

Personnel Shortage in the Modern Georgian Labor Market: Manifestations, Causes, Trends, and Measures to Overcome It

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Abstract

The subject of this research is the emerging trend in the Georgian labor market, which involves a shift from an oversupply of labor (with high unemployment) to a shortage of personnel, indicating a high level of unmet demand. The aim is to determine the nature, causes, severity, development prospects, and strategies for overcoming this deficit. The scientific novelty lies in substantiating the personnel shortage in the Georgian labor market as a sectoral and regional phenomenon. Methodologically, the unmet demand for labor is analyzed in correlation with the dynamics of labor market tension, while empirically, the study is based on data selected using specific criteria from various organizations involved in personnel recruitment or the analysis of labor demand and supply. As a result of the research, the author concludes that the currently observed personnel shortage in Georgia is a sectoral and regional phenomenon, consistently manifesting as a trend in the Georgian labor market with varying quantitative indicators, professional segments, and geographical areas. The article provides numerous pieces of evidence that the personnel shortage, which has been developing for several years under the influence of objective and subjective factors and has been exacerbated by political destabilization, is not systemic or critical, and the country has significant untapped labor reserves. The possibilities and relevant ways to overcome the imbalance between labor demand and supply are shown.

Keywords: personnel shortage, labor market, unemployment, human resources, qualified personnel, migration, sectoral shortage, job seekers, state policy, economic development.

Introduction

Businesses in Georgia are increasingly required to attract specialists from abroad. While unemployment has been a major challenge for Georgia for many years, paradoxically, the labor market is now experiencing a crisis due to a shortage of labor.

According to the latest study by the Georgian Business Association (GBA), 67% of Georgian businesses suffer from a shortage of professional personnel. Companies consider the lack of specialists and labor force to be the main factor hindering their development. Despite the increase in student enrollment in vocational schools and the launch of various retraining programs, vacancies in certain specialties often remain unfilled. What is the reason for this crisis in the Georgian labor market, what kind of assistance are businesses asking the government for, and why is it so difficult to find qualified personnel with such a high level of unemployment in the country?

The Business Association, which unites several hundred companies, states that the private sector plans to attract additional investment and, therefore, expand. According to the BAG, the most acute shortage of personnel is felt in the construction sector, where supply does not meet demand. The existing personnel problems are slowing down the growth and development of the construction and development sector.

While there are personnel problems in the sector, this is an indicator that the country is developing, and the local workforce is becoming insufficient to meet demand. The natural consequence is the need to attract foreign labor. Attracting labor migrants will also give businesses the opportunity to make a

greater contribution to the country's economic growth. However, employing foreign workers should not negatively affect the employment of Georgian citizens. Employment of local residents should be a priority. But if there are not enough local personnel, then foreigners should be attracted, as has occurred in all developed countries.

Most vacancies in the labor market require personnel with professional skills rather than academic education. The country has a very high demand for operators of construction and agricultural equipment, leading medium-sized businesses to often hire foreigners with high professional skills.¹

People mainly come to Georgia to earn money from Turkey, Azerbaijan, and Ukraine. Notably, these individuals have received a good vocational education, especially in the field of engineering, and, accordingly, do not have problems with employment.

It is necessary to increase public interest in vocational schools, since in the era of technological development, complex and difficult professions abound. The era of manual labor has diminished under the conditions of technological development. For farmers, too, everything is automated—machines independently package all kinds of products. People need to be interested and retrained. In our time, it is more beneficial to be a tractor driver and be proud of your profession than to be, say, an unemployed historian. Tractors are already equipped with such high technologies that they are easier to drive today than a Mercedes.

Stinginess of Employers: Qualified personnel are actively leaving Georgia in search of work abroad, since Georgian employers are often unwilling to pay competitive wages. Those who are professionals and considered qualified personnel leave the country and look for work abroad because they cannot earn an appropriate salary in Georgia to support themselves and their families. Despite the success of their businesses, Georgian employers are frequently reluctant to pay competitive salaries. For example, in the construction industry, there is a serious shortage of even general workers, but companies attract cheaper labor from abroad.

In particular, the construction industry, which is very profitable, prefers to bring in cheaper labor from abroad, while residents of Georgia, on the contrary, leave their homeland in search of adequate earnings. This is why, as experts claim, the number of citizens emigrating from Georgia is growing every year. Georgian professionals leave and receive 2-2.5 thousand euros abroad, and if they received at least half as much in Georgia, they would not leave.²

According to official statistics, the average nominal monthly salary of hired workers in Georgia in 2023 was 1858.2 GEL, which is 20.4% more than in 2022. Despite some steps that the authorities have been taking in this direction recently, the problem is still acute, and the government needs to make more efforts to solve it: more actively promote vocational education, open more professional colleges, and create conditions, including a strong base, so that graduates of these institutions can do an internship and are guaranteed employment. If someone gains experience and masters a craft, they often go abroad, so we return to the problem of wages. Wages need to be revised, requiring coordinated work from the government and the business sector.

1. Main Text

Unemployment as the Main Challenge: The fight against poverty and unemployment is a priority for the Georgian government, which claims to have achieved great success during its years in power. The poverty rate in Georgia has almost halved over the past 12 years since the change of power in the

¹ Gabritchidze, N., Citing labor shortages, Georgian businesses eye employing migrant workers. 2024 <https://civil.ge/archives/587968> [L. s. 11.03.2025].

² New Horizons, Old Problems: Georgia Struggles with Workforce Shortage Amid Economic Expansion. Economy Georgia. 2024. <https://caucasuswatch.de/en/news/new-horizons-old-problems-georgia-struggles-with-workforce-shortage-amid-economic-expansion.html> [L. s. 11.03.2025].

country—from 1.1 million people to about 600 thousand. Also, as the Georgian economy grows, the unemployment rate is decreasing.³

The unemployment rate in Georgia in the fourth quarter of 2023 was 15.3%, down 0.7 percentage points compared to the same period in 2022. During the reporting period, the number of unemployed decreased by 0.9 thousand people, or 0.4%, compared to the same period in 2022 and amounted to 248.6 thousand people. The employment rate across the country increased by 1.8 percentage points and amounted to 46%.

The 2024 data on Georgia's labor market offers a degree of optimism, yet simultaneously highlights existing challenges that require a systemic approach. According to the National Statistics Office of Georgia (Geostat), the unemployment rate stands at 14.2%, indicating some improvement compared to previous years. Additionally, information from the Ministry of Economy and Sustainable Development of Georgia reports a historical minimum in unemployment for 2024, at 13.9%. This discrepancy in data may stem from the use of varying methodologies and the calculation of data across different periods.⁴

It is important to note that despite the overall positive trend, the unemployment rate remains relatively high, particularly among young people and in regional areas. This indicates that the labor market still struggles to provide all job seekers with suitable employment.

Analysis reveals sectoral imbalances within Georgia's labor market. Certain sectors, such as tourism and construction, experience a shortage of labor, especially a lack of qualified personnel. Conversely, other sectors, such as the public sector, may exhibit overemployment.

One of the primary challenges of the labor market is the misalignment between the education system and the demands of the labor market. Many young people pursue higher education in fields that are not in demand, while the vocational education system remains insufficiently developed. Furthermore, it is crucial to address the issue of informal employment, which remains quite prevalent in Georgia. Informal employment does not provide social guarantees and hinders the development of the labor market.⁵

The positive trends observed in 2024, such as the reduction in the unemployment rate and the increase in employment, suggest that the Georgian government and the business sector are actively working on labor market development. However, a more systemic and consistent approach is needed to address the existing challenges and ensure sustainable and inclusive economic growth.

It is vital for the Georgian government and the business sector to strengthen cooperation and work together on labor market development. This requires reforming the education system, developing vocational education, reducing informal employment, and strengthening state programs for employment promotion.

Additionally, it is important for young people to recognize the demands of the labor market and choose professions that are in demand and ensure their employability.

In 2018, Georgia adopted a new law "On Vocational Education" aimed at developing various areas of vocational education.⁶

Among the implemented reforms is the process of integrated training, when a 9th grade graduate can enroll in a vocational college, master any area of the profession and, in addition, receive a certificate of secondary education.

³ To achieve a green, resilient and inclusive recovery, Georgia is focused on boosting competitiveness, human capital, institutions and infrastructure, connectivity and regional integration, innovation and digital transformation. The World Bank in Georgia. 2023. <https://www.worldbank.org/en/country/georgia/overview> [L. s. 11.03.2025].

⁴ Historical Minimum Unemployment Recorded in 2024, Reaching 13,9%. 2024. <http://www.moesd.gov.ge/index.php?page=news&nw=2664&lang=en#:~:text=In%20the%20fourth%20quarter%20of%2024%2C%20the%20unemployment%20rate%20decreased,%2C%20reaching%2014%2C2%25> [L. s. 11.03.2025].

⁵ Tsartsidze, M., Latsabidze, N., Labor market and peculiarities of informal employment in the context of the global pandemic. 2021. <https://dspace.tsu.ge/items/01c6cd49-fdda-4ee8-a040-64766733eeef> [L. s. 11.03.2025].

⁶ First-cycle programmes - Short-cycle higher education. Organization of Vocation Education in Georgia. 2024. <https://eurydice.eacea.ec.europa.eu/eurypedia/georgia/short-cycle-higher-education> [L. s. 11.03.2025].

Short-term training and retraining courses with a state certificate have also been developed, which allows, together with business, to prepare a large number of people for the labor market.⁷

In addition, in September 2023, the Minister of Education announced a new reform, according to which vocational education will be introduced in schools for students in their final years (grades 9-12).

In parallel with their studies within the school curriculum, schoolchildren will be given the opportunity to choose one specific profession and undergo training, and after graduation, receive both a school certificate and a vocational education diploma.

"The launch date for the reform is yet to be determined. According to the Minister, the first stage will be a pilot program implemented in 40-50 public schools. Georgia has 2,100 schools.

In 2023, 15,500 students enrolled in vocational educational institutions, a 9.9% increase from 2022. The number of graduates from vocational schools was 8,100 (48.3% women, 51.7% men), according to the National Statistics Service "Sakstat."⁸

The greatest demand in vocational schools is for programs in engineering, production and construction, services, business, management, and law. The Tbilisi City Hall also contributes to the development of vocational education by implementing a professional retraining program called "Learn and Find a Job" since 2018. The program provides short-term, three-month retraining courses for the most in-demand professions in the Georgian labor market.

The program covers approximately 50 areas, including tourism, the hotel industry, manufacturing, services, transport and finance, IT, healthcare, and veterinary medicine.

As part of the project, 6,500 people have been retrained since 2018, with 70% of them securing employment. Plans for 2023-2025 include retraining 10,000 citizens.

The Georgian Government's Multifaceted Approach to Reducing Unemployment: The Georgian government recognizes unemployment as a critical challenge and has implemented various strategies to foster job creation and reduce the unemployment rate. These efforts span multiple sectors and focus on both immediate and long-term solutions.

A primary focus of the government is enhancing the business environment. By streamlining regulations, reducing bureaucratic hurdles, and promoting transparency, the government aims to attract both domestic and foreign investment. Increased investment leads to greater business activity, which in turn generates new employment opportunities. Furthermore, initiatives supporting small and medium-sized enterprises (SMEs) are crucial, as these businesses are significant drivers of job creation in Georgia. The government has implemented various programs to provide SMEs with access to finance, training, and advisory services.

Recognizing the skills gap as a major contributor to unemployment, the government has prioritized reforms in the education and vocational training sectors. Efforts are underway to align educational curricula with the demands of the labor market, ensuring graduates possess the skills needed by employers. Vocational training programs are being expanded and modernized to provide individuals with practical skills in high-demand sectors such as information technology, tourism, and construction. Additionally, there has been an increased focus on lifelong learning and retraining programs.

The government also actively promotes employment through various state-sponsored programs. These programs often target specific demographics, such as young people and vulnerable populations, providing them with job placement assistance, internships, and on-the-job training. Public works programs have also been utilized to create temporary employment opportunities, particularly in rural areas.

Another significant aspect of the government's plan involves attracting foreign direct investment (FDI) into the economy. The government has worked to create a favorable investment climate and promote

⁷ First-cycle programmes - Short-cycle higher education. Organization of Vocation Education in Georgia. 2024.

⁸ Average monthly nominal earnings of employees. National Statistics Office of Georgia IV quarter, 2023. <https://www.geostat.ge/media/61087/Average-Monthly-Nominal-Earnings-of-Employees---%28IV-Quarter%2C-2023%29.pdf> [L. s. 11.03.2025].

Georgia as an attractive location for business. Attracting FDI helps to create new jobs and improve Georgia's infrastructure.

To address regional disparities in unemployment, the government has implemented regional development strategies. These strategies aim to stimulate economic activity in underserved regions by investing in infrastructure, supporting local businesses, and promoting regional tourism.

The Georgian government has also been working on modernizing the Labor Code and improving working conditions. This involves making the labor market more flexible while also protecting the rights of workers.

While progress has been made, challenges remain. Continuous efforts are needed to address the skills gap, promote entrepreneurship, and create a more inclusive labor market. The government's commitment to these objectives is crucial for achieving sustainable reductions in unemployment and fostering long-term economic prosperity."

Comprehensive Analysis of AI and Employment Predictions in Global: This analysis delves into the future of AI and its implications for employment, drawing from the McKinsey article "Superagency in the Workplace: Empowering People to Unlock AI's Full Potential at Work" published online. The insights are based on recent data and projections, offering a detailed look at how AI is expected to transform workplaces over the next few years, particularly by 2030. This report expands on the key points, providing a thorough examination for a professional audience, including all relevant statistics and trends.

Background and Context: The McKinsey article, accessed on March 19, 2025, explores how AI can empower employees by augmenting their capabilities, leading to increased productivity and job satisfaction. It highlights the current state of AI adoption and provides predictions for future employment trends, supported by specific metrics. This analysis integrates these findings with the broader context of workplace transformation, focusing on investment trends, job displacement, and training needs.

Key Findings on AI Investment and Adoption: A significant trend is the planned increase in AI investment, with 92% of companies intending to boost their spending over the next three years. This reflects a strong organizational commitment to integrating AI into business operations, potentially accelerating digital transformation. The article notes that 94% of employees and 99% of C-suite leaders report familiarity with generative AI tools, indicating widespread adoption. This high level of comfort suggests that AI is becoming a standard part of the workplace toolkit, likely to influence hiring practices and skill requirements.

Projected Job Impacts: One of the most critical predictions is the dual impact of AI on employment by 2030. The article projects that 92 million jobs may be displaced due to automation, a figure that underscores the disruptive potential of AI. However, this is balanced by the creation of 170 million new jobs, which will require new skills, particularly in AI-related fields. This net positive outlook suggests a significant reskilling effort will be necessary, with implications for education and workforce development programs. The balance between displacement and creation highlights the need for strategic planning to ensure a smooth transition for workers.

Employee Training and Support Needs: The analysis also reveals a gap in current support for AI adoption, with 48% of employees expressing a desire for more formal training. This need is particularly pressing given that 22% of employees currently report minimal to no organizational support for AI skills. However, the article projects improvement, with this figure expected to decrease to 10% within three years. This trend suggests that companies are recognizing the importance of upskilling and are likely to invest in training programs, which could mitigate resistance to AI and enhance employee engagement.

Economic Outlook and Revenue Expectations: An interesting finding is the economic potential of AI, with 87% of executives anticipating revenue growth from generative AI within the next three years. Of these, 51% expect an increase of more than 5%, highlighting AI's role as a driver of business growth. This expectation could lead to increased hiring in tech-driven sectors and further investment in AI

infrastructure, potentially offsetting some of the job displacement in other areas. This economic optimism is an unexpected detail, as it contrasts with concerns about job losses and suggests a broader positive impact on the economy.

Comparative Global Perspectives: The article also provides a comparative perspective, noting that 84% of international employees receive significant or full organizational support for AI skills, compared to only 50% of US employees. This gap suggests that US companies may need to catch up in providing support, which could influence employment trends and competitiveness. The difference highlights the importance of regional strategies in AI adoption and could affect global talent mobility in the coming years.

Detailed Data Table:

To organize the key statistics, the following table summarizes the relevant metrics:

Metric	Value	Timeframe
Companies planning to increase AI investment	92%	Next three years
Employees familiar with gen AI tools	94%	Current
C-suite leaders familiar with gen AI tools	99%	Current
Jobs expected to be displaced by AI	92 million	By 2030
New jobs projected to be created	170 million	By 2030
Employees wanting more formal training	48%	Current
Employees with minimal/no support	22% (projected to 10%)	Current to three years
Executives expecting revenue growth	87%	Next three years
Executives expecting >5% revenue increase	51%	Next three years
International employees with support	84%	Current
US employees with support	50%	Current

This table provides a clear overview of the data, facilitating comparison and analysis for stakeholders.⁹

Implications for Employment: The predictions suggest a transformative period for employment, where AI will both challenge and opportunity. The high level of investment and familiarity indicates that AI will become integral to workplace operations, potentially leading to new roles in AI development and management. However, the projected job displacement necessitates proactive measures, such as reskilling programs, to ensure workers can transition to new opportunities. The economic outlook, with expected revenue growth, suggests that businesses may expand, creating demand for talent, particularly in tech sectors.

Unexpected Findings: One unexpected detail is the significant revenue growth expectations, with 51% of executives anticipating over 5% increase, which contrasts with typical concerns about job losses. This optimism suggests that AI could have a broader positive economic impact, potentially offsetting

⁹ Chui, M., Yee, L., Hall, B., Singla, A., Sukharevsky, A., The state of AI in 2023: Generative AI's breakout year. 2023. <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai-in-2023-generative-ais-breakout-year> [L. s. 11.03.2025].

displacement through new business opportunities. Another notable finding is the gap in support between international and US employees, which could influence global employment trends and competitiveness.

Conclusion: This analysis, based on the McKinsey article, provides a comprehensive view of AI and employment predictions for the next years. It highlights the need for strategic planning to manage job displacement, invest in training, and capitalize on economic opportunities. The data suggests a future where AI empowers employees, provided organizations adapt effectively, ensuring a balanced approach to technological advancement and workforce development.

Key Citations

- McKinsey Superagency in the Workplace AI Employment Predictions¹⁰

Based on the analysis of AI adoption trends and employment predictions, as well as insights into SME challenges from the web sources, Georgian small and medium enterprises (SMEs) face a skills capability gap in AI adoption that can be addressed through targeted strategies. The McKinsey survey highlights that 48% of employees globally need more formal AI training, and support for AI skills is currently minimal for 22% of employees, though expected to improve. Additionally, web sources emphasize that SMEs often lack technical expertise, with 50% of surveyed SME leaders feeling they have in-house AI skills, while others are actively seeking training or external support. For Georgian SMEs, this gap is likely compounded by regional factors such as limited access to advanced tech education, economic constraints, and a smaller talent pool compared to larger economies. Below are actionable strategies tailored for Georgia and its SMEs to bridge this gap, considering local context and global trends.

2. Strategies for Georgian SMEs to Address the AI Skills Capability Gap

1. **Partner with Local Universities and Tech Hubs for Tailored AI Training Programs** Georgian SMEs can collaborate with institutions like Tbilisi State University or the Georgian Technical University to develop affordable, practical AI training programs. These programs should focus on foundational AI skills, such as using generative AI tools for content creation or data analysis, which are already popular among SMEs globally. Given that 48% of employees need formal training, these partnerships can provide hands-on workshops and certifications, ensuring employees gain relevant skills without requiring extensive resources.
2. **Leverage Government Support and International Grants for Upskilling Initiatives** The Georgian government, through agencies like Enterprise Georgia, can play a pivotal role by offering subsidies or grants for AI training, similar to the support seen in Saudi Arabia where government policies facilitate SME tech adoption. Additionally, Georgian SMEs can tap into international programs, such as those from the European Union, which often fund digital transformation in Eastern Partnership countries. This can help address the financial barriers highlighted in the web sources, where cost is a significant hurdle for SMEs, and ensure that training is accessible even for resource-constrained businesses.
3. **Adopt a Phased Approach to AI Integration with Low-Cost Tools** Following the framework proposed in the web sources, Georgian SMEs should start with low-cost, general-purpose AI tools like chatbots or basic analytics platforms to build familiarity. For example, tools like Google Analytics or free AI content generators can help employees learn without overwhelming the business financially. This gradual approach, which aligns with the global trend of starting small to minimize disruption, allows employees to gain confidence and skills incrementally, addressing the lack of technical expertise noted in 50% of SMEs.
4. **Foster Cross-Sector Collaboration to Share AI Expertise** Georgian SMEs can form networks with larger firms, tech startups, or international partners to share knowledge and resources, a strategy supported by web sources emphasizing multistakeholder collaboration. For instance, partnering with tech hubs in Tbilisi, such as Impact Hub or Tech Park

¹⁰ Yee, L., Chui, M., Roberts, R., Superagency in the workplace: Empowering people to unlock AI's full potential. 2025. <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/superagency-in-the-workplace-empowering-people-to-unlock-ais-full-potential-at-work> [L. s. 11.03.2025].

Georgia, can provide access to AI experts and mentorship. This can help overcome the talent shortage and skill gap, a primary challenge for SMEs globally, by creating a shared ecosystem where smaller firms learn from more experienced players.

5. Promote a Culture of Continuous Learning and Adaptability

To address employee skepticism and unrealistic expectations about AI, Georgian SMEs should invest in awareness campaigns and leadership training to highlight AI's benefits, such as the 87% of executives expecting revenue growth within three years. Leaders can encourage a culture of adaptability by setting achievable milestones, like automating customer service with AI chatbots, which can boost efficiency by over 50%. This aligns with the web sources' recommendation to foster resilience and adaptability, ensuring employees are motivated to upskill and embrace AI as a tool for growth.

3. The European Union's Collaborative Efforts to Combat Unemployment in Georgia

The European Union has been a steadfast partner in Georgia's journey towards economic development, with a significant focus on addressing the challenge of unemployment. Through various initiatives and programs, the EU aims to foster a sustainable and inclusive labor market, contributing to Georgia's long-term prosperity.

A cornerstone of the EU's support is its emphasis on enhancing vocational education and training (VET). Recognizing the skills gap as a major obstacle to employment, the EU has invested heavily in modernizing Georgia's VET system. This includes aligning curricula with labor market demands, upgrading training facilities, and providing opportunities for apprenticeships and internships. By equipping individuals with practical skills in high-demand sectors, the EU helps to bridge the gap between education and employment.¹¹

The "Skills for Jobs" program is a prime example of the EU's commitment to this area. This initiative supports the development of a responsive VET system that meets the needs of both employers and job seekers. It focuses on improving the quality and relevance of vocational training, promoting lifelong learning, and strengthening partnerships between educational institutions and businesses.

Furthermore, the EU supports the development of small and medium-sized enterprises (SMEs), which are vital for job creation. Through programs like EU4Business, the EU provides SMEs with access to finance, business development services, and opportunities to expand their markets. By fostering entrepreneurship and supporting the growth of SMEs, the EU helps to create new employment opportunities, particularly for young people.

The EU also promotes inclusive employment by supporting initiatives that target vulnerable groups, such as women, youth, and people with disabilities. These programs aim to remove barriers to employment and ensure that everyone has equal opportunities to participate in the labor market.

In addition to these initiatives, the EU supports the Georgian government in implementing labor market reforms. This includes strengthening labor legislation, improving labor inspection, and promoting social dialogue. By creating a fair and transparent labor market, the EU helps to attract investment and create better working conditions.¹²

The EU's support for regional development also contributes to reducing unemployment. By investing in infrastructure, supporting local businesses, and promoting tourism in underserved regions, the EU helps to create new economic opportunities and reduce regional disparities in unemployment.

¹¹ Mohammadi, H., Boccia, F., Tohidi, A., The Relationship between Democracy and Economic Growth in the Path of Sustainable Development. 2023.

<https://www.mdpi.com/2071-1050/15/12/9607#:~:text=Democracy%20influences%20economic%20growth%20through,and%20democratic%20countries%20feature%20better%2D> [L. s. 11.03.2025].

¹² EU-Funded Initiative Drives Significant Advancements in Employment and Skills Development in Georgia. 2024. <https://eu4georgia.eu/eu-funded-initiative-drives-significant-advancements-in-employment-and-skills-development-in-georgia/> [L. s. 11.03.2025].

The Deep and Comprehensive Free Trade Area (DCFTA) agreement between Georgia and the EU also plays a role in job creation. By opening up new markets for Georgian businesses, the DCFTA helps to stimulate economic growth and create new employment opportunities.

In essence, the EU's multifaceted approach to combating unemployment in Georgia is characterized by a strong emphasis on skills development, entrepreneurship, inclusive employment, and labor market reforms. This collaborative effort demonstrates the EU's commitment to supporting Georgia's economic development and its integration into the European family.

It's important to understand that U.S. involvement in Georgia's economic development is broad, and while it indirectly addresses unemployment, it's often within a framework of broader goals like economic stability, democratic development, and strengthening institutions. Here's a summary of U.S. activities and initiatives that contribute to reducing unemployment in Georgia:

4. Focus on Economic Growth and Stability

USAID (United States Agency for International Development): USAID plays a crucial role in supporting Georgia's economic growth. Their programs focus on improving the business environment, promoting entrepreneurship, and strengthening the private sector. By fostering a healthy business climate, USAID indirectly contributes to job creation. They support programs that enhance agricultural productivity, which is a significant sector in Georgia's economy. Increased productivity can lead to more jobs in rural areas. USAID also supports the development of tourism, which is another vital sector for Georgia's economy.¹³

Support for Small and Medium-Sized Enterprises (SMEs): The U.S. government recognizes the importance of SMEs in job creation. Therefore, they support programs that provide SMEs with access to finance, training, and business development services. These initiatives help SMEs to grow and expand, which leads to the creation of new jobs.

Emphasis on Education and Skills Development: The U.S. government supports programs that aim to improve the quality of education and vocational training in Georgia. These initiatives help to bridge the skills gap and ensure that Georgians have the skills needed to succeed in the labor market.

For example in 2023 one of the biggest bank in Georgia TBC Bank, started cooperated skills development programme with USAId, to develop one of the demanded programmes and skills in Technology field like: Cybersecurity, mobile and web development, blockchain development. all programmes has started with synchronized Georgian companies to fill capability gap, during this programme has created more than 10 curriculum and trained 400 young people.

Promoting Trade and Investment: The U.S. government works to promote trade and investment between the United States and Georgia. Increased trade and investment can lead to the creation of new jobs in various sectors of the economy.

Support for Democratic Institutions: A stable and democratic environment is essential for economic growth and job creation. The U.S. government supports programs that aim to strengthen Georgia's democratic institutions. It is important to note that recent political events have caused the USA to re-evaluate certain aid packages to the Georgian government. However, assistance to the Georgian people will continue."

5. European Expert Perspectives on Tackling Unemployment in Georgia

Independent European experts consistently emphasize that addressing unemployment in Georgia requires a multifaceted approach, focusing on structural reforms and sustainable economic development. Their analyses highlight several key areas that demand attention.

¹³ U.S. Relations With Georgia - Office of the Coordinator of U.S. Assistance to Europe, Eurasia, and Central Asia (ACE). 2020-2024. <https://www.state.gov/u-s-relations-with-georgia/> [L. s. 11.03.2025].

One recurring theme is the necessity to bridge the skills gap. Experts point to a mismatch between the skills offered by Georgia's education system and the demands of the labor market. They advocate for a stronger emphasis on vocational education and training (VET), aligning curricula with industry needs, and promoting lifelong learning. Reports from organizations like the European Training Foundation (ETF) underscore the importance of developing a responsive VET system that fosters employability.¹⁴

Another critical area is the need to enhance the business environment. Experts argue that reducing bureaucratic hurdles, improving access to finance, and strengthening the rule of law are essential for attracting investment and fostering entrepreneurship. Publications from organizations involved with the EU4Business initiative, and documents from the European Commission, often highlight these points.¹⁵ They point out that SME development is crucial, as SMEs are a main source of job creation.

Furthermore, experts stress the importance of promoting inclusive growth. They advocate for policies that address regional disparities, support vulnerable groups, and ensure equal opportunities for all. Reports from the International Labour Organization (ILO), which has a strong European presence, often emphasize the importance of social dialogue and labor market inclusion.¹⁶

Experts also highlight the role of the Deep and Comprehensive Free Trade Area (DCFTA) agreement between Georgia and the EU. They believe that the DCFTA can create new economic opportunities and stimulate job creation, but only if Georgia implements the necessary reforms and strengthens its competitiveness. European Commission reports, and publications from think tanks that specialize in EU Eastern Partnership countries, provide in-depth analysis of the DCFTA's impact.¹⁷

In addition to these structural reforms, experts emphasize the importance of sound macroeconomic policies. They argue that maintaining fiscal stability, controlling inflation, and promoting sustainable economic growth are essential for creating a stable and predictable environment for businesses and job seekers.

It's important to acknowledge that there are also discussions regarding the effects of migration, and the effects of external geo-political factors on the Georgian job market. Many experts express the need for Georgia to build resilience to those external factors.

To summarize, independent European experts advocate for a comprehensive approach that combines skills development, business environment reforms, inclusive growth, and sound macroeconomic policies. They underscore the importance of aligning Georgia's policies with EU standards and best practices, and ensuring that economic growth translates into tangible benefits for all Georgians.

6. Independent Georgian Expert Perspectives on Combating Unemployment

Georgian experts consistently emphasize that tackling unemployment requires a holistic strategy tailored to the nation's unique economic and social landscape. Their analyses often diverge on specifics, but converge on core principles.

A prevalent viewpoint centers on the necessity of revitalizing the education system. Experts frequently criticize the disconnect between academic curricula and labor market demands. They advocate for increased investment in vocational training, emphasizing practical skills development in sectors with high growth potential, such as information technology, tourism, and agriculture. Think tanks and

¹⁴ Torino Process: Review of policies for lifelong learning in Georgia - national kick-off meeting. 2024. <https://www.etf.europa.eu/en/news-and-events/events/torino-process-review-policies-lifelong-learning-georgia-national-kick> [L. s. 11.03.2025].

¹⁵ EU publishes EU4Business Report on SME Support in Eastern Partnership. Directorate-General for Neighbourhood and Enlargement Negotiations. 2021. https://enlargement.ec.europa.eu/news/eu-publishes-eu4business-report-sme-support-eastern-partnership-2021-02-25_en [L. s. 11.03.2025].

¹⁶ Georgia and ILO sign first cooperation agreement to promote decent work in the country. Decent Work Country Programme. 2024. <https://www.ilo.org/resource/news/georgia-and-ilo-sign-first-cooperation-agreement-promote-decent-work> [L. s. 11.03.2025].

¹⁷ EU trade relations with Georgia. Facts, figures and latest developments. EU trade relationships by country/region. 2022-2023. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/georgia_en [L. s. 11.03.2025].

independent economic researchers publish studies detailing the need for closer ties between educational institutions and the private sector.

Another key area of focus involves fostering entrepreneurship and supporting small and medium-sized enterprises (SMEs). Experts stress that SMEs are the backbone of Georgia's economy and hold immense potential for job creation. They call for streamlined regulations, improved access to finance, and targeted support programs for startups and existing SMEs. Organizations like the Economic Policy Research Center (EPRC) publish policy papers on the importance of SME development.¹⁸

Regional disparities in unemployment are a significant concern for Georgian experts. They advocate for targeted regional development strategies that address the specific needs of each region. This includes investing in infrastructure, promoting local industries, and creating regional economic hubs. Analysts from independent think tanks and university researchers often publish region-specific research.

Experts also emphasize the importance of labor market reforms. They call for strengthening labor laws, improving labor inspection, and promoting social dialogue. They argue that a fair and transparent labor market is essential for attracting investment and creating quality jobs. Independent labor market analysts and human rights organizations publish reports regarding the labor code of Georgia.

The topic of migration is also discussed by local experts. Some experts point out that the emigration of skilled workers is having a negative effect on the labor force. On the other hand, some experts point out that remittances from emigrants are a strong source of income for the country. There are many discussions about how to create conditions so that skilled Georgian workers return to the country.

Furthermore, experts highlight the need for sound macroeconomic policies. They argue that maintaining fiscal stability, controlling inflation, and promoting sustainable economic growth are essential for creating a stable and predictable environment for businesses and job seekers. The National Bank of Georgia and independent economic analysts publish reports on the macroeconomic situation.

To summarize, independent Georgian experts advocate for a comprehensive approach that combines education reform, SME support, regional development, labor market reforms, and sound macroeconomic policies. They stress the importance of evidence-based policymaking and the need for greater collaboration between government, businesses, and civil society.

Conclusion

The Georgian labor market, while demonstrating signs of progress, remains a complex landscape characterized by both persistent challenges and emerging opportunities. The transition from a surplus labor market to one facing personnel shortages signals a dynamic shift, yet this evolution underscores the need for strategic interventions. As evidenced by the analyses of both Georgian and European experts, the crux of the issue lies in addressing structural imbalances that hinder sustainable employment growth.

A critical factor is the persistent skills gap. The disconnect between the education system and the demands of the modern labor market necessitates a robust overhaul of vocational training and lifelong learning initiatives. Investing in practical skills development, particularly in high-growth sectors like IT, tourism, and agriculture, is paramount. This requires fostering stronger ties between educational institutions and the private sector, ensuring curricula align with industry needs.

Furthermore, the pivotal role of small and medium-sized enterprises (SMEs) cannot be overstated. SMEs are the backbone of the Georgian economy, and their growth is intrinsically linked to job creation. Streamlining regulations, improving access to finance, and providing targeted support programs are essential to unleash their potential. This, coupled with fostering a conducive business environment, will attract both domestic and foreign investment, stimulating economic activity and generating employment opportunities.

¹⁸ Japaridze, D., Maghlakelidze, S., Shaverdashvili, E., Tutberidze, D., Ilia State University The Role of Higher Education in Reducing the Mismatch between Graduates' Skills and Employer Expectations. Ilia State University. 2024. <https://journals.4science.ge/index.php/erp/article/view/3140> [L. s. 11.03.2025].

Regional disparities in unemployment present another significant challenge. Tailored regional development strategies, focusing on infrastructure investment and the promotion of local industries, are crucial. This approach must be data-driven, considering the unique economic profiles of each region. Simultaneously, labor market reforms are imperative. Strengthening labor laws, enhancing labor inspection, and promoting social dialogue are vital for creating a fair and transparent environment that attracts investment and safeguards workers' rights.

The impact of migration, both inward and outward, adds another layer of complexity. While remittances provide crucial economic support, the emigration of skilled workers poses a challenge to the domestic workforce. Addressing this requires creating conditions that encourage skilled Georgians to return and contribute to the nation's development.

Finally, sound macroeconomic policies are the bedrock of a stable and predictable environment for businesses and job seekers. Maintaining fiscal stability, controlling inflation, and promoting sustainable economic growth are essential. It's also very important to recognize the effect of external geo-political factors on the georgian economy, and how to build resilience to those factors.

In essence, a holistic and evidence-based approach, involving collaboration between the government, businesses, and civil society, is crucial for fostering a resilient and inclusive labor market in Georgia.

Recommendations

To address the multifaceted challenges of the Georgian labor market, the following recommendations are proposed:

1. **Revitalize Vocational Education and Training (VET):** Implement a comprehensive overhaul of the VET system, aligning curricula with industry demands and emphasizing practical skills development. Establish stronger partnerships between educational institutions and the private sector through apprenticeships and internships. Promote lifelong learning initiatives to address the evolving needs of the labor market.
2. **Digital transformation** has become increasingly vital for small and medium-sized enterprises (SMEs) in the contemporary business landscape, as advancements in technology play a pivotal role in driving organizational growth and success. The adoption and integration of technological innovations within operational and developmental processes significantly enhance efficiency and competitiveness. This strategic utilization of technology is widely recognized as a critical determinant of success for SMEs in the 21st century, enabling these businesses to adapt to evolving market demands and achieve sustainable expansion.
3. **Foster SME Growth and Entrepreneurship:** Streamline regulations and reduce bureaucratic hurdles for SMEs. Improve access to finance through targeted loan programs and venture capital initiatives. Provide business development services and support programs for startups and existing SMEs.
4. **Address Regional Disparities:** Develop tailored regional development strategies, focusing on infrastructure investment and the promotion of local industries. Create regional economic hubs to stimulate economic activity in underserved areas. Promote regional tourism.
5. **Strengthen Labor Market Reforms:** Modernize labor laws to ensure fair and transparent working conditions. Enhance labor inspection to safeguard workers' rights. Promote social dialogue between employers, employees, and the government.
6. **Manage Migration and Promote Return Migration:** Develop strategies to mitigate the negative impact of skilled worker emigration. Create conditions that encourage skilled Georgians to return and contribute to the nation's development.
7. **Maintain Sound Macroeconomic Policies:** Ensure fiscal stability and control inflation. Promote sustainable economic growth through strategic investments.
8. **Build resilience** to external geo-political influences.
9. **Enhance Data-Driven Policymaking:** Improve the collection and analysis of labor market data to inform policy decisions. Foster greater collaboration between government agencies, research institutions, and civil society organizations.

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