

Peculiarities of Labor Market Development in Georgia in Terms of Digital Transformation of the Economy and the European Integration

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(Presented by Academy Member Vladimir Papava)

Abstract. In terms of modern globalization and European integration, when the process of digital transformation of the economy is intensely underway all over the world, for the purposes of economic development, special importance is attached to the development of human capital and the formation of a flexible labor market. This ensures the full realization of the interests of labor market entities, which implies the development and effective use of fundamentally new forms of employment. The need for complex, in-depth research in this direction is also due to the fact that in the ongoing globalization process, the use of digital technologies in the field of regulating the labor market and social-labor relations is significantly increasing, which has a significant impact on the content and character on the latter. This requires from modern companies to fundamentally rethink traditional approaches to employment and management problems and consistently integrate them into this completely new digital space. The purpose of the work is identifying changes and trends in the Georgian labor market and in the field of social and labor relations in general, studying the peculiarities of human capital development, which takes place as a result of the use of modern digital work platforms and accordingly development of labor market, and development of a worthy system of effective employment promotion measures. From the goal of research the paper focuses on studying the characteristics and trends of labor market development in the context of the digital transformation of the economy, and identifying existing challenges. According to researches, structural changes in the employment sector and trends of changing labor demand are studied, which is being implemented as a result of the processes of labor unification, intellectualization and universalization and by the development of digital technologies. In the process of research it was determined that under the conditions of ongoing European integration and digital transformation of the economy, the structure of the labor market and the very content of social and labor relations are radically changing. The impact of digital technologies on the labor market and the overall process of human capital development is particularly tangible and multifaceted. © 2025 Bull. Natl. Acad. Sci. Georg.

Keywords: labor market, human capital, digital transformation, effective employment, European integration

Introduction

In the era of modern globalization and European integration, overcoming poverty, mass unemploy-

ment, and raising the living standards of the population in Georgia still remain a serious challenge. Despite this, in recent years, the country has made

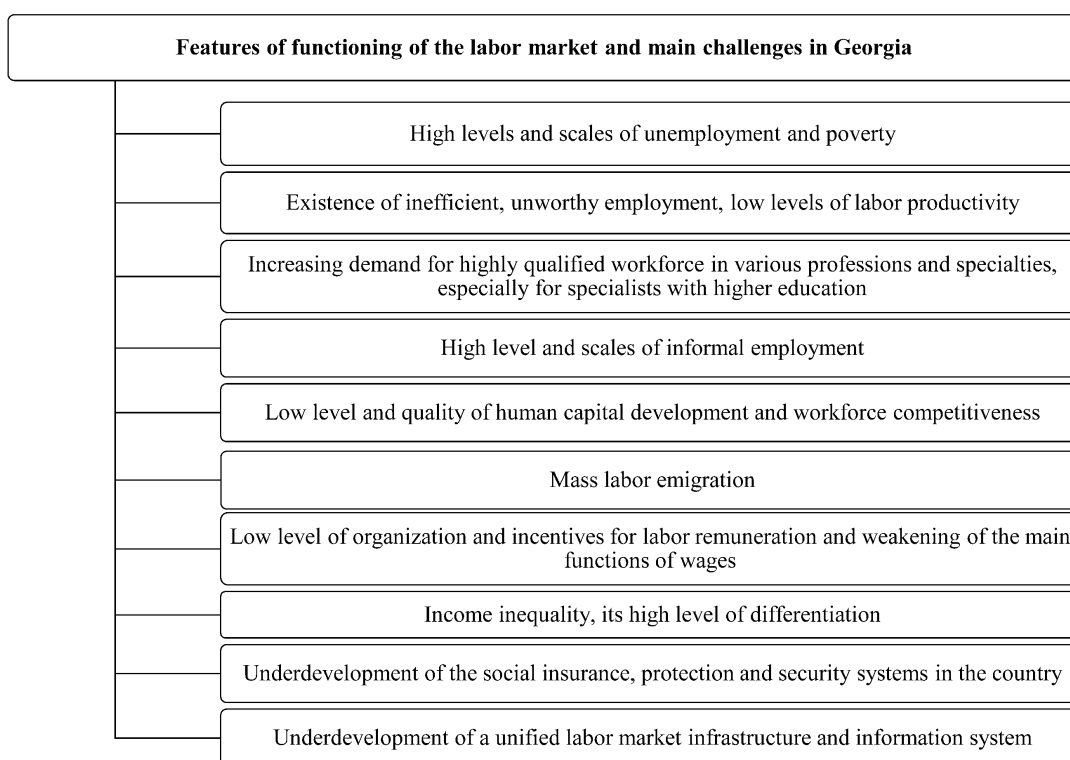
some positive changes in terms of economic development and it has not been possible to significantly reduce unemployment and poverty levels. It will be impossible to resolve these problems successfully without the formation of a modern civilized market environment and its corresponding infrastructure. In this system, the leading place belongs to the labor market. Labor market should become the basis for the country's inclusive economic development, promoting effective employment of the working-age population, creating flexible social protection and welfare systems, and improving the quality of working life and, ultimately, the standard of living. The relevance of researching the problem is also determined by the fact that it is precisely as a result of the effective functioning of the labor market mechanism that the main tasks of sustainable economic development are solved. It must respond quickly and flexibly to the dynamics of economic development and effectively implement its core functions. According to this, the aim of the paper is to conduct an in-depth study of the peculiarities of the functioning and development of the labor market in Georgia under the conditions of digital transformation and European integration.

Labor Market in Georgia, Features of Functioning and Main Challenges

The results of our research confirm that today, instead of a developed labor market, Georgia is operating a specific, mixed labor market with its own specific characteristics (show scheme-1), among which, we should highlight three main key problems: 1. *High level of unemployment and poverty*; 2. *Lack of decent and effective employment*; 3. *Need to develop a workforce and human capital meeting the demands of modern labor market* (Tsartsidze et al., 2024; Tsartsidze, 2019). Apart from the above, the labor market cannot provide: rational use of labor potential; adherence to the principles of social justice in the field of employment; creating equal employment opportunities for job seekers; development of the social

partnership system; realization of equal rights at work, and there are significant problems in the field of labor protection and safety (Papava & Maisaia, 2023), etc.

As the research showed, at the current stage of the formation and functioning of the labor market in Georgia, overcoming mass, chronic unemployment and ensuring effective employment of the working-age population remains the main task of the state's macroeconomic policy. This is why the country is actively involved in the European integration process under the conditions of modern globalization (Scheme). It has a significant impact on the country's economic development. According to official data, the unemployment rate in the country ranged from 10.3% (2000) to 13.8% (2024) in 2000-2024, and it reached its maximum value of 27.2% in 2010 (Tsartsidze et al., 2024; Tsartsidze, 2019). The high level of unemployment has had a serious impact on the standard of living of the population, the depth and extent of poverty, seriously hindered the country's progress and, along with it, created numerous other socio-economic problems (Papava, 2012). Moreover, "In the world, unemployment is considered a complex socio-economic event and phenomenon, and in Georgia, especially over the last 20-25 years, it has been the main factor causing poverty" (Tsartsidze et al., 2024). This confirmed by the analysis of indicators obtained from official information sources during the mentioned period. As early as in 2005, 54.9% of Georgia's population lived below the officially established poverty line (Tsartsidze, 2019). In 2024, the share of the population below the absolute poverty line in the country (absolute poverty) was 11.8%. So, in 2024, 12.7% of the Georgian population received subsistence allowance and belonged to the poor stratum of the population. To overcome these problems and achieve decent and effective employment, developed countries pay special attention to improving the education system and implementing active labor market policies (ALMP) (Plavgo, 2023).



Scheme. Features of functioning of the labor market and main challenges in Georgia.

In the ongoing process of globalization and European integration, an important feature and challenge of the labor market and the sphere of social and labor relations is the absence of decent, highly productive, effective labor and employment. Therefore, the principle universally recognized by the International Labor Organization is becoming a priority in the country “Decent work is the foundation of human well-being and national development” (Tsartsidze, 2019). Decent, effective work and employment should become the basis for inclusive economic growth, poverty eradication, and improved living standards. That is why, in the context of digital transformation, the focus on decent, effective employment is becoming the main criterion for regulating the country's social policy and employment sector and one of the important indicators of socio-economic progress. Decent salary is the most important indicator of effective work, remuneration for labor. The average monthly nominal wage of employees in Georgia has

fluctuated from 72.3 GEL (2000) to 1943.4 GEL (2024) over the past 25 years (Tsartsidze et al., 2024). According to recent data, the average salary of Georgian men is 52.2% higher than that of women. Wages in the private sector exceed those in the public sector by 36.5%. Compared to the average monthly nominal wage calculated for the 27 EU countries at the beginning of 2025 (2057 euros per month), the wages of hired workers in Georgia are on average 3-4 times lower (6.5 times lower than the highest-paid country, Luxembourg, and 1.5 times lower than the lowest-paid country, Bulgaria) (Nomad Not Mad, 2025).

An important feature of the labor market is the high level of population migration, especially the scale of labor emigration (Tukhashvili et al., 2012; Shelia & Tukhashvili, 2021; Veshapidze et al., 2024). Special studies confirm that 80-85% of labor migrants leave the country for economic reasons (unemployment, low wages, undesirable working conditions).

Digital Transformation and Labor Market Development Trends in the Ongoing European Integration Process

In the context of ongoing European integration, the process of continuous transformation in the Georgian labor market is becoming even stronger and is implemented even more actively. It is carried out under the influence of a number of factors, among which the following ones are important: confrontational globalization, technological development, demographic, natural and climatic conditions, global economic trends (Papava & Bedianashvili, 2024). A special role for the last 3-4 years has been played by the technologies of the Fourth Industrial Revolution and the pandemic, which, together with the development of the “gig economy”, radically changed the forms and content of labor and employment (Tsartsidze & Gabadadze, 2023). Moreover, as a result of the development of the digital economy, the nature and content of labor is changing, and social and labor relations are being modernized, which should ensure the flexibility of labor organization, increase labor productivity, increase personnel motivation, and improve the quality of products, work, and services. The development of digital technologies is also adequately reflected in the sectoral structure of employment, as certain professions become obsolete and there appear new, modern, progressive professions. The process of intellectualization, unification, and universalization of labor is developing, which naturally creates a growing demand for new skills and competencies, qualifications, and professionalism. “Technological Change – the rapid development of artificial intelligence, robotics and other technologies creates new opportunities, but at the same time gives rise to new risks and ethical dilemmas” (Bedianashvili, 2023). This is also confirmed by the fact that according to the World Economic Forum's 2020 report, “In 2025, analytical thinking, creativity, and flexibility will be the most in-demand and essential skills” (Russo, 2020). As it is clear, the development of digital technologies is

inevitable and is an objective necessity. For Georgia, modern digital work platforms are considered a mechanism for realizing new forms of employment and new opportunities, which, as a result of progress in digital technologies, contribute to the significant development of the gig economy and a significant change in the employment structure. To study the current situation in this field in Georgia, a phased study: “A survey of the economically active population regarding the problems of participation and motivation in non-standard forms of social labor relations in Georgia and Tbilisi region” is conducted. The research instrument used mass questionnaire survey.

Table. Distribution of surveyed personnel by the form and type of employment in Georgia in 2021-2024

Form and type of employment	2021	Total in 2024	
		1268	100%
7.1. Standard	48.6%	533	42.0%
7.2. Self-employed	5.8%	100	7.9%
7.3. Incomplete (short day or week)	4.1%	60	4.7%
7.4. Overtime (working more than 8 hours a day)	5.2%	96	7.6%
7.5. Temporary (for a limited time)	6.7%	101	8.0%
7.6. Specific job until it is completed	3.5%	48	3.8%
7.7. Permanent and seasonal	17.5%	170	19.4%
7.8. Remote employment – telework	7.3%	145	11.4%
7.9. Other form	1.3%	15	1.2%

Source: The table is compiled based on the results of a special study conducted by the authors. Survey of the economically active population in relation to problems of participation and motivation in non-standard forms of social and labor relations in Georgia and Tbilisi region – Google Forms.

The research period covers the years of 2021-2024. The goal of the research is to identify new non-standard forms of employment, assess the scale of its use, determine the operating factors and structure, and study the population's attitude towards this type of employment. At the current stage, 1268 respondents are surveyed, 533 (42.0%)

of which indicate that they are employed in a standard manner, while the rest use various flexible non-standard forms of employment. Among them, 145 people (11.4%) work remotely (Table 1). Over the past three years, remote employment has increased from 7.3% to 11.4%, or by 4.1%. Self-employed people (by 2.1%) and people working on fixed-term, short-term contracts (by 1.6%) also show an increasing trend. As the data in the table show, the personnel employed in positions 7.2; 7.5; 7.6; 7.7 and 7.8, is 50.5% of the total number of respondents, are employed in various forms in the gig economy. Most of them use modern forms of employment, digital technologies, applications, and effectively carry out their work activities (Table).

The peculiarity of the development of the Georgian labor market is significantly determined by the level of human capital development, the quality of education, and the availability of qualified personnel (Bedianashvili et al., 2024). Based on the above, the National Strategy for Labor and Employment Policy of Georgia has a special place “Development of human capital and productivity, lifelong learning” (Government of Georgia, 2019). Because in the context of digital transformation the demands on human capital are changing even more. It is directly related to both new opportunities for realizing accumulated potential, as well as expected risks. In this regard, an important component of human capital is knowledge of digital technologies. An equally important aspect is the change in the nature and content of the work. The level and quality of human capital development in Georgia is significantly characterized by the Human Development Index (HDI). For example, since 2010, Georgia has been classified as a country with a high level of development according to this index (0.759) and ranks the 75th among 187 UN member countries. As for the recent period, the importance of HDI in Georgia increased significantly and already reached quite high levels in 2022, 2023, and 2024 (0.812, 0.816, and 0.825, respectively). As a result, among 191 countries, Georgia first ranked

the 61st (2022) and then the 60th (2023 and 2024) (United Nations Development Programme, 2024). Despite the above, it can be said that the Human Development Index (HDI) in Georgia is still quite low compared to developed countries and is significantly behind even some post-Soviet countries.

Conclusions

Analysis of the research results shows that under the conditions of ongoing European integration and digital transformation of the economy, the structure of the labor market and the very content of social and labor relations are radically changing. The impact of digital technologies on the labor market and the overall process of human capital development is particularly tangible and multifaceted, with the following worth highlighting:

1. Changes in the nature and content of work, which are related to both new opportunities for realizing accumulated potential and expected risks. Because in the context of the digital transformation of the economy, the process of individualization, universalization, and intellectualization of labor is becoming even stronger.

2. The ongoing changes in the process of human capital development itself (meaning its main indicators and constituent structural elements), which are occurring due to the demands of the time, and more so as a result of digital transformation, in an uncertain environment. The main feature in this regard is the growing importance of digital skills and abilities and the need for in-depth knowledge of digital technologies, which allow an individual to interact with the digital environment. Under such conditions, the development of human capital and the establishment of a balance between the supply and the demand in the labor market are the most important conditions and foundations for the country's macroeconomic development. Indeed, the level and quality of human capital development in the Georgian labor market directly affects the level and scale of demand for labor. The results of studies conducted by various organizations, private struc-

tures, and individual experts show that at the current stage, there is a fairly high demand for highly qualified labor in certain professions in Georgia. It is obvious that there is a real shortage of highly qualified, competitive labor in the Georgian labor market. To solve the tasks, the state will need to take into account economic, social, administrative, and informational factors.

3. In the ongoing process of confrontational globalization and European integration, the digital transformation of the economy has a significant impact on the structure of the labor market. Companies are becoming more open and transparent to partners, clients, and regulators. Enterprises are becoming more flexible and adaptable to rapidly changing economic conditions.

4. Digital technologies and work platforms significantly expand the possibilities of self-employment, with flexible work schedules, without a permanent workplace, using any online platform. It also expands employment prospects for people with disabilities (youth, women, pensioners, disabled people) as well as the population who lives in regions. Based on the above, it is necessary to bring these processes into the sphere of state regulation, which in turn requires the creation of legislation in line with European standards.

5. There are quite serious problems in the functioning and development of the labor market. In particular, the labor market still fails to ensure the observance of the principles of social justice in the field of employment. In addition, the population has less access to various types of labor market services and activities. There are significant problems in the field of labor protection and safety, the unified labor market infrastructure and information system are underdeveloped, etc.

6. In order to regulate and effectively manage migration processes in the country, special attention should be paid to strengthening the Active Labor Market Policy (ALMP), updating and developing the Labor Market Information System (LMIS) information, ultimately, full development

of its infrastructure. And this will also contribute to the effective implementation of the main functions of the labor market.

7. We believe that, according to current socio-economic situation in the country, the most important factor in developing the labor market and raising the standard of living of the population is ensuring decent, effective employment for the country's population, where special attention should be paid to working conditions, protection, safety, and decent, adequate remuneration. The necessity of this is due to the fact that today the country maintains a high level and scale of unemployment, which is chronic in nature, and there is no mechanism for social insurance for the unemployed. Accordingly, the problem of "poor" and ineffective employment emerges, which is caused by: low level of workplace organization and inadequate working conditions; low level of labor productivity in a number of sectors of the national economy; problems of labor remuneration organization, low level of wages and weakening of its main functions; labor protection and safety, career advancement and professional development; low level and quality of labor incentive organization; underdevelopment of the system of social protection and security, as well as social partnership in the country.

8. An important factor in the development of the labor market and effective, decent employment in the country is the level and quality of entrepreneurship, private sector, and business development.

9. In Georgia, in the current period of economic reform, in order to form the labor market and its further development, it is necessary to properly implement the requirements of international conventions recognized by Georgia as mandatory in the field of labor and employment, further refinement of labor legislation and approximation to international standards. In this regard, it will be important to fulfill the obligations set out in the Association Agreement with the European Union.

ეკონომიკა

შრომის ბაზრის განვითარების თავისებურებები საქართველოში ეკონომიკის ციფრული ტრანსფორმაციისა და ევროინტეგრაციის პირობებში

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(წარმოდგენილია აკადემიის წევრის ვ. პაპავას მიერ)

თანამედროვე გლობალიზაციისა და ევროინტეგრაციის პირობებში, როდესაც მთელ მსოფლიოში ინტენსიურად მიმდინარეობს ეკონომიკის ციფრული ტრანსფორმაციის პროცესი, ეკონომიკური განვითარების მიზნებისათვის განსაკუთრებული მნიშვნელობა ენიჭება ადამიანისეული კაპიტალის განვითარებასა და მოქნილი შრომის ბაზრის ფორმირებას. აღნიშნული უზრუნველყოფს შრომის ბაზრის სუბიექტების ინტერესების ოპტიმალურ რეალიზაციას, რაც გულისხმობს დასაქმების პრინციპულად ახალი ფორმების განვითარებასა და ეფექტიან გამოყენებას. ამ მიმართულებით კომპლექსური, სიღრმისეული კვლევის აუცილებლობა განპირობებულია იმითაც, რომ მიმდინარე გლობალიზაციის პროცესში საგრძნობლად იზრდება ციფრული ტექნოლოგიების გამოყენება შრომის ბაზრისა და სოციალურ-შრომითი ურთიერთობების რეგულირების სფეროში, რაც მნიშვნელოვან გავლენას ახდენს ამ უკანასკნელის შინაარსსა და ხასიათზე. ეს კი თანამედროვე კომპანიებისაგან მოითხოვს დასაქმებისა და მენეჯმენტის პრობლემებისადმი ტრადიციული მიდგომების საფუძვლიან გადახედვას და თანმიმდევრულ ინტეგრაციას ამ აბსოლუტურად ახალ ციფრულ სივრცეში. ნაშრომის მიზანია საქართველოს შრომის ბაზარზე და საერთოდ სოციალურ-შრომითი ურთიერთობების სფეროში მიმდინარე ცვლილებების, ტენდენციების გამოვლენა, ადამიანისეული კაპიტალის განვითარების თავისებურებების შესწავლა, რომელსაც ადგილი აქვს თანამედროვე ციფრული სამუშაო პლატფორმების გამოყენების შედეგად და, შესაბამისად, შრომის ბაზრის განვითარების, ღირსეული, ეფექტიანი დასაქმების ხელშეწყობის ღონისძიებათა სისტემის შემუშავება. კვლევის მიზნიდან გამომდინარე, ნაშრომში ძირითადი ყურადღება ეთმობა ეკონომიკის ციფრული ტრანსფორმაციის პირობებში, შრომის ბაზრის განვითარების თავისებურებების, ტენდენციების შესწავლას, არსებული გამოწვევების გამოვლენას. ასევე, ჩატარებული კვლევის საფუძველზე შესწავლილია მოსახლეობის დასაქმების სფეროში მიმდინარე სტრუქტურული ცვლილებები და სამუშაო ძალაზე მოთხოვნის ცვლილების ტენდენციები, რომელიც ხორციელდება შრომის უნიკალიზაციის, ინტელექტუალიზაციისა და უნივერსალიზაციის პროცესებისა და ციფრული ტექნოლოგიების განვითარების შედეგად. დადგინდა, რომ მიმდინარე ევროინტეგრაციისა და ეკონომიკის ციფრული ტრანსფორმაციის პირობებში, რადიკალურად იცვლება შრომის ბაზრის სტრუქტურა და თვით სოციალურ-შრომითი ურთიერთობების შინაარსი.

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