary jobs.

3.7 Education and profession

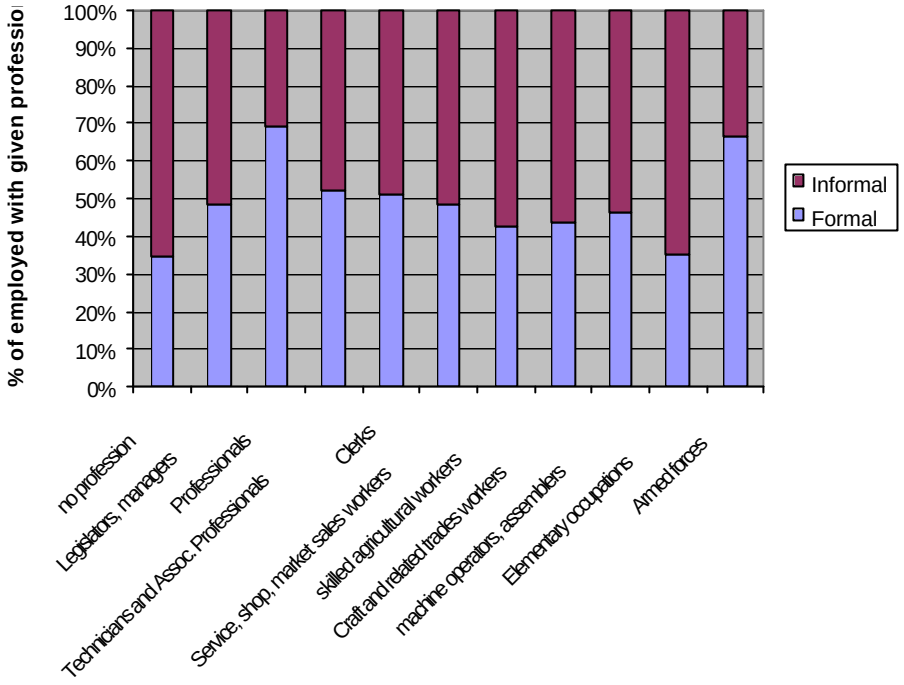
Overall, higher education is associated with formal employment while lower education is associated with informal employment. Similarly, professional background appears to be correlated with status of formal-informal employment, as being a 'professional', 'associate professional' or 'technician' is associated with formal employment, whereas having 'no profession' appears to be associated with informal work.

Figure 7: Employed by educational attainment and formal/informal status (1999)



Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

Figure 8: Employed by profession and formal/informal status (1999)



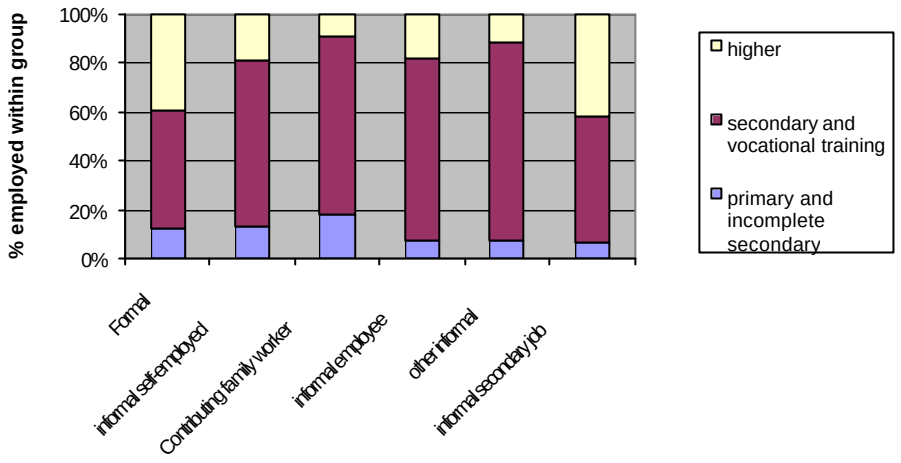
Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

As indicated in Figure 7, 71% of those with higher education work formally, whereas 66% of those with secondary education work informally. Similarly, 69% of professionals work formally, while 65% of those who say they have 'no profession' work informally. Even if we exclude agriculture, only 26% of the informally employed have higher education compared to 55% of formal workers. Although half of those with elementary education work formally, they are almost exclusively self-employed in agriculture.

Educational attainment and profession also influence the type of informal employment. As illustrated in Figure 9, an exceptionally high proportion of informal secondary jobholders have higher education (42% vs. 39% of formals). This is not surprising as they have formal primary jobs, mainly in public administration, health and education. In contrast, 91% of contributing family workers, who work almost exclusively in agriculture, has either secondary or primary education. However, given that they represent such a large share of the employed, contributing family workers actually account for 10% of the country's higher-educated workers.

For the informal self-employed and paid-employees, the relationship with education is less clear. Whereas two-thirds of the self-employed have secondary education, almost 20% have higher education. If we take only the non-agricultural self-employed, we find that more than one quarter have higher education and that 60% of these work as street and market vendors. Similarly, almost one fifth of informal paid employees have higher education, while the rest have secondary education. Those with higher education also work as petty traders or informal employees, on the basis of oral agreements in bread, tea and other manufacturing industries.

Figure 9: Type of formal/informal employment by educational attainment (1999)



Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

A similar pattern may be observed when analysing professional background. Only 21% of secondary jobholders said they had no profession 'by training', compared to 73% of contributing family workers, and 53% of the self-employed. On the other hand, 69% of secondary jobholders said they were either 'professionals' or 'associate professionals', while only 21% of contributing family workers belonged to these categories.

The Georgian labour force as a whole has particularly high levels of educational attainment; 31% of adults aged 25-59 have higher education, compared to only 21% in the EU-15. However, up to one third of those with higher education are employed in low-skilled, precarious employment; 18% work in agriculture, and an additional 16% work informally outside of agriculture. Moreover, higher education is also associated with higher unemployment rates and one quarter of the urban population with higher education is unemployed (Bernabè, 2002b, p.10). This suggests that the lack of formal employment opportunities means that a growing number of workers with higher education are either unemployed or self-employed in low-skilled informal activities and small-plot agriculture. After more than 10 years, many have already lost their skills. At the same time, those who have not lost their skills may find that their skills have become obsolete in the new market economy. This could present an obstacle to economic growth, as there may be insufficient workers with market-economy skills to support the growing private sector.

3.8 Regularity of employment and number of hours worked

Informal workers work longer hours than their formal counterparts, with the exception of those employed in agriculture, who work particularly short hours. Table 8 shows that on average non-agricultural informal workers work 42 hours per week, compared to 40 hours in the formal sector. However, informal workers in agriculture, like all workers in agriculture work an average of only 30-33 hours per week.

There are considerable disparities in the regularity and time worked between categories of informal employment. The informal self-employed work amongst the longest hours and the

most regularly. As illustrated in Table 8, if we exclude those working in agriculture, then the self-employed work an average of 44 hours per week. More than three quarters work full-time and on a regular basis. In contrast, contributing family workers, who work primarily in agriculture, work the shortest hours (on average 31 hours) and have the largest proportion of part-time workers (almost 40%), although almost all work on a regular basis. As expected, informal employees are more precariously employed, with 51% working either temporarily, casually or seasonally. Moreover, when they do work, they work full-time, and particularly long hours, with an average of 44 hours per week, and 22% working more than 51 hours per week. Finally, those formally employed with informal secondary jobs work almost entirely full-time and regularly. They work shorter hours in their primary jobs (an average of 35 hours), but work an additional 20 hours per week in their secondary job.

Table 8: Mean hours worked per week. Formal and Informal workers (1999)
(hours)

	With agriculture	Without agriculture
Formal	**38**	**40**
Informal	**34**	**42**
Informal self-employed	37	44
Contributing family workers	31	40
Informal employees	44	44
Informal secondary job holders -*primary job*	35	35
Informal secondary job holders -*secondary job*	20	20

Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

An important result of the analysis on the number of hours worked per week is that it enables us to reject the hypotheses, suggested in Bernabé (2002b), that the definition of employment (as including anyone working for at least one hour during the reference week) could partly explain the large numbers of self-employed in agriculture, and could result in concealing the real level of unemployment. Less than 2.5% of the Georgians work less than 10 hours a week and only 13% work less than 20 hours per week. Therefore, the increase in agricultural self-employment noted in Bernabé (2002b) could indeed be explained by the absence of social security and formal employment opportunities, which lead people to agricultural self-employment and petty trade to meet their basic needs.

3.9 Regions and ethnic background

Not only are there regional differences in the rates of informal employment, but there also appear to be significant regional differences in their trends. Tblisi has the highest share of formal workers. As illustrated below, whereas in Tblisi, more than three quarters of the employed are formal, in every other region the majority is informal. This is to be expected, as most public administration, health and education work (the three largest sectors of non-agricultural formal employment) is located in the capital.

Table 9: Share of formal and informal employment by region (1999)

% of total employment

	Kakheti	Tblisi	Shida Kartli	Kvemo Kartli	Samtsxe - Javakheti	Adjara	Guria	Samegrelo	Imereti	**Total**
Formal	**44**	**78**	**48**	**45**	**39**	**48**	**34**	**30**	**41**	**48**
Informal	**57**	**22**	**52**	**55**	**61**	**52**	**66**	**70**	**59**	**52**
Informal self-employed	*9*	*10*	*11*	*8*	*8*	*7*	*5*	*13*	*7*	*9*
Contributing family workers	*33*	*1*	*32*	*34*	*37*	*27*	*42*	*44*	*43*	*31*
Informal employees	*7*	*10*	*6*	*5*	*3*	*16*	*6*	*9*	*5*	*8*
Other informals	*0*	*1*	*1*	*1*	*0*	*1*	*1*	*2*	*1*	*1*
Informal secondary job holders	*7*	*1*	*2*	*7*	*14*	*1*	*11*	*3*	*3*	*4*
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

Certain regions have a particularly high proportion of informal employment. Samegrelo, Guria, Samtsxe- Javakheti and Kvemo Kartli all have particularly high rates of informal employment, ranging from over 70% of total employment in Samegrelo to 55% in Kvemo Kartli (although the share was over 60% in 1998). Although these are all agricultural regions, and hence would be expected to have a significant share of informal agricultural employment, even if we exclude all agricultural workers, more than half the employed are still informal in Samegrelo, Guria, Samtsxe- Javakheti and Kakheti.

Guria and Samegrelo, located in Western Georgia along the black sea coast, are two of Georgia's poorest regions. They were amongst the most affluent regions during the Soviet period and have suffered one of the greatest economic collapses since the beginning of transition. The collapse of the lucrative tea industry, which was previously the backbone of their economy, coupled with civil war, the severance of ties with Russia, and the Abkhazian conflict (which resulted in an influx of more than 100,000 IDPs [29], especially in Samegrelo), have had a disastrous impact on the local economy (UNDP, 1997, p 69). It is therefore perhaps not surprising that the majority of the employed work informally. In Samegrelo, 52% of total employment was accounted for by contributing family workers and self-employed in agriculture, as was 44% of Guria's total employment. However, an additional 20% of Guria's employed, and 16% of Samagrelo's worked in non-agricultural informal employment, either as informal self-employed or informal employees. In Guria, the non-agricultural self-employed were mostly involved in petty trade in street stalls and markets, while informal employees worked as casual labourers in the (private) tea processing industry. In Samegrelo, informal employees, who made up one quarter of non-agricultural employment, worked as temporary workers with oral agreements in petty trade, in (private) bread manufacturing, and in the tea processing industry. The self-employed also worked in petty trade. In both regions, a considerable number of formal workers had an informal secondary job in agriculture, particularly in Guria where they accounted for 11% of total employment.

Samtsxe-Javakheti and Kvemo Kartli, located in the Southern part of Georgia (bordering with Turkey, Armenia and Azerbaijan), are also amongst the country's poorest regions, characterised by particularly harsh geographical conditions and a high proportion of ethnic minorities. Moreover, they are particularly isolated from the rest of the country due to the severe deterioration of roads and telecommunications (UNDP, 1997, p.70). Despite those

[29] Internally Displaced People.

harsh natural conditions, about three quarters of the employed engage in agriculture. In Samtsxe Javaxkheti, just over 40% of total employment is informal self-employment or contributing family work in agriculture. An additional 14% of the employed have formal primary jobs in public administration, health or education and supplement their income with agricultural work on non-registered plots. However, up to 15% of all the employed are involved in non-agricultural informal work. These are mainly self-employed in petty trade and informal taxi services as well as paid-employees working on the basis of oral agreements as domestic employees, construction workers, taxi drivers and petty traders in streets and markets. Samtsxe Javakheti has almost no manufacturing industry; less than 2%. The situation is very similar in Kvemo Kartli, where just over 40% of total employment is also in informal agricultural employment. A slightly higher share of employment (almost 20%) is non-agricultural informal work, both self-employment and informal paid employment, in petty trade, construction, and taxi services. Kvemo Kartli also has a small share of the manufacturing industry, with only 6% of total manufacturing employment.

Finally, only 23% of Tblisi's employment is informal and it accounts for only 7% of the country's total informal employment. As elsewhere in urban areas, the capital's informal employment is focused in informal self-employment and informal paid-employment: approximately half of the informal self-employed work in street stalls and markets, another fifth work as informal taxi drivers and 5-6% work on urban agricultural plots. More than half of the informal employees also work in street stalls and markets, while the rest are spread amongst a wide variety of sectors, and more particularly in domestic employment and bread manufacturing.

Table 10: Formal and informal employment by ethnic group (1999)

% of total employment

	Georgian	Azeri	Greek	Russian	Armenian	Ukrainian	Other	**Total**
Formal	**49**	**30**	**28**	**60**	**41**	**66**	**46**	**48**
Informal	**51**	**70**	**72**	**40**	**59**	**34**	**54**	**52**
Informal self-employed	*8*	*9*	*9*	*11*	*16*	*4*	*22*	***9***
Contributing family workers	*30*	*53*	*52*	*14*	*27*	*15*	*1*	***30***
Informal employees	*8*	*3*	*2*	*11*	*9*	*12*	*30*	***8***
Other informals	*1*	*2*	*1*	*1*	*1*	*0*	*1*	***1***
Informal secondary job holders	*4*	*4*	*7*	*3*	*6*	*3*	*0*	***4***
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.

As previously mentioned, the regions with the highest shares of informal employment also have the highest shares of ethnic minorities; these include Kvemo Kartli and Samtsxe Javakheti.[30] Although Georgia is not a particularly multi-ethnic country, with over 85% of the population being ethnic Georgian, certain ethnic minorities have particularly high informal employment rates. Thus, whereas only 55% of ethnic Georgians work informally, 75% of Azeris, 72% of Greeks and 63% of Armenians do so. Azeris and Armenians are the two largest ethnic minorities in Georgia, representing approximately 3% and 6% of the adult population, respectively. Russians, who account for just over 2% of the adult population, are mostly formally employed. Over 90% of Georgia's *Azeri* population lives in Kvemo Kartli,

[30] It is important to note that the Labour Force Survey was carried out in all regions of Georgia, excluding Abkhazia and South Ossetia, the two regions that are not entirely under the control of Central Government. This makes it impossible to evaluate their share of employment and to analyse the extent of informal employment. It also means that the proportion of ethnic Georgians in the country is slightly inflated.

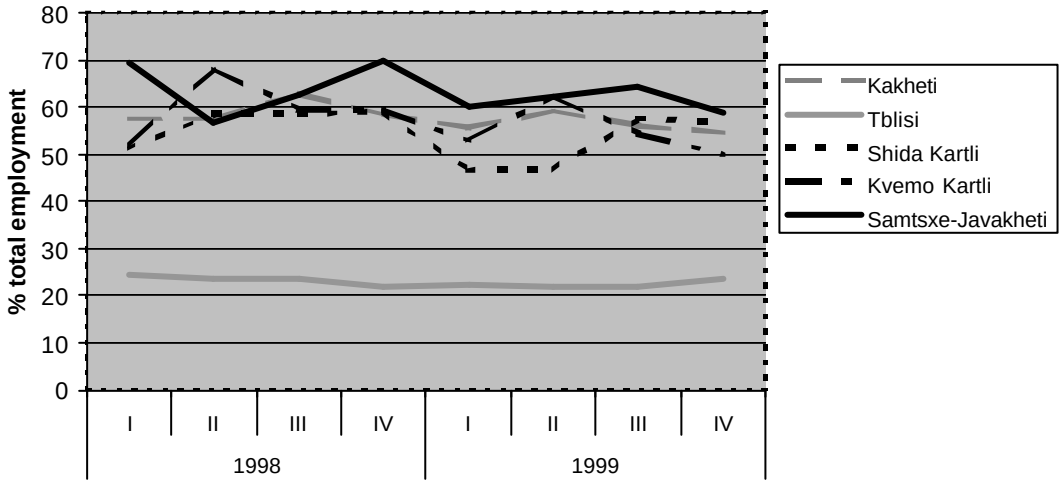
which borders with Azerbaijan. They account for 22% of the work force, and more than half work as contributing family workers on family farms. Kvemo Kartli has the lowest proportion of ethnic Georgians, who represent 58% of the population in the region.

In addition to Azeris, almost 10% of the population in Kvemo Kartli is Armenian and 7% is Greek. As elsewhere in Georgia, Armenians work more in informal self-employment than any other ethnic group. In Kvemo Kartli, although 43% are contributing family workers, 13% are informal self- employed and 11% are formally employed with informal second jobs. Greeks also work principally as contributing family workers. A significant proportion of Armenians also work informally in Tblisi and Smatsxe Javakheti. In Tblisi, where 52% of Georgia's Armenians live, almost half of informal Armenians are self-employed. Although only 18% of Georgia's Armenian population lives in Samtsxe Javakheti, they constitute 85% of the population of two extremely poor administrative districts (namely Ninotsminda and Akhalkalaki Akhaltsikhe) (UNDP, 1997, p.70). We are not surprised then to find that almost two thirds of Armenians in the region are contributing family workers, while one fifth is self employed.

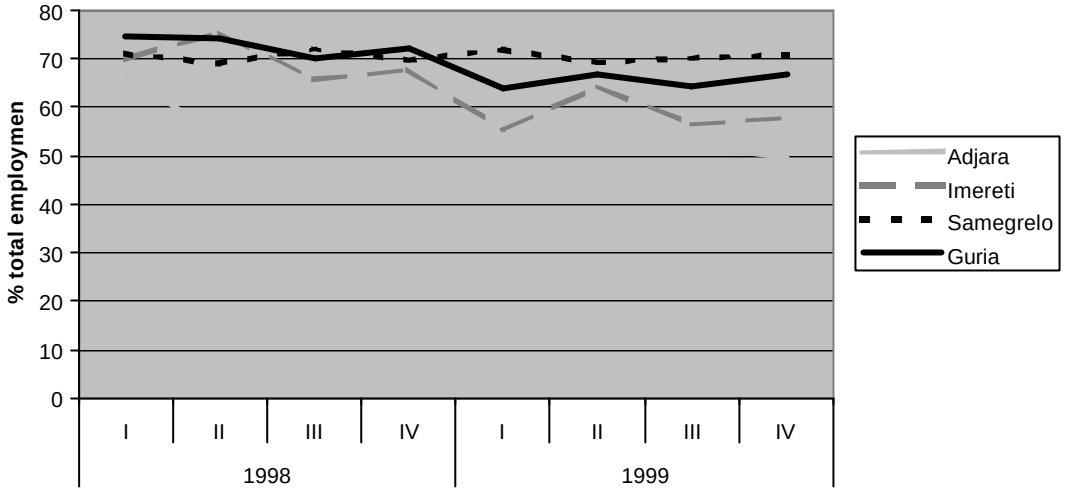
Regional trends in informal employment

Finally, there appear to be significant fluctuations in the rate of informal employment across quarters. Although some of the fluctuation seems to reflect the agricultural cycle, in many regions this doesn't seem to be the case. Moreover, the direction of fluctuations varies from region to region. Similar patterns have been observed with unemployment and poverty rates across quarters and regions, suggesting that informal employment could perhaps be a coping strategy in response to unemployment or falls in income. However, additional research is needed to determine whether a relationship exists between these variables.

Figure 10: Informally employed by region and quarter (1998, 1999)



Source: author's own analysis of Georgia Labour Force Survey, 1998-1999.



Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

4. Conclusions

1. ***There is a dual dimension to employment in Georgia.*** On the one hand, there is a formal, state, and largely urban sector, which employs the majority of paid-employees, while on the other there is an informal, private, and largely rural sector, comprised mostly of the self-employed.

2. ***There is almost no formal private sector employment in Georgia.*** The findings show that 70% of private sector employment is informal, and consists almost exclusively of own-account and contributing family workers. Moreover, more than three quarters of the little formal private sector employment that exists consists of own-account workers in small-plot agriculture. Thus Georgian employment seems to be reduced to paid-employees in state-owned health, education, and public administration; own-account workers in registered small-plot agriculture; and informal employment. These findings seriously question the success of the transition process and of labour market models, which predicted that privatisation and restructuring would result in the creation of a private sector labour market similar to that of Western market economies.

3. ***The majority of Georgia's employment is informal:*** 52% of the employed work informally, although if we exclude agricultural workers, 34% are informally employed. Informal employment in Georgia consists largely of own-account workers and contributing family workers in unregistered agricultural plots, petty trade, home-based bread manufacturing, informal taxi services and some unregistered, 'under-the-table', low-skilled, paid employment in the tea processing, construction, domestic services, and hotel and restaurant industries.

4. ***The informally employed are less educated than their formal counterparts.*** Even if we exclude agricultural workers, only 26% of informal workers have higher education compared to 55% of formal ones. Nevertheless, the level of educational attainment of the Georgian labour force, as a whole, is higher than the European average: 31% of adults aged 25-59 have higher education compared to 21% in the EU-15. However, at the same time, there is evidence that ***the labour force is quickly losing its skills,*** as one third of those with higher education are either self-employed in small-plot agriculture or

working in low-skilled, precarious, informal employment. This suggests that the lack of formal employment opportunities and a functioning social safety net may be pushing workers into informal employment.

5. ***A high proportion of pensioners are informally employed***. Almost half of the population aged 65 and over is employed and three quarters work informally, mostly on household agricultural plots. This suggests that given the extremely low value of pensions, which in 2001 amounted to only 11% of the minimum subsistence level, and persistent payment arrears, many pensioners are forced to work informally.

6. ***Informal employment rates are particularly high in Georgia's poorer regions and amongst its ethnic minorities***. In Samegrelo and Guria, two of the regions which have suffered the sharpest economic collapse since the beginning of transition, three quarters of the employed work informally. In Samtsxe-Javakheti and Kvemo Kartli, two of Georgia's traditionally poorer regions where most ethnic minorities are concentrated (mainly Armenians, Azeris and Greeks), more than 60% of employment is informal.

7. Finally, there are considerable differences between regions in the trends of informal employment over time. Similar patterns have been observed with unemployment and poverty rates across quarters and regions suggesting that ***informal employment could be a coping strategy in response to unemployment or falls in income.*** However, additional research is needed to determine whether a relationship exists between these variables.

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ANNEX 1
Informal Sector Employment and Informal Employment in Georgia (1998, 1999) by gender and quarter

Definitions of categories for attached tables:

Hussmanns (2001) informal sector/informal employment categories:

(1) *Own-account workers,* producing for sale, barter in informal sector enterprises or for own consumption in other private unincorporated enterprises.
(2) *Employers* in informal sector enterprises
(3) *Contributing family workers* in informal sector enterprises
(4) Informal *employees* in informal sector enterprise
(5) Formal *employees* in informal sector enterprise (grey)
(6) *Own-account workers* producing for own-final use–*included in category1*.
(7) *Contributing family workers* in non-informal sector enterprises
(8) Informal *employees* in non-informal sector enterprises
(9) *Others* employed in informal sector enterprises *
(10) *Others* informally employed in non-informal sector enterprises (employed casually, temporarily or seasonally) *
(11) Informal members of *producers' co-operatives* *

** Categories 9, 10 and 11 have been added by this author.*

Employed in Informal Sector (IS) = sum (1-5) +9
Informally Employed = sum (1-4) + (7-11)

1. Including agriculture (weighted frequencies, 1998)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed**	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	1,644,417	702,081	154,077	395,580	71,638	1,271	40,954	19,860	14,918	224,892	28,452	6,146	1,024	1,343
	Men	1,379,368	786,286	236,321	430,313	132,661	13,976	12,875	37,420	36,323	177,370	40,922	6,423	3,757	4,908
	Unknown	74,681	40,184	11,620	25,809	5,899	208	3,143	637	1,596	13,609	1,942	138	0	234
	Total	**3,098,466**	**1,528,551**	**402,018**	**851,702**	**210,198**	**15,455**	**56,973**	**57,917**	**52,837**	**415,871**	**71,316**	**12,707**	**4,781**	**6,485**
II	**Women**	1,677,528	827,994	204,940	505,416	71,302	1,181	89,608	22,216	15,691	290,039	25,462	4,942	454	212
	Men	1,391,419	899,360	288,437	492,733	163,621	14,898	34,153	37,381	35,852	191,734	40,518	5,886	519	4,024
	Unknown	66,655	41,140	10,109	20,027	5,513	569	2,498	1,352	176	8,238	1,856	0	0	0
	Total	3,135,602	1,768,495	503,486	1,018,176	240,436	16,648	126,259	60,949	51,719	490,011	67,836	10,828	973	4,236
III	**Women**	1,734,467	909,924	186,561	545,891	70,596	1,313	66,264	28,114	16,768	349,095	25,879	4,002	628	0
	Men	1,430,985	958,873	275,383	502,206	160,808	15,307	21,223	44,501	32,761	210,980	41,197	4,743	215	3,232
	Unknown	28,887	17,685	2,395	9,646	543	0	458	668	726	7,720	258	0	0	0
	Total	**3,194,339**	**1,886,482**	**464,338**	**1,057,744**	**231,947**	**16,621**	**87,945**	**73,283**	**50,255**	**567,795**	**67,334**	**8,745**	**842**	**3,232**
IV	**Women**	1,622,264	835,305	184,188	490,064	81,141	2,059	55,373	22,902	19,821	301,449	23,041	3,209	497	393
	Men	1,361,930	890,537	269,648	468,881	158,846	11,656	22,748	38,254	35,824	194,020	35,187	4,831	668	2,670
	Unknown	23,460	15,042	2,779	9,903	1,728	158	688	0	207	7,330	0	0	0	0
	Total	**3,007,654**	**1,740,885**	**456,616**	**968,848**	**241,715**	**13,873**	**78,809**	**61,156**	**55,852**	**502,799**	**58,228**	**8,040**	**1,165**	**3,062**
Average 1998	**Women**	1,669,669	818,826	182,442	484,238	73,669	1,456	63,050	23,273	16,800	291,369	25,709	4,575	651	487
	Men	1,390,926	883,764	267,447	473,533	153,984	13,959	22,750	39,389	35,190	193,526	39,456	5,471	1,290	3,709
	Unknown	48,421	28,513	6,726	16,346	3,421	234	1,697	664	676	9,224	1,014	35	0	58
	Total	**3,109,015**	**1,731,103**	**456,615**	**974,117**	**231,074**	**15,649**	**87,496**	**63,326**	**52,666**	**494,119**	**66,179**	**10,080**	**1,940**	**4,254**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

2. Including agriculture (weighted frequencies, 1999)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed**	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	1,632,536	830,520	160,991	457,707	58,685	1,981	55,591	22,581	16,722	289,234	22,933	5,881	298	523
	Men	1,385,553	881,695	235,163	402,595	122,371	10,883	19,845	45,854	33,208	161,281	35,395	5,949	593	424
	Unknown	27,396	13,135	2,757	5,716	725	156	443	1,433	217	2,959	0	0	0	0
	Total	**3,045,485**	**1,725,351**	**398,911**	**866,017**	**181,781**	**13,020**	**75,879**	**69,869**	**50,147**	**453,474**	**58,327**	**11,830**	**891**	**946**
II	**Women**	1,660,478	872,510	169,102	512,274	51,672	1,667	65,995	27,671	16,975	337,629	19,748	6,526	296	1,071
	Men	1,403,371	919,975	241,411	457,641	112,072	8,617	23,908	55,966	34,533	208,757	35,280	11,169	398	1,473
	Unknown	19,932	10,761	3,392	6,159	1,196	156	1,472	568	0	2,554	213	0	0	0
	Total	**3,083,781**	**1,803,246**	**413,904**	**976,073**	**164,940**	**10,439**	**91,374**	**84,205**	**51,508**	**548,940**	**55,241**	**17,696**	**694**	**2,544**
III	**Women**	1,678,489	875,717	178,568	501,818	60,764	2,426	64,832	30,321	16,283	319,102	19,473	4,589	209	102
	Men	1,402,572	908,035	254,834	429,467	117,609	9,085	30,170	50,991	44,315	178,409	34,687	6,342	872	1,303
	Unknown	14,841	8,385	2,836	5,585	1,369	0	311	913	0	2,581	168	242	0	0
	Total	**3,095,902**	**1,792,136**	**436,238**	**936,870**	**179,742**	**11,511**	**95,313**	**82,225**	**60,598**	**500,092**	**54,328**	**11,173**	**1,080**	**1,405**
IV	**Women**	1,615,255	783,476	151,525	429,647	51,979	1,154	50,690	24,990	15,130	272,500	19,167	7,668	590	909
	Men	1,338,729	814,081	237,138	393,189	102,892	11,647	21,894	55,396	37,653	157,904	32,317	9,787	389	962
	Unknown	23,732	12,015	3,350	7,013	1,474	0	820	475	581	3,900	344	0	0	0
	Total	**2,977,716**	**1,609,572**	**392,014**	**829,849**	**156,345**	**12,801**	**73,404**	**80,861**	**53,364**	**434,304**	**51,828**	**17,455**	**979**	**1,871**
Average 1999	**Women**	1,646,690	840,556	165,047	475,361	55,775	1,807	59,277	26,391	16,277	304,616	20,330	6,166	348	651
	Men	1,382,556	880,947	242,137	420,723	113,736	10,058	23,954	52,052	37,428	176,588	34,420	8,312	563	1,040
	Unknown	21,475	11,074	3,084	6,118	1,191	78	761	847	199	2,998	181	61	0	0
	Total	**3,050,721**	**1,732,576**	**410,267**	**902,202**	**170,702**	**11,943**	**83,993**	**79,290**	**53,904**	**484,203**	**54,931**	**14,538**	**911**	**1,691**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

3. Including agriculture (percentage of total employment 1998)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed ***	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	n/a	42.69%	21.95%	56.34%	10.20%	0.18%	5.83%	2.83%	2.12%	32.03%	4.05%	0.88%	0.15%	0.19%
	Men	n/a	57.00%	30.06%	54.73%	16.87%	1.78%	1.64%	4.76%	4.62%	22.56%	5.20%	0.82%	0.48%	0.62%
	Total	**n/a**	**49.33%**	**26.30%**	**55.72%**	**13.75%**	**1.01%**	**3.73%**	**3.79%**	**3.46%**	**27.21%**	**4.67%**	**0.83%**	**0.31%**	**0.42%**
II	**Women**	n/a	49.36%	24.75%	61.04%	8.61%	0.14%	10.82%	2.68%	1.90%	35.03%	3.08%	0.60%	0.05%	0.03%
	Men	n/a	64.64%	32.07%	54.79%	18.19%	1.66%	3.80%	4.16%	3.99%	21.32%	4.51%	0.65%	0.06%	0.45%
	Total	**n/a**	**56.40%**	**28.47%**	**57.57%**	**13.60%**	**0.94%**	**7.14%**	**3.45%**	**2.92%**	**27.71%**	**3.84%**	**0.61%**	**0.06%**	**0.24%**
III	**Women**	n/a	52.46%	20.50%	59.99%	7.76%	0.14%	7.28%	3.09%	1.84%	38.37%	2.84%	0.44%	0.07%	0.00%
	Men	n/a	67.01%	28.72%	52.37%	16.77%	1.60%	2.21%	4.64%	3.42%	22.00%	4.30%	0.49%	0.02%	0.34%
	Total	**n/a**	**59.06%**	**24.61%**	**56.07%**	**12.30%**	**0.88%**	**4.66%**	**3.88%**	**2.66%**	**30.10%**	**3.57%**	**0.46%**	**0.04%**	**0.17%**
IV	**Women**	n/a	51.49%	22.05%	58.67%	9.71%	0.25%	6.63%	2.74%	2.37%	36.09%	2.76%	0.38%	0.06%	0.05%
	Men	n/a	65.39%	30.28%	52.65%	17.84%	1.31%	2.55%	4.30%	4.02%	21.79%	3.95%	0.54%	0.07%	0.30%
	Total	**n/a**	**57.88%**	**26.23%**	**55.65%**	**13.88%**	**0.80%**	**4.53%**	**3.51%**	**3.21%**	**28.88%**	**3.34%**	**0.46%**	**0.07%**	**0.18%**
Average 1998	**Women**	n/a	49.04%	22.28%	59.14%	9.00%	0.18%	7.70%	2.84%	2.05%	35.58%	3.14%	0.56%	0.08%	0.06%
	Men	n/a	63.54%	30.26%	53.58%	17.42%	1.58%	2.57%	4.46%	3.98%	21.90%	4.46%	0.62%	0.15%	0.42%
	Total	**n/a**	**55.68%**	**26.38%**	**56.27%**	**13.35%**	**0.90%**	**5.05%**	**3.66%**	**3.04%**	**28.54%**	**3.82%**	**0.58%**	**0.11%**	**0.25%**

** Percentage employed = Total employed / population aged 15+*

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

4. Including agriculture (percentage of total employment 1999)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed ***	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	n/a	50.87%	19.38%	55.11%	7.07%	0.24%	6.69%	2.72%	2.01%	34.83%	2.76%	0.71%	0.04%	0.06%
	Men	n/a	63.63%	26.67%	45.66%	13.88%	1.23%	2.25%	5.20%	3.77%	18.29%	4.01%	0.67%	0.07%	0.05%
	Total	**n/a**	**56.65%**	**23.12%**	**50.19%**	**10.54%**	**0.75%**	**4.40%**	**4.05%**	**2.91%**	**26.28%**	**3.38%**	**0.69%**	**0.05%**	**0.05%**
II	**Women**	n/a	52.55%	19.38%	58.71%	5.92%	0.19%	7.56%	3.17%	1.95%	38.70%	2.26%	0.75%	0.03%	0.12%
	Men	n/a	65.55%	26.24%	49.74%	12.18%	0.94%	2.60%	6.08%	3.75%	22.69%	3.83%	1.21%	0.04%	0.16%
	Total	**n/a**	**58.48%**	**22.95%**	**54.13%**	**9.15%**	**0.58%**	**5.07%**	**4.67%**	**2.86%**	**30.44%**	**3.06%**	**0.98%**	**0.04%**	**0.14%**
III	**Women**	n/a	52.17%	20.39%	57.30%	6.94%	0.28%	7.40%	3.46%	1.86%	36.44%	2.22%	0.52%	0.02%	0.01%
	Men	n/a	64.74%	28.06%	47.30%	12.95%	1.00%	3.32%	5.62%	4.88%	19.65%	3.82%	0.70%	0.10%	0.14%
	Total	**n/a**	**57.89%**	**24.34%**	**52.28%**	**10.03%**	**0.64%**	**5.32%**	**4.59%**	**3.38%**	**27.90%**	**3.03%**	**0.62%**	**0.06%**	**0.08%**
IV	**Women**	n/a	48.50%	19.34%	54.84%	6.63%	0.15%	6.47%	3.19%	1.93%	34.78%	2.45%	0.98%	0.08%	0.12%
	Men	n/a	60.81%	29.13%	48.30%	12.64%	1.43%	2.69%	6.80%	4.63%	19.40%	3.97%	1.20%	0.05%	0.12%
	Total	**n/a**	**54.05%**	**24.36%**	**51.56%**	**9.71%**	**0.80%**	**4.56%**	**5.02%**	**3.32%**	**26.98%**	**3.22%**	**1.08%**	**0.06%**	**0.12%**
Average 1999	**Women**	n/a	51.05%	19.64%	56.55%	6.64%	0.21%	7.05%	3.14%	1.94%	36.24%	2.42%	0.73%	0.04%	0.08%
	Men	n/a	63.72%	27.49%	47.76%	12.91%	1.14%	2.72%	5.91%	4.25%	20.05%	3.91%	0.94%	0.06%	0.12%
	Total	**n/a**	**56.79%**	**23.68%**	**52.07%**	**9.85%**	**0.69%**	**4.85%**	**4.58%**	**3.11%**	**27.95%**	**3.17%**	**0.84%**	**0.05%**	**0.10%**

** Percentage employed = Total employed / population aged 15+*

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

5. Excluding agriculture (weighted frequencies 1998)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed**	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	1,327,900	385,564	84,864	117,641	44,252	1,271	2,322	19,183	12,424	20,357	22,681	5,944	287	1,343
	Men	1,052,269	459,187	159,819	185,263	74,796	13,557	1,216	33,956	32,074	17,573	34,256	5,612	1,045	3,251
	Unknown	53,882	19,385	5,124	8,322	2,729	208	0	454	1,596	2,618	1,942	138	0	234
	Total	**2,434,051**	**864,136**	**249,808**	**311,226**	**121,777**	**15,036**	**3,539**	**53,593**	**46,093**	**40,547**	**58,879**	**11,694**	**1,332**	**4,828**
II	**Women**	1,247,153	397,619	94,382	127,341	41,501	1,084	10,889	20,767	15,198	24,664	22,827	4,942	454	212
	Men	971,399	479,341	179,378	204,672	92,053	14,280	2,225	35,209	33,499	17,152	35,361	5,105	259	3,027
	Unknown	48,162	22,647	5,978	6,887	3,880	569	0	1,352	176	388	697	0	0	0
	Total	**2,266,714**	**899,607**	**279,738**	**338,899**	**137,434**	**15,933**	**13,114**	**57,329**	**48,873**	**42,204**	**58,885**	**10,047**	**713**	**3,239**
III	**Women**	1,246,801	422,257	102,704	133,790	46,189	1,313	9,752	25,829	16,203	23,454	23,339	3,730	184	0
	Men	973,937	502,005	190,896	216,427	104,291	14,865	595	39,441	30,764	14,769	35,335	4,282	0	2,850
	Unknown	22,264	11,063	1,669	3,899	275	0	0	668	726	2,697	258	0	0	0
	Total	**2,243,002**	**935,325**	**295,269**	**354,116**	**150,755**	**16,178**	**10,346**	**65,938**	**47,693**	**40,920**	**58,933**	**8,012**	**184**	**2,850**
IV	**Women**	1,192,695	405,873	91,065	126,563	43,700	2,059	6,171	22,902	14,353	27,715	21,288	2,197	138	393
	Men	946,265	474,872	167,518	189,345	89,888	11,118	1,944	35,806	27,234	17,521	27,327	3,011	260	2,472
	Unknown	15,070	6,652	2,092	1,885	1,728	158	0	0	207	0	0	0	0	0
	Total	**2,154,030**	**887,397**	**260,675**	**317,794**	**135,316**	**13,334**	**8,115**	**58,708**	**41,793**	**45,237**	**48,614**	**5,207**	**398**	**2,865**
Average 1998	**Women**	1,253,637	402,828	93,254	126,334	43,911	1,432	7,284	22,170	14,545	24,047	22,534	4,203	266	487
	Men	985,967	478,851	174,403	198,927	90,257	13,455	1,495	36,103	30,892	16,754	33,070	4,502	391	2,900
	Unknown	34,845	14,937	3,716	5,248	2,153	234	0	618	676	1,426	724	35	0	58
	Total	**2,274,449**	**896,616**	**271,372**	**330,508**	**136,320**	**15,120**	**8,779**	**58,892**	**46,113**	**42,227**	**56,328**	**8,740**	**657**	**3,445**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

6. Excluding agriculture (weighted frequencies 1999)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed**	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	1,188,935	386,920	83,444	106,266	32,109	1,704	6,800	21,513	15,887	16,577	21,159	5,881	0	523
	Men	965,316	461,458	157,868	171,067	67,664	9,112	1,617	43,703	32,443	11,146	31,452	5,949	0	424
	Unknown	23,510	9,249	2,415	2,880	599	156	226	1,433	217	465	0	0	0	0
	Total	**2,177,761**	**857,627**	**243,727**	**280,212**	**100,373**	**10,972**	**8,644**	**66,650**	**48,547**	**28,188**	**52,610**	**11,830**	**0**	**946**
II	**Women**	1,174,834	386,866	91,891	119,961	37,980	1,428	10,435	20,547	15,896	25,160	17,286	6,526	142	457
	Men	930,511	447,115	158,667	174,030	65,581	8,461	1,750	44,073	32,240	14,806	28,542	10,119	398	299
	Unknown	13,466	4,295	1,309	1,522	867	156	287	0	0	0	213	0	0	0
	Total	**2,118,810**	**838,276**	**251,867**	**295,513**	**104,428**	**10,045**	**12,472**	**64,620**	**48,136**	**39,966**	**46,041**	**16,645**	**540**	**756**
III	**Women**	1,196,109	393,337	94,172	119,221	36,999	2,224	8,982	26,653	15,161	23,277	16,287	4,589	209	0
	Men	940,039	445,502	167,394	167,788	66,682	8,580	2,399	43,867	41,635	12,089	25,973	6,204	691	1,303
	Unknown	9,927	3,471	1,086	1,415	283	0	0	560	0	161	168	242	0	0
	Total	**2,146,075**	**842,309**	**262,651**	**288,423**	**103,965**	**10,804**	**11,381**	**71,081**	**56,796**	**35,527**	**42,429**	**11,035**	**900**	**1,303**
IV	**Women**	1,209,122	377,343	82,912	104,970	33,916	1,154	5,149	21,586	14,524	18,542	16,541	6,583	590	909
	Men	947,901	423,253	163,890	168,616	58,914	11,477	1,953	50,930	35,150	10,020	27,025	7,425	183	689
	Unknown	17,142	5,424	1,656	1,873	600	0	0	475	581	454	344	0	0	0
	Total	**2,174,165**	**806,021**	**248,457**	**275,460**	**93,430**	**12,630**	**7,102**	**72,991**	**50,255**	**29,017**	**43,909**	**14,009**	**773**	**1,598**
Average 1999	**Women**	1,192,250	386,116	88,105	112,604	35,251	1,627	7,842	22,575	15,367	20,889	17,818	5,895	235	472
	Men	945,942	444,332	161,955	170,375	64,711	9,407	1,930	45,643	35,367	12,015	28,248	7,424	318	679
	Unknown	16,011	5,610	1,616	1,923	587	78	128	617	199	270	181	61	0	0
	Total	**2,154,203**	**836,058**	**251,676**	**284,902**	**100,549**	**11,113**	**9,900**	**68,835**	**50,933**	**33,174**	**46,247**	**13,380**	**553**	**1,151**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

7. Excluding agriculture (percentage of total employment 1998)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed***	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	n/a	29.04%	22.01%	30.51%	11.48%	0.33%	0.60%	4.98%	3.22%	5.28%	5.88%	1.54%	0.07%	0.35%
	Men	n/a	43.64%	34.80%	40.35%	16.29%	2.95%	0.26%	7.39%	6.98%	3.83%	7.46%	1.22%	0.23%	0.71%
	Total	**n/a**	**35.50%**	**28.91%**	**36.02%**	**14.09%**	**1.74%**	**0.41%**	**6.20%**	**5.33%**	**4.69%**	**6.81%**	**1.35%**	**0.15%**	**0.56%**
II	**Women**	n/a	31.88%	23.74%	32.03%	10.44%	0.27%	2.74%	5.22%	3.82%	6.20%	5.74%	1.24%	0.11%	0.05%
	Men	n/a	49.35%	37.42%	42.70%	19.20%	2.98%	0.46%	7.35%	6.99%	3.58%	7.38%	1.07%	0.05%	0.63%
	Total	**n/a**	**39.69%**	**31.10%**	**37.67%**	**15.28%**	**1.77%**	**1.46%**	**6.37%**	**5.43%**	**4.69%**	**6.55%**	**1.12%**	**0.08%**	**0.36%**
III	**Women**	n/a	33.87%	24.32%	31.68%	10.94%	0.31%	2.31%	6.12%	3.84%	5.55%	5.53%	0.88%	0.04%	0.00%
	Men	n/a	51.54%	38.03%	43.11%	20.77%	2.96%	0.12%	7.86%	6.13%	2.94%	7.04%	0.85%	0.00%	0.57%
	Total	**n/a**	**41.70%**	**31.57%**	**37.86%**	**16.12%**	**1.73%**	**1.11%**	**7.05%**	**5.10%**	**4.37%**	**6.30%**	**0.86%**	**0.02%**	**0.30%**
IV	**Women**	n/a	34.03%	22.44%	31.18%	10.77%	0.51%	1.52%	5.64%	3.54%	6.83%	5.24%	0.54%	0.03%	0.10%
	Men	n/a	50.18%	35.28%	39.87%	18.93%	2.34%	0.41%	7.54%	5.73%	3.69%	5.75%	0.63%	0.05%	0.52%
	Total	**n/a**	**41.20%**	**29.38%**	**35.81%**	**15.25%**	**1.50%**	**0.91%**	**6.62%**	**4.71%**	**5.10%**	**5.48%**	**0.59%**	**0.04%**	**0.32%**
Average 1998	**Women**	n/a	32.13%	23.15%	31.36%	10.90%	0.36%	1.81%	5.50%	3.61%	5.97%	5.59%	1.04%	0.07%	0.12%
	Men	n/a	48.57%	36.42%	41.54%	18.85%	2.81%	0.31%	7.54%	6.45%	3.50%	6.91%	0.94%	0.08%	0.61%
	Total	**n/a**	**39.42%**	**30.27%**	**36.86%**	**15.20%**	**1.69%**	**0.98%**	**6.57%**	**5.14%**	**4.71%**	**6.28%**	**0.97%**	**0.07%**	**0.38%**

** Percentage employed = Total employed / population aged 15+*

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

8. Excluding agriculture (percentage of total employment 1999)

		TOTAL				HUSSMANNS (2001) informal sector / informal employment category									
Quarter		**Population aged 15 +**	**Employed***	**Employed in IS**	**Informally Employed**	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**9**	**10**	**11**
I	**Women**	n/a	32.54%	21.57%	27.46%	8.30%	0.44%	1.76%	5.56%	4.11%	4.28%	5.47%	1.52%	0.00%	0.14%
	Men	n/a	47.80%	34.21%	37.07%	14.66%	1.97%	0.35%	9.47%	7.03%	2.42%	6.82%	1.29%	0.00%	0.09%
	Total	**n/a**	**39.38%**	**28.42%**	**32.67%**	**11.70%**	**1.28%**	**1.01%**	**7.77%**	**5.66%**	**3.29%**	**6.13%**	**1.38%**	**0.00%**	**0.11%**
II	**Women**	n/a	32.93%	23.75%	31.01%	9.82%	0.37%	2.70%	5.31%	4.11%	6.50%	4.47%	1.69%	0.04%	0.12%
	Men	n/a	48.05%	35.49%	38.92%	14.67%	1.89%	0.39%	9.86%	7.21%	3.31%	6.38%	2.26%	0.09%	0.07%
	Total	**n/a**	**39.56%**	**30.05%**	**35.25%**	**12.46%**	**1.20%**	**1.49%**	**7.71%**	**5.74%**	**4.77%**	**5.49%**	**1.99%**	**0.06%**	**0.09%**
III	**Women**	n/a	32.88%	23.94%	30.31%	9.41%	0.57%	2.28%	6.78%	3.85%	5.92%	4.14%	1.17%	0.05%	0.00%
	Men	n/a	47.39%	37.57%	37.66%	14.97%	1.93%	0.54%	9.85%	9.35%	2.71%	5.83%	1.39%	0.16%	0.29%
	Total	**n/a**	**39.25%**	**31.18%**	**34.24%**	**12.34%**	**1.28%**	**1.35%**	**8.44%**	**6.74%**	**4.22%**	**5.04%**	**1.31%**	**0.11%**	**0.15%**
IV	**Women**	n/a	31.21%	21.97%	27.82%	8.99%	0.31%	1.36%	5.72%	3.85%	4.91%	4.38%	1.74%	0.16%	0.24%
	Men	n/a	44.65%	38.72%	39.84%	13.92%	2.71%	0.46%	12.03%	8.30%	2.37%	6.38%	1.75%	0.04%	0.16%
	Total	**n/a**	**37.07%**	**30.83%**	**34.18%**	**11.59%**	**1.57%**	**0.88%**	**9.06%**	**6.23%**	**3.60%**	**5.45%**	**1.74%**	**0.10%**	**0.20%**
Average 1999	**Women**	n/a	32.39%	22.82%	29.16%	9.13%	0.42%	2.03%	5.85%	3.98%	5.41%	4.61%	1.53%	0.06%	0.12%
	Men	n/a	46.97%	36.45%	38.34%	14.56%	2.12%	0.43%	10.27%	7.96%	2.70%	6.36%	1.67%	0.07%	0.15%
	Total	**n/a**	**38.81%**	**30.10%**	**34.08%**	**12.03%**	**1.33%**	**1.18%**	**8.23%**	**6.09%**	**3.97%**	**5.53%**	**1.60%**	**0.07%**	**0.14%**

** Percentage employed = Total employed / population aged 15+*

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

ANNEX 2
INFORMAL SECTOR AND INFORMAL EMPLOYMENT AS SHARE OF TOTAL EMPLOYMENT AND TOTAL JOBS *

1. Including Agriculture (% of total employment or total jobs)

		% of total Employment	% of total Jobs
Average 1998	In the IS	26.40%	25.86%
	Total Informal employment/jobs	**56.28%**	**54.13%**
Average 1999	In the IS	23.67%	23.28%
	Total Informal employment/jobs	**52.17%**	**50.30%**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

2. Excluding Agriculture (% of total employment or total jobs)

		% of total Employment	% of total Jobs
Average 1998	In the IS	30.34%	28.63%
	Total Informal employment/jobs	**36.90%**	**35.12%**
Average 1999	In the IS	30.10%	28.41%
	Total Informal employment/jobs	**34.09%**	**32.44%**

Source: author's own analysis of Georgia Labour Force Survey, 1998, 1999.

* *Total informal employment*: total number of ***persons*** with either an informal primary job *or* an informal secondary job.

Total informal jobs: total number of informal primary ***jobs*** *plus* total number of informal secondary jobs.

List of Employment Sector Papers on the Informal Economy*

"Decent Work in the Informal Economy: Abstracts of working papers"

1. "Globalization and the Informal Economy: How Global Trade and Investment Impact on the Working Poor", by Marilyn Carr and Martha Alter Chen.

2. "Supporting workers in the Informal Economy: A Policy Framework", by Martha Alter Chen, Renana Jhabvala and Frances Lund.

3. "International Labour Standards and the Informal Sector: Developments and Dilemmas", by Charlotta Schlyter.

4. "The informal sector in Asia from the decent work perspective", by Nurul Amin.

5. "Towards decent work in the informal sector: The case of Egypt", by Alia El Mahdi (available in electronic form only).

6. "Good practice study in Shanghai: Employment services for the informal economy", by Jude Howell.

7. "Decent work in the informal sector: CEE/CIS region", by Bettina Musiolek (available in electronic form only).

8. "Federation of trade unions of Macedonia", by Liljana Jankulovska (available in electronic form only).

9. "A profile of informal employment: The case of Georgia", by Sabine Bernabé.

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* For electronic publications please see the informal economy website: www.ilo.org/infeco