



Social protection of informal agricultural workers in Georgia: Challenges and potential remedies

POLICY DIALOGUE

Food and energy resilience: policy, institutions and people

Tbilisi, 24/03/2023



Research objective:

To identify gaps in Georgian social protection system in relation to informal agricultural workers and propose potential solutions

Research Design

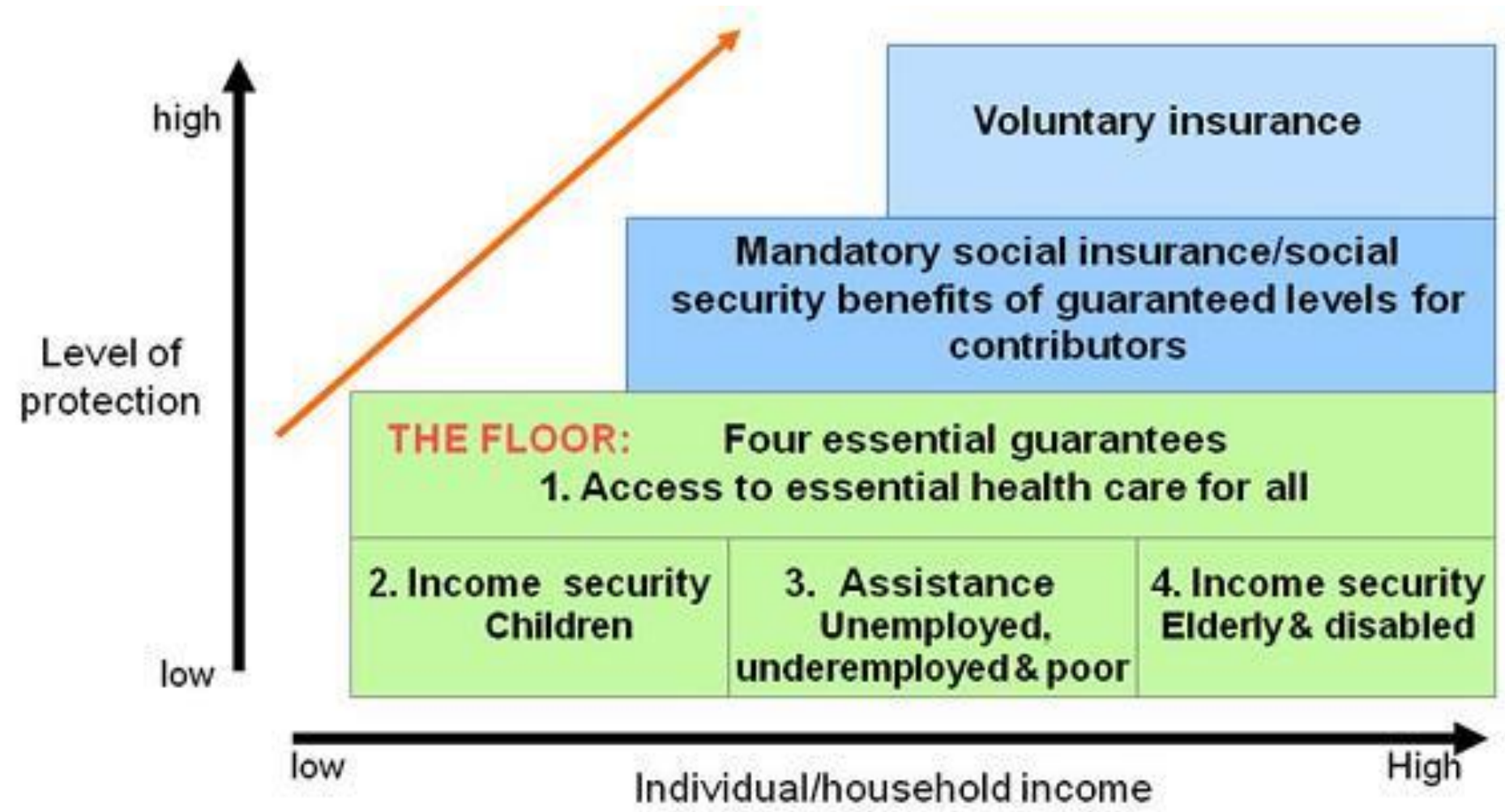


Methods:

- Desk review (relevant legislation + existing studies)
- Quantitative analysis of administrative and micro-level data (Labour Force Survey)
- Interviews with key informants (Social Services Agency, Employment Agency, Pension Agency, Ministry of Environmental Protection and Agriculture)

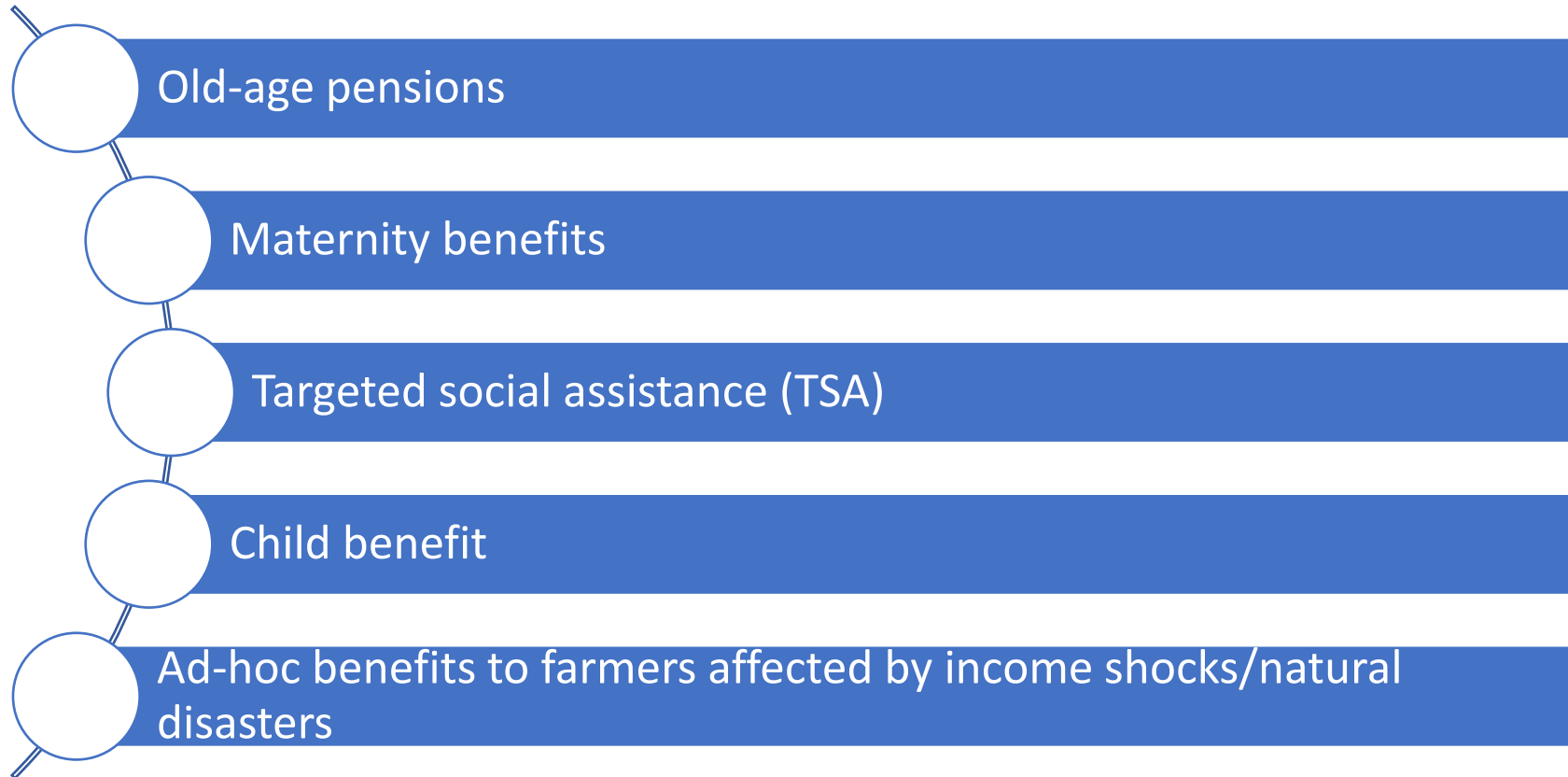


Social protection floor concept





Social protection programmes under review





Who are informal (agricultural) workers?

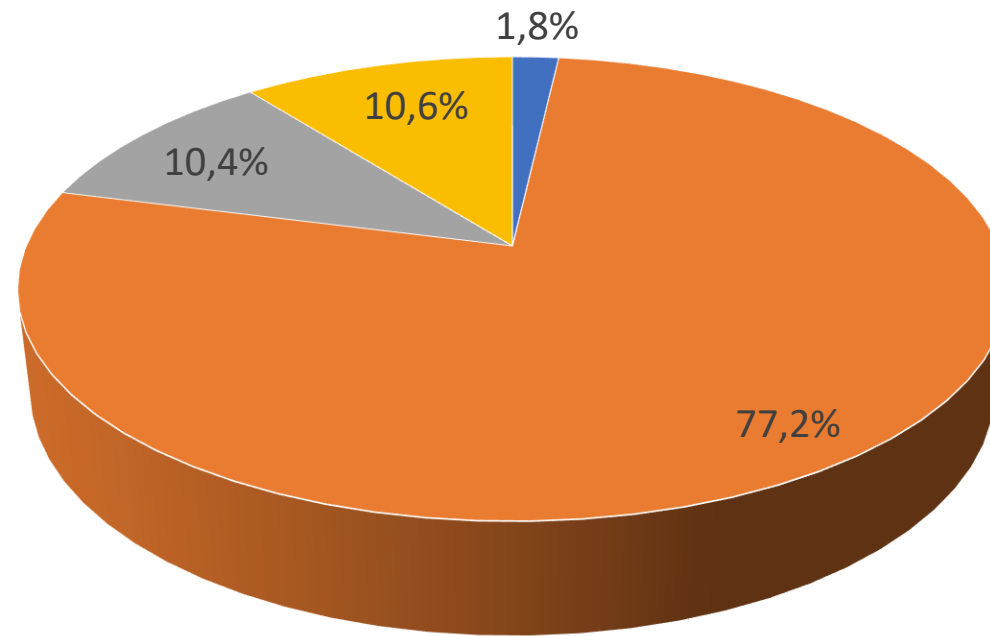
ILO – “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements”.

Geostat - “those employed in non-agricultural sector, who at their workplace were not or were partially protected by formal arrangements (did not pay income tax; and/or could not use paid annual leave; and/or could not use paid sick leave in case of an illness; and/or employer did not pay contributions to the pension fund) or those who define their employment status as helpers in family enterprise or work in non-registered enterprises





Categories of agricultural workers



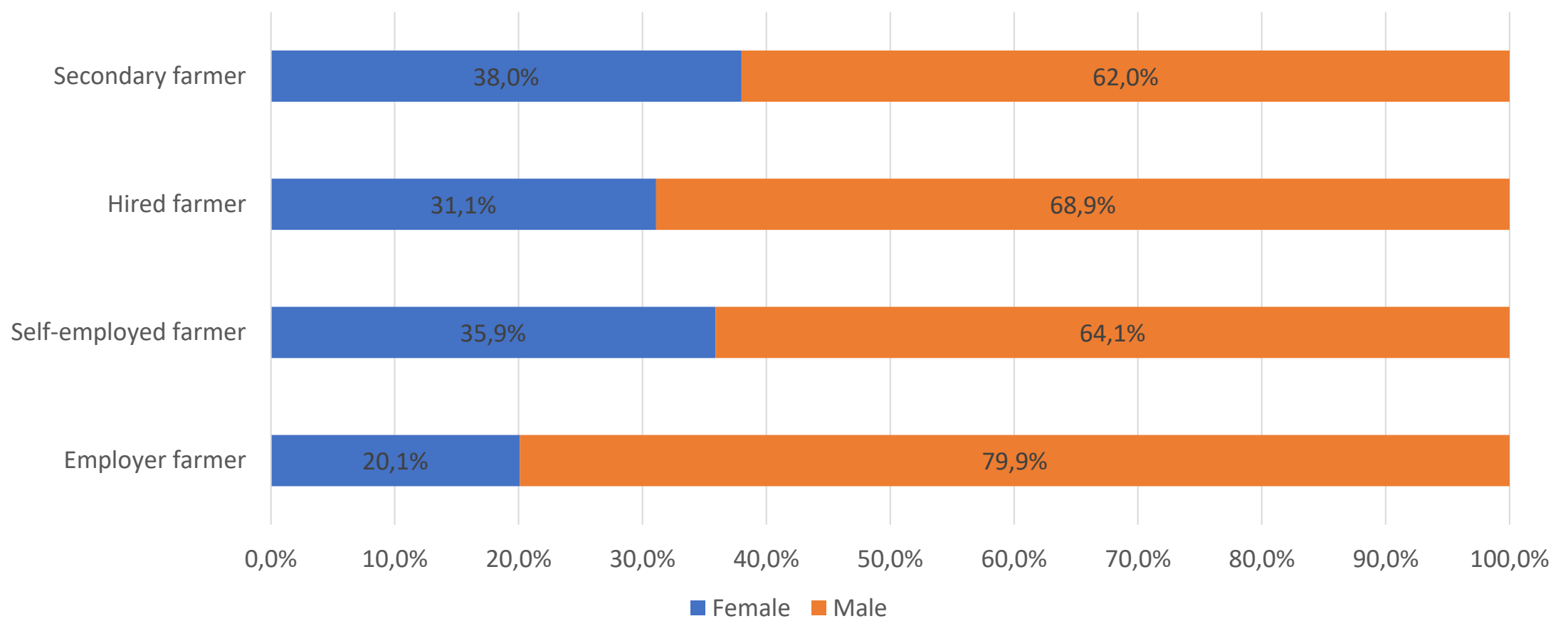
■ Employer farmer ■ Self-employed farmer ■ Hired farmer ■ Secondary farmer

Source: Geostat (2022) Labour Force Survey 2021, authors' own calculations





Gender composition of categories of informal agricultural workers

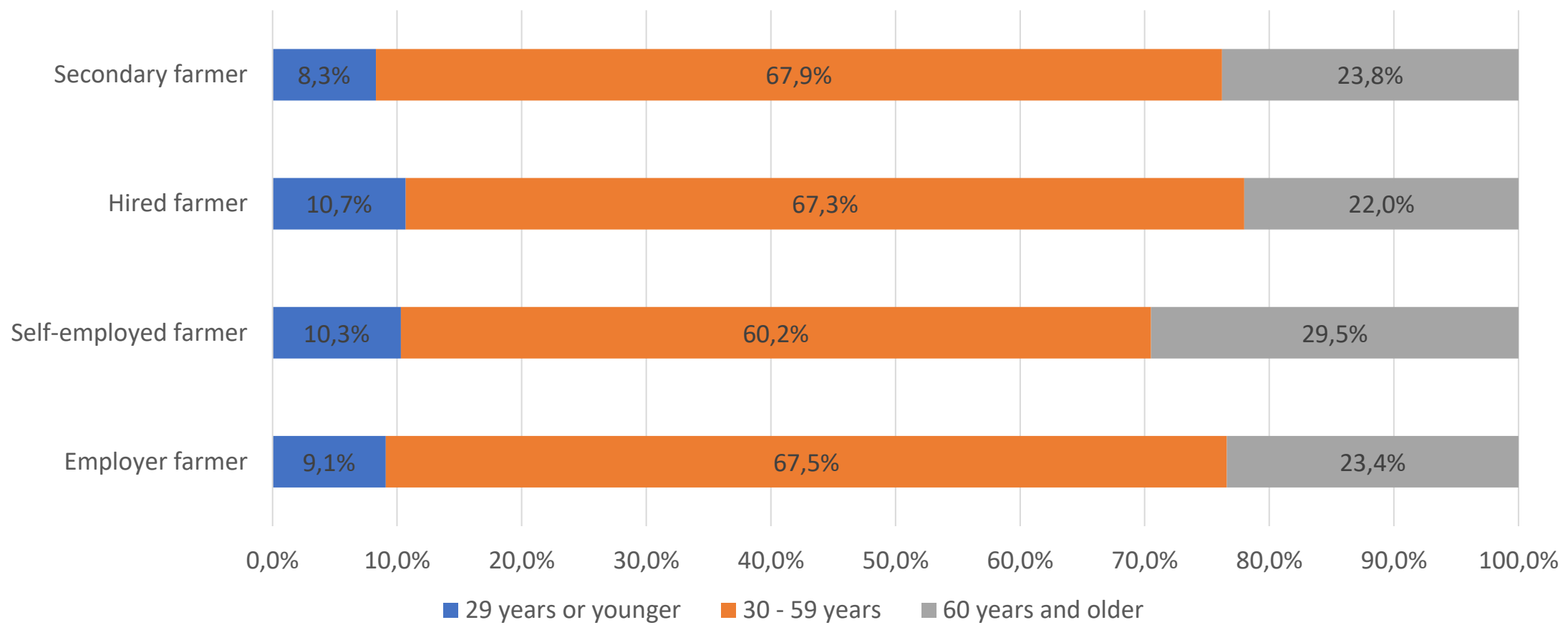


Source: Geostat (2022) Labour Force Survey 2021, authors' own calculations





Age composition of categories of informal agricultural workers



Source: Geostat (2022) Labour Force Survey 2021, authors' own calculations





Old-age income security

- Despite continuous increase the benefit level still below the minimum ILO standard (45 per cent of average wage of a male manual worker = 445 GEL). Accordingly, pensioners' living standards are low, unless complemented by income from other sources or savings. Retired agricultural workers less likely to receive income support from family members.
- Absence of **public** contributory pension scheme reduces incentives to formalize employment.
- Number of agricultural workers enrolled in private pension scheme is most likely very low (no official data available). Defined contribution principle implies that risks are individualized and there is no redistribution between higher and lower income groups.





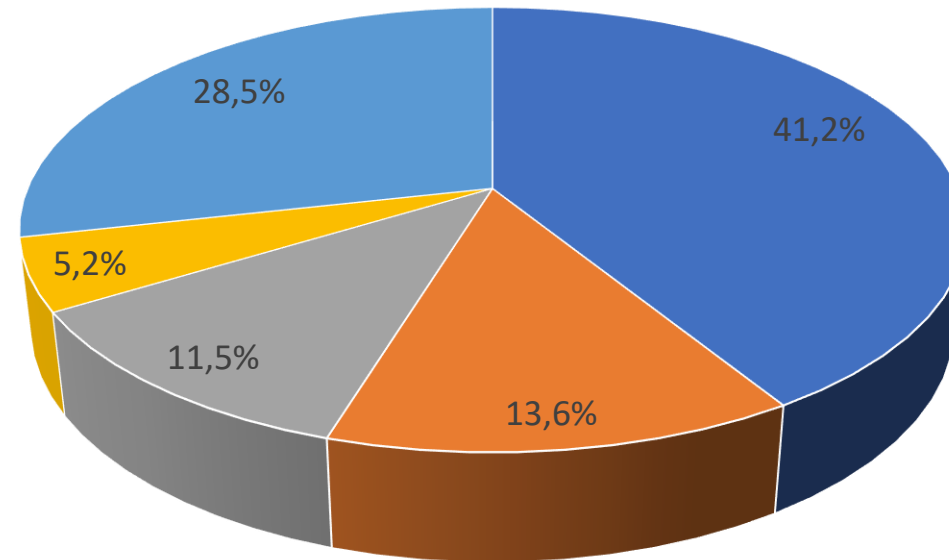
Maternity benefit

Civil servants – 183 days of fully paid leave

Other formally employed women – 126 days of paid leave, but capped at 2,000 GEL max

Other women – no maternity benefit

Employment status of women aged 15-49 years in labour force



- Formally hired
- Informally hired
- Self-employed in agriculture
- Self-employed outside agriculture
- Unemployed

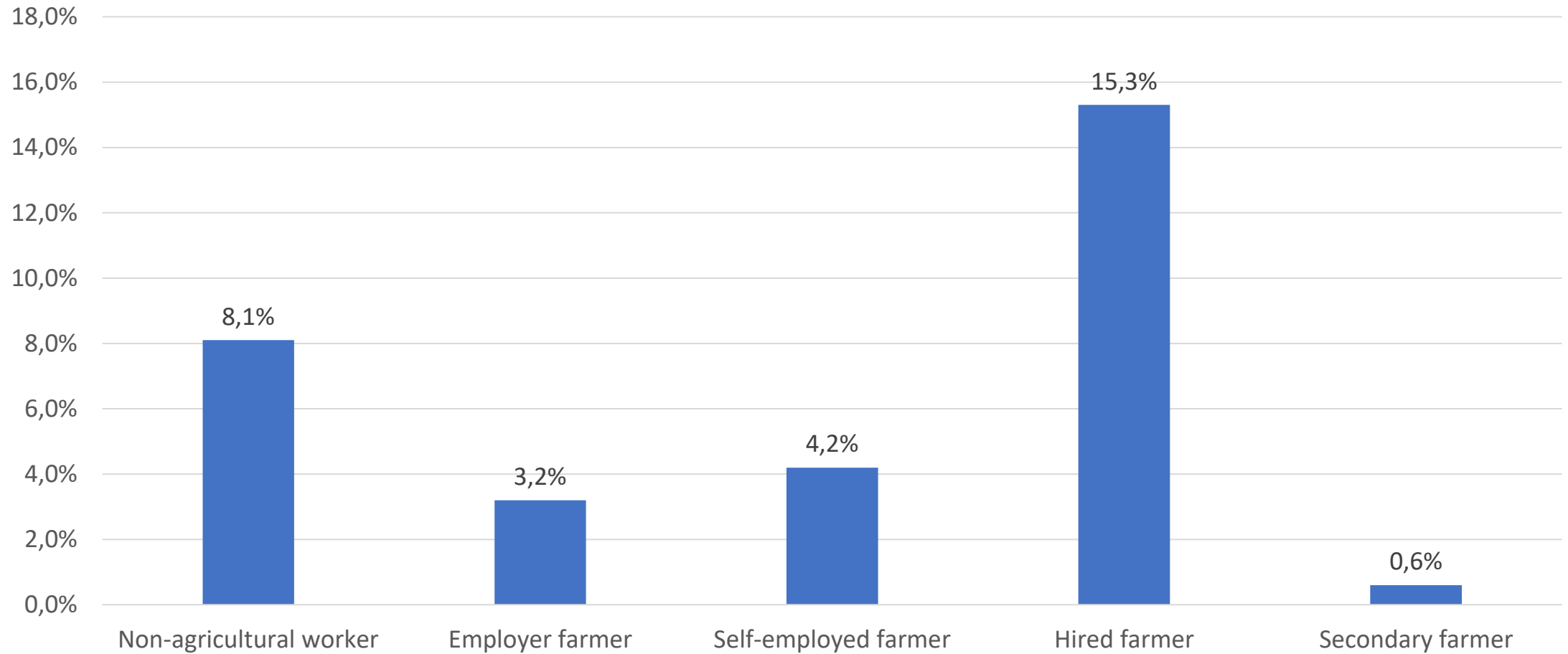
Source: Geostat (2022) Labour Force Survey 2021





Targeted social assistance

Coverage of TSA benefit by categories of agricultural workers





Child benefit

- Most recent component of the Georgian social protection system, introduced in recognition of children having the highest risk of poverty
- Benefit levels systematically increased, at present 150 GEL a month per child
- Covers 231,830 children under the age of 16 (28.7% of all children in this age group)
- Problems inherent for (proxy) means-tested benefits: inclusion and exclusion criteria, non-transparent selection criteria, low public trust, potential work disincentives for women





Temporary/one-off assistance

- Temporary unemployment benefit (200 GEL a month X 6 months) set up during the COVID-19 pandemic
- One-off assistance to informally employed (300 GEL)
- Agricultural subsidies (vouchers for fertilizers, subsidized fuel, etc.)
- Main challenges – ad-hoc nature of the benefits and lack of progressive targeting





Recommendations



- Gradually increase the **level of universal old-age pension** to ILO minimum standard (45% of average wage of manual male worker = 445 GEL a month).
- Consider introduction of **mandatory public contributory scheme** (defined benefit principle). Provide incentives for informal agricultural workers to enroll by allowing small, flat-rate contributions to be matched by state contributions.
- **Increase awareness** of informal agricultural workers about the private funded scheme.
- Introduce **universal maternal benefit** for all women giving birth. The level of benefit can be lower for women not paying income tax.



Recommendations (cont'd)

- **Revise the weights of possessing agricultural land, machinery and productive animals in TSA formula** so that the probability of receiving assistance by agricultural workers corresponds to their risk of experiencing monetary poverty.
- **Grant basic social security rights** (paid sick leave, paid annual leave, maternity benefits) to TSA beneficiaries participating in public works.
- **Make child benefit (semi-)universal.** To contain the costs, newly enrolled children may be granted lower level benefits. Children from high-income families can also be excluded from the scheme.
- In order to effectively target state support to agricultural workers during income shocks, **create a database** of agricultural workers by integrating data from public, civil, land and tax payers' registries and the database of socially vulnerable families.



Questions for discussion



- What is the overall vision for formalizing agricultural employment?
- What is the political feasibility of extending social security coverage?
- How to create fiscal space to facilitate the extension of social security coverage?



Thank you

