



OECD Development Pathways

Interrelations between Public Policies, Migration and Development in Georgia



GEORGIA

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between Public
Policies, Migration
and Development
in Georgia**

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Foreword

*F*ew events have changed the course of migration flows in the last half-century the way the dissolution of the Soviet Union did in 1991. The creation of new international borders and the opening towards the world generated distinct opportunities. Migration flows in Georgia were consequently altered and undertook a dramatic shift. Emigration as a percentage of population increased from around 13% in 1980 to 26% in 2000. Emigration also began benefiting the country as remittances followed, growing more than 500% between 2004 and 2014.

Georgia began taking action to leverage the benefits of migration for better development outcomes. It held diaspora fairs, for instance. In 2010, it created the State Commission on Migration Issues, charged with integrating migration more into the country's development strategy. The State Commission's goal is to base decisions on empirical knowledge. Few studies, however, provide sufficient knowledge to ensure that policy responses in the field of migration and development are coherent and well informed.

This report seeks to address that gap. In 2013, the OECD Development Centre and the European Commission began a project to provide empirical evidence on the interrelations between public policies, migration and development (IPPM) in ten countries around the world, including Georgia. The findings for Georgia in this report result from four years of fieldwork, empirical analysis and policy dialogue, conducted in collaboration between the Development Centre and the Caucasus Research Resource Center – Georgia (CRRG-Georgia), and with strong support from the State Commission on Migration Issues.

The report examines how the various dimensions of migration affect key policy sectors – the labour market, agriculture, education, and investment and financial services. It also analyses how policies in these sectors influence a range of migration outcomes, such as the decision to migrate, the use of remittances and the success of return migration. The empirical analysis is based on fieldwork in Georgia, which involved collecting quantitative data from 2 260 households and 71 communities across the country and conducting 27 qualitative stakeholder interviews.

The report on Georgia is published in parallel with nine other country reports and one comparative report that analyses cross-country findings and provides a coherent policy framework drawn from the fieldwork and analysis in all ten partner countries. The Georgian analysis is intended as a toolkit to better understand the role that public policies play in the migration and development nexus. It aims to foster policy dialogue

and provide guidance on how best to integrate migration into national development strategies. Building on discussions with key stakeholders and policy makers in Georgia, the OECD Development Centre and CRRC-Georgia look forward to continuing their co-operation to enhance migration's positive contribution to Georgia's sustainable development.

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The team was led by David Khoudour, Head of the Migration and Skills Unit, under the guidance of Mario Pezzini, Director of the OECD Development Centre. The report was drafted by Lisa Andersson, Giorgi Babunashvili, Mariam Chumburidze, Bram Dekker, Gaga Gabrichidze, Jason Gagnon, Tamuna Khoshtaria, Mariam Kobaladze, Sashenka Lleshaj, Natia Mestvirishvili, Hyeshin Park, Nino Zubashvili, Tamar Zurabishvili and Tinatin Zurabishvili. Fiona Hinchcliffe edited the report and the OECD Development Centre’s publication team, led by Delphine Grandrieux, turned the draft into a publication. The cover was designed by Aida Buendía. Jason Gagnon managed the co-ordination of the report.

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Acronyms and abbreviations

AVRR	Assisted voluntary return and reintegration
CCT	Conditional cash transfer
CRRC	Caucasus Research Resource Center
ENP	European Neighbourhood Policy
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GEL	Georgian lari (currency)
GeoStat	National Statistics Office of Georgia
GNP	Gross national product
IPPM	Interrelations between Public Policies, Migration and Development
LFS	Labour Force Survey
MPC	Migration Policy Centre
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary least squares
PSU	Primary sampling unit
SCMI	State Commission on Migration Issues
TIG	Targeted Initiative for Georgia
UNDESA	United Nations Department of Economic and Social Affairs
UNHCR	United Nations High Commissioner for Refugees
USD	United States dollars (currency)
USSR	Union of Soviet Socialist Republics
VLAP	Visa Liberalisation Action Plan

Facts and figures of Georgia

(Numbers in parentheses refer to the OECD average)

The land, people and electoral cycle

Population (million) ^e	3.7	Official language	Georgian, Abkhazian (in Abkhazia)
Under 15 (%) ^e	17.3 (18)	Form of government	Constitutional republic
Population density (per km ²) ^e	64 (37)	Last presidential election	October 27th 2013
Land area (thousand km ²)	69.5		

The economy

GDP, current prices (billion USD) ^d	14.0	Exports of goods and services ^d (% of GDP)	45.0 (49.2)
Latest 5-year average real GDP growth ^f	3.8 (0.6)	Imports of goods and services ^d (% of GDP)	64.9 (46.0)
GDP per capita, PPP (thousand USD) ^f	9.2 (37.2)	GDP shares (%) ^e	
Inflation rate ^e	4.0 (0.6)	Agriculture, forestry and fishing	9.2 (2.5)
General government total expenditure ^d (% of GDP)	29.8 (41.9)	Industry, including construction	24.5 (26.6)
General government revenue ^d (% of GDP)	28.0 (38.0)	Services	66.3 (70.7)

Well-being

Life satisfaction ^a (average on 1-10 scale)	4.1 (6.5)	Life expectancy ^d	75 (80)
GDP per capita ^e (thousand USD)	3.8	Proportion of population under national minimum income standard ^a (%)	14.8
Income inequality (Gini coefficient) ^b	40 (31)	Unemployment rate ^e (%) ^a	13.4 (8)
Gender inequality (SIGI index)	0.2035 (0.0224) ^e	Youth unemployment rate ^d (ages 15 to 24, %)	34.1 (17.3)
Labour force participation ^d (% of 15 to 64 year old)	69.8 (71.1)	Satisfaction with the availability of affordable housing ^e (% satisfied)	61.0 (45.7)
Employment-to-population ratio ^c (15 and over, %)	22.3	Enrolment rates (%) Primary (Net) ^a	99
Population with access to improved sanitation facilities ^e (%)	86.3	Secondary (Gross) ^d	99
Expected years of schooling ^c	14.9	Tertiary (Gross) ^d	39 (70)

Notes: a) Data for 2011; b) Data for 2012; c) Data for 2013; d) Data for 2014; e) Data for 2015.

Sources: World Bank (2015) World Development Indicators (database), <http://data.worldbank.org/>; OECD, Social Institutions and Gender index, <http://www.genderindex.org>; IMF (2015), World Economic Outlook Database, International Monetary Fund, April 2015 edition, Washington DC; AJG Simoes, CA Hidalgo. The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development. www.atlas.media.mit.edu; UNESCO Institute for Statistics (2013), Data Centre, <http://stats.uis.unesco.org>; Exposure Data by Country, Global Health Observatory data repository, World Health Organisation Data, <http://apps.who.int/gho/data/>; UN Office on Drugs and Crime's International Homicide Statistics database, <https://www.unodc.org/gsh/en/data.html>; Gallup (2015), Gallup World Poll (database), Gallup Organisation.

Executive summary

The view of policy makers on the role migration plays in development has changed remarkably over the past 20 years. Today, migration has a firm place amongst the Sustainable Development Goals (SDGs), and officials from countries worldwide meet annually to discuss policies that best leverage migration for development at the Global Forum on Migration and Development.

Georgia has led this evolution in many ways. Following the dissolution of the Soviet Union in 1991, migration flows from Georgia undertook a dramatic shift. Many people left the country in the early years of independence, and emigration increased from around 13% in 1980 to 26% in 2000 as a percentage of the population, and has remained near that level ever since. Remittances followed by growing more than 500% between 2004 and 2014. The creation of the State Commission on Migration Issues (SCMI) in 2010, charged with integrating migration more into Georgia's development strategy, was an important step in increasing the contribution of migration to the country's development.

Adequate data, however, continue to be an issue in ensuring that policy responses are coherent and well informed. The Interrelations between Public Policies, Migration and Development (IPPMD) project in Georgia – managed by the OECD Development Centre and co-financed by the European Union – was conceived to enable decision-making in Georgia, in collaboration with the Caucasus Research Resource Center-Georgia (CRRC-Georgia) and the SCMI. The IPPMD project in Georgia explores in particular:

- how migration, in its multiple dimensions, affects a variety of key sectors for development, including the labour market, agriculture, education, and investment and financial services;
- how public policies in these sectors enhance, or undermine, the development impact of migration.

This report summarises the findings of the empirical research, conducted between 2013 and 2017 in Georgia – and presents the policy recommendations.

A project with empirical grounding

The OECD Development Centre launched the IPPMD project, co-funded by the EU Thematic Programme on Migration and Asylum, on January 2013. The project – carried out in 10 low and middle-income countries between 2013 and 2017 – sought to provide policy makers with comparative evidence of the importance of integrating migration into development strategies and fostering coherence across sectoral policies. A balanced mix of developing countries was chosen to participate in the project: Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d’Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines. In addition to a comparative report, highlighting findings from all ten countries, a specific country report was drafted for each partner country.

The OECD designed a conceptual framework that explores the links between three dimensions of migration (emigration, remittances, return migration) and four key policy sectors in Georgia: the labour market, agriculture, education, and investment and financial services. It also looked at how the policies in these four sectors influence a range of migration outcomes, including the decision to emigrate or return home, the amount of remittances sent and how they are spent.

The project is grounded in empirical evidence. Data were gathered from a survey of more than 2 260 households, interviews with 71 local authorities and community leaders, and 27 in-depth stakeholder interviews across Georgia. Empirical analysis, accounting for the Georgian political, economic and social contexts, measured the relationship between the three migration dimensions and the four key sectors.

The policy context is critical for how migration affects development in Georgia

Georgia provides a unique setting since international migration has been possible only since the country obtained independence in 1991. The research provides evidence of some links between migration and a range of key development indicators in Georgia. It also finds that public policies that improve market efficiency, relieve financial constraints, develop skills and reduce risk influence individual and household-level decisions to emigrate, return home or send remittances.

Emigration can relieve underemployment, provide an incentive for skills upgrading and boost women’s economic and social autonomy in the countries of origin. Despite these opportunities, the contribution of emigration to Georgia’s development remains limited. According to the data collected in Georgia, for instance, highly educated people are more likely to emigrate. Better job matches help curb emigration rates, as the research suggests that unemployed workers

are more likely to plan to emigrate. Financial aid can also foster emigration, as households benefiting from agricultural vouchers in Georgia are more likely to have had a member emigrate. Insurance mechanisms may be contributing towards more emigration too. Evidence points to the fact that agricultural-land owning households in Georgia, that have their land title certificates thus enforcing their factual right over it, are more likely to have a member planning to emigrate.

Remittances can help build financial and human capital in origin countries. In the right policy environment, they relieve credit constraints and enable households to invest in businesses and other productive activities. This is indeed true in Georgia as households receiving remittances are more likely to own real estate as well as spend on agricultural assets. However, despite a high share of households with bank accounts, very few households have participated in financial training, which constitute a missed opportunity in channelling remittances into more productive uses. Georgia's land reform, which began in the 1990s, also is linked with the receipt of remittances as households that gained land through distribution programmes are less likely to receive remittances. This implies that acquiring productive assets may lower the incentive for emigrants to remit.

Return migration is a largely underexploited resource – although this is slowly changing. With the right incentives, return migrants can invest financial capital in business start-ups and self-employment, and have the potential to transfer the skills and knowledge acquired abroad. In Georgia, evidence shows that return migrants are more likely to own a business and spend on agricultural assets. Providing insurance mechanisms may not be enough to attract migrants back to their home country. Migrant households that benefited from or were covered by agricultural insurance mechanisms, such as crop insurance, governmental farming contracts and cash-for-work programmes, were less likely to have had a return migrant.

The links between migration and the four sectors under study are particularly strong in Georgia compared to the other countries in the IPPMD project. For instance, Georgia has the strongest link between return migration in agricultural households and investment in non-agricultural businesses, amongst the ten partner countries. It is also the only country with a link between real estate ownership and the amount of remittances sent. There are good reasons for this. The first is that Georgia has strong institutional capacity in migration and development. Second, while emigration is slowing down, the stock of emigrants remains amongst the highest across IPPMD partner countries. Moreover, most Georgian emigrants live in high-income countries. Therefore, the potential for remittances to continue flowing to Georgia remains high. In fact, the growth in remittances has been particularly fast in Georgia, second only to Armenia out of the IPPMD countries since 2004. Third, the cost of remitting to

Georgia has fallen remarkably, the lowest amongst IPPMD countries and below the 3% target set by target c in Sustainable Development Goal 10 (on reducing inequality within and among countries).

Integrating migration into sectoral strategies will enhance migration's role in development

Georgia already has a government body in the SCMI to help ensure policy coherence across its migration objectives. While the country's migration strategy includes discussing development, sectoral strategies often do not discuss migration. Ministries and local authorities in charge of these sectors are often unaware of the effects of their policies on different migration outcomes. Though authorities aim to make the agricultural sector more productive and competitive by providing vouchers, their aims may fall short if such vouchers enable workers to emigrate to another country. Authorities in the financial sector may be unaware that the limited financial inclusion in the country may be translating into a lower investment rate from remittances.

Therefore, greater awareness through data and analysis, and a more coherent policy framework across ministries and at different levels of government would get the most out of migration. Such a framework should be designed to better integrate migration into development strategies by considering migration in the design, implementation, monitoring and evaluation of relevant sectoral development policies. This could be done within the context of the SCMI by instituting the review of sectoral strategies from each relevant ministry. More concretely, the SCMI itself should participate in ongoing discussions to design Georgia's strategies on, for instance, agricultural development as well as vocational education and training that inform the current national development strategy – "Georgia 2020" – and future versions.

Chapter 1

Assessment and policy recommendations in Georgia

Since the late 1990s Georgia has made great strides in recognising migration's positive contribution to development, and has included it in its socio-economic strategies. The empirically based *Interrelations between Public Policies, Migration and Development (IPPM)* project builds on this recognition, aiming to help policy makers fill the knowledge gaps on the links between migration and a range of sectoral policies. Drawing on quantitative and qualitative analysis, this report justifies an even wider whole-of-government approach, in which migration is integrated into the national development strategy. This chapter provides an overview of the report's findings, highlighting the ways in which migration (including emigration, remittances and return migration) can boost development, analysing the sectoral policies in Georgia that will allow this to happen, and revealing the sometimes unexpected ways in which sectoral policies can affect migration.

International migration policy in Georgia has evolved remarkably since 1991, when the country regained its independence from the Union of Soviet Socialist Republics (USSR). Many people born in Georgia left the country at that time, and while emigration continues to play an important role in the country, it has slowed down in intensity today. Nevertheless, remittance flows grew by 500% between 2004 and 2014. Recognising the value of migration for its development, Georgia began experimenting with the concept of cross-ministerial migration policy in 1996, ultimately culminating with the creation of a State Commission on Migration Issues (SCMI) in 2010 and two subsequent national migration strategies. The current strategy (covering 2016-20) highlights the role of emigration, remittances and return migration, amongst other dimensions, in the development of the country and builds on progressively available data and research in an attempt to align the country's development objectives in various domains with those of migration (SCMI, 2015).

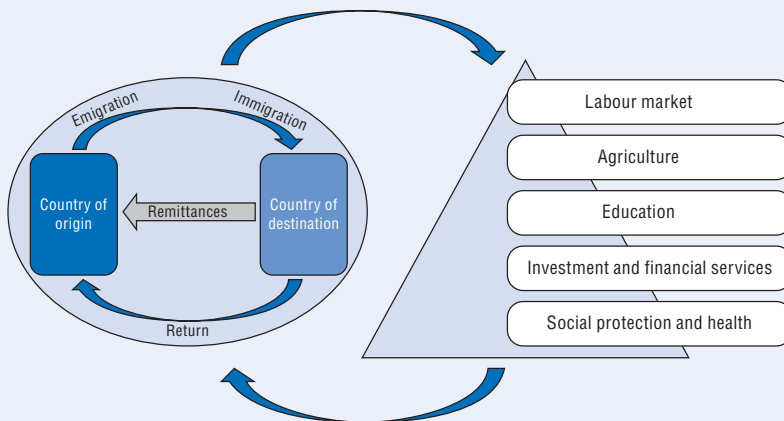
In this context, the European Union and the OECD Development Centre's project on the Interrelations between Public Policies, Migration and Development (IPPM) in Georgia is rather timely. The empirically based project aims to provide policy makers with evidence of the untapped development potential embodied in migration and the role of a range of sectoral policies in realising this potential. While Georgia has taken innovative steps over the past decade to integrate migration into wider policy making and to co-ordinate migration management across several ministries and migration dimensions, the findings in this report justify an even wider whole-of-government approach, integrating migration into the national development strategy.

The chapter provides an overview of the findings and summarises the main policy recommendations of the IPPMD research in Georgia. It first briefly explains the project's unique conceptual and methodological framework (Box 1.1) before summarising the main findings on the links between emigration, remittances and return migration and the labour market, agriculture, education, and investment and financial services. It ends by outlining some recommendations for policy.

Box 1.1. Interrelations between Public Policies, Migration and Development

In January 2013, the OECD Development Centre launched a project, co-funded by the EU Thematic Programme on Migration and Asylum: the **Interrelations between public policies, migration and development: case studies and policy recommendations** (IPPM). This project – carried out in 10 low and middle-income countries between 2013 and 2017 – sought to provide policy makers with evidence of the importance of integrating migration into development strategies and fostering coherence across sectoral policies. A balanced mix of developing countries was chosen to participate in the project: Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d’Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines.

Figure 1.1. **Migration and sectoral development policies: A two-way relationship**



While evidence abounds of the impacts – both positive and negative – of migration on development, the reasons why policy makers should integrate migration into development planning still lack empirical foundations. The IPPMD project aimed to fill this knowledge gap by providing reliable evidence not only for the contribution of migration to development, but also for how this contribution can be reinforced through policies in a range of sectors. To do so, the OECD designed a conceptual framework that explores the links between four dimensions of migration (emigration, remittances, return migration and immigration) and five key policy sectors: the labour market, agriculture, education, investment and financial services and social protection and health (Figure 1.1). The conceptual framework also linked these five sectoral policies to a variety of migration outcomes (Table 1.1).

Box 1.1. **Interrelations between Public Policies, Migration and Development** (cont.)Table 1.1. **Migration dimensions and migration outcomes in the IPPMD study**

	Migration dimensions	Migration outcomes
Emigration	Emigration occurs when people live outside of their countries of origin for at least three consecutive months. ¹	The decision to emigrate is an important outcome for the countries of origin, not only because it may lead to actual outflows of people in the short term, but also because it may increase the number of emigrants living abroad in the long term.
Remittances	Remittances are international transfers, mostly financial, that emigrants send to those left behind. ²	The sending and receiving of remittances includes the amount of remittances received and channels used to transfer money, which in turn affect the ability to make long-term investments. The use of remittances is often considered as a priority for policy makers, who would like to orientate remittances towards productive investment.
Return migration	Return migration occurs when international migrants decide to go back to and settle in, temporarily or permanently, their countries of origin.	The decision to return is influenced by various factors including personal preferences towards home countries or circumstances in host countries. Return migration, either temporary or permanent, can be beneficial for countries of origin, especially when it involves highly skilled people. The sustainability of return measures the success of return migration, whether voluntary or forced, for the migrants and their families, but also for the home country.
Immigration	Immigration occurs when individuals born in another country – regardless of their citizenship – stay in a country for at least three months.	The integration of immigrants implies that they have better living conditions and contribute more to the development of their host and, by extension, home countries.

1. Due to the lack of data, the role of diasporas – which often make an active contribution to hometown associations or professional or interest networks – is not analysed in this report.

2. Besides financial transfers, remittances also include *social remittances* – i.e. the ideas, values and social capital transferred by migrants. Even though social remittances represent an important aspect of the migration-development nexus, they go beyond the scope of this project and are therefore not discussed.

The methodological framework developed by the OECD Development Centre and the data collected by its local research partners together offer an opportunity to fill significant knowledge gaps surrounding the migration and development nexus. Several aspects in particular make the IPPMD approach unique and important for shedding light on how the two-way relationship between migration and public policies affects development:

- The same survey tools were used in all countries over the same period (2014-15), allowing for comparisons across countries.
- The surveys covered a variety of migration dimensions and outcomes (Table 1.1), thus providing a comprehensive overview of the migration cycle.

Box 1.1. Interrelations between Public Policies, Migration and Development (cont.)

- The project examined a wide set of policy programmes across countries covering the five key sectors.
- Quantitative and qualitative tools were combined to collect a large new body of primary data on the 10 partner countries:
 1. A **household survey** covered on average around 2 000 households in each country, both migrant and non-migrant households. Overall, more than 20 500 households were interviewed for the project.
 2. A **community survey** administered to 590 local authorities and community leaders in the communities where the household questionnaire was administered.
 3. **Qualitative in-depth stakeholder interviews** were held with key stakeholders representing national and local authorities, academia, international organisations, civil society and the private sector. In total, 375 interviews were carried out across the 10 countries.

The OECD Development Centre and the European Commission hosted a dialogue on tapping the benefits of migration for development through more coherent policies in October 2016 in Paris. The event served as a platform for policy dialogue between policy makers from partner countries, academic experts, civil society and multilateral organisations. It discussed the findings and concrete policies that can help enhance the contribution of migration to the development of both countries of origin and destination. A cross-country comparative report and 10 individual country reports will be published over the course of 2017.

How did the IPPMD project operate in Georgia?

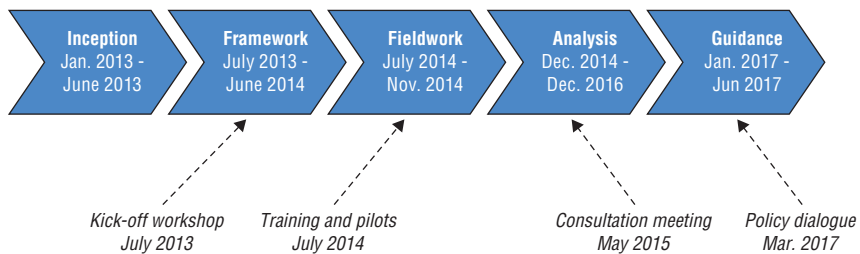
The project was carried out between 2013 and 2017 in close collaboration with two key partners in Georgia:

1. The State Commission on Migration Issues (SCMI): this was IPPMD's government focal point. The SCMI and its secretariat acted as the main link between the OECD and the various policy makers in Georgia and helped gather available information on policies and data.
2. The Caucasus Research Resource Center (CRRRC-Georgia), an independent research institution, which mainly dealt with data collection and analysis.

Both of the OECD's partners in Georgia played a significant role in organising local events and facilitating bilateral meetings with key stakeholders in the country.

The project was launched with a kick-off workshop in July 2013 in Tbilisi (Figure 1.2). The workshop served as a platform to shape the focus of the project in the country with policy makers, and representatives of international organisations, employers and employee organisations, civil society organisations and academics. Following lively and diverse discussions, the IPPMD project team decided to focus the analysis on four sectors:¹ i) the labour market; ii) agriculture; iii) education; and iv) investment and financial services. The various stakeholders who participated in the workshops and meetings organised in Tbilisi played a role in strengthening the network of project partners and setting research priorities in the country.

Figure 1.2. IPPMD project timeline in Georgia



The methodological framework developed by the OECD Development Centre (Box 1.1) and the data collected by CRRC-Georgia offer an opportunity to fill significant knowledge gaps in the field of international migration and development in Georgia. The surveys covered a variety of migration dimensions and outcomes:²

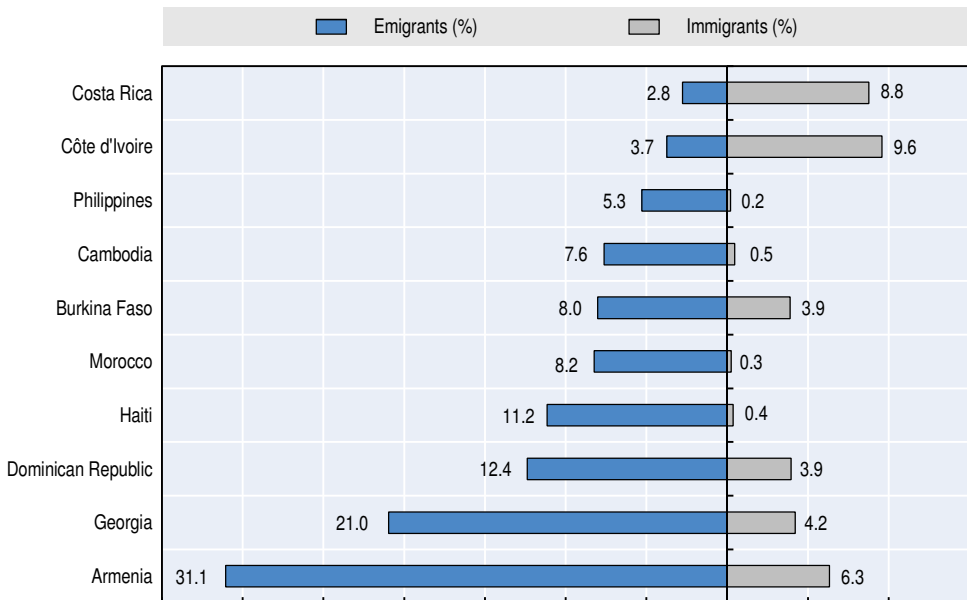
- A **household survey** covered 2 260 households, including both migrant and non-migrant households.
- A **community survey** reached a total of 71 local authorities and community leaders in the communities where the household questionnaire was administered.
- **Qualitative in-depth stakeholder interviews** were held with key stakeholders representing national and local authorities, academia, international organisations and civil society. In total, 27 interviews were carried out.

The quantitative data were analysed using both descriptive and regression modelling techniques. The former identifies broad patterns and correlations between key variables concerning migration and public policies, while the latter deepens the empirical understanding of these interrelations by also controlling for other factors. More information about the survey tools, the data collection and the analytical framework is found in Chapter 3.

Emigration's positive impacts can be enhanced in Georgia

Emigration is an important conduit for the development of migrants themselves and the families they leave behind, and is also an asset for their home communities and countries. More than one in every five people born in Georgia live outside the country – the second highest rate of all the IPPMD partner countries (Figure 1.3). However, the emigration trend does seem to be slowing and even reversing. Between 2000 and 2015, it is estimated that the number of Georgian emigrants fell by 13% (UNDESA, 2015); Georgia is the only IPPMD partner country to have experienced a negative emigration growth over that period. Moreover, the latest census data from 2014 suggest that total emigration since 2002 represents only 2.4% of the 2014 population (GeoStat, 2016). In addition, according to the IPPMD data, at 2.6% Georgia has the second lowest rate amongst IPPMD partner countries of individuals planning to emigrate³ – yet another sign that pressures to emigrate have reduced.

Figure 1.3. **Georgia is a country of net emigration**
Emigrant and immigrant stocks as a percentage of the population (2015)



Note: Data come from national censuses, labour force surveys, and population registers.

Source: UNDESA (2015), *International Migration Stock: The 2015 Revision* (database), www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml.

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Despite short-term labour losses, emigration can be leveraged for positive outcomes in Georgia

Migration provides countries with long-term benefits stemming from both remittances and return migration (discussed further below). Emigration itself can also benefit the country by relieving a congested labour market, providing opportunities for women to increase their economic independence and generating incentives to upgrade skills. However, realising these positive impacts depends on the right conditions being in place.

Where labour markets are congested, such as those in Georgia (World Bank, 2013), the emigration of workers can open up job opportunities for the unemployed or underemployed. For instance, the IPPMD data show that households with emigrants are likely to use less household labour for farming; instead 18% of emigrant households in Georgia hired in farm labour, compared to 14% of non-migrant households.⁴ This suggests that rather than prompting households to draw more on household labour, emigration may be revitalising the agricultural labour market and reducing underemployment in that sector. Men remaining in emigrant households in Georgia tend to work less and are more likely to be unemployed than men in households without an emigrant, also suggesting that the jobs previously done by the emigrant are not necessarily taken on by others in the household.⁵

In many cases households lack the tools to overcome the negative short-term effects associated with the departure of one or several members of the household. For instance, losing household labour to emigration can have a significant impact on the remaining household members, especially as migrants are often in the most productive years of their lives. Emigrants in the Georgia IPPMD dataset left on average between the ages of 35 and 37, and are usually the youngest adults in their household; the current average age of emigrants from Georgia according to the IPPMD data is 42, while the average age of non-migrant adult household members is 47 (OECD, 2017).

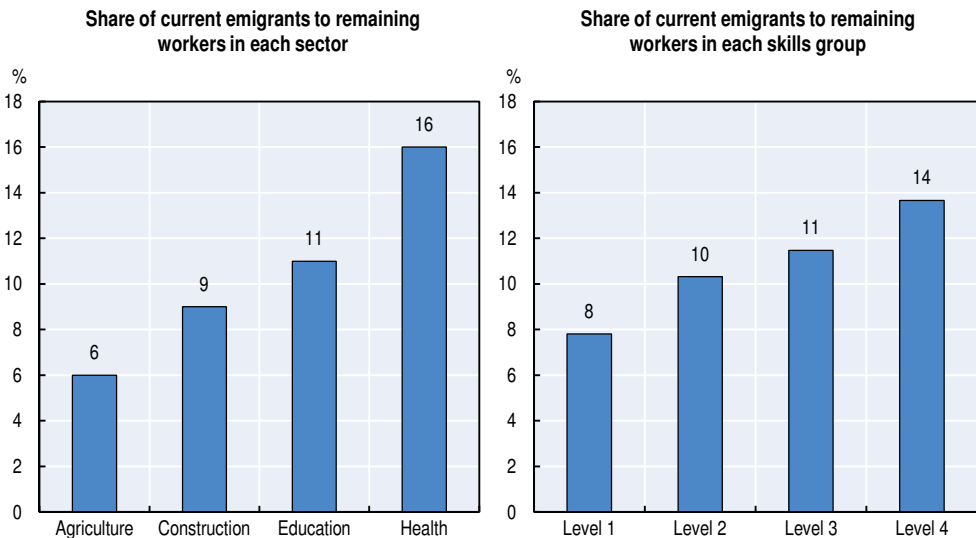
Under the right conditions, emigration can also create opportunities for women. When men emigrate, women often take on greater household financial and managerial responsibilities (Bauer et al., 2012; DFID, 2007; Hughes, 2011). However, if women are barred access to financial markets or the right to hold land, emigration by the male members of the household emigration can instead put women in a difficult situation. In Georgia, 39% of emigrant households are headed by women, compared to only 33% of non-emigrant households.⁶ The adult male-to-female ratio in emigrant households is also lower than in non-migrant households (0.79 vs. 0.85).⁷

According to the OECD's Social Institutions and Gender Index (SIGI),⁸ there is room for improvement with respect to conditions for women. While they are on equal footing with men *de jure*, *de facto* conditions are a different

story and social institutions in Georgia have a strong influence on attitudes towards land ownership. In fact, as land is usually registered solely in the husband's name, women often have little involvement in economic decision making, and many women lack information about their rights under civil law.⁹ In terms of credit and bank loans, women find it very difficult to access credit in rural area in Georgia. This is because microfinance institutions require a collateral for security, such as immovable property (USAID, 2010; USAID, n.d.). In fact, men are usually the owners of residences or household farms in Georgia (UN Women, 2013).

Much of the impact on the home country labour and education sectors depends on the types of people emigrating. According to the survey in Georgia, more than 80% of emigrants left to seek work. Prior to leaving, emigrants also typically had jobs in the health sector and other skilled occupations in the home country, leaving potential shortages in these fields (Figure 1.4). Highly educated Georgian individuals are also more likely to have emigrated, or to plan to emigrate in the future (Figure 1.5). This has implications for the education sector, which is losing the skills it has helped build in the country.

Figure 1.4. **The health sector and highly skilled occupations lose most workers to emigration**



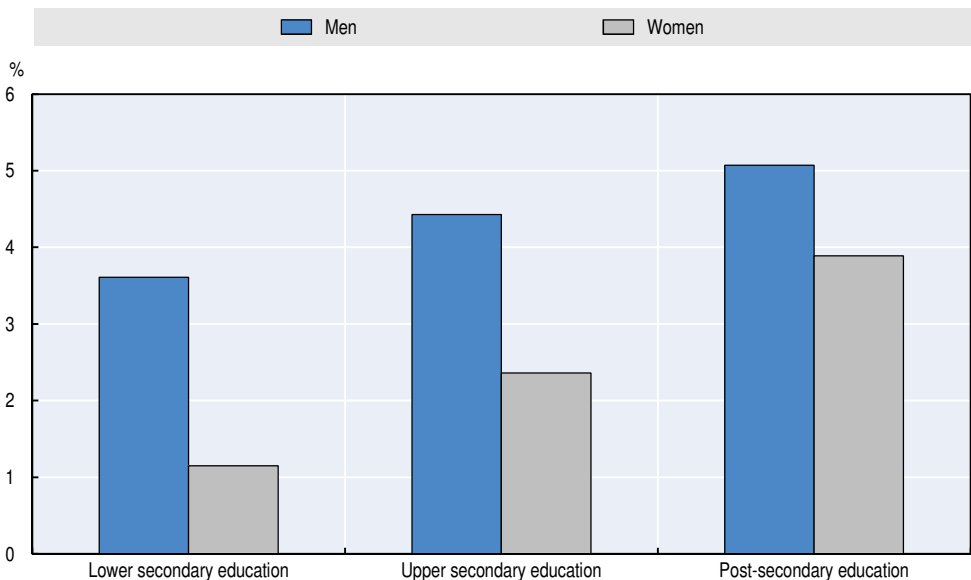
Note: The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the International Labour Organization (ILO, 2012). Skills level 1: occupations which involve simple and routine physical or manual tasks (includes elementary occupations and some armed forces occupations). Skills level 2: clerical support workers; services and sales workers; skilled agricultural, forestry and fishery workers; craft and related trade workers; plan and machine operators and assemblers. Skills level 3: technicians and associate professionals and hospitality, retail and other services managers. Skills level 4: Other types of managers and professionals.

Source: Authors' own work based on IPPMD data.

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This finding is not entirely negative however. Highly educated individuals with the intention to emigrate do not always manage to do so. Moreover, the successful emigration of highly skilled individuals may persuade more people to acquire skills and formal education than would have been the case otherwise, partly mitigating the loss of human capital (Helmenstein et al., 1997, 1998; Mountford, 1997; and Stark and Wang, 2002). This dynamic goes beyond formal education. The share of individuals who speak a foreign language (mostly English¹⁰) is higher amongst those who plan to emigrate (48%) than those who do not (20%).

Figure 1.5. **Well-educated individuals are more likely to plan to emigrate**
Share of adults (20 years and above) planning to emigrate (%), by gender and education level



Note: The figure displays intentions to emigrate on the part of adults aged 20 years and over.¹¹ Lower secondary education includes basic education, and upper secondary education includes general secondary education (grade 10-12) in the Georgian education system.

Source: Authors' own work based on IPPMD data.

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How do sectoral policies influence emigration and development?

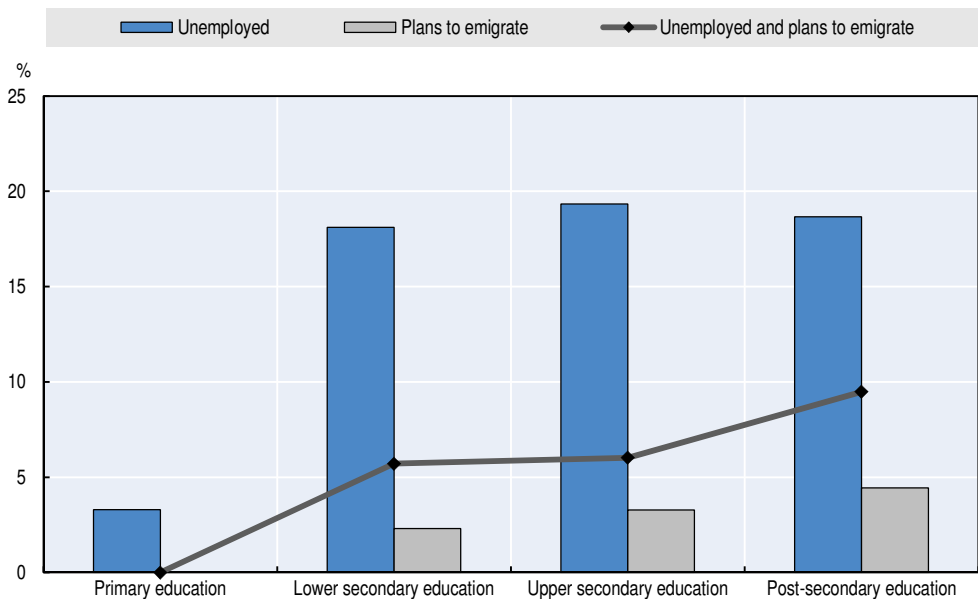
While emigration can have a positive effect on the country of origin, public policies in Georgia may also play a role in the decision to leave. For instance, people often leave because they cannot find a (good) job – one that offers physical, social and financial security. Even though such jobs may be available, an inefficient labour market can mean that employers and potential employees do not always find each other. Active labour market policies, especially those

that try to link employers with job seekers through government employment agencies, may help reduce emigration by improving access to information on labour market needs.

The IPPMD data demonstrate that unemployed workers are more likely to plan to emigrate (Figure 1.6); thus unemployment insurance mechanisms or better job matches may help curb emigration rates. However, the IPPMD data also show that specific active labour market programmes – such as government employment agencies, public employment programmes and vocational training programmes – seem to have little effect on emigration. This is largely because they are small programmes and only benefit a few individuals. There is some evidence that skills mismatches play a role in the decision to emigrate, leading to some scope for better matching between labour demand and the supply of skills (Chapter 4).

Figure 1.6. **Highly educated, unemployed adults are more likely to plan to emigrate**

Unemployment and intentions to emigrate (%), by education level



Note: The sample includes individuals 20 years and above.

Source: Authors' own work based on IPPMD data.

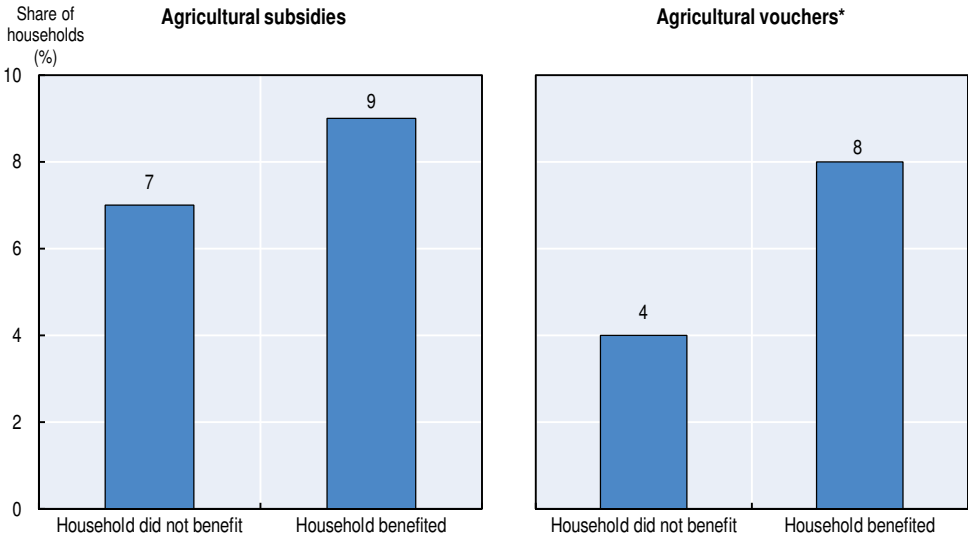
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On the other hand, financial constraints are a major obstacle to people emigrating; according to the IPPMD data, both households with emigrants and those with members planning to emigrate are wealthier¹² than other households. Policies that relieve financial constraints (such as providing funds

or subsidising goods or services) may therefore inadvertently contribute to emigration. For example, households benefiting from the agricultural voucher programme in Georgia, a sort of subsidy programme, were more likely to have had a member emigrate in the past five years (Figure 1.7 and Chapter 5), although this was not the case for those benefiting from other subsidy programmes. By helping households financially, the voucher system may be helping those same households overcome the often substantial cost of emigrating.

Figure 1.7. **Agricultural vouchers appear to be linked to plans to emigrate**

Share of households with a member planning to emigrate, by public policy



Note: Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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In certain cases, individuals may opt not to emigrate because of other opportunity costs. For instance, households may fear losing the rights to their agricultural land if they emigrate and leave it fallow. Enforcing land rights may mitigate these concerns and allow households to emigrate in the knowledge that their land tenure is secure. Evidence from the Georgian IPPMD data indeed point to the fact that land-owning households who possess land titles are more likely to have a member planning to emigrate (9% vs. 4%, Chapter 5).

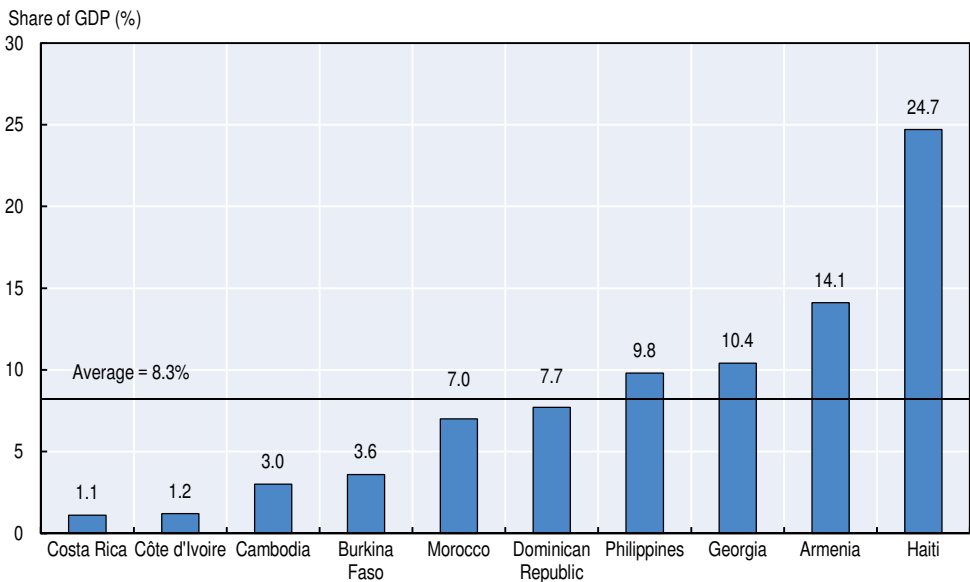
Overall – and despite the short-term labour losses incurred by emigration – the long-term effect of emigration is positive and outweighs the losses. That is because while emigration itself can be positive, the greatest tangible benefits stem from remittances and return migration – the topics of the next two sections.

Remittances can build financial and human capital, given the right policies

Remittances represent an important source of foreign funds for many developing countries, both in terms of absolute numbers and as a share of gross domestic product (GDP). In Georgia, the share of remittances in GDP was 10.4% in 2015, the third highest of the IPPMD partner countries (Figure 1.8).¹³ The amount of remittances sent to Georgia has grown very quickly since 2004, the year following the Rose Revolution.¹⁴ In 2014, the World Bank estimated the remittance inflow to be worth about USD 2 billion,¹⁵ up from about USD 300 million in 2004 (World Bank, 2017). This is a growth rate of more than 500%, and the second highest growth experienced across IPPMD partner countries over that period. In 2015, there were signs that remittance inflows were slowing down, as they had fallen to USD 1.5 billion (World Bank, 2017).

Figure 1.8. **Remittances represent a high share of Georgia's GDP**

Remittances as a share of GDP, 2015



Source: World Bank, Annual remittances data (inflows), World Bank Migration and Remittances Data <http://www.worldbank.org/en/topic/migrationremittancesdiasporaisues/brief/migration-remittances-data>.

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In addition to increased and more efficient labour emigration, one of the main factors in the rise of remittances is a fall in the costs of sending money to Georgia. For instance, the cost of remitting money from Russia – historically the main destination country for Georgian emigrants until the 2000s – has fallen substantially. In 2008 the average cost of remitting USD 200 from Russia to Georgia was around 2.7% of the transfer total, but had fallen to 1.3% in 2016

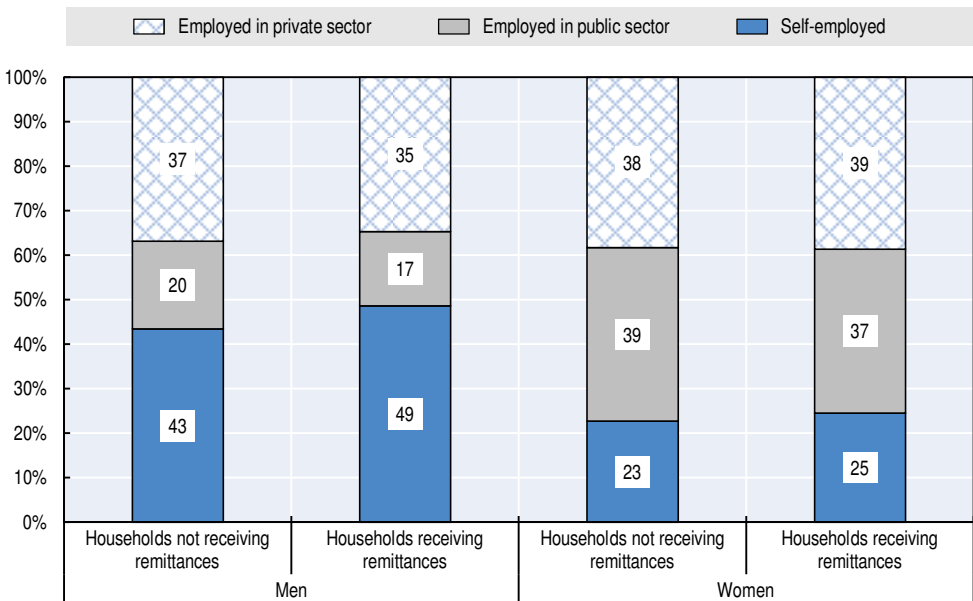
(World Bank, 2016).¹⁶ Another important factor is increased access to formal money transfer channels and improved banking infrastructure in the country, particularly in rural areas (Zurabishvili, 2012).

Remittances are not only used for consumption, but also for investment

Most households receiving remittances, especially the poorest, tend to use the money to increase consumption of basic goods. However, the additional source of income may also be used to make productive investments. Remittances can help to free up savings to invest in children’s education, for instance. While remittances are not linked to youth school attendance in Georgia, they do seem to be linked to increased educational expenditures (Chapter 6).

Remittances may also provide the remaining household members with the capital they need to start up a business and boost self-employment. Starting one’s own business is a way to solve the issue of low job supply or mismatches in the labour market, but it requires funds. The IPPMD data collected in Georgia show that the share of self-employed men and women is indeed higher among households receiving remittances than those not receiving remittances (Figure 1.9). A further regression analysis that controls for other factors suggests that receiving remittances is positively associated with self-employment for men in rural areas (Chapter 4).

Figure 1.9. Self-employment is higher among remittance-receiving households
Employment types among employed people, working age population (%)



Note: The difference is not statistically significant for either men or women (using a chi-squared test).

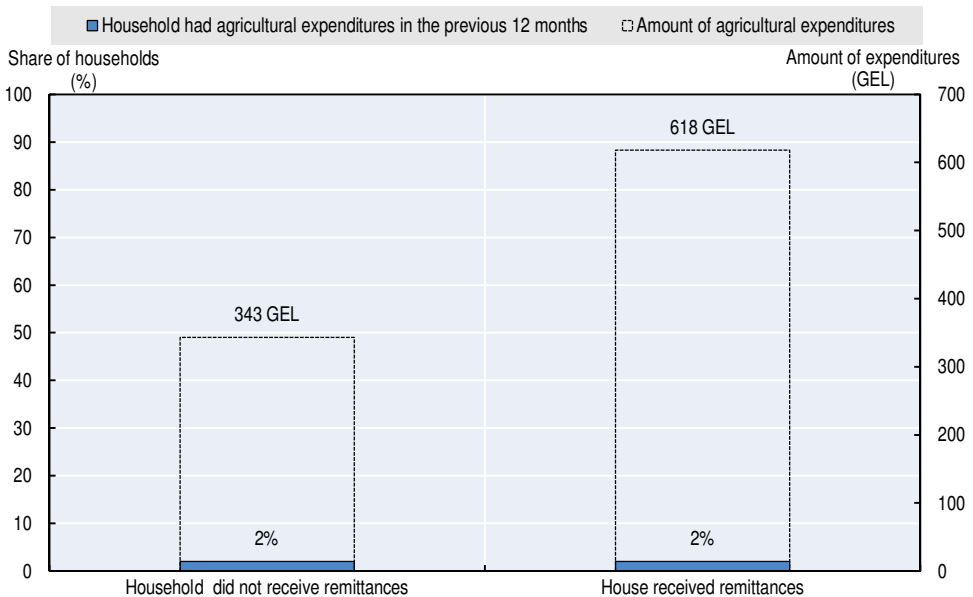
Source: Authors’ own work based on IPPMD data.

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The data also point to other types of investment enabled by remittance income. Although very few agricultural households spend money on agricultural assets in general, such as machinery, barns, fencing, feeding mechanisms, irrigation systems and tractors, agricultural households receiving remittances do tend to spend more on such assets than those not receiving remittances (Figure 1.10 and Chapter 5).¹⁷ Remittances can therefore give households the impetus needed to revitalise the agricultural sector, helping them to become more competitive and boost the sector with much-needed capital. This comes at a critical time for Georgia's agricultural sector, which was declared a priority sector by the government in 2012 due to its lacklustre growth and lack of dynamism. Many people are leaving the sector to work in urban areas and overseas, particularly in service-oriented jobs.

Figure 1.10. Households receiving remittances spend more on agriculture

Share of household with agricultural expenditures and average amount spent, by whether household receives remittances



Note: GEL = Georgian lari; differences between the amounts (using a t-test) and the share of households (using a chi-squared test) are not statistically significant.

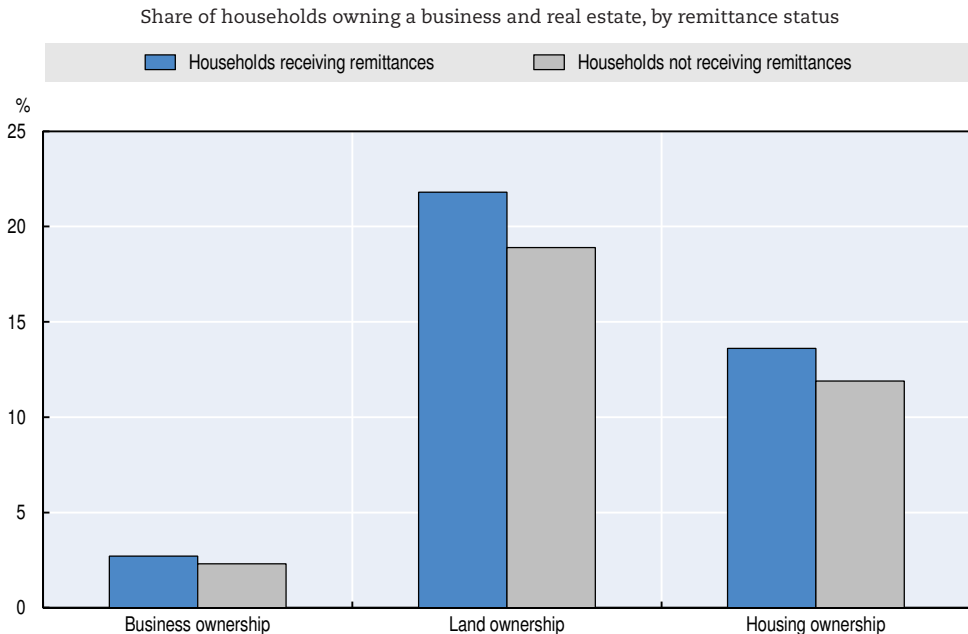
Source: Authors' own work based on IPPMD data.

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In addition to agricultural investments, remittances tend to also be used to finance non-agricultural investments such as businesses, land and housing (Figure 1.11). Households receiving remittances were more likely than households not receiving remittances to own a non-agricultural business, non-agricultural land or housing other than the house where they currently reside, although

the differences between the two groups are not statistically significant. Such investments generally help build the capital base in the country, contributing to job creation and more investment if used productively.

Figure 1.11. **Business and real estate ownership is higher among households receiving remittances**



Note: Business ownership is defined as the household running at least one business. Real estate includes non-agricultural land and housing other than the property the household currently lives in. Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

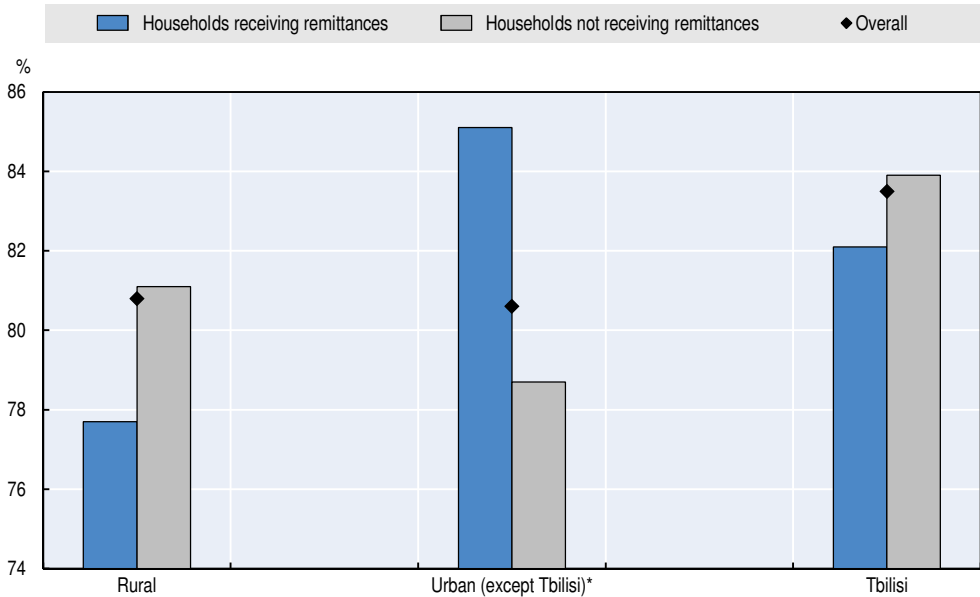
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How do sectoral policies influence remittance use?

While remittances are often used productively in Georgia, sectoral policies can increase this trend. For example, financial sector policies can make remittances easier and cheaper to send or receive, and help route them through formal channels. This can encourage more savings and better matching of savings with investment opportunities, thereby strengthening the development impacts of remittances. Remittances sent through formal channels can also have multiplier effects by making more financial resources available to fund economic activities. According to the IPPMD data (see Chapter 7), remittance-receiving households based in urban areas other than Tbilisi are more likely to have a bank account, while the opposite is true for households in rural areas and in Tbilisi (Figure 1.12).

Figure 1.12. **Most households have access to bank accounts, particularly households receiving remittances in urban areas**

Share of households with access to bank accounts, by geographical region and remittance status



Note: Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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Training those who receive remittances in using money transfer operators and financial services more effectively may help to lower the costs and to use remittances in a more productive way. The IPPMD data show that very few households in the sample (1%) have participated in a financial training programme in the past five years. Furthermore, the community survey revealed that no courses on financial literacy or business creation are available in any of the sampled communities.

Remittances may compensate for weak institutions, or fill gaps in policy. Agricultural households without land of their own, for instance, may use remittances to compensate for the fact that they must rent land or work for other people to make a living. Policies through which they acquire their own land may therefore mean they have less need for remittances. The IPPMD data show that this may be occurring in Georgia, as only 23% of households that acquired agricultural land during a reform initiated in 1992 and that has continued into the 2000s receive remittances, compared to 31% of households that did not acquire land in this way (Chapter 5). This relationship is robust to a regression analysis controlling for the fact that the household owns agricultural land but may have acquired it in a different way.

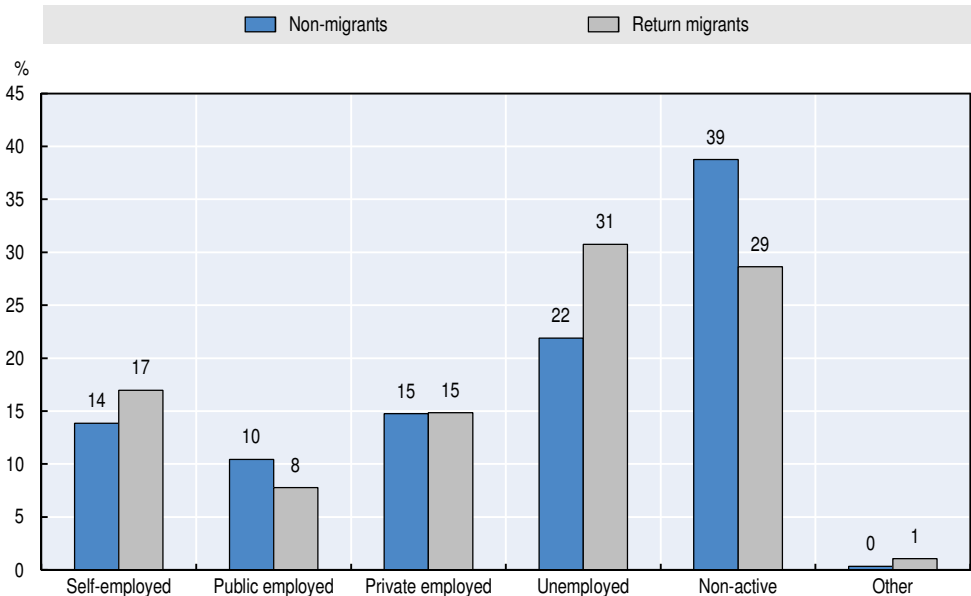
Return migration to Georgia is an underexploited resource

In addition to remittances, emigrants who return to Georgia may bring home savings, as well as social and human capital. These assets are not only beneficial for their households, but also for the country's general development. Just as for remittances, the capital brought back by return migrants can be used to start businesses, invest and bring value to the labour market. The development potential embedded in the return of migrants is, however, a poorly researched area. Moreover, its potential depends on Georgia's economic, social and institutional environment.

Return migration is a vector for investment

The IPPMD data confirm that return migrants are usually more likely than non-migrants to be self-employed (Figure 1.13). This may be because they use savings accumulated abroad to set up a business. On the other hand, return migrants are more likely to be unemployed and seeking for jobs, but less likely to be economically non-active (Chapter 4).

Figure 1.13. **Return migrants are more likely to be self-employed than non-migrants**
Employment status of adult non-migrants versus return migrants (%)



Note: The difference in the distribution of employment statuses between non-migrants and return migrants is statistically significant (99% significance level, using a chi-squared test).

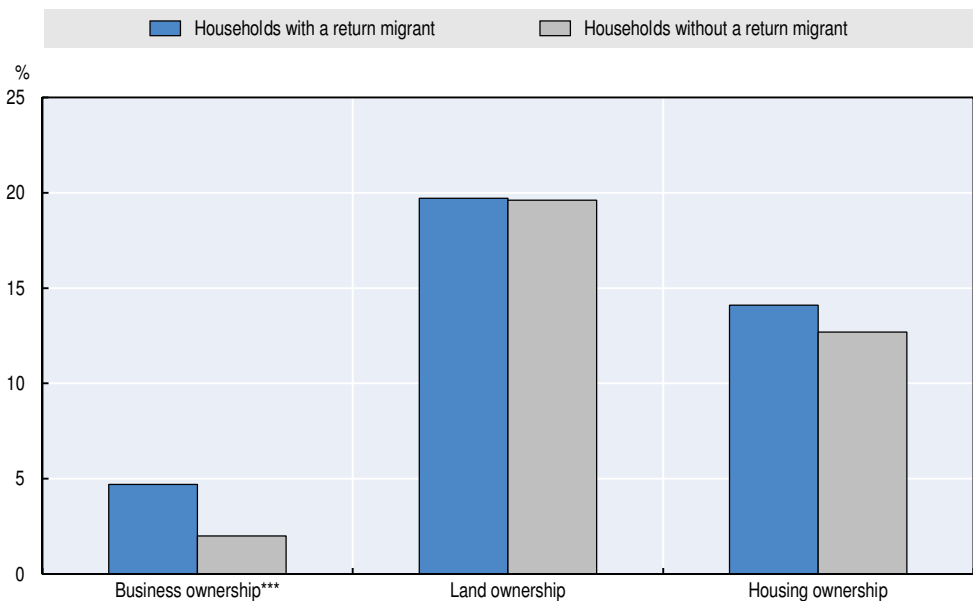
Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457690>

It could be argued that for some return migrants, self-employment may be the only option, especially for those who were forced to return or whose skills do not match the country's labour market needs. The IPPMD data suggest that this is not necessarily the case, however, as business ownership is also linked with return migration (Figure 1.14). About 5% of households with return migrants run a business, compared to 2% of households without return migrants. In contrast, the data show only small differences between households with and without return migrants when it comes to housing ownership, and no visible difference for land ownership (20% of households own non-agricultural land, regardless of having a return migrant or not). Households with a return migrant are only slightly more likely to own housing (14% compared to 13% for households without return migrants).

Figure 1.14. **Business ownership is higher among return migrant households than other households**

Share of households owning a business, land or housing, by return migrant status



Note: Business ownership is defined as the household running at least one non-agricultural business. Housing ownership refers to property (housing and/or apartments) other than the property the household currently lives in. Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%. The reference group includes households receiving remittances.

Source: Authors' own work based on IPPMD data.

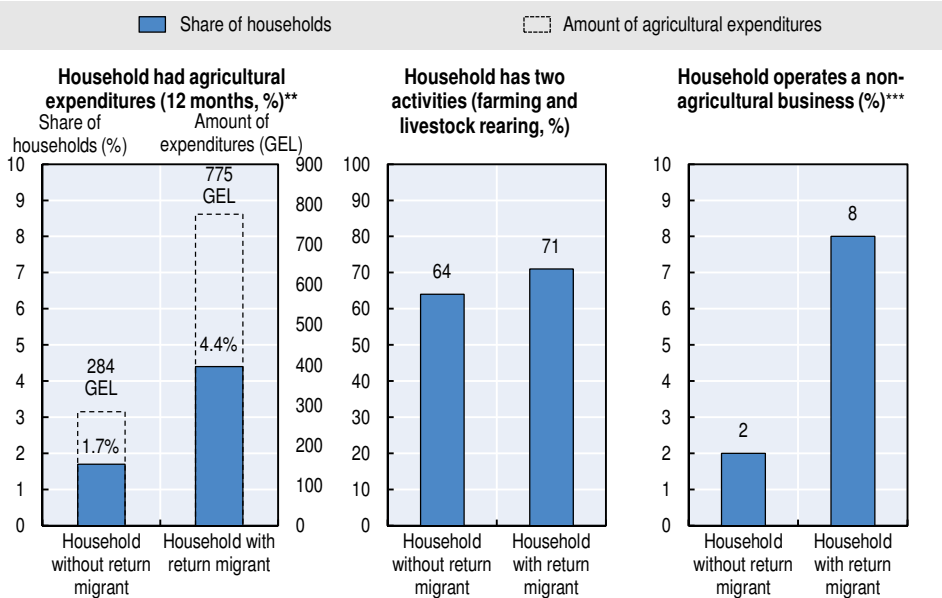
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Return migration also tends to be an effective way to boost the agricultural sector – and to diversify away from it. Agricultural households with return migrants show better investment results for several agricultural outcomes than

households without a return migrant. They are, for instance, in the previous 12 months more likely to have bought, and to have spent more on an agricultural asset on average (GEL 775 vs. 284; Figure 1.15).¹⁸ They are also more likely to own a non-agricultural business, which suggests that return migrants help their agricultural households diversify and may be a catalyst for a more generalised diversification of the Georgian economy (Chapter 5).

Figure 1.15. **Households with return migrants are more likely to invest in agriculture and to own a non-agricultural business**

Household asset expenditures and business ownership, by whether household has a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Statistical significance in the furthest left figure is between the shares of households, and not between the amount of expenditures.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457711>

How can sectoral policies make the most of return migration?

To answer this question it is important to understand why migrants decide to return home. According to the IPPMD household survey, about half of the return migrants came back because they preferred to be in Georgia than in another country (Chapter 3). Only a minority considered employment and investment opportunities in Georgia as a motive for returning.

Household vulnerability is a key push factor for migration. Until these vulnerabilities are addressed, migrants are unlikely to want to return home. Not only can policies that reduce risk, such as agricultural contract programmes,

provide more incentives for emigrants to return, they can also help make their return sustainable (OECD, 2017). Economic and political stability in the home country also makes return migration more attractive. More stable countries may have more resources to spend on public social welfare, for example.

The IPPMD data found little evidence of any policies being linked to return migration, likely because policies that would help are not generally accessible enough, or because risk persists in the country. On the contrary, the IPPMD data provide evidence that households involved in risk-protection programmes are less likely to have return migrants. Only 18% of migrant households that had benefited from or were covered by crop insurance, government farming contracts and cash-for-work programmes had a return migrant, compared to 29% of households that did not benefit from such programmes (Chapter 5). This may be because the risky conditions that preceded the emigration of the household member still exist, and these programmes may not lower the risk enough for people to want to return. The agricultural sector is inherently risky; households that benefit from such programmes may be those most exposed to risk. In addition, current emigrants may have plans to move out of the agricultural sector, meaning reduced risk in the sector for their households are not linked with the decision to return to Georgia.

A more coherent policy agenda can unlock the development potential of migration

The SCMI's current migration strategy, which covers 2016-20, highlights the role of migration in the development of the country. The SCMI has historically leaned on data and research to align the country's development objectives with those of migration. This study has added to this knowledge by collecting a large new body of primary data on migration in Georgia.

The analysis confirms that each of the various dimensions of migration examined – emigration, remittances and return migration – has something to offer Georgia's economic and social development, but that this potential is not being fully realised. Understanding the intentional or unintentional role of sectoral policies – especially those governing the labour market, agriculture, education, investment and financial services – in people's migration decisions will be a step forward in fulfilling this potential.

While Georgia does have a wide range of migration-specific policies, including a migration strategy, not all sectoral strategies fully take into account the effects of migration on their areas of competency and, conversely, the effects of their policies on migration. The way individual sectoral policies affect migration is not always straightforward, either, and it is a combination of policies that is more likely to influence the impact on migration. This interaction among public policies needs to be taken into account when drawing up a country's

development strategy. This suggests the country would benefit from an even wider whole-of-government approach, integrating migration into the national development strategy.

Within this coherent approach, individual sectors have a role to play. This final section summarises the main policy recommendations for each sector studied in the IPPMD project in Georgia. A synthesis of policy recommendations stemming from the 10-country study is available in the IPPMD comparative report (OECD, 2017).

Integrate migration and development into labour market policies

Unemployment is a strong push factor for emigration in Georgia. Labour market policies aimed at reducing unemployment will affect the migration decisions of households and individuals. It is therefore important to identify to what extent Georgia's various labour market policies affect migration. The IPPMD survey found state employment agencies and vocational training programmes were having limited impact on migration decisions, most probably because of their low take-up ratio and patchy coverage. The findings also show that highly skilled occupational groups, especially in the health sector, are losing the most labour to emigration. Better skills-matching mechanisms are needed, as well as the creation of quality jobs.

- Widen the activities of employment agencies to reach out to both current emigrants abroad and return migrants at home to ensure they have information on and access to formal wage jobs. Closer connections between the employment agencies and the private sector will be important for achieving this.
- Refine vocational training programmes to better target and match demand with supply. Mapping labour shortages and strengthening co-ordination mechanisms with the private sector are important steps. Training programmes can also aim to foster the inclusion of return migrants into the labour market.

Leverage migration for development in the agricultural sector

Despite agriculture's lessening share in Georgia's GDP, over 50% of the population worked in the sector in 2011, continuing to depend on it for their livelihoods and to climb out of poverty. The sector is affected by migration in several ways. Emigration reduces farming labour, though it can lead to more external labour being hired in. Although agricultural households tend to be more likely to receive remittances than non-agricultural households, remittances are generally not channelled towards investment in the sector. On the other hand, return migration seems to be a boon for the country. Households with return migrants were more likely to buy agricultural assets as well as diversifying into non-agricultural investment. In terms of policies in the sector, agricultural policies are rather widespread and often used in Georgia, with the agricultural

voucher programme being the most common. Households that benefited from the voucher programme are more likely to have an emigrant – the vouchers could be helping households afford to send a member overseas.

- Ensure that agricultural households can access agriculture labour when needed. Better coverage by labour market institutions in rural areas can help agricultural households replace labour lost to emigration. Without such institutions the agricultural sector, food security and poverty could all deteriorate further in areas where emigration rates are high.
- Make it easier for remittances to be channelled towards productive investment, such as ensuring money transfer operators are present and affordable in rural areas, households are sufficiently trained in investment and financial skills and adequate infrastructure is already in place. Bottlenecks that limit investments in specific sectors, particularly declining ones like agriculture, are a lost opportunity to harness the potential of remittances and return migration for revitalising these sectors. In addition, economic and administrative hurdles, such as the cost of remitting and the lack of programmes to reintegrate return migrants, can also limit the potential of these assets.
- Tie agricultural aid to *ex post* output rather than providing it *ex ante*. The analysis of Georgia's voucher programme suggests that agricultural subsidy programmes that are not contingent on some level of output or outcome or do not provide a non-transferable asset, such as land, may help spur more emigration. This may run counter to the objectives of the programme if its aims are to keep farmers in the country and in the sector.

Enhance migration-led development by facilitating investment in education

A large share of Georgia's emigrants are highly skilled. Lack of employment opportunities seems to be an important driver of emigration by these educated professionals. Policies that strengthen the links between labour market needs and professional and tertiary education and training is needed to reduce unemployment among the highly educated and offer alternatives to emigration. The findings also show that remittance inflows lead to investments in child and youth education, calling for investments in educational infrastructure in order to meet the increased demand for education.

- Align professional and tertiary education to the demands and needs of the local labour market to address unemployment among highly educated professionals and reduce their need to emigrate. This will allow the local labour market to better absorb the highly skilled and to reduce skill shortages in certain sectors.
- Meet the increased demand for educational services with investments in educational infrastructure to ensure universal access to education.

Strengthen the links between migration, investment, financial services and development

The link between migration and investments in Georgia is not clear-cut, and although remittances and return migration do seem to spur investments in entrepreneurship and real estate, barriers to productive investments still remain. Business ownership is low among the households in the sample, and no link between remittances and business ownership was found. Furthermore, although most households have access to the formal financial sector, few have participated in financial training. Sectoral policies could help create a more enabling investment environment for remittances by providing financial literacy training and facilitating business creation.

- Provide business management and entrepreneur skills courses, promote entrepreneurship and help remittance-receiving households and return migrants overcome barriers to investments. Providing more information about local investment opportunities to return migrants could also increase investments.
- Develop financial education programmes to enhance financial literacy, especially in areas with high emigration rates and remittance flows.

Notes

1. Although the social protection and health sectors are included in the project, they were not included in the country specific report on Georgia.
2. Although immigration is an important dimension of the migration phenomenon, including in Georgia, too few immigrant households were found during data collection to carry out an adequate analysis. It was therefore decided to focus solely on emigration, remittances and return migration.
3. This group does not include return migrants.
4. Note that this relationship is not entirely robust to regression analysis.
5. Note that the data do not show what household members were doing prior to the member's departure.
6. The share of female-headed households amongst non-emigrant households is lower (35%) if return migrant households are included, as many return migrants are men.
7. The difference in ratios is even wider and more statistically significant when return migrant households are included in non-migrant households (0.79 vs. 0.87).
8. See <http://www.genderindex.org/>.
9. Many married women live in properties belonging to their fathers-in-law in Georgia, which means they would have no rights to claim a share of this property if they were to divorce (USAID, 2010; USAID, n.d.).
10. Russian is not considered a foreign language here.

11. To better capture a sample of individuals that has completed post-secondary education, the cut-off age for adults in these estimations is 20 years and above (compared to 15 years in other parts of the report). To test robustness, the analysis was also carried out using the sample of individuals 25 years and above; this did not change the results.
12. Wealth is measured using a composite indicator based on the household's owned assets and constructed using principal component analysis. For details see Chapter 3.
13. The National Bank of Georgia reported a slightly lower figure in 2014, at 8.7%.
14. The Rose Revolution refers to peaceful protests in Georgia occurring in November 2003 and leading to a change of power in the country. It generally marks the end of the early years of independence in the country.
15. The National Bank of Georgia reports lower levels of remittances than the World Bank, reflecting a smaller share of remittances in GDP. For example, the National Bank of Georgia reported remittance inflows equal to USD 1.4 billion in 2014 (NBG, n.d.), compared to the World Bank's figure of USD 2 billion (World Bank, 2017), meaning a share of remittances to GDP of 8.7% vs. 12%. In 2015, the National Bank of Georgia reported a remittance inflow of USD 1.1 billion (NBG, n.d.), while the World Bank's figure was USD 1.5 billion (World Bank, 2017), and a share of 7.7%, rather than 10.4%. The differences can be explained by definitions and data sources. The National Bank of Georgia obtains remittance data directly from the figures reported by the commercial banks and other financial institutions engaged in money transfer operations, whereas the World Bank estimates are based on the International Monetary Fund's balance of payments data, reported by the countries.
16. Prices are from the second semester of each respective year.
17. The equivalent totals are USD 269 vs. 149, according to the exchange rate on 1 July 2014.
18. The equivalent totals are USD 338 vs. 124, according to the exchange rate on 1 July 2014.

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Chapter 2

Georgia's migration landscape

Georgia is a country of net emigration, with migration increasingly driven by economic factors. Migration is high on the political agenda, and Georgia has long understood the potential it offers for national development. It has taken innovative steps to integrate it into wider policy making and to co-ordinate migration management.

This chapter gives a brief overview of emigration since Georgia's independence: its drivers and impact, who the migrants are and where they have gone, how they remit and the impact this has on their household and country, and what happens to them when they return. It also examines what data are available and where the gaps lie. Finally, it lays out the policy and institutional framework covering emigration, remittances, return migration and relations with the country's diaspora and how migration relates to wider development policy.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Emigration from Georgia has varied in intensity since 1991, when the country regained its independence from the Union of Soviet Socialist Republics (USSR). Following the dissolution of the USSR, Georgia gradually opened up to international trade and integrated into the world economy, but the collapse and instability of the economy during the 1990s led to large waves of emigration. While some of these flows were internal, particularly around the conflict regions of Abkhazia and South Ossetia, many were also international.

The return to stability in the 2000s, particularly following the Rose Revolution in 2003,¹ led to greater economic and social progress. Gross domestic product (GDP) per capita grew from USD 928 in 2003 to USD 4 440 in 2014, an increase of nearly 400% (World Bank, 2016a). The percentage of the population living below the relative poverty line decreased from 25% in 2004 to 21% in 2013 (ADB, 2014). Georgia has also made progress in implementing several reforms over the years. For instance, the country ranked 16th globally in the World Bank's *Doing Business* index in 2017, an improvement from a ranking of 23rd in 2016. Between 2004 and 2012 the number of procedures needed to start a business fell from 9 to 2 and the time involved fell from 25 to 2 days (World Bank, 2016b). In 2013-14, the country put in place a universal health system (SCMI, 2015a).

On the other hand, inequality has continued to increase. Between 2003 and 2009, the top 20% of the population saw their consumption increase by over 26%, while the bottom 20% saw an increase of only 10% (World Bank, 2011). Although the country has made tangible progress, poverty continues to be a major challenge. Employment opportunities have remained limited and the quality of services and more general quality of life in Georgia lag behind many European countries, despite economic growth.

Although it has always been economically driven, these recent factors have helped reshape emigration from Georgia. At the same time, many emigrants have also started to return to Georgia following the country's change in fortune, providing it with new opportunities.

This chapter describes the migration landscape in Georgia, setting the scene for the chapters and analysis that follow. It outlines current trends in migration and reviews what the existing research tells us about the key issues linked to migration in the country. It also reviews the role of migration in national development policies, reviews specific migration-related policies and the institutional framework for managing migration.

A brief overview of migration and remittance trends in Georgia

Until 1991, emigration from Georgia to beyond the USSR borders was largely controlled and limited, although migration within the USSR was possible. Large-scale emigration from Georgia did not begin until the dissolution of the USSR. Because some individuals born in Georgia were living in other Soviet Republics at the time, independence and the change in borders generated emigrants practically overnight.² For this reason, and other reasons, interpreting Georgia's migration statistics can be challenging. This section presents an overview of migration and remittance trends in Georgia, using the data available.

Georgia is a country of net emigration

Estimation on long-term trends in migration flows are typically based on census data. Since its independence, Georgia has had two census rounds: one in 2002 and one in 2014. While the 2002 round did include specific questions about migration, technical issues reduced the collection of migration data. Since these households were not selected to be representative of all households in the country, the 2002 emigration data cannot serve as a reliable source of migration statistics (Tsuladze, 2005).

The most recent census in Georgia took place in November 2014 and also asked specific questions on emigration. It defined an emigrant as a person who had left Georgia, lived abroad permanently or temporarily since 1 January 2002 and who had been absent from Georgia for more than 12 months.³ The results highlighted the major role played by emigration in the 15% fall in Georgia's total population from 4.37 million in 2002 to 3.71 million in 2014. According to the data collected, there were 85 541⁴ emigrants in 2014, equivalent to 2.3% of the population, 45% of whom were men and 55% women. Prior to leaving, 32% of emigrants had been living in Tbilisi, 23% in the region of Imereti and 13% in the region of Kvemo Kartli. At the time of the census, emigrants were overwhelmingly of working age – 75% were between the ages of 20 and 54. Most live in Russia (22%), followed by Greece (15%), Turkey (11%) and Italy (11%) (GeoStat, 2016).

Apart from the census results, several international organisations have also estimated the size of the Georgian emigrant stock, but come to different conclusions. This is particularly the case for the Migration Policy Centre (MPC), the United Nations Department of Economic and Social Affairs (UNDESA) and the World Bank (Table 2.1). A major explanation for the different estimations is how emigrants are defined, as some organisations define them on the basis of their citizenship and others on their place of birth. For instance, the World Bank estimated that there were 1 058 300 (24.9% as a percentage of the population) emigrants from Georgia in 2010, while UNDESA estimates 734 065 (17.3%) for the same year, more than 300 000 individuals fewer (Table 2.1).

As also seen in the census data, Russia stands out as the major destination for emigrants, despite the introduction of a visa regime for Georgian citizens in

2001 and the 2008 conflict between Russia and Georgia, which virtually ended migration flows between the two countries (Table 2.1). The flows which occurred prior to 2008 mean a large number of emigrants from Georgia continue to live in Russia, although presumably a large number of these emigrants have since acquired Russian citizenship. This group still count as having emigrated if migration is defined based on country of birth. Apart from Russia, the estimated numbers suggest that many Georgian emigrants reside in former republics of the USSR, particularly Armenia, Ukraine and Uzbekistan, which is at odds with the results from the census. Greece is the most common non-USSR country listed, but Turkey and Italy appear underestimated in comparison to the 2014 census results, probably due to the fact that estimating emigrant stocks by country is difficult without regular census data (Table 2.1).

Table 2.1. **Stocks of emigrants from Georgia by selected countries of residence 1990-2013**

Country of destination	UNDESA1								Type	World Bank2		MPC3
	Type	1990	Type	2000	Type	2010	Type	2013		2010	Type	2012
Russian Federation	B	656 888	B	625 298	B	441 793	B	436 005	n/a	644 390	B (2002)	628 973
Ukraine	B	76 612	B	72 826	B	68 386	B	67 875		72 410	C (2001)	6 446
Greece	C	23 963	C	21 283	C	36 628	C	37 912		41 817	B (2006)	13 254
Armenia	B R	1 603	B R	67 525	B R	36 329	B R	37 277		75 792	-	-
Uzbekistan	B	31 462	B	25 154	B	23 288	B	23 175		-	-	-
Cyprus	B	3 802	B	6 950	B	13 388	B	17 994		13 497	-	-
USA	B	7 691	B	11 346	B	14 386	B	14 907		25 310	B (2011)	14 270
Germany	B	1 410	B	10 482	B	13 255	B	13 406		18 164	C (2012)	17 163
Spain	B	104	B	523	B	10 168	B	10 621		10 702	B (2012)	10 501
Turkey	B R	5 868	B R	6 443	B R	8 740	B R	9 512		7 295	C (2011)	1 740
Israel	B R	25 921	B R	21 123	B R	9 328	B R	9 479		26 032	B (2005)	44 462
Other South4	-	-	-	-	-	-	-	-		98 123	-	-
EU28		39 695		50 566		100 313		108 728		95 992		-
World		890 120 (16.3%)		913 777 (19.3%)		734 06 (17.3%)		738 733 (18.1%)		1 058 300 (24.9%)		767 489 (18.5%)

Note: "Type of data" denoted as follows: foreign-born population (B), foreign citizens (C), UNHCR refugees (R), not available (n/a). Numbers in parentheses in last row represent the share of the population, using population figures from UNDESA *World Population Prospects 2015*, <https://esa.un.org/unpd/wpp/Download/Standard/Population/>.

UNDESA (2013), Includes occupied territories of Abkhazia and Tskhinvali Region/South Ossetia. Estimates refer to 1 July of the reference year, <http://www.un.org/esa/population/migration/index.html>.

World Bank (2010). Data based on the 2008 revision of UN DESA's data on International Migrant Stock and Ratha and Shaw (2007). No indication as to whether occupied territories of Abkhazia or Tskhinvali Region/South Ossetia are included. <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

MPC (2013), based on national data. No data provided for Armenia, Uzbekistan and Cyprus. No indication as to whether occupied territories of Abkhazia or Tskhinvali Region/South Ossetia are included, http://www.enigma.ge/wp-content/uploads/2015/08/ENIGMA-State-of-Migration_Electronic_Version2.pdf.

Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Sources: Table adapted from SCMI (2015a).

According to both the World Bank and UNDESA, the second most common region of destination after the former Soviet Republics are EU member states (Table 2.1). Data from Eurostat's residence permits, shown in Table 2.2, confirm that the number of long-term emigrants from Georgia in the EU member states increased between 2010 and 2014 (Eurostat, 2015). It also highlights the fact that family reasons for emigrating are just as important as remunerated activities.

Table 2.2. Increasing numbers of Georgian citizens live in the European Union
Residence permits by reasons for migration (2010-14)

Year	Education reasons	Family reasons	Remunerated activity	Refugee status	Subsidiary protection	Other	Total
2010	3 687	17 114	17 511	1 741	462	12 576	53 091
2011	3 445	19 248	19 131	1 727	440	13 438	57 429
2012	3 967	21 013	17 847	1 856	420	14 950	60 053
2013	4 146	23 949	19 098	1 894	621	16 327	66 035
2014	3 844	15 723	15 892	2 022	629	11 163	49 273

Note: As of October 2015, 2014 data were missing for Greece, Hungary, the Netherlands and Austria.

Source: EuroStat, "Residence permit statistics", http://ec.europa.eu/eurostat/statistics-explained/index.php/Residence_permits_statistics.

Due to the lack of administrative sources, it was impossible to estimate annual migration flows in the early years of independence. Since 2004, the National Statistics Office of Georgia (GeoStat) has made efforts to collect such data, providing an annual assessment of migration dynamics in the country. Despite improving migration statistics, data on annual migration flows remain incomplete for three reasons:

1. Data are not collected on the countries of destination, emigrants' level of education and the length of time emigrants have spent abroad.
2. Many Georgians are unregistered in their host countries, making it difficult to count them using host country statistics.
3. Prior to 2012, the data collected by GeoStat were not consistent with international standards, notably those defined by the United Nations, meaning data are not comparable with other countries.

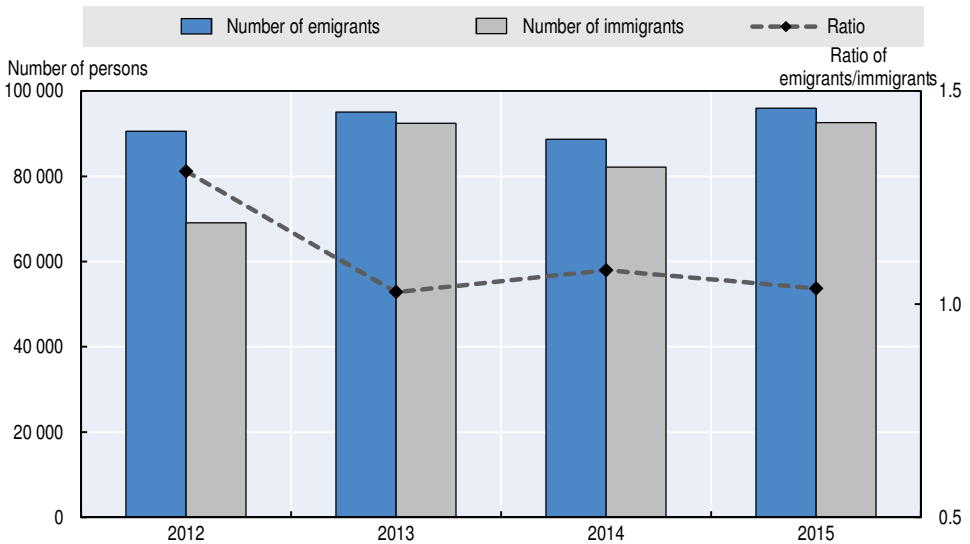
Before 2004, GeoStat used expert estimates of migration flows, defining an emigrant as a person moving abroad (changing usual place of residence) for at least 12 months, and an immigrant as a person moving to Georgia for at least 12 months.

From 2004 to 2011, GeoStat calculated net migration using a simple metric: official border crossings by nationality, without referencing the duration in or out of the country by those crossing borders. In 2012, GeoStat began measuring net migration using border crossings of persons moving abroad for at least 6 months and one day (emigrants) and persons moving to Georgia for at least

6 months and one day (immigrants). Figure 2.1 presents the figures using the new methodology for 2012-15. Bearing in mind the limitations of the methodology,⁵ the data suggest that Georgia is a country of negative net migration, meaning more people leave the country than enter it. The average age of emigrants that left the country in 2015, based on the methodology described above, was 34.5 and 58% of them were men. The gender balance is the reverse of that found in the census data, where there are more female emigrants. This may be due to the definition used for emigration. The census defines an emigrant based on a 12-month absence and GeoStat's net migration flow report is based on a shorter 6-month definition. As many men work temporarily and for short periods in neighbouring countries, it may explain why men are overrepresented in GeoStat's flow data.

Figure 2.1. **Georgia is a country of net emigration**

Annual migrant inflows and outflows (2012-15)



Source: GeoStat (2015), "Migration", www.geostat.ge/?action=page&p_id=173&lang=eng.

StatLink  <http://dx.doi.org/10.1787/888933457726>

It is also worth noting that it is not possible to explicitly identify return migrants using GeoStat's methodology described above. Statistics on return migration in Georgia are therefore not available.

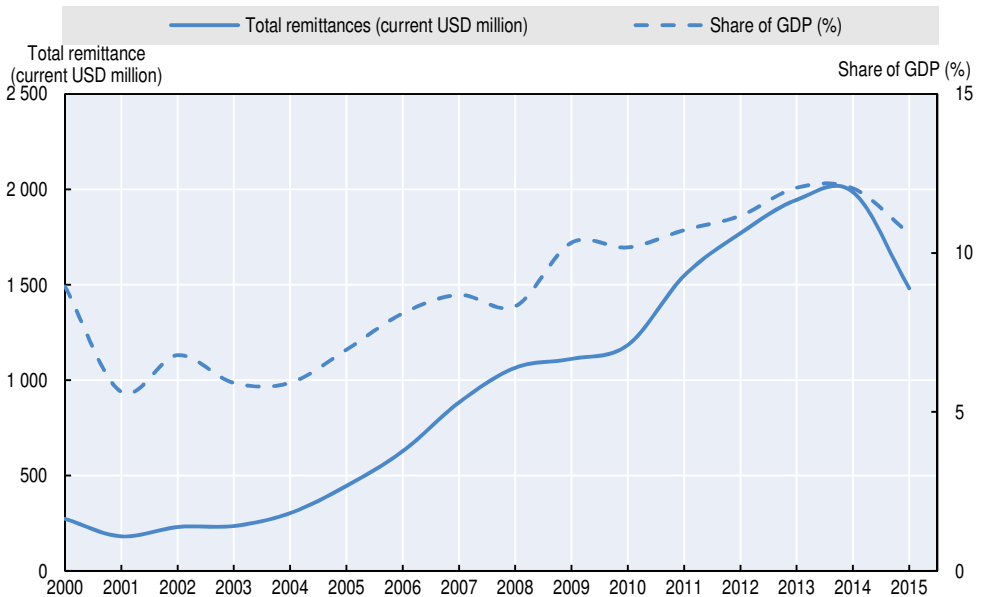
In 2016, Georgia began testing the online-based Unified Migration Analytical System (UMAS), which will enable better and more regular collection of migration data. The system will gather data from the databases of various Georgian administrative bodies, making it easier to monitor migration flows and provide timely analysis.

Remittances to Georgia are increasing, while the financial cost of remitting is decreasing

Remittances form an important part of the Georgian economy. In absolute terms, they remained stable from 1998 to 2004, but then took off and have been increasing ever since (Figure 2.2). In 2014, they were estimated to be worth nearly USD 2 billion, up from about USD 300 million in 2004, a growth rate of more than 500%.⁶ A major reason behind the steep rise was increased access to formal money transfer channels and improved banking infrastructure in the country, particularly in rural areas (Zurabishvili, 2012). In 2007, one-third of remittances were being received through informal channels, as opposed to being sent through money transfer operators or banking institutions (EBRD, 2007).

Figure 2.2. **Remittances have grown rapidly in Georgia**

Total remittances (million USD) and share of remittances as a share of GDP (%)



Source: World Bank (2017), World Development Indicators, <http://data.worldbank.org/data-catalog/world-development-indicators>.

StatLink  <http://dx.doi.org/10.1787/888933457739>

The importance of remittances to the economy has grown steadily, from about 6% of GDP in 2004 to 12% in 2014 (Figure 2.2). The share fell slightly in 2009, mainly due to the 2008 financial crisis. In 2015, it had decreased again to 10.4%, probably partly due to a slowdown in economic activity in Russia. According to the Caucasus Barometer, 16% of households in Georgia were receiving money from relatives living abroad in 2015 (CRRC, 2015).

In 2015, an estimated 59% of remittances originated from Russia, which is not surprising given that most emigrants from Georgia live there. The next countries in order of importance are Ukraine (8%), Greece (5%), Armenia (4%) and Germany (3%) (World Bank, 2016c). However, the statistics show a gradual decrease in the share of remittances from Russia over time. The volume of transfers from Russia shrank by almost USD 100 million from 2013 to 2014 (SCMI, 2015a).

The cost of remitting money from Russia has fallen substantially over time. In 2008 the average cost of remitting USD 200 was around 2.7% of the transfer total, but it had fallen to 1.3% in 2016 (World Bank, 2016d).⁷

What are the key issues and knowledge gaps?

Emigration from Georgia is still largely understudied. The studies so far provide fragmented evidence on the character of emigration from and return to Georgia, as well as the remittances sent by emigrants. Clear gaps exist due to the lack of longitudinal data and information on current emigrants. This section provides an overview of the major recent empirical studies on emigration from Georgia.⁸

There has been a gradual shift in emigrant destination

In the early years of independence, many people left because of political uncertainty and conflict. However, more recently, studies confirm that the lack of (good) jobs has become a major push factor. A project using expert interviews and a representative survey of 1 500 households in Georgia concluded that the main push factor had shifted over time towards unemployment and economic hardship (GDN and IPPR, 2009). Another study also found that one-third of people aged 18-50 had an intention to emigrate, particularly those with poor job prospects (ETF, 2013).

In general, emigration from Georgia is not of highly skilled workers, mostly because the demand for emigrants in Russia is for lower-skilled labour. One of the reasons most Georgians emigrate to Russia and not to the richer countries in Western Europe is the higher cost of emigrating to those countries. An empirical study confirmed that individuals in Georgia with higher education were up to four times more likely to emigrate to a high-income country (Dermendzhieva, 2011). Another study, featuring interviews with 4 000 households in 2011-12, showed that most return migrants had been living in Turkey, Russia and Greece, while the more educated ones came from the countries of the European Union, and the United States (ETF, 2013). As education levels increase in Georgia, it is plausible that more migration occurs between Georgia and Western Europe.

Indeed, the characteristics of migrants often determine the country of destination. A study of Georgian emigrants in Germany, Greece and Turkey featuring a combination of qualitative and quantitative research methods

showed that common emigrant traits were identifiable for each country (ICMDP, 2014). In Germany, Georgians had largely emigrated for educational purposes, with many young professionals arriving through formal study and employment programmes, while those in Greece and Turkey had lower levels of education and had largely emigrated for employment reasons. Many migrants in Greece had irregular status and found it difficult to adapt to the country and were therefore often socially excluded. Turkey is deemed a convenient location for temporary labour migration, as emigrants from Georgia benefit from a visa-free regime with Turkey.

The study also confirmed gender differences across emigrant flows. In Greece, migrants were predominantly women in domestic work, while Turkey attracts a mix of women and men. Although, like Greece, it is mostly a destination for female migrant domestic workers, it is also attractive to men seeking seasonal work on tea and hazelnut plantations, in factories, and physical labour in construction and privately owned workshops (ICMPD, 2014). A twin survey between 2006 and 2008 undertaken with people in the municipality of Tianeti and emigrants in Greece also confirmed that women were increasingly more likely to emigrate from Georgia than men (IOM, 2009; Zurabishvili and Zurabishvili, 2010).

Return migration is often temporary

While an increasing number of emigrants seem to be returning to Georgia, studies have found that many of them plan to migrate again. A 2003 national study of 960 return migrants in Georgia suggested that 20% of them planned to migrate again in the six months following the interview. In addition, another 10% of them mentioned that other family members were planning to migrate within the next six months, while 3% mentioned that the entire household was considering doing so, suggesting that social networks established through the returned migrant are likely to play a role in the decision to migrate (Badurashvili, 2004). A follow-up study in 2005 using 50 in-depth interviews with return migrants also suggested that return migration was rarely permanent (Sakevarishvili, 2005).

A major reason for the limited sustainability of return migration seems to be the poor experience of reintegration. Georgia has put in place a number of services over the years to help return migrants to reintegrate, including through assisted voluntary return and reintegration (AVRR) programmes, in collaboration with the IOM. A study based on five focus groups with returnees in four Georgian cities found that the awareness and knowledge levels of these programmes was limited and that many of the returnees interviewed experienced problems in reintegrating into the labour market, the social system and its services, and Georgian culture, after having been away for a while. Unsurprisingly, many of them expressed a willingness to emigrate again (DRC, 2007). These problems

were reconfirmed in a study a few years later (BAMF, 2013). In fact, one study, based on 202 unemployed individuals, 100 employers, 102 returnees and 20 experts in the cities of Kutaisi and Rustavi found that return migrants have a particularly high rate of unemployment (66%) (DRC, 2012).

With the advent of closer ties with the EU, one study argues that leveraging more positive development outcomes from return migration, and in particular turning emigration into more of a circular phenomenon, will be key to accelerating development in Georgia in the coming years (Labadze and Tukhasvili, 2013).

Less is known about the impact of remittances, return migration and diaspora links on development in Georgia

Compared to the body of research work on the determinants of emigration, research on its impact on development is limited, despite the fact that remittances and return migration are an increasingly important phenomenon.

A 2007 study found that most households spent the majority of the money received as remittances on everyday consumption, while investment remained limited and mainly confined to real estate (EBRD, 2007). A more recent study confirmed that remittances are seldom used for productive investments (Badurashvili and Nadareishvili, 2012). Another study suggests that young and better-educated people living in urban areas are more likely to receive remittances, raising the suspicion that they do not reach the most vulnerable parts of society and thus could increase inequality (Gugushvili, 2013).

Another recent study found that remittances contribute to fostering social capital formation by providing households with the means to help out other households in need. They do not appear to provide disincentives for work or create downward pressure on the earnings of those left behind, as previous research in other countries has suggested (Gerber and Torosyan, 2013). The study also confirmed that most remittance income is used for consumption, but found increases in education and healthcare expenditure in urban areas and improved health outcomes in rural areas.

What role does migration play in national development strategies?

Migration remains high on the political agenda in Georgia (ICMPD, 2015). Georgia is one of a few countries in the world that is increasingly including migration in national development strategies, defined by its migration strategy document. The government offers three motivations for Georgia's 2016-20 migration strategy (SCMI, 2015b): i) ensuring the security and long-term stability of the country; ii) helping to facilitate the process of approximation⁹ of national legislation with that of the EU; and iii) to better manage migration in order to tap its potential for economic and social development in the country.

The desire to include migration in Georgia's wider development sphere dates back to 1997 when the President of Georgia approved the Migration Policy Concept of Georgia, which outlined the country's vision on immigration processes, international protection and internal migration. While these efforts were novel and represented a significant step forward, the document lacked an implementation mechanism.

In October 2010, the government created the State Commission on Migration Issues (SCMI) but it was not until 2012 that it approved a much more developed migration strategy, which notably included an action plan to support it. With the assistance of the EU Mobility Partnership¹⁰ and within the EU-funded Targeted Initiative for Georgia (TIG) framework to "Support the reintegration of Georgian returning migrants and the implementation of the EU-Georgia readmission agreement", the SCMI drafted the inaugural 2013-2015 Migration Strategy of Georgia (SCMI, 2012). The process of developing a strategy paper in the field of migration management was therefore largely facilitated by the co-operation between Georgia and the EU within the European Neighbourhood Policy (ENP) as well as the Visa Liberalisation Action Plan (VLAP). One of the challenges has therefore been to ensure that Georgian legislation, and specifically its migration-related policies, are synchronised ("approximated") with the relevant EU legislation.

On the heels of the expiry of the 2013-15 migration strategy, the SCMI incorporated the lessons learned from it into a new strategy, drafted and approved in 2015, for 2016-20. Its vision is stated as:

"To create, by 2020, a legislative and institutional environment that:

- ensures the state's enhanced approximation to the EU;
- facilitates peaceful cohabitation of various religious, cultural and ethnic groups;
- protects migrants' rights and their successful integration into society;
- promotes the reintegration of returned migrants and the usage of the positive economic and demographic aspects of migration for the development of the country;
- and increases legal migration opportunities for the citizens of Georgia." (SCMI, 2015b).

A major challenge and priority for Georgia, highlighted in the new strategy, is the significant fall in Georgia's population between the 2002 and 2014 census years.

The current strategy includes the following eight thematic directions, each with its own specific subgroups:

1. facilitating regular migration
2. combating illegal migration
3. developing the asylum system

4. facilitating the integration of immigrants and the reintegration of returned migrants
5. leveraging migration for development
6. improving migration management
7. raising public awareness of the strategy, and migration issues in general,
8. deepening international co-operation.

Each thematic direction has a goal and a list of objectives to reach before the end of the strategy period, supported by analysis. Apart from general initiatives that aim to improve all dimensions of migration, such as better policy co-ordination, data collection and analysis and deeper international co-operation, several of the eight thematic directions are explicitly linked to emigration, remittances, return migration and links with the diaspora. For instance, the first thematic direction discusses steps to improve the registration of emigrants and promote the internationalisation of the education sector, providing more opportunities for educational exchanges and meaning Georgian credentials are more likely to be accepted by employers abroad. Another thematic direction discusses facilitating the reintegration of return migrants.

Some of the directions remain vague on these issues. For instance, there is a specific direction on leveraging migration for development, which mentions migration's potential for development, the development of circular migration and the investment potential of emigrants and the diaspora, but it only seldom specifically mentions the use of remittances.

In order for migration to be effectively integrated into a country's national development strategy, the migration strategy must take into account the country's other objectives and ongoing initiatives. To what extent does Georgia's migration strategy achieve this? First, it highlights the importance of integrating the links between migration and labour market and education policies, such as vocational training and higher education planning. Second, it contains a section on the strategies with which it complies. These are:

1. The State Strategy for the Formation of the Labour Market in Georgia (2015-2018)
2. The State Border Management Strategy of Georgia (2014-2018)
3. The National Strategy for the Protection of Human Rights in Georgia (2014-2020)
4. The Communication and Information Strategy for the European Integration (2014-2017)
5. The Socio-economic Development Strategy of Georgia – Georgia 2020 (2014-2020)
6. The Association Agenda between the European Union and Georgia (2014-2016)

7. The Vocational Education and Training Development Strategy of Georgia (2013-2020)
8. The Policy Planning System Reform Strategy (2015-2017)
9. The Diaspora Relationship Strategy of Georgia (2015 draft).

The list is long and covers much of the development sphere in the country. However, two of the strategies listed (numbers 2 and 9) are migration-oriented and should naturally be integrated into the migration strategy anyway, while several important sectors are seemingly left out, including agriculture, finance, investment and trade. Beyond the migration strategy however, it is often the case that the sectoral strategies do not take into account the migration dimension.

Government policies targeting migration are new and concentrate on the diaspora

Policies related to emigration, diaspora engagement and return migration in Georgia are relatively new. The government only began establishing relationships with the diaspora and promoting their activities about a decade ago. Specifically, it established the Office of the State Minister for Diaspora Issues in 2008 and with it the Parliamentary *Committee* on Relations with *Compatriots* Residing Abroad. In 2010, the committee was renamed the Committee for Diaspora and Caucasus Issues.

In November 2011, the Georgian Parliament adopted a legislative framework for relations with the diaspora in the form of the Law on Compatriots Residing Abroad and Diaspora Organizations, which came into effect on 1 March 2012. The law defines a compatriot residing abroad as a citizen of Georgia who resides in another country for an extended period or a citizen of another state who is of Georgian descent and/or whose native language belongs to the Georgian-Caucasian language group. For the purpose of this law, Georgian descent means a person whose ancestors belonged to any ethnic group living within the territory of Georgia and recognises Georgia as his/her country of origin. The status of compatriot residing abroad offers several advantages. Those who have this status can enter Georgia without a visa and may stay for up to 30 days. They also have the right to state-funded secondary and higher education and are eligible to represent Georgia in international sporting competitions.

In 2013, the Office of the State Minister developed a State Strategy for Diaspora Issues, aiming to define government policy on diaspora issues and promote the management of migration processes in relation to the diaspora. As of January 2017, the Ministry of Foreign Affairs took over responsibility for the strategy.

What is the institutional framework governing migration?

Georgia's approach to migration management and its national migration strategy are products of its legislative framework on migration. This section describes this framework and how coherence across laws and ministerial

objectives is handled. It is worth mentioning that many of the recent changes in legislation described below were undertaken in the context of Georgia's advanced integration process with the EU, VLAP and the process of approximation of national legislation to European Standards.

Institutionally, several ministries deal with matters related to emigration, most notably the Ministry of Justice; the Ministry of Foreign Affairs; and the Ministry of Labour, Health and Social Affairs. The Ministry of Justice is charged with issuing travel documents and determining the status of stateless persons. The Ministry of Foreign Affairs, through its diplomatic missions and consular offices abroad, ensures the protection of the rights and legal interests of Georgian citizens. It also negotiates visa and other migration-related agreements with other countries. The Ministry of Labour, Health and Social Affairs monitors the employment and paid work of emigrants abroad who emigrated via specific programmes, ensuring they are adequately protected and their interests are served, particularly by their employers.

In addition to these three ministries, which are concerned with the process of emigration and the protection of emigrants working and living abroad, the Office of the State Minister for Diaspora Issues is charged with strengthening ties with Georgians living abroad, mobilising their economic and social potential for the development of the country, and preserving their national identity.

Four laws govern the process of emigration and rights of emigrants. The Law on the Procedure for the Citizens of Georgia to Leave and Enter Georgia was passed in 1993 sets the role of the state to review and decide upon the emigration of its citizens is outdated and impractical from a legal point of view. Its revision is on the government's agenda. The Organic Law of Georgia on Citizenship of Georgia, passed in 2005, provides protection of rights of citizens of Georgia abroad in accordance with international law and legislation of Georgia. The Law on Compatriots Residing Abroad and Diaspora Organisations was passed in 2011. It defines the legal status of diaspora organisations and compatriots living abroad.¹¹ More recently, the government passed the Law of Georgia on Labour Migration, which deals with regulation of Georgian workers abroad.

The reintegration of return migrants has taken a central place in migration policy in recent years. The TIG, a project under the Mobility Partnership Agreement signed between Georgia and the European Union in November 2009, has helped facilitate the return process. This programme trains local authorities to deal with return migrants, aids return migrants through Mobility Centres and carries out information campaigns. The Mobility Centres, of which there are four in Georgia,¹² have been particularly useful, as they provide a number of essential services to return migrants – transport, accommodation, vocational training and business plan development (SCMI, 2015a) – although they have had limited success in generating larger scale return (Chelidze, 2013).

Immigration matters are also dealt with by a number of ministries. The Ministry of Justice is responsible for issuing residence permits, granting citizenship to aliens and co-ordinating anti-trafficking policy. The Ministry of Internal Affairs is responsible for carrying out border controls, and combating illegal migration and human trafficking. The Ministry of Labour, Health and Social Affairs is responsible for matters related to labour migration. The legislation on immigration has been overhauled in recent years. The previously mentioned Organic Law on the Citizenship of Georgia, establishing the procedures for acquiring citizenship, and the Law on the Legal Status of Aliens and Stateless Persons, establishing visa and residence permit types, were both passed in 2014. In 2015, the Law on Labour Migration, establishing a mechanism for regulating labour migration flows, was passed. With migration flows becoming increasingly complex, Georgia began institutionalising cross-ministerial migration management in 2010, with the creation of the SCMI. The SCMI, which is chaired by the Ministry of Justice, consists of 13 state agencies¹³ that discuss and decide on issues related to migration management. It acts as a consultative body for the government. Notably, a number of international organisations¹⁴ and local non-governmental organisation (NGOs),¹⁵ dealing with migration, are also part of the Commission and hold consultative status.

As the main body collecting information on migration and co-ordinating the country's migration policy, the SCMI's tasks are primarily to ensure policy coherence. This includes monitoring overlaps between migration-related activities of various institutions, and ensuring resources are being used efficiently. Seven thematic working groups within the SCMI work on specific issues including migration and development and the reintegration of return migrants, statelessness and analytical systems.

The Secretariat of the SCMI provides analytical and administrative support and is hosted by the Public Service Development Agency of the Ministry of Justice of Georgia. The Secretariat prepares research briefings on migration in the country, drafts the Migration Strategy of Georgia and facilitates activities envisioned by the strategy, such as monitoring the implementation of its action plan and updating the SCMI about progress. It also organises biannual co-ordination meetings on migration management issues. Projects by different organisations are presented at these meetings, and participants are given the opportunity to discuss their work. This provides a valuable resource open to both policy makers and the academic community.

Conclusions

Georgia has a novel proactive stance on migration management, which stands out as good practice. The SCMI is a unique forum through which the government can co-ordinate the often complicated interactions between government bodies and cross-cutting issues related to migration.

However, Georgia still lags behind on several development indicators and more can be done to ensure migration plays a positive role in the country's development, including gathering better data and more research.

Systematic studies to understand thoroughly the relationship between migration and public policies have been scarce. This report hopes to fill part of that research gap by providing evidence of the inter-relationships between migration, sectoral policies and development, so that migration can be better integrated into mainstream policies.

Notes

1. The Rose Revolution refers to peaceful protests in Georgia occurring in November 2003 and leading to a change of power in the country. It generally marks the end of the Soviet era of leadership in the country.
2. This is because some international organisations define migration according to one's country of birth.
3. For emigrants who had been gone for under 12 months at the time of the census, this definition was modified to include those "who planned to stay abroad for more than 12 months". The census also likely underestimates emigration since it was asking households about former members so cases where the entire household had emigrated would not be counted.
4. Amongst this group, 79 583 individuals were born in Georgia.
5. Net migration is calculated using net entries versus exits and dividing the difference by the estimated total population in Georgia on July 1st of a specific year, and then multiplying this number by 1 000.
6. The National Bank of Georgia reports lower levels of remittances than the World Bank, reflecting a smaller share of remittances in GDP. For example, the National Bank of Georgia reported remittance inflows equal to USD 1.4 billion in 2014 (NBG, n.d.), compared to the World Bank's figure of USD 2 billion (World Bank, 2017), meaning a share of remittances to GDP of 8.7% vs. 12%. In 2015, the National Bank of Georgia reported a remittance inflow of USD 1.1 billion (NBG, n.d.), while the World Bank's figure was USD 1.5 billion (World Bank, 2017), and a share of 7.7%, rather than 10.4%. The differences can be explained by definitions and data sources. The National Bank of Georgia obtains remittance data directly from the figures reported by the commercial banks and other financial institutions engaged in money transfer operations, whereas the World Bank estimates are based on the International Monetary Fund's balance of payments data, reported by the countries.
7. Prices are from the second semester of each respective year.
8. It should be pointed out that most of these studies are not surveys of emigrants, but rather of members of their families left behind. Data collected therefore provides second-hand information. At the same time, the studies used different methodologies, and had different major goals and research questions, making it difficult to directly compare findings.
9. A condition for membership of the European Union is that the candidate countries align their national legal systems with existing EU legislation in all areas, a process called approximation.

10. EU Mobility Partnerships provide a flexible and non-legally binding framework for ensuring that the movement of people between the EU and a third country can be managed effectively. A Mobility Partnership was signed between the EU and Georgia in 2009.
11. As mentioned earlier, this provides the right to enter the country without visa, stay in the country for up to 30 days, access the education system and receive scholarships and represent Georgia at sporting events.
12. There are Mobility Centers in Batumi, Kutaisi, Tbilisi and Telavi.
13. The 13 institutional bodies are: The Ministry of Education and Science; the Office of the State Minister for Diaspora Issues; the Office of the State Minister on European and Euro-Atlantic Integration; the Ministry of Economy and Sustainable Development; the Ministry of Justice (chair); the Ministry of Internally Displaced Persons from the Occupied Territories, Refugees and Accommodation; the Ministry of Regional Development and Infrastructure; the Ministry of Foreign Affairs; the National Statistics Office; the Ministry of Finance; the Ministry of Internal Affairs (co-chair); and the Ministry of Labour, Health and Social Affairs.
14. These include the UN High Commissioner for Refugees, the German International Co-operation Society (GiZ), the Delegation of the European Union to Georgia, the Danish Refugee Council, the International Organization for Migration, the International Centre for Migration Policy Development and the International Labour Organization.
15. These include the Innovations and Reforms Centre, the Migration Centre, the Georgian Young Lawyers' Association, the UN Association of Georgia and the Civil Development Agency.

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Chapter 3

Understanding the methodological framework in Georgia

In order to provide an empirical foundation to the analysis of the links between migration and policy, the Interrelations between Public Policies, Migration and Development (IPPMD) project used three evidence-gathering tools: household surveys, community surveys, and interviews with representatives of public, international and local organisations to provide additional qualitative information about the migration context in Georgia.

This chapter explains how the sampling for the survey was designed, as well as the statistical approaches used in the chapters that follow to analyse the impact of migration, return and remittances on key policy sectors. The chapter includes a brief overview of the survey findings, including differences across regions and between migrant and non-migrant households. It outlines some of the gender differences that emerged among migrants, particularly in terms of the country of migration, and the reasons for leaving and returning.

The Interrelations between Public Policies, Migration and Development (IPPMD) project framework is empirically based. In order to provide evidence-based analysis on the interrelationship between migration and the various sectors under study, the project carried out data collection in Georgia from July to November 2014. The OECD Development Centre developed three analytical tools for the fieldwork, each tailored to the Georgian context in collaboration with the CRRG-Georgia. These were:

1. **Household surveys**, of 2 260 households. The household questionnaire gathered information about individual and household characteristics related to five key development sectors: i) the labour market; ii) agriculture; iii) education; iv) investment and financial services; and v) health and social protection,¹ as well as household members' experience with emigration, remittances and return migration. It also asked about their experience of specific public policies, which may affect their migration and remitting patterns.
2. **Community surveys**, of 71 communities (the same communities in which the household surveys took place, as a complement to them). Respondents were district and locality leaders. The questionnaire gathered information on the community's demographic, social and economic background as well as the existence of policies and development programmes.
3. **Stakeholder interviews**: 27 interviews held with representatives of government ministries, public institutions, non-governmental organisations and international organisations based in Georgia. These interviews were used to collect qualitative information on trends, policies, opinions and predictions related to various aspects of migration in the country. The information they provided helped enrich and interpret the quantitative surveys by including additional details about the specific context in Georgia.

This chapter describes how these tools were implemented, and provides a descriptive overview of the data collected. It presents the sampling design for the household and community surveys and stakeholder interviews, and outlines the analytical approach adopted in this report. It uses the survey findings to paint an initial picture of Georgia's migration experience in terms of geography, gender and perceptions.

How were the households and communities sampled?

Households and communities were sampled using multi-stage stratified cluster sampling. The Georgian Central Election Commission's list of 3 605 voting precincts,² last updated before the 2013 presidential elections, was used to develop the sampling frame. The voting precincts defined the primary sampling units (PSUs).

Georgia is organised administratively into nine administrative divisions (*mkhare*) and two autonomous republics (Abkhazia and Adjara). The sampling frame excluded the territories of Abkhazia and South Ossetia,³ due to access issues. Precincts predominantly inhabited by ethnic minority populations (located in the administrative divisions of Kakheti, Kvemo Kartli and Samtskhe-Javakheti) were also excluded, as the survey was only conducted in the Georgian language. This reduced the potential number of PSUs to draw from by 405, for a total of 3 200 possible PSUs (voting precincts). The survey is therefore representative of Georgian-speaking households, which equates to approximately 1.8 million households in the country (90% of the country's population) and a nearly nationally representative geographic coverage.

The precincts were grouped into strata. First the country was divided into urban (comprising two separate substrata: Tbilisi and all other urban settlements) and rural areas.⁴ Second, the rural and urban regions – excluding Tbilisi – were divided into four geographical quadrants: north west, north east, south west and south east.⁵ The project set a target of interviewing 2 000 households, consisting of 1 000 migrant households and 1 000 non-migrant ones. As the average recent response rate in non-political surveys in Georgia has been about 70% in recent years,⁶ a bigger sample was needed to reach the target of 2 000 completed household interviews. The targeted sample size was thus increased to 2 890, to account for projected response rates: 1 445 migrant households and 1 445 non-migrant households.⁷

The target sample of PSUs was set at 80, out of a possible 3 200 precincts.⁸ PSUs were divided into rural and urban strata, and within the urban stratum, the number of PSUs was equally divided between the capital and other urban settlements. Then, apart from Tbilisi, which formed its own geographic (urban) region, the other PSUs were distributed in proportion to the number of registered voters by the four geographic quadrants – in both urban and rural settlements.

Since data were not available on which to base a sample of households with either an emigrated household member or a returned one, all households in the 80 sampled PSUs were block listed prior to data collection. Block listing allowed all households to be classified as having a migrant or not, and ensured representative sampling of households from the lists produced.

Nine of the block-listed PSUs had fewer than seven migrant households. These 9 were dropped, leaving an overall sample of 71 PSUs.⁹ The PSUs were randomly selected from all nine administrative divisions as well as Tbilisi and the Autonomous Republic of Adjara (Table 3.1). Table 3.A1.1 in Annex 3.A1 presents more detailed information on PSUs sampled, broken down by geographical and rural/urban status.

Table 3.1. **Number of sampled PSUs by geographic quadrant**

Geographic quadrant	Number of PSUs sampled	Share of total sample (%)	Georgian administrative division included
Tbilisi	15	21	● Tbilisi
North west	24	34	● Imereti ● Racha-Lechkhumi-Kvemo Svaneti ● Samagrela-Zemo Svaneti
North east	18	25	● Kakheti ● Mtskheta-Mtianeti ● Shida Kartli
South west	10	14	● Autonomous Republic of Adjara ● Guria
South east	4	6	● Kvemo Kartli ● Samtskhe-Javakheti
Total	71	100	

Household surveys

The last stage of the sampling design involved selecting households for interview. A household was considered to be a migrant household if it had at least one current or returned migrant member who had spent at least three consecutive months in another country (Box 3.1).

Both migrant and non-migrant households were sampled randomly from the list produced via block listing. The target number of households to be interviewed per PSU was 36:¹⁰ 18 migrant and 18 non-migrant households. In PSUs with fewer than 18 migrant households recorded, all of the migrant households and an equal number of non-migrant households were interviewed.¹¹ To compensate for this smaller sample size, larger samples were then randomly taken from other PSUs.

The households that were not sampled were put on a reserve list, to substitute for any sampled households where interview attempts failed. A summary of the quantitative sampling strategy is included in Table 3.A1.3 in Annex 3.A1.

The household survey was conducted by 37 interviewers and 7 supervisors from CRRG-Georgia. It took place between 18 July and 13 September 2014, following a week-long training seminar and pilot field tests led by CRRG-Georgia

and the OECD. As the data collection was done electronically using tablets, extensive testing, including in the field, was done to ensure the software worked appropriately. The interviewers worked during weekdays and weekends and were instructed to visit a household at least three times before recording a non-response. A short description of the modules included in the survey is included in Table 3.A1.2 in Annex 3.A1.

Box 3.1. Key definitions for the Georgian household survey

A **household** consists of one or several persons, irrespective of whether they are related or not, who normally live together in the same housing unit or group of housing units and have common cooking and eating arrangements.

A **household head** is the most respected/responsible member of the household, who provides most of the household needs, makes key decisions and whose authority is recognised by all members of the household.

The **main respondent** is the person who is most knowledgeable about the household and its members. He or she may be the head, or any other member (aged 18 or over). The main respondent answers the majority of the modules in the questionnaire, with the exception of the return migrant module, which was administered directly to the returnees themselves. As it was not possible to interview migrants who were abroad at the time of the survey, questions in the emigrant module were asked of the main respondent.

A **migrant household** is a household with at least one current international emigrant or return migrant (Table 3.2).

A **non-migrant household** is a household without any current international emigrant or return migrants.

An **international emigrant** is an ex-member of the household who has left to live in another country, and has been away for at least three consecutive months without returning.¹

An **international return migrant** is a current member of the household, who was born in Georgia, had previously been living in another country for at least three consecutive months and returned to the country.²

International remittances are cash or in-kind transfers from international emigrants. In the case of in-kind remittances, the respondent is asked to estimate the value of the goods the household received.

A **remittance-receiving household** is a household that has received international remittances in the past 12 months prior to the survey. Remittances can be sent by former members of the household as well as by emigrants who have never been part of the household.

Box 3.1. **Key definitions for the Georgian household survey** (cont.)Table 3.2. **Household types, by migration experience**

Non-migrant households	Migrant households
Households without any emigrant or return migrant	Households with one or more emigrants but no return migrant
	Households with at least one emigrant and at least one return migrant
	Households with one or more return migrants but no emigrant

1. Migration surveys often consider individuals to be migrants only after they have been away for either 6 or 12 months. Including shorter migration spells ensures that seasonal migrants are included in the sample (however temporary trips such as holidays are not considered in this definition). The survey also captures migration experiences that date back in time as the definitions do not put any restrictions on the amount of time that has elapsed since emigration, immigration or return migration. However, it is likely that more recent migration experiences are better captured in the survey as emigrants who left long ago are less likely to be reported by the household.

2. This does not include individuals who are currently in the country on vacation and/or to process their papers to work/go abroad again. However, household members who are in Georgia for the same reasons and have been in the country for at least a year are considered to be return migrants.

Following the fieldwork, the data were tested for coherence and errors. Overall, 2 260 households were interviewed. Among them, there were slightly more urban households (1 219) than rural ones (1 041), and more non-migrant households (1 288) than migrant ones (972).¹² Table 3.3 summarises the final sample.

Table 3.3. **Number of households sampled in Georgia**

	Urban		Rural	Total
	Capital	Non-capital		
Migrant households	243	273	456	972 (43%)
Non-migrant households	374	329	585	1 288 (57%)
Subtotal	617	602		
Total	1 219 (54%)		1 041 (46%)	2 260

Note: A more detailed breakdown of migrant households by type is presented in Figure 3.1.

Source: Authors' own work based on IPPMD data.

Community surveys

In each of the 71 PSUs sampled, a community questionnaire was administered to a local government representative who was knowledgeable about the community and migration issues.¹³ The community surveys were conducted from 9 August to 22 October 2014, after the household surveys and after new local administration staff was appointed in the communities

in question following elections of local self-government bodies in June 2014. The surveys were conducted using paper questionnaires.

The community survey included questions about the share of households that currently have a family member living in another country and their most common country of residence, as well as the most common occupational activities of those living in the community.

Obtaining accurate community-level data was a challenge. Data were most often entirely based on the opinions and estimations of the respondents because official data were only rarely available. The PSUs cover relatively small areas and statistical data is not normally gathered or analysed at this level. For example, urban municipalities covered areas much bigger than the defined PSUs – although the interviewers asked respondents to only concentrate on the geographical limits of the PSU, it was not always possible to gather data at this level. In order to account for this issue, the interviewers were asked to specify the geographical area for the questions referred to in the questionnaire.

Stakeholder interviews

In order to capture a wide range of information and opinion on the topic of migration and sectoral policies, semi-structured interviews were conducted from 17 July to 7 November 2014 using a guide developed by the OECD.

The guide was divided into five topics:

1. general awareness of migration
2. actions, programmes and policies directly related to migration
3. main actions, programmes and policies likely to have a link with migration
4. perceptions of migration-related issues
5. co-ordination with other stakeholders on migration.

Three versions of the discussion guide were developed, targeting three types of respondents: representatives of i) state institutions; ii) international organisations and iii) local NGOs and other types of organisations. Questions for each topic were modified according to whether the institution was working on migration issues directly or indirectly, and its role vis-à-vis migration policy. All versions of the discussion guide were available both in Georgian and in English and were sent to respondents on request in advance of the interviews.

The OECD and CRRC-Georgia put together an initial list of potential respondents, based on the knowledge of experts working in the field and institutions which are members of, or consult, the Georgian State Commission on Migration Issues (SCMI). During the interviews, a snowball sampling approach was employed, with all respondents asked to name other experts working in the field. When deciding which organisations to approach for an interview, CRRC-Georgia ensured that representatives of all types of relevant organisations

were covered, and that none were over-represented. The original goal was to interview experts working both in the capital and outside of it but in the end only one respondent from outside the capital was interviewed. The final 27 interviewees consisted of 9 representatives of public institutions, 8 from international organisations,¹⁴ and 10 from local NGOs or academic institutions (Table 3.4).

Table 3.4. **Summary of interviewees for qualitative interviews, by type of organisation**

Type of organisation	Number of interviews
Public institutions	9
International organisations	8
Local NGOs or academic institutions	10
Total	27

Overall, 25 interviews were conducted in Georgian and 2 were conducted in English.¹⁵ The interviews conducted in Georgian were not translated, and were analysed in Georgian during the first phase. For the second phase, the OECD prepared a joint codebook based on preliminary analysis of the data which was then used as a conceptual framework. The codebook includes general themes (main themes and subthemes) which are common to all countries taking part in the project, but left room for adding new themes specific to a country. All transcripts were then coded according to the codebook and analysed. The results were then used in the analysis to make sense of and complement the findings.

How were the data analysed?

Having described the tools used to collect data for the project, this section provides an overview of how the data were analysed. Statistical analysis assesses the statistical significance of an estimated relationship, that is, how likely it is that a relationship between two variables is not random. The analyses in this report incorporate both statistical tests and regression analysis. Statistical tests, such as t-tests and chi-squared tests, test the correlation between two variables, without controlling for other factors. A t-test compares the means of a dependent variable for two independent groups. For example, it is used to test if there is a difference between the average number of workers hired by agricultural households with and without an emigrated member. A chi-squared test is applied when investigating the relationship between two categorical variables, such as private school attendance (which only has two categories, yes or no) by the children living in two types of households: those receiving remittances and those not. Statistical tests determine the likelihood that the relationship between two variables is not caused by chance.

Regression analysis is useful to ascertain the quantitative effect of one variable upon another, controlling for other factors that may also influence the outcome. The household and community surveys included rich information about households, their members, and the communities in which they live. This information is used to create control variables that are included in the regression models in order to single out the effect of a variable of interest from other characteristics of the individuals, households and communities that may affect the outcome, such as the household's business investments or an individual's plans to emigrate.

Two basic regression models are used in the report: ordinary least square (OLS) and probit models. The choice of which one to use depends on the nature of the outcome variable. OLS regressions are applied when the outcome variable is continuous (i.e. can take on an infinite number of values). Probit models are used when the outcome variable can only take two values, such as owning a business or not.

The analysis of the interrelations between public policies and migration is performed at both household and individual level, though this depends on the topic and hypothesis investigated. The analysis for each sector looks at two relationships:

- The impact of a migration dimension on a sector-specific outcome

$$Y_{\text{sector specific outcome}(C)} = \alpha + \beta E_{\text{migration dimension}(A1)} + \gamma X_{\text{characteristics}(D)} + \varepsilon;$$

- The impact of a sectoral development policy on a migration outcome

$$Y_{\text{migration outcome}(A2)} = \alpha + \beta E_{\text{sector dev. policy}(B)} + \gamma X_{\text{characteristics}(D)} + \varepsilon.$$

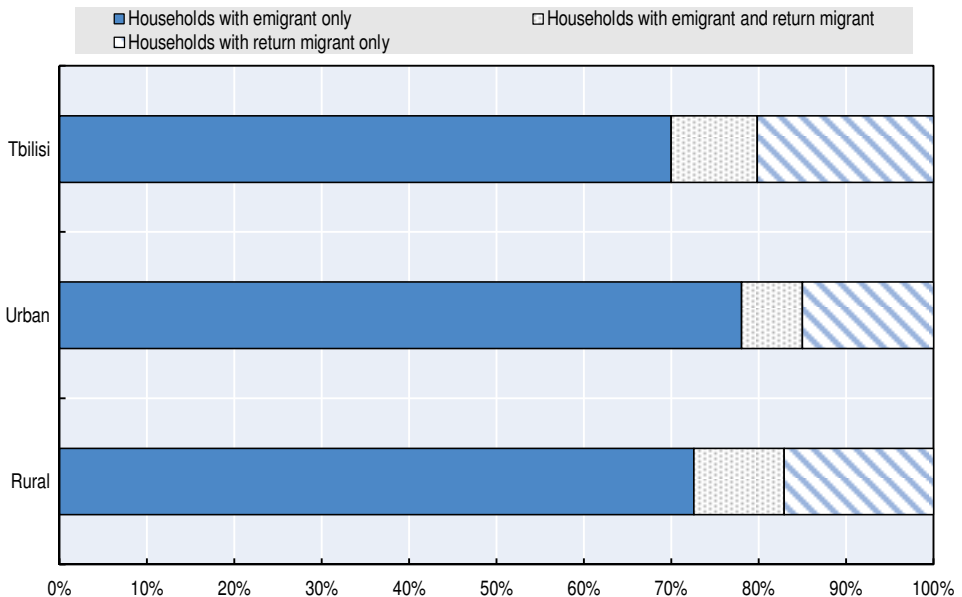
The regression analysis rests on four sets of variables:

1. **Migration**, comprising: i) **migration dimensions** including emigration (sometimes using the proxy of an intention to emigrate in the future), remittances and return migration; and ii) **migration outcomes**, which cover the decision to emigrate, the sending and use of remittances and the decision and sustainability of return migration.
2. **Sectoral development policies**: a set of variables representing whether an individual or household took part or benefited from a specific public policy or programme in four key sectors: the labour market, agriculture, education and investment and financial services.
3. **Sector-specific outcomes**: a set of variables measuring outcomes in the project's sectors of interest, such as labour force participation, investment in livestock rearing, school attendance and business ownership.
4. **Household and individual-level characteristics**: a set of socio-economic and geographical explanatory variables that tend to influence migration and sector-specific outcomes.

What do the surveys tell us about migration in Georgia?

The migration dimensions of emigration and return were left to chance in the sampling of migrant households. Their numbers therefore reflect their relative importance. Figure 3.1 shows the prevalence of emigrant and return migrants by area, based on the household-level data. The capital Tbilisi and to a lesser extent rural areas have a relatively larger sample of return migrants compared to urban areas.

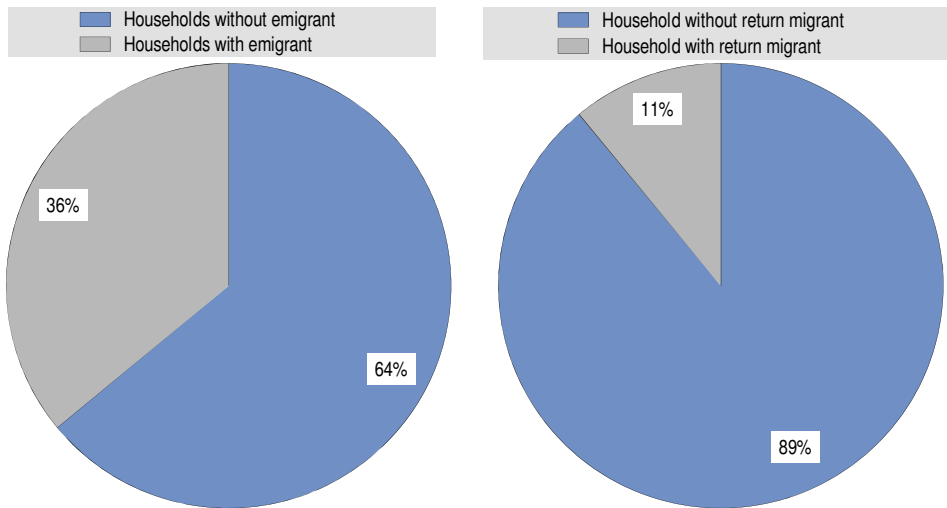
Figure 3.1. **Return migration is most prevalent in Tbilisi**



Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457748>

Overall, the 2 260 household surveys collected data on 8 754 individuals, as well as another 980 former household members who had emigrated. A total of 804 households had emigrants – 36% of all households in the sample (Figure 3.2, left-hand pie chart). Among the individuals currently living in the country, 308 were return migrants, and specific data about their migration experience were also collected. The 258 households with return migrants formed 11% of all households in the sample (Figure 3.2, right-hand pie chart). Ninety households (4% of the sample) have both emigrants (one or more) and return migrants (one or more).

Figure 3.2. **Share of households, by migration experience**

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457754>

Table 3.5 shows how household characteristics differ depending on their migration status. Households with emigrants have typically fewer members than other households, which is not surprising given that they have lost at least one member. Households receiving remittances are more likely to be in rural areas than other households. In addition, households with return migrants have lower dependency ratios than all other groups. They are also less likely to have a female household head, because most return migrants are men, who generally re-assume the position of household head on their return. Among households with no migration experience, a higher share of households have at least one member who has completed post-secondary education compared to households with emigrants, but this is probably because people who emigrate tend to be the most educated in the household.¹⁶

For the purposes of this project, a household-level wealth indicator was constructed based on questions in the household survey concerning the number of assets owned by the household, ranging from cell phones to real estate. The wealth indicator is created using principal component analysis (PCA)¹⁷ and suggests that households with migration experience tend to be wealthier.

The IPPMD survey also included a question on whether individual household members aged 15 or over planned to emigrate. The data show that plans to emigrate are more prevalent when households have migration experience. A large part of this difference can be attributed to returned migrants themselves, as 20% of them plan to emigrate again within the next 12 months.

Table 3.5. Migrant households are wealthier on average than non-migrant households
 Characteristics of sampled households

	Total sample	Households without migrants	Households with emigrants	Households receiving remittances	Households with returnees
Number of households	2 260	1 288 (57%)	804 (36%)	604 (27%)	258 (11%)
Households in rural areas (%)	46	45	47	50	48
Household size	3.4	3.6	3.1	3.3	3.7
Dependency ratio	0.54	0.55	0.54	0.56	0.48
Households with children (0-14 years, %)	37	38	34	38	40
Households with female household heads (%)	35	35	39	38	26
Households with at least one member having completed post-secondary education (%)	49	50	46	48	52
Wealth indicator	17.9	17.2	18.6	19.9	20.2
Households with members planning to emigrate (%)	8	5	10	13	23

Note: The categories are not necessarily mutually exclusive, e.g. a household with both an emigrant and a return migrant is included both as a household with an emigrant, and a household with a return migrant. The dependency ratio is the number of children and elderly persons divided by the number of people of working age (15-65). The share of households with a member planning to emigrate is based on a direct question to all adults (15 years or older) whether or not they have plans to live and or work in another country in the future. The wealth indicator is standardised ranging from 0 to 100, with higher scores indicating wealthier households.

Source: Authors' own work based on IPPMD data.

Table 3.6 summarises the characteristics of adult individuals (15+) from the sampled households, broken down by whether they are non-migrants, returned migrants or current emigrants. Non-migrants are the oldest group, with an average age of 47, compared to current emigrants (42) and return migrants (44). Women made up 53% of the sample. While emigration seems to be a gender-balanced phenomenon with an equal share of men and women, return migrants are more often men; only 35% of returnees are women. More men than women plan to emigrate, with women accounting for only 43% of those planning to emigrate.

Among individuals without migration experience, 33% have finished post-secondary education. The share is slightly higher for emigrants (34%), while 36% of return migrants have completed post-secondary education. This may be because some of them have received education in the country of destination. Those planning to emigrate have the highest education levels, with 43% of them having completed post-secondary education.

Table 3.6. Return migrants are more likely to be male
 Characteristics of sampled individuals

	Non-migrants	Return migrants	Emigrants
Number of respondents	6 108	308	980
Average age	47	44	42
Share of women (%)	55	35	50
Share (25+) having completed post-secondary education (%)	33	36	34

Note: The group of non-migrants includes individuals in households with and without migrants. Only adults (15+) are included. To calculate education status, the analysis only included individuals aged 25 or over – the age by which they would have completed post-secondary level education.

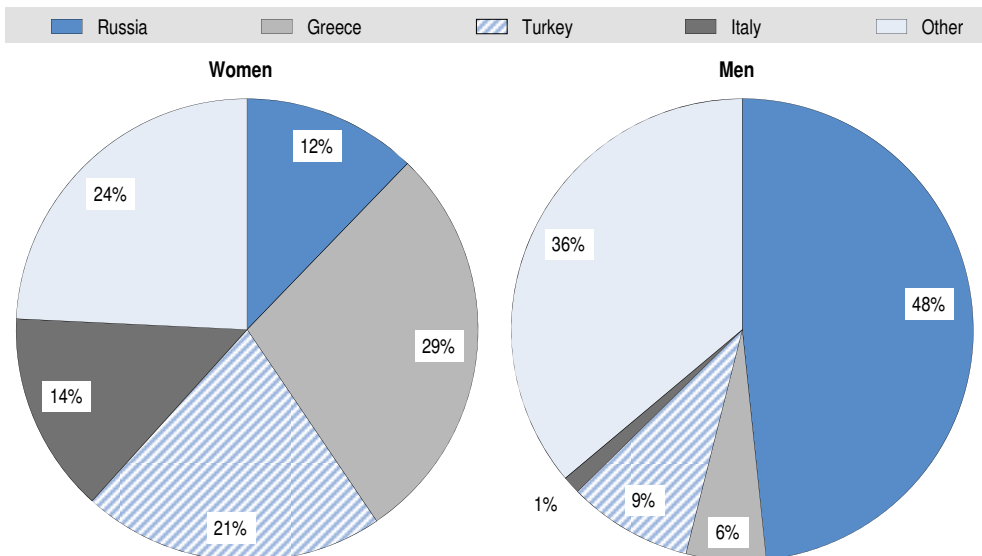
Source: Authors' own work based on IPPMD data.

Emigration patterns are different for men and women

Data collected on emigrants included their current country of residence, the time since they emigrated and the reason they left. Emigrants' destination countries vary by gender (Figure 3.3). While most men had left for Russia, women chose a more diverse set of destinations – mainly Greece, Turkey and Italy (64% of women, compared to 16% of men). The main countries in the “other” category are Germany, the United States of America and Ukraine.

Figure 3.3. Men migrate mainly to Russia, while Greece was most popular among women

Emigrants' current country of residence, by gender



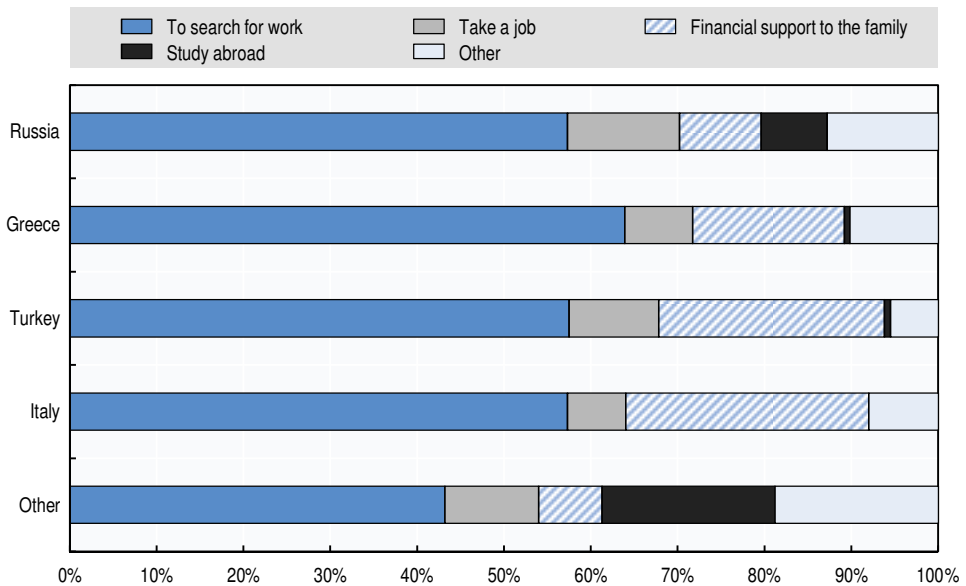
Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457766>

The main reasons given for emigrating were to look for work, take a job, or to support the family financially (together accounting for more than 80% of respondents; Figure 3.4). Emigrants who left to study abroad mainly went to Russia (29%) and Germany (29%), followed by the United States (9%) and the United Kingdom (9%).

Figure 3.4. **Financial and labour-related reasons are the main reasons for emigrating**

Relative share of reasons emigrants left (%), by destination country



Note: Respondents were given the chance to provide two reasons for emigrating, but only the first reason was taken into account. Countries are ordered according to the share of emigrants in that country amongst all sampled households.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457772>

About 25% of emigrants had left Georgia less than two years before the survey, 25% had left between two and five years before, and 50% more than five years before. The average time since migration was very similar for men and women, even though the percentage of migrants that are seasonal among men is twice as high as for women, at 8% and 3% respectively.

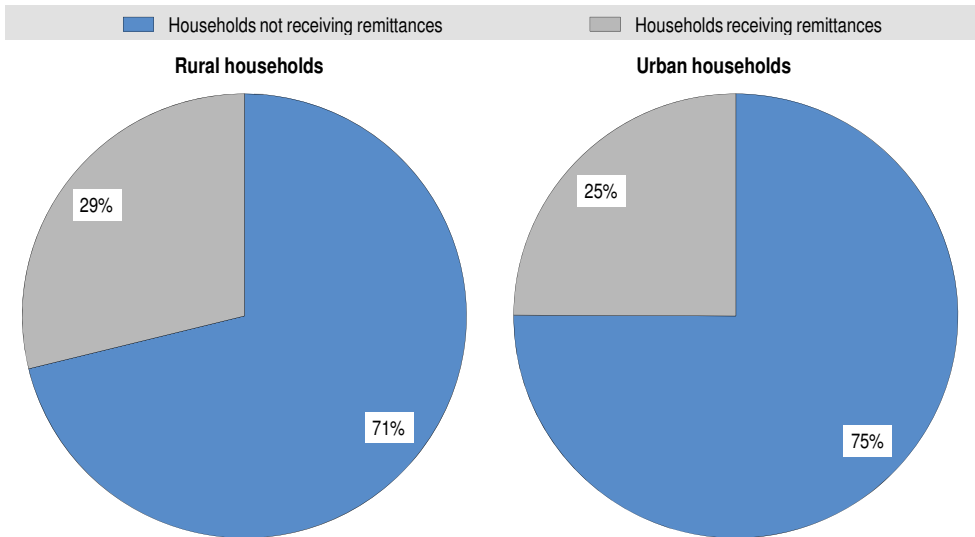
More than one in four households receive international remittances

Although emigration and remittances are closely linked, one does not necessarily imply the other. In the sample, about one in four households receive international remittances (27%). Most – but not all – households receive remittances from a former household member who emigrated; 103 (17% of

remittance receiving households) receive remittances from another source. Among households with an emigrant member, 66% receive remittances, compared with 5% of households without an emigrant member. Overall, in rural areas, 29% of the households received remittances compared to 25% in urban areas (Figure 3.5).

Figure 3.5. The share of households receiving remittances is higher in rural areas

Share of households that receive remittances, by area of residence



Source: Authors' own work based on IPPMD data.

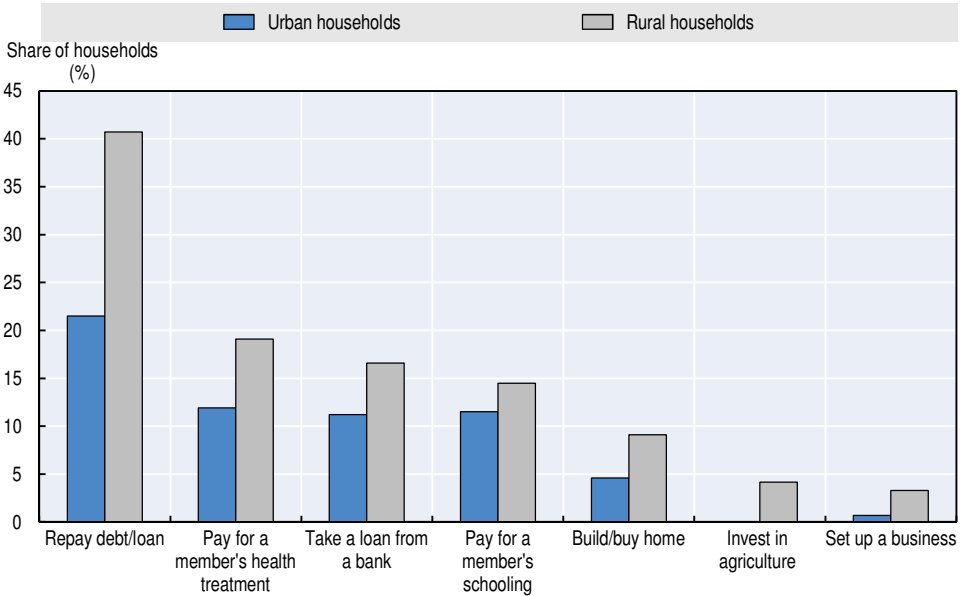
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Information was also collected on financial decisions made by households receiving remittances from a former household member. The most common activity was to repay a loan (Figure 3.6). Rural areas were particularly likely to do so, with 41% of rural households repaying loans, compared to 22% of those in urban areas.

The survey also collected detailed information on the remittances received from former members. On average, a remittance receiving household received GEL 4 310 (Georgian lari: equivalent to USD 2 450) from former household members in the year prior to the survey. The average amount sent home per emigrant who remits is GEL 4 000 (USD 2 270) per year.¹⁸ This average differs between men and women: women remit GEL 4 530 (USD 2 570) on average, while men remit GEL 3 350 (USD 1 900). Moreover, women remit more than men at different levels of formal education (Figure 3.7).

Figure 3.6. Rural households receiving remittances from a former member are more likely to repay a loan

Activities taken by households following the emigration of a member



Note: The sample only includes households that receive remittances from a former household member. The figure displays the seven most common activities reported by households. Households could specify different activities undertaken after a migrant left the household from the following list: taking a loan from a bank, paying for health treatment or schooling of a household member, accumulating savings, repaying a debt/loan, building or buying a home, investing in agricultural activities, taking out a loan from informal sources, accumulating debt, setting up a business, building a dwelling to sell to others, buying land, and restoring or improving housing.

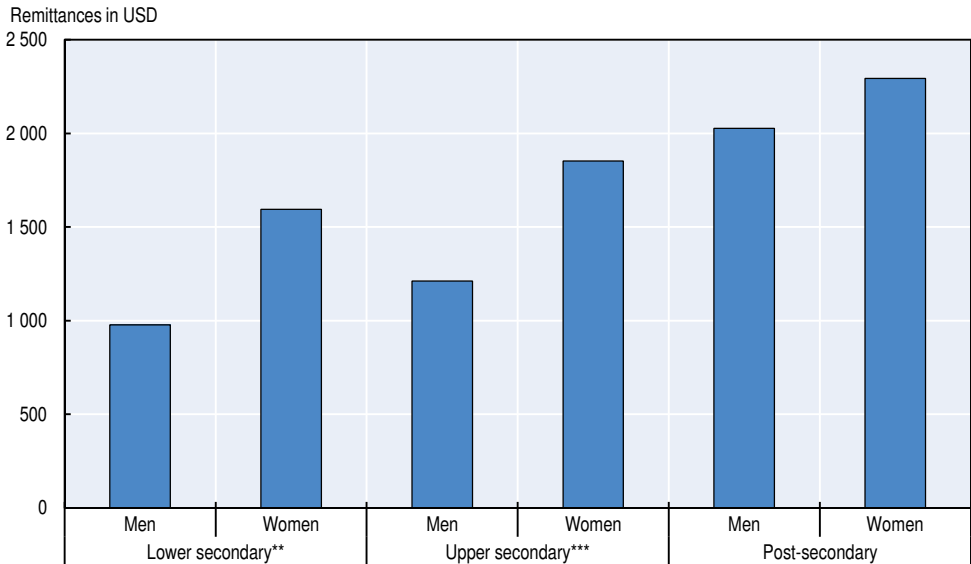
Source: Authors' own work based on IPPMD data.

StatLink <http://dx.doi.org/10.1787/888933457796>

Most return migrants are happy to have come home

The shares of return migrants living in Georgia who had returned from Greece and Turkey are higher than the shares of emigrants currently living there. As with emigrants, the former countries of residence among return migrants differ by gender (Figure 3.8). Men return from a wider range of countries; three quarters of women return from a total of three countries, whereas only 58% of men do. The share of women who had returned from Russia is slightly higher than for men, and is much higher than the share of female emigrants living in Russia. Men mainly return from Russia, but the share is much lower than the share of emigrants currently living in Russia (as a percentage of all emigrants).

Figure 3.7. Women remit more than men on average
Remittances by sender's gender and education level (yearly, in USD)



Note: The number of emigrants with either primary education only or no formal education at all was too low to be included in this figure. Remittance amounts were provided by respondents in Georgian lari (GEL), the exchange rate at 1 July 2014 was used to calculate the amount in USD. Lower secondary education includes basic education (grade 7 to 9), and upper secondary education includes general secondary education (grade 10-12) in the Georgian education system. Significance tests are indicated as follows: ***: 99%, **: 95%, *: 90%.

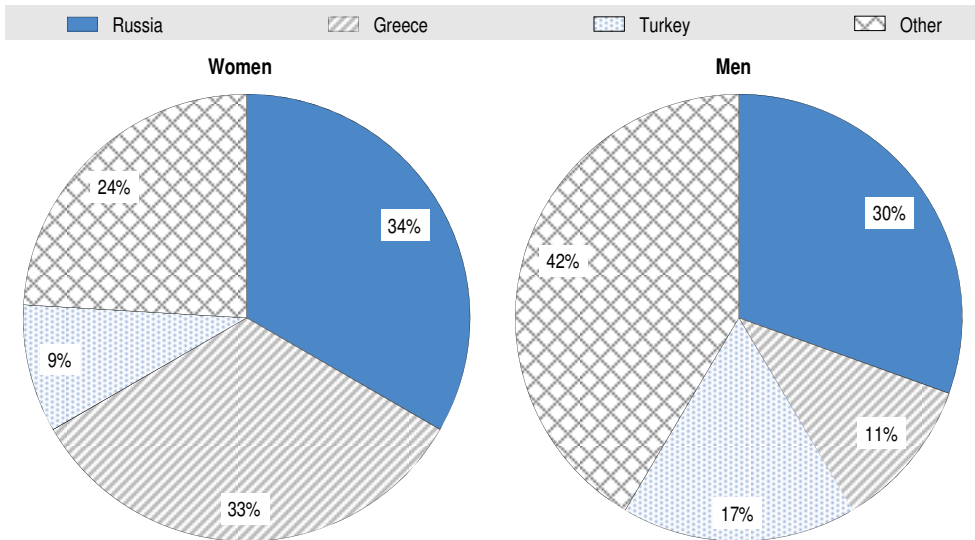
Source: Authors' own work based on IPPMD data.

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The reasons return migrants had emigrated are similar to those mentioned by current emigrants. The majority of returned migrants emigrated for work or financial reasons. On average, return migrants spent almost four years abroad before returning. About half of the return migrants came back because they preferred to be in Georgia. This includes returning for family reasons, for marriage, to retire or for health reasons (Figure 3.9). The survey asked return migrants whether they were satisfied to be back in Georgia; 60% of returned migrants claim to be satisfied, although around 9% of those that claimed so plan to emigrate again in the coming year. Among those return migrants who are not satisfied, this figure rises to 37%.

Figure 3.8. Men return from a wider range of countries than women

Return migrants' former countries of residence, by gender



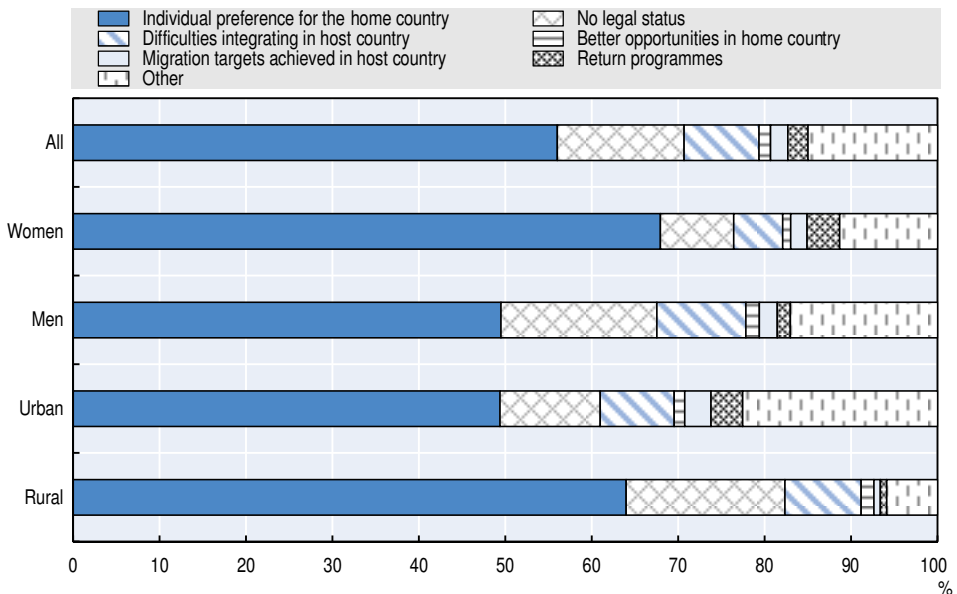
Note: The main countries in the 'other' category are Germany, Spain, Ukraine and the United States of America.

Source: Authors' own work based on IPPMD data.

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Figure 3.9. Most return migrants came home because they prefer to be in Georgia

Relative share of reasons return migrants left (%)



Source: Authors' own work based on IPPMD data.

StatLink <http://dx.doi.org/10.1787/888933457822>

Conclusions

This chapter has presented three tools – household surveys, community surveys and qualitative stakeholder interviews – used to collect data to analyse the interrelation between migration, public policies and development. The following chapters take a sector-by-sector approach to presenting the results of the data analysis: the labour market, agriculture, education and investment, and financial services.

Notes

1. The module on health and social protection is not used in this report.
2. The Central Election Commission is the supreme body of the Election Administration of Georgia. It manages and controls all levels of election commissions since 1999.
3. South Ossetia is not an official administrative region (*mkhare*) in Georgia and covers parts of the following four administrative regions: Imereti, Mtskheta-Mtianeti, Racha and Shida Kartli.
4. Urban and rural settlements are defined according to their official status in Georgia, as defined by the Georgian government. The division has historically been defined by the primary type of economic activity (agricultural and non-agriculture) as well as the level of infrastructure available. Changes in status are rare and the last revision was in 2013, when a number of villages around the municipality of Tbilisi changed status from rural to urban.
5. The north east segment includes the regions of Kakheti, Mtskheta-Mtianeti and Shida Kartli. The north west segment includes the regions of Imereti, Racha-Lechkhumi-Kvemo-Svaneti and Samegrelo-Zemo Svaneti. The south east segment includes the regions of Kvemo Kartli and Samtskhe-Javakheti. The south west segment includes the regions of the Autonomous Republic of Adjara and Guria.
6. In the Caucasus Barometer survey, the response rate in Georgia was 68.7% in 2013, 74.6% in 2012, and 69.7% in 2011; in the 2012 Georgian Labour Survey the response rate was 82%.
7. The actual response rate was lower than expected: 65% among migrant and 86% among non-migrant households. To compensate for the lower non-response rate, an additional reserve sample of 59 migrant and 628 non-migrant households was selected.
8. The decision to sample 80 PSUs was a compromise between what was feasible and the desire to obtain the most geographically widespread sample possible.
9. Five of the nine dropped PSUs were in Tbilisi, two in Samtskhe-Javakheti, one in Imereti and one in Guria.
10. The number of 36 households per PSU was set as a function of the sample objective of 2 000 households in 80 PSUs, as well as historical non-response rates.
11. Both households with emigrants and households without emigrants were sampled from the lists produced after block listing, using simple random sampling. Overall, 1 430 migrant households were sampled randomly from the selected (block-listed) PSUs and in each PSU the number of sampled migrant households was proportional to the number of overall migrant households in that cluster (as detected through block listing). If in any of the PSUs proportional distribution produced a number less than six, the sample was forced at six migrant households. Because of this, the

overall migrant household sample increased to 1 445. After determining the number of migrant households sampled within each PSU, the same amount of non-migrant households were selected randomly.

12. Due to non-responses, it was not possible to achieve an equal ratio of migrant and non-migrant households in each PSU in the final sample. Because additional households were included from randomly selected PSUs, the number of total households sampled per PSU varied.
13. In one PSU in Tbilisi, the community interview was conducted with a resident knowledgeable about the area rather than with a representative of local government.
14. One of the interviews was conducted with two respondents simultaneously, following the request of the respondents.
15. The stakeholder interviews were conducted by three interviewers who were trained in the methods and discussion guidelines elaborated for this project. One of the interviewers was fluent in English and, whenever needed, conducted interviews in English. All but one interview was audio recorded and transcribed in the language of the interview. One interviewee did not agree to the interview being recorded, and for this interview, the interviewer provided a detailed report.
16. Emigrants are not considered as household members, and therefore not taken into account in the calculation of share of households with at least one member who finished post-secondary education.
17. The first component created using PCA is considered to represent wealth, since wealth is assumed to account for the largest variance in the assets a household owns.
18. Remittance amounts were provided by respondents in local currencies. The exchange rate between the Georgian lari (GEL) and the US dollar (USD) was taken at 1 July 2014.

ANNEX 3.A1

*Sampling and survey details*Table 3.A1.1. **List of sampled PSUs**

Total number of PSUs	Region	Region category	Area type
15	Tbilisi	Capital	Capital
7	Kakheti	North east	Rural
1	Kakheti	North east	Urban
2	Mtskheta-Mtianeti	North east	Rural
1	Mtskheta-Mtianeti	North east	Urban
5	Shida Kartli	North east	Rural
2	Shida Kartli	North east	Urban
8	Imereti	North west	Rural
5	Imereti	North west	Urban
1	Racha-Lechkhumi-Kvemo Svaneti	North west	Rural
1	Racha-Lechkhumi-Kvemo Svaneti	North west	Urban
6	Samegrelo-Zemo Svaneti	North west	Rural
3	Samegrelo-Zemo Svaneti	North west	Urban
1	Kvemo Kartli	South east	Rural
2	Kvemo Kartli	South east	Urban
1	Samtskhe-Javakheti	South east	Urban
4	Autonomous Republic of Adjara	South west	Rural
4	Autonomous Republic of Adjara	South west	Urban
2	Guria	South west	Rural

Table 3.A1.2. **Summary of the modules included in the Georgian household survey**

Module 1 <i>Household roster</i>	Questions on household characteristics including the number of household members and their relationship to the household head, sex, age, marital status etc. It is worth mentioning that the module asks all household members aged 15 and over about their intentions to migrate internationally.
Module 2 <i>Education and skills</i>	Records information on school attendance of children, child labour, language skills and the educational attainment of all members. It also contains a series of policy questions to gather information on whether a household benefited from certain types of education policies, for example scholarships, conditional cash transfer related to education and distribution of school supplies.
Module 3 <i>Labour market</i>	Collects information about the labour characteristics of household members. This includes employment status, occupation and main sector of activity; and the means of finding jobs which include government employment agencies. It also asks if members of the household participated in public employment programmes and vocational training.
Module 4 <i>Expenditures, assets, income</i>	Questions on household expenditure patterns, asset ownership and various types of income.
Module 5 <i>Investment and financial services</i>	Questions related to household financial inclusion, financial training and information on businesses activities. It also collects information about the main obstacles households face in running any businesses.
Module 6 <i>Agricultural activities</i>	Administered to households involved in agricultural activities including fishery, livestock husbandry and aquaculture. Records information about the plot, such as number, size, crops grown, how the plot was acquired and the market potential, as well as information about the number and type of livestock raised. This module also collects information on whether households benefited from agricultural policies such as subsidies, agricultural related training or crop price insurance.
Module 7 <i>Emigration</i>	Captures information on all ex-members of the household aged 15 or over who currently live abroad. It covers characteristics of the migrants such as sex, age, marital status, relationship to the household head, language skills and educational attainment. It also collects information on destination countries, the reasons they left the country and their employment status both when they were in the home country and in the destination country.
Module 8 <i>International remittances</i>	Collects information on remittances sent by current emigrants. It records the frequency of receiving remittances and the amount received, the channels they were sent through, and how they were used.
Module 9 <i>Return migration</i>	Collects information on all members of the household aged 15 and over who have previously lived abroad for at least three consecutive months and returned to the country. It records information about the destination and the duration of migration as well as the reasons for emigration and for return.
Module 11 <i>Health and social protection</i>	Collects information on all members of the household aged 15 and over on use, access and coverage of health facilities, labour contracts and labour-related benefits.

Note: Module 10 on immigration was not included in the household survey in Georgia due to the low number of immigrants identified in the sampling process.

Table 3.A1.3. **Summary of sampling design**

Strata	1) 3 types of settlements: rural/urban/capital 2) 4 geographical quadrants + capital region
Base used for sampling PSUs	Voting precincts
Coverage of PSUs	90 % of the population (in 11 administrative divisions, including Tbilisi and the Autonomous Republic of Adjara)
Total number of PSUs in sampling framework	3 200 (voting precincts)
Number of PSUs included in the final sample	71 (voting precincts)
Number of households interviewed	2 260
Average number of voters per sampled PSU	1 164
Average number of households sampled per PSU	32

Chapter 4

Migration and the labour market in Georgia

Emigration can affect many aspects of the labour market – from wage levels and the supply of labour to the promotion of self-employment. High levels of unemployment and a poorly functioning labour market are key drivers of emigration in Georgia. Using survey data, this chapter investigates which segments of the workforce are most likely to emigrate, and the impact of emigration and remittances on employment and self-employment among both those who are left behind and those who return. It explores how government efforts to develop employment agencies, vocational training, and public employment programmes have benefited households and affected migration decisions.

Georgia's main labour market challenges today are significant levels of unemployment, mismatches between market demand and skills supply, and informal employment, all of which encourage people to emigrate. Emigration can affect wage levels and unemployment by reducing the labour supply nationally and within households – the overall result can be to constrain productivity and development. Remittances may allow households to leave paid employment or start up a small business. Return migrants bring financial, human and social capital accumulated abroad back to their country, and may also start new businesses, creating new jobs in their country of origin. At the same time, labour market policies aiming to generate new jobs and match labour supply and demand can affect patterns of migration.

This chapter explores the relationships between migration and the labour market in Georgia. It begins with an overview of the labour market, before analysing how the various migration dimensions affect key labour market outcomes, such as the work choices of migrant households and individuals. It then examines the influence of labour market policies and programmes on individuals' migration decisions. The chapter concludes with policy recommendations from the findings.

A brief overview of the labour market in Georgia

According to 2015 data from the National Statistics Office of Georgia (GeoStat), the country's labour-force participation rate, defined as the ratio of people in the labour force to the population aged 15 and older, was 68%, compared to an employment rate of 60%.¹ The labour-force participation rate, according to GeoStat is notably higher in rural than urban areas (75% versus 60%), and among men than women (78% versus 59%), mostly because being a housewife and hence out of the labour force is quite common in Georgia. Similarly, the employment rate is also significantly higher in rural than urban areas (72% versus 47%) and among men than women (68% versus 53%). Self-employment is traditionally prevalent, accounting for 57% of the employed population. Self-employment is markedly higher in rural than urban areas (76% versus 27%), which most likely reflects the fact that Georgia is traditionally an agricultural country.

The overall unemployment rate in the country is 12%² (GeoStat), although this is likely to be an underestimate – according to the World Bank (2013) estimates, if “discouraged workers”³ were not excluded from the labour force, the unemployment rate would have been several percent points higher. There are notable differences in employment rates by geographical location, with 5% unemployment in rural areas, compared to 22% in urban settlements. Unemployment is highest among young people. From a rate of 32% and 31% respectively among 15-19 year-olds and 20-24 year-olds, it falls to 24% and 17% respectively among 25-29 year-olds and 30-34 year-olds and then further still to 16% for 35-39 year-olds and down to 1% among those over 65. The high rate of youth unemployment is a global challenge, especially in developing countries and countries in transition, and not unique to Georgia (ILO, 2015).

Most of the unemployed have either a secondary or a higher education qualification. This might reflect the fact that even highly educated workers do not have skills needed on the labour market in Georgia. Most of the jobs available do not require higher education, and highly educated workers who have less skilled jobs earn lower salaries than workers who are specialised for a particular job (World Bank, 2013). In addition, in the two largest sectors in Georgia – agriculture and trade – there is limited demand for workers with higher education.

This general national pattern is reflected in the Interrelations between Public Policies, Migration and Development (IPPMD) survey data (Table 4.1). The labour-force participation rate among the survey sample (people aged 15-64) is about 61% – 76% for men and 48% for women – and is higher in rural areas (76%) than urban areas (49%). However, the employment rate among those surveyed is significantly lower than the official statistics, at 39% (50% for men and 29% for women). As with the national figures, the rural employment rate is higher than for urban areas, a difference mainly explained by the prevalence of self-employment. Around 40% of the working population (aged 15-64) reported not being engaged in paid employment and not looking for work. The rate is higher among all individuals aged 15 and over (49%), taking the retired into account. The survey found higher levels of unemployment (22%) than the official figures. It also found that unemployment was lower among 15-24 year-olds (22%) than among 25-34 year-olds and 35-44 year-olds (28% and 29%, respectively).

Table 4.1. **The Georgian IPPMD sample largely reflects the national labour market picture**

	All	Men	Women	Urban	Rural
Labour market characteristics (15-64)					
Number of employed individuals	1 998	1 232	766	869	1 129
Number of unemployed individuals	1 145	635	510	501	644
Number of individuals	5 132	2 468	2 664	2 808	2 324
Labour-force participation rate	61%	76%	48%	49%	76%
Employment rate	39%	50%	29%	31%	49%
Employment status (15-64)*					
	5 117	2 459	2 658	2 803	2 314
	(100%)	(100%)	(100%)	(100%)	(100%)
Self employed	717	545	172	273	444
	(14%)	(22%)	(6%)	(10%)	(19%)
Paid employee in public sector	526	229	297	316	210
	(10%)	(9%)	(11%)	(11%)	(9%)
Paid employee in private sector	755	458	297	540	215
	(15%)	(19%)	(11%)	(19%)	(9%)
Unemployed	1 145	635	510	644	501
	(22%)	(26%)	(19%)	(23%)	(22%)
Not in paid work and not looking for work	1 954	580	1 374	1 018	936
	(38%)	(24%)	(52%)	(36%)	(40%)
Other	20	12	8	12	8
	(0%)	(0%)	(0%)	(0%)	(0%)

Note: * shows number of observations.

Source: Authors' own work based on IPPMD data.

How does migration affect the labour market in Georgia?

Migration can affect the labour market in various ways. With fewer people in the household available to work, the household members who are left behind may have to seek work to compensate. If the migrants send home remittances, however, this may allow their families to stop working or to set up their own business. Emigration and remittances can also affect the types of jobs chosen by the household members who are left behind. Furthermore, return migrants bring home a range of resources accumulated abroad which can also change employment patterns.

Emigrants are more likely to come from the health sector and more skilled occupations

Emigration means a reduction in a country's population overall. It can also reduce the labour supply if the migrants were employed before emigrating. In theory, a significant drop in the labour supply can reduce competition in the labour market, which in turn increases wage levels and decreases unemployment. The effect, however, can vary depending on the characteristics of the workers who fill the jobs left open by emigrants. Wages will be higher for those whose skills can substitute for the skills of those who left, but lower

for individuals whose skills complement workers who left. The effect of a fall in supply may be exacerbated in labour-intensive sectors such as agriculture.

When looking at the labour characteristics of current emigrants, the IPPMD survey finds that 60% were unemployed before leaving the country and that 97% were of working age (Table 4.2). Their unemployment rate has significantly decreased since they emigrated. This implies that unemployment is one of the biggest push factors for leaving the country.

Table 4.2. Emigration boosts employment among emigrants

Employment status of emigrants before and after emigration (%)

Employment status (%)	Before leaving			In the destination country		
	Total sample	Men	Women	Total sample	Men	Women
Self employed	7	8	6	14	20	10
Paid employee in the public sector	8	7	10	7	7	6
Paid employee in the private sector	9	8	9	60	54	65
Unemployed	59	59	59	6	7	4
Not in paid work and not looking for work	16	16	15	10	7	12
Other	1	2	1	4	5	2

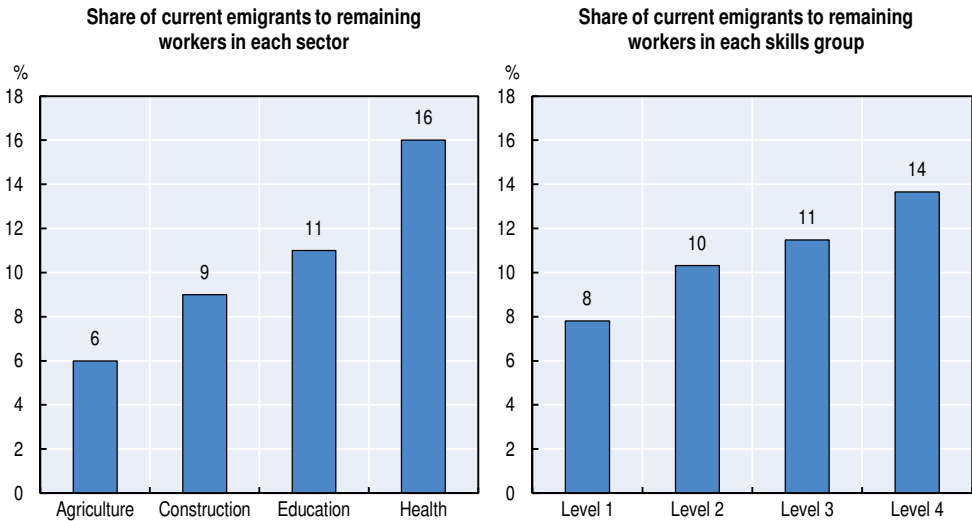
Source: Authors' own work based on the IPPMD data.

It is possible that some sectors are more affected by emigration than others. The IPPMD research explored this for four key sectors – agriculture, construction, education and health – comparing the number of emigrants who left each sector with the number of workers remaining (Figure 4.1, left-hand chart). The health sector seems to be the most affected by emigration. The emigration of highly skilled workers can also have a direct impact on the labour market. Exploring the patterns of emigration among occupational groups at different skills levels reveals that Georgia is losing more skilled workers to emigration (Figure 4.1, right-hand chart).

Emigration and remittances particularly affect women's employment decisions

Emigration and remittances can reduce the supply of labour among remaining household members. They may work fewer hours or leave the labour market altogether (Grigorian and Melkonyan, 2011; Kim, 2007). Remittances can decrease the motivation to work or undertake entrepreneurial activities (EPRC, 2011). Some stakeholders interviewed as part of the IPPMD study (Chapter 3) felt that although remittances provide an important source of income for Georgia's economy and are a means of survival for many families, they could hamper economic activities because they are usually spent on primary consumption rather than on strategic long-term profit-making activities. Furthermore, they noted that living on remittances reduced people's motivation to find jobs.

Figure 4.1. **The health sector and highly skilled occupations are losing more workers to emigration**



Note: The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the International Labour Organization (ILO, 2012). Skills level 1: occupations which involve simple and routine physical or manual tasks (includes elementary occupations and some armed forces occupations). Skills level 2: clerical support workers; services and sales workers; skilled agricultural, forestry and fishery workers; craft and related trade workers; plan and machine operators and assemblers. Skills level 3: technicians and associate professionals and hospitality, retail and other services managers. Skills level 4: Other types of managers and professionals.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457830>

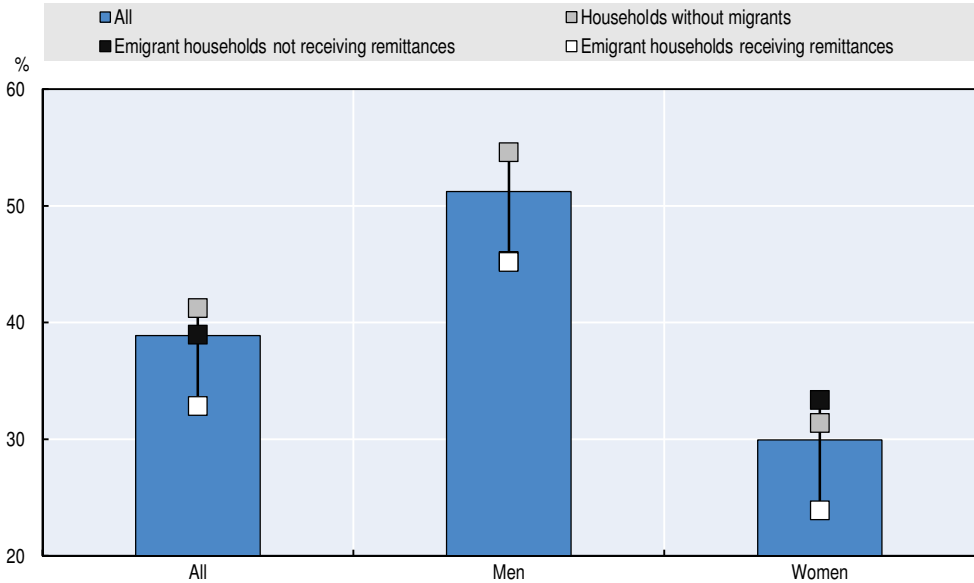
Although it is challenging to isolate the effects of having a family member who has emigrated and the receipt of remittances, the IPPMD data give some clues on this matter. Figure 4.2 compares the average share of working household members from non-migrant households, emigrant households *not* receiving remittances and those that *are* receiving remittances. The figure shows that remittance-receiving households have the lowest share of working adults. Gender patterns differ, however. While there is not much difference between the employment rate for men in remittance versus non-remittance receiving households, women in emigrant households without remittances are more likely to work than women in the other types of households.

Regression analysis deepened the investigation into how migration is associated with household labour supply (Box 4.1). The results confirm that individuals in households receiving remittances are less likely to work (Tables 4.3 and 4.4). The receipt of remittances appears to play a stronger role on women's employment than for men, as already suggested above. The likelihood of unemployment is increased among women receiving remittances in both rural and urban areas. The emigration of a household member seems to be negatively associated with the number of men working in a given household,

especially in rural areas. This is most likely to be because of the difficulties in replacing for male labour in the household.

Figure 4.2. **Households receiving remittances have fewer working members**

Share of household members aged 15-64 who are working (%)



Note: The sample excludes households with return migrants only. Share of men that are working in emigrant households not receiving remittances are close to that of emigrant households receiving remittances.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457844>

Box 4.1. The links between migration and employment

To investigate the link between migration and households' labour decisions, the following regression models were used:

$$\text{share_working}_{hh} = \beta_0 + \beta_1 \text{emig}_{hh} + \beta_2 \text{remit}_{hh} + \gamma_1 \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

$$\text{m_share_working}_{hh} = \beta_0 + \beta_1 \text{emig}_{hh} + \beta_2 \text{remit}_{hh} + \gamma_1 \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

$$\text{f_share_working}_{hh} = \beta_0 + \beta_1 \text{emig}_{hh} + \beta_2 \text{remit}_{hh} + \gamma_1 \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

where $\text{share_working}_{hh}$ signifies households' labour supply, measured as the share of household members aged 15-64 who are working. $\text{m_share_working}_{hh}$ is the share of male household members that are working among men and $\text{f_share_working}_{hh}$ for female household members. emig_{hh} represents a variable with the value of 1 where a household has at least one emigrant, and remit_{hh} denotes a household that receives remittances. controls_{hh} stands for a set of control variables at the household level.¹ δ_r implies regional fixed effects and ε_i is the randomly distributed error term. The

Box 4.1. **The links between migration and employment** (cont.)

models were run for two different groups of households depending on their location (rural or urban). The coefficients of variables of interest are shown in Table 4.3.

Table 4.3. **Remittances reduce households' labour supply**

Dependent variable: Share of the employed among household members aged 15-64						
Main variables of interest: Having an emigrant/receiving remittances						
Type of model: OLS						
Sample: All households with at least one member working						
Variables of interest	Share of the employed household members among:					
	(1) All		(2) Men		(3) Women	
	rural	urban	rural	urban	rural	urban
Household has at least one emigrant	-0.032 (0.031)	0.002 (0.030)	-0.131*** (0.046)	-0.022 (0.042)	0.028 (0.039)	0.013 (0.039)
Household receives remittances	-0.094*** (0.032)	-0.106*** (0.032)	-0.020 (0.047)	-0.079* (0.047)	-0.129*** (0.041)	-0.110*** (0.042)
<i>Number of observations</i>	830	1 050	704	851	789	981

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

The following probit regression model was used to further investigate the link between migration and unemployment:

$$\text{Prob}(\text{unemployed}_i) = \beta_0 + \beta_1 \text{emig}_{hh} + \beta_2 \text{remit}_{hh} + \gamma_1 \text{controls}_i + \gamma_2 \text{controls}_{hh} + \delta_r + \varepsilon_i \quad (4)$$

where unemployed_i signifies whether an individual i is unemployed. The results are shown in Table 4.4.

Table 4.4. **Women in households receiving remittances are more likely to be unemployed**

Dependent variable: Individual is unemployed						
Main variables of interest: Having an emigrant/receiving remittances						
Type of model: Probit						
Sample: Labour force among working age members (15-64)						
Variables of interest	(1) All		(2) Men		(3) Women	
	rural	urban	rural	urban	rural	urban
	Household has at least one emigrant	0.065* (0.035)	0.015 (0.032)	0.118*** (0.042)	0.024 (0.041)	-0.033 (0.063)
Household receives remittances	0.061* (0.036)	0.066* (0.035)	0.008 (0.043)	0.032 (0.046)	0.166*** (0.063)	0.102* (0.054)
<i>Number of observations</i>	1 369	1 770	892	973	477	797

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

1. Control variables include the household's size and its squared value, the dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, family members' mean education level, its wealth estimated by an indicator (Chapter 3) and its squared value.

Remittances seem to stimulate more self-employment among men

Remittances raise household income. Not only can they help meet basic consumption needs and reduce poverty (Acosta et al., 2008; Adams and Page, 2005), they can also provide those left behind with the capital they need to start up a business and boost self-employment (Mesnard, 2004; Dustmann and Kirchkamp 2002; Woodruff and Zenteno, 2007; Yang, 2008). While Chapter 7 explores how remittances affect enterprises in more detail, this section focuses on the link between remittances and self-employment. The IPPMD data find that for both men and women, the share of self-employed people is higher among households receiving remittances than those not receiving remittances (Figure 4.3).

Figure 4.3. **Self-employment is higher among remittance-receiving households**

Employment types among employed people, working age population (%)



Note: The difference between households not receiving and receiving remittances is not statistically significant for either men or women (using a chi-squared test).

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457852>

These patterns are confirmed by regression analysis (Box 4.2). Table 4.5 shows the results of the analysis and suggests that receiving remittances is positively associated with self-employment in rural areas – although this pattern only holds for men.

Box 4.2. The links between remittances and self-employment

To further analyse how receiving remittances is associated with the employment types of the household members, a probit model was used in the following form:

$$\text{Prob}(\text{self_employed}_i) = \beta_0 + \beta_1 \text{remit}_{hh} + \gamma_1 \text{controls}_i + \gamma_2 \text{controls}_{hh} + \delta_r + \varepsilon_i \quad (5)$$

where $\text{self_employed}_{ii}$ represents whether an employed individual i is self-employed. remit_{hh} signifies that a household receives remittances. controls_i stands for a set of control variables at the individual level and controls_{hh} for household level controls.¹ δ_r implies regional fixed effects and ε_i is the randomly distributed error term. Table 4.5 shows the computed marginal effects of the main variable of interest on each employment type.

Table 4.5. **Houesholds receiving remittances are more likely to have self-employment members in rural areas**

Variables of interest	(1) All		(2) Men		(3) Women	
	rural	urban	rural	urban	rural	urban
	Household receives remittances	0.080** (0.037)	0.033 (0.031)	0.101** (0.047)	0.026 (0.044)	0.035 (0.061)
<i>Number of observations</i>	868	1 127	592	639	273	488

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

1. Control variables include age, sex and education level of individuals and their households' size and its squared value, the dependency ratio, its wealth estimated by an indicator and whether it is in a rural or urban location.

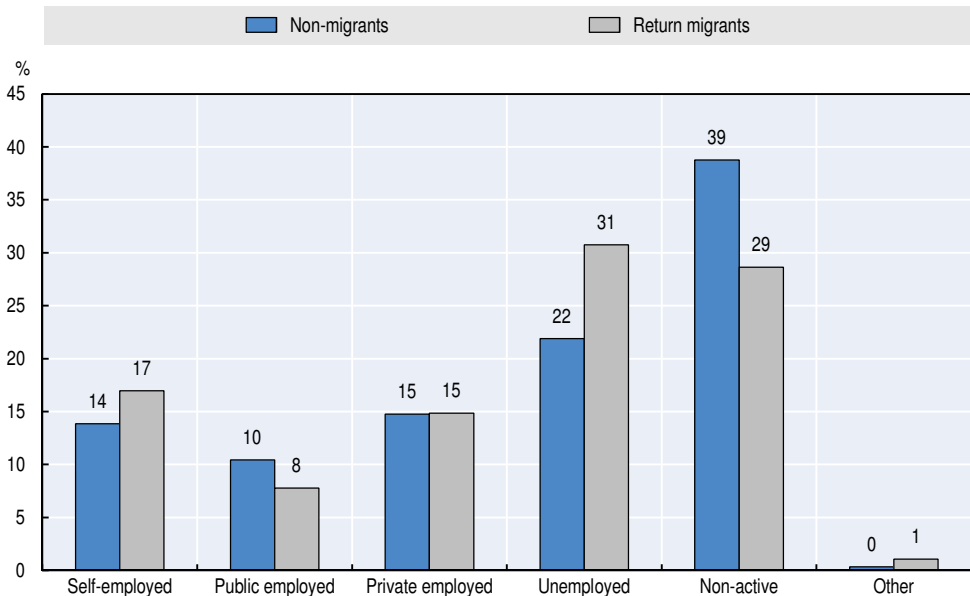
Return migration can boost self-employment in Georgia

Return migrants tend to come home with greater financial and human capital. Savings accumulated abroad can be used as a resource for working on their own account. Growing evidence from the literature suggests that return migrants tend to be self-employed or establish their own businesses (De Vreyer et al., 2010; Ammassari, 2004). Figure 4.4 compares the employment

status of non-migrants and return migrants. While the share of economically non-active individuals is considerably lower for return migrants than non-migrants, return migrants are more likely to be unemployed. Looking at the employed population, return migrants are more likely to be self-employed than non-migrants.

Figure 4.4. A higher share of return migrants are self-employed than non-migrants

Employment status among adult non-migrants and return migrants (%)



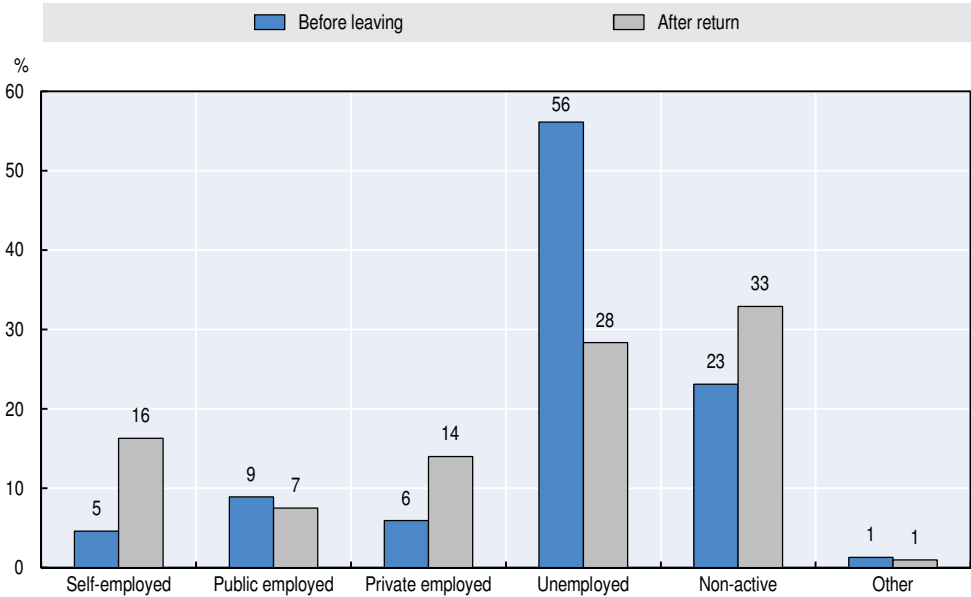
Note: The difference in the distribution of employment statuses between non-migrants and return migrants is statistically significant (99% significance level, using a chi-squared test).

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457868>

Could it be that return migrants were already self-employed prior to their migration or did they choose migration as a strategy to set up a business or to become self-employed? Figure 4.5 compares the employment status of return migrants before their emigration and after their return. As with current emigrants, more than half of return migrants were unemployed before emigrating. The share of unemployment decreases remarkably after their return. Some of them have left the labour market while others are employed in the private sector or are self-employed.

Figure 4.5. **Return migrants are more likely to be self-employed than when they left**
Employment status among return migrants before leaving and after return (%)



Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457878>

How do labour market policies affect migration in Georgia?

The previous section has considered how migration affects the labour market. At the same time, migration is equally affected by Georgia's labour market policies. Effective labour market policies can have an indirect impact on households' migration decisions. Policies to improve the domestic labour market may reduce the incentive to migrate. Such policies can seek to enhance labour market efficiency through state employment agencies, improve the skills set of the labour force through vocational training, and expand labour demand by increasing public employment programmes.

To date, the impact of these labour market policies on migration in Georgia remains unexplored in the research. This section attempts to disentangle the link between these policies and the decision to emigrate and the reintegration of return migrants into the labour market. Box 4.3 describes how the IPPMD survey covered labour market policies and programmes.

Box 4.3. Labour market policies and programmes covered in the IPPMD project

The IPPMD household survey asked household members whether they had benefited from certain labour market policies and programmes (Figure 4.6). It also asked people employed in the public and private sectors how they found their jobs, with government employment agencies being one of the options. The survey also asked the labour force if they had participated in any vocational training programmes, and if so what type of training they received. They were also asked about participation in public employment programmes.

The community survey collected information on the existence of vocational training centres and job centres. It also asked if certain types of training programmes have been held in the communities and whether they have offered public employment programmes.

Figure 4.6. Labour market policies explored in the Georgian surveys

Government employment agencies	Vocational training	Public employment programme	Programmes included in the community survey
<ul style="list-style-type: none"> How did you find your job? 	<ul style="list-style-type: none"> Have you participated in any vocational training programmes in the past five years? What kind of vocational training programme? 	<ul style="list-style-type: none"> Have you participated in public employment programmes in the past five years? 	<ul style="list-style-type: none"> Vocational training centres Job centres Public employment programmes

Note: The IPPMD survey also asked if individuals received unemployment benefits but this question was not included in the Georgian survey as it had no unemployment benefits at the time of the survey.

Unemployment motivates people to emigrate

Unemployment is one of the strongest incentives for emigrating from Georgia. The IPPMD data confirm that individuals are more likely to be planning to emigrate when they are unemployed (Box 4.4). Unemployment is a push factor for emigration in both rural and urban areas but with a stronger impact in urban areas. Table 4.6 takes a closer look at the data disaggregated by gender and area of residence. It suggests that unemployment is a strong push factor for all groups, although no statistically significant relationship was found for men in rural areas. Considering the role of unemployment in emigration from Georgia, labour market policies aimed at reducing unemployment will affect the migration decisions of households and individuals.

Box 4.4. The links between unemployment and emigration

To further analyse how unemployment is associated with emigration plans, a probit model was used in the following forms:

$$\text{Prob}(\text{plan_emig}_i) = \beta_0 + \beta_1 \text{unemployed}_i + \gamma_1 \text{controls}_i + \gamma_2 \text{controls}_{hh} + \delta_r + \varepsilon_i \quad (6)$$

where plan_emig_i is emigration plan of individual i . It takes a value of 1 if the individual has a plan to emigrate and 0 if not. unemployed_i represents that an individual i is unemployed. controls_i stands for a set of control variables at the individual level and controls_{hh} for household level controls.¹ δ_r implies regional fixed effects and ε_i is the randomly distributed error term. The model has been tested for two different groups of households depending on their location (urban or rural). Table 4.6 shows the computed marginal effects of the main variable of interest (being unemployed) on individuals' plans to emigrate.

Table 4.6. **People are more likely to have plans to emigrate when they are unemployed**

Dependent variable: Individual plans to emigrate						
Main variables of interest: Individual is unemployed						
Type of model: Probit						
Sample: Working age (15-64) population						
Variables of interest	(1) All		(2) Men		(3) Women	
	Rural	Urban	Rural	Urban	Rural	Urban
Unemployed	0.026** (0.011)	0.037*** (0.010)	0.022 (0.015)	0.044*** (0.015)	0.032* (0.019)	0.029** (0.014)
<i>Number of observations</i>	1 349	1 770	879	973	470	797

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

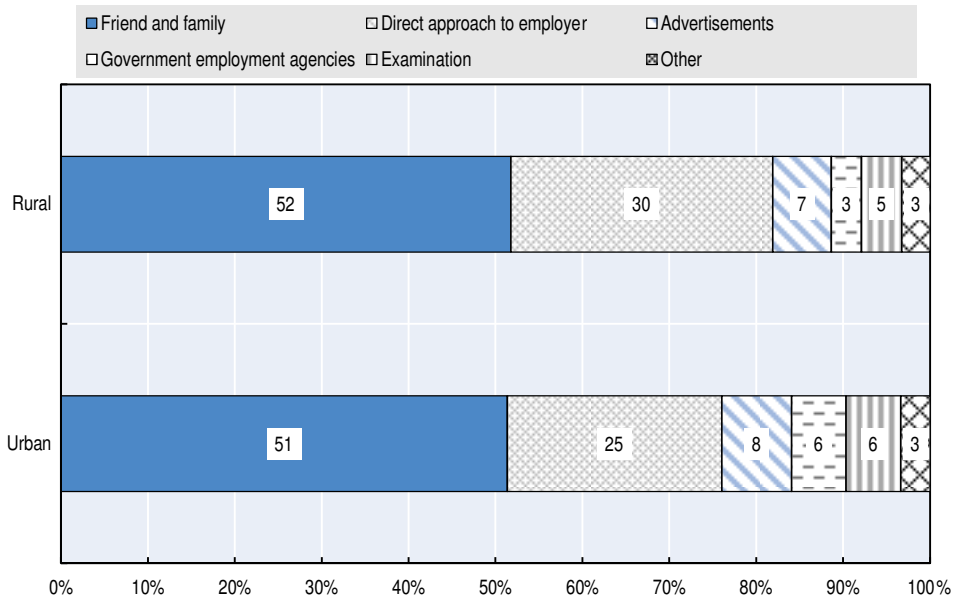
1. Control variables include age, sex and education level of individuals and their households' size and its squared value, the dependency ratio and its wealth estimated by an indicator.

Government employment agencies have a limited impact on migration in Georgia

The IPPMD survey asked how individuals had found paid jobs in the public and private sectors (Figure 4.7). The most common way to find a job is through friends and family, followed by a direct approach to potential employers. Together, these channels account for about 80% of all surveyed adults with paid jobs in both the public and private sectors. Only 5% of employed respondents had found their job via a government employment agency. There is a slight difference between rural and urban areas: people in rural areas directly approached employers more than in urban areas, whereas government employment agencies are more commonly used in urban areas.

Figure 4.7. **Government agencies play a minor role in job seeking**

Methods for finding a paid job in both public and private sectors



Note: The difference between urban and rural areas is statistically significant (95% significance level, using a chi-squared test).

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457883>

While the share of people who benefited from government employment agencies is low, there are certain patterns related to migration. A comparative study of the ten IPPMD partner countries suggests that the share of people who have no plans to emigrate is higher for those who found jobs through government employment agencies than those who did not (OECD, 2017). However, this is not the case in Georgia. While 95% of the beneficiaries of government employment agencies have no plans to emigrate, this is lower than the share among non-beneficiaries (97%).⁴ This is somewhat surprising, especially given that 80% of the beneficiaries have jobs in the public sector which are usually seen as secure.

A key policy in this area is the “Social-economic Development Strategy of Georgia – Georgia 2020” (Government of Georgia, 2014). This policy led to the creation of the Department of Employment Issues within the Social Service Agency, where the Employment Support Centres will also be established. The Social Service Agency is responsible for employment services in Georgia, together with many other services. It was established in 2007 by uniting the State Agency for Social Service and Employment and the United State Fund for Social Insurance. It has approximately 70 offices located across Georgia. The agency has also initiated an online service, Worknet, where job seekers

and employers can register and be connected. It also organises job forums. The agency's territorial offices provide help to those without access to the internet or who do not have sufficient computer skills to use this service.

Vocational training programmes have little effect on migration

Vocational training programmes can affect several migration outcomes. By enhancing labour skills, people may find better jobs in the domestic labour market, thereby reducing the incentive to emigrate. On the other hand, vocational training can be a means to make would-be migrants more employable overseas. According to the comparative IPPMD study, migration intentions of employed and unemployed people who participated in vocational training are likely to be stronger than those who did not (OECD, 2017). While this is true at the descriptive level for Georgia, the difference is not statistically significant. Further analysis has found no significant relationship between vocational training programmes and households' migration experiences.

Vocational training has become a key labour market strategy in Georgia, as in many other countries. In March 2007, the new Law of Georgia on Professional Associations was passed, significantly changing the financing and infrastructure of the vocational education system in Georgia. Vocational education in Georgia is managed by government structures, which develop national development policies and strategies and programmes. The Ministry of Education and Science enforces the regulatory framework and implements sector programmes through its agencies: the National Centre for Education Quality Enhancement, the National Centre for Teachers' Professional Development and the Information Management System. In 2013, the government adopted the Vocational Education and Training Development Strategy for 2013-2020 (MoES 2013). For then there were 23 public and 76 private vocational education and training (VET) institutions, 25 higher educational institutions and 13 schools authorised by the government to provide vocational education programmes. In total, around 150 different vocational education programmes were taught at these institutions.

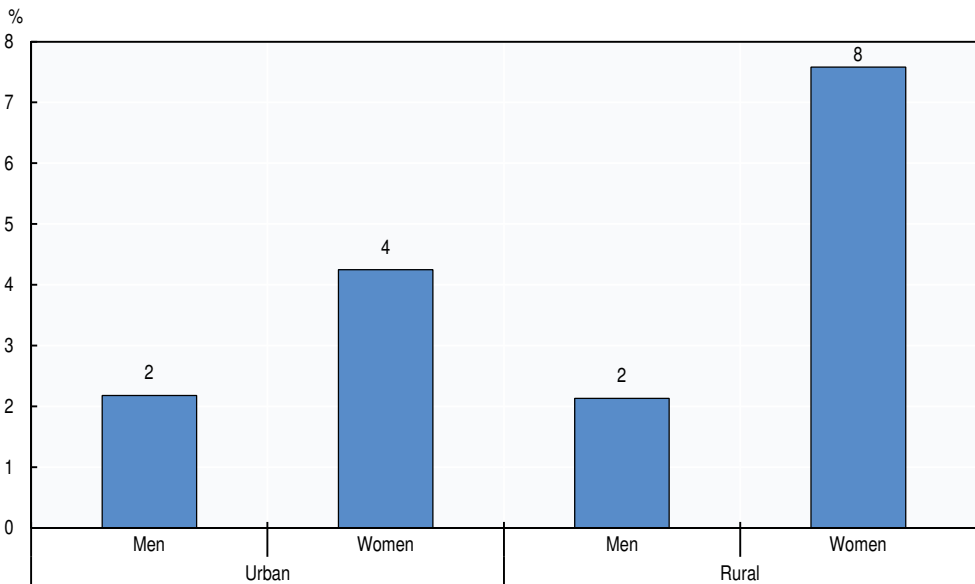
The strategy document identifies several important challenges facing vocational education in Georgia today. Vocational education is not attractive to the population and is not required as a precondition for recruitment by employers, as the quality of VET qualifications awarded are often low, and are not recognised by employers and education institutions either locally or internationally. VET educators themselves lack the capacity and professional development to meet modern standards and requirements. Both public and private VET providers lack sufficient funding, good management and up-to-date and quality equipment. Most importantly, VET programmes are often not relevant to the current and future labour needs of Georgia's growing and diversifying economy.

Before the adoption of the strategy in 2013, vocational courses were focused on a number of key sectors, particularly construction, the hospitality sector, information technology (IT) and textiles. Sectors that employ large numbers of technical people – like utilities, rail, steel, food processing and logistics – were hardly covered by the VET system and had to provide almost all of their training in house. The strategy documented the problems such as the low quality of vocational education, the lack of professional skills of VET graduates, low awareness of VET programmes and the need to involving employers directly in the VET system.

The IPPMD survey found that about 4% of the labour force had participated in a vocational training programme in the past five years. The participation rate in vocational training programmes is higher for women than men; and higher in rural areas than in urban areas (Figure 4.8). The most common training programmes are computer and IT-related (31%), followed by languages (15%).

Figure 4.8. Women in rural areas have the highest participation rate in vocational training programmes

Share of labour force who have participated in vocational training in the past five years (%)



Note: The difference between men and women in both urban and rural areas is statistically significant (99% significance level, using a chi-squared test).

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457893>

Both government employment agencies and vocational training programmes can serve as a reintegration channel for return migrants. As re-entry to the home labour market may require some return migrants to acquire new skills, training programmes can help returnees to develop these skills and find employment. However, the rate of use of such programmes by the return migrants in the survey is close to zero. Return migrants' lack of use of government employment agencies may partially explain their propensity to self-employment. In this case, they may have chosen to be self-employed as a last resort.

Public employment programmes are too small scale to make an impact

In theory, PEPs can either increase or decrease the incentives to migrate depending on households' response to the additional income received through such programmes. Programmes which improve local employment opportunities may reduce the incentives to migrate as the opportunity cost of migration increases. In rural areas in particular, public works programmes to support agricultural workers during the farming off-season can provide an alternative to seasonal migration. On the other hand, the increased income received may encourage migration. Overall, the impact of PEPs on migration is likely to depend on their duration, coverage and income level.

Georgia does have some public employment programmes (PEPs) in place; however, they are mostly targeted at a small number of people, such as specific groups including students, former prisoners and people with disabilities. They also only offer short-term employment. This may explain the low take-up of PEPs among the IPPMD sample in Georgia (less than 1%).

Conclusions and policy recommendations

Well-functioning labour markets are one of the keys to a country's economic and social development. In Georgia, unemployment is a strong push factor for emigration. It is therefore important to identify the extent to which Georgia's various labour market policies affect the migration decisions of households and individuals.

This chapter confirms that highly skilled occupational groups, especially the health sector are losing more labour to emigration than the other skills groups. Households respond to emigration and remittances by reducing their supply of labour to the market. Individuals who receive remittances are more likely to be unemployed, especially women. Return migrants tend to be self-employed after their return.

Government employment agencies are in place in Georgia, providing job seekers with better information on the domestic labour market, thereby increasing market efficiency. Vocational training programmes have become

one of Georgia's key labour market strategies to strengthen skills. However, the IPPMD survey found that the direct and indirect impact of these two labour market tools on migration decisions was limited.

While policies are needed to address the potential negative effects of migration and to amplify its positive effects on the labour market, labour market policies should also incorporate migration into their design. Here are some policy recommendations deriving from the findings in this chapter:

- Widen the activities of employment agencies to reach out to both current emigrants abroad and return migrants at home to ensure they have information on and access to formal wage jobs. Closer connections between the employment agencies and the private sector will be important for achieving this.
- Refine vocational training programmes to better target and match demand with supply. Mapping labour shortages and strengthening co-ordination mechanisms with the private sector are important steps. Training programmes can also aim to foster the inclusion of return migrants into the labour market.

Notes

1. People are considered to be employed not only when they are hired for a private or government sector job that generates income as a salary, but also when they perform work with a view to gaining profit, income (in cash or in kind), or other benefits. The self-employed are people who work in their own enterprise or household and have their own income.
2. Unemployment rate has been decreasing since 2009 according to GeoStat.
3. Discouraged workers constitute one group of inactive work-seekers. These are persons who, while willing and able to engage in a job, are not seeking work or have ceased to seek work because they believe there are no suitable available jobs. <http://stats.oecd.org/glossary/detail.asp?ID=645>
4. Though the difference is not statistically significant (using a chi-squared test).

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Chapter 5

Migration and agriculture in Georgia

While the importance of agriculture to Georgia's GDP has declined, the sector continues to play an important role – contributing to the livelihoods of around half the population. Despite being one of the government's top priority sectors for development, agriculture suffers from a lack of access to finance, infrastructure, inputs and entrepreneurial skills. Many individuals have emigrated from agricultural households in Georgia to seek work in neighbouring countries. This chapter assesses the role played by migration in Georgia's farming sector, as well as the influence of agricultural policies on migration. The chapter presents analysis of data gathered from the IPPMD survey of 1 089 farming households across the country. The findings have policy relevance in terms of the role of government support to the labour market to fill shortages opened up by rural emigration, how remittances can be harnessed more productively, and the value of return migration.

Economic and social development in many countries has historically been accompanied by a move away from rural areas, and thus from agricultural activities. In many cases this movement tends to be internal, from rural to urban. However, rural areas have also been the source of emigration to international destinations in Georgia. Reflecting this trend, agriculture once played a vital role in the Georgian economy, but has decreased in importance since independence. While part of the decline can be attributed to a diversification of the economy, the sector is also held back by poor infrastructure, insufficient access to inputs and finance, and a lack of post-harvesting activities. Many individuals have thus emigrated from agricultural households in Georgia to seek work in neighbouring countries, although exact numbers are unknown. This – plus the links they have maintained with their households and home country – has brought change to the agricultural sector.

There are several components to this change. First, the departure of a member decreases the availability of labour within the household. Second, emigrated members may remit part of their earnings, which can ease household financial constraints and encourage productive investment: remittances can represent a vital life source for rural regions. Third, emigrants may return with new ideas, key contacts, and financial capital, which they can put to productive use, providing a general boost to the sector.

This chapter is divided into four parts. The first part provides a contextual overview of the agricultural sector in Georgia and the data collected for the IPPMD project in 2014. The second part discusses the impact of migration on Georgia's agricultural sector, drawing on the IPPMD survey analysis. The third part reviews the links between agricultural policies and migration outcomes, such as the decision to leave, remit and return. The chapter concludes with a discussion of the policy recommendations.

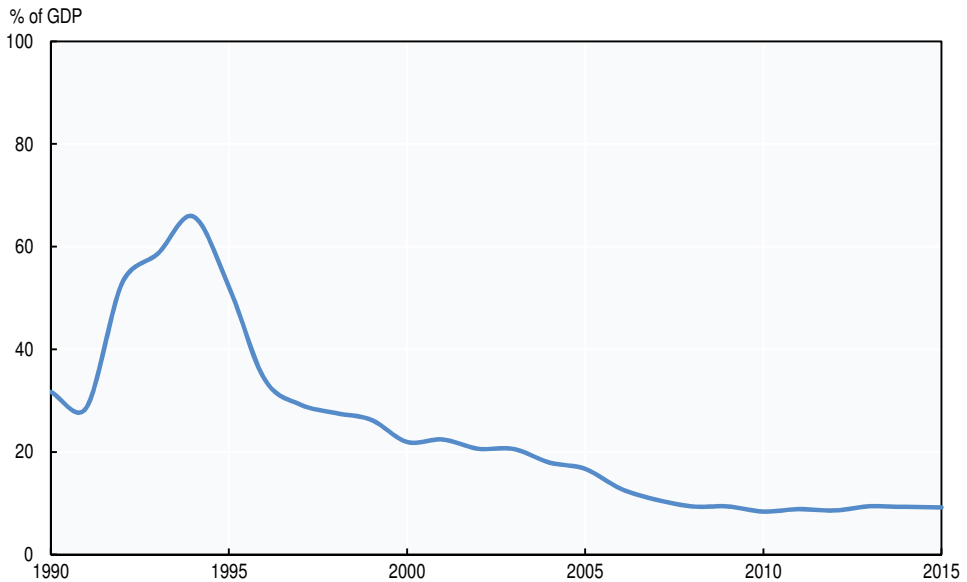
A brief overview of agriculture in Georgia

During the Soviet years, Georgia's agricultural sector was the subject of much attention, as the Soviet administration invested heavily in irrigating the country's arable land (FAO, 2009). Following its break with the USSR in April 1991 and subsequent regional conflicts, economic stagnation saw a crumbling of Georgia's non-agricultural sectors. Partly as a result, value-added in agriculture as a share of GDP ballooned to more than 60% (Figure 5.1), although agricultural irrigation systems were also largely destroyed by the conflict between 1991

and 1994 (FAO, 1997). In addition, the trade embargo imposed by Russia in 2006 diminished agricultural exports (AGM, 2012); since 2007 and as of 2015, the sector's contribution to gross domestic product (GDP) has settled down to about 9% (Figure 5.1). The value of agricultural production in 2013 was estimated at USD 862 million (FAO, 2016a), and a production per capita index measured at 100 in 2004-06 had fallen to 89 in 2013 (FAO, 2016b). Both these statistics are the lowest of all the IPPMD partner countries.

Today, the agricultural sector in Georgia lacks access to finance, infrastructure, inputs (e.g. fertilisers and pesticides) and entrepreneurial skills, such as post-harvest marketing. More than 90% of farmers in Georgia own plots of 1.25 hectares or less (AGM, 2012). In 2012, the government declared agriculture to be a priority sector (MOAG, 2015).

Figure 5.1. **The weight of agriculture in Georgia's economy has fallen sharply**
Valued-added in agriculture (% of GDP), 1990-2015



Source: World Bank, World Development Indicators, <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>.

StatLink  <http://dx.doi.org/10.1787/888933457906>

While the share of agriculture in the country's GDP has declined, the sector continues to play an important role in people's livelihoods. In 2011, over 50% of the population worked in the sector, and agricultural exports contributed to about 25% of all exports (AGM, 2012). Such a high rate of employment in a context of low value-added in GDP reflects the sector's low productivity. A study of the labour market in Georgia found that wages for agricultural workers are 34% on average of those earned by people employed in the financial sector,

and that 14% of the highly educated workers in the country are employed in agriculture (World Bank, 2013).

The IPPMD survey includes a specific module on household agricultural activity (Chapter 3). The module is divided into three strands: i) activities related to arable farming; ii) those related to animal husbandry; and iii) specific agricultural policies from which households may have benefited. Any household declaring an involvement in arable farming or livestock rearing was considered to be an agricultural household and the questions on agricultural policies were only put to these households.¹

Approximately half of the households in the sample are involved in agricultural activities (Table 5.1). Of the 2 260 households interviewed, 1 089 (48%) were involved in agriculture at the time of the interview. These include arable farming (252 households, 23%), animal husbandry (128 households, 12%), or both (709 households, 65%) (Table 5.1).

Table 5.1. Number and share of agricultural households, by type of activity

Type of agricultural activity	Number of households	Share of households (%)	Total share (%)
Non-agricultural households	1 171	52%	100%
Agricultural households	1 089	48%	
<i>of which:</i>			
<i>Arable farming only</i>	252	23%	100%
<i>Livestock rearing only</i>	128	12%	
<i>Arable farming and livestock rearing</i>	709	65%	

In terms of geographical location, 82% of the agricultural households surveyed are in rural areas, and 90% of rural households have agricultural activities. However, some regions have a high share of urban households involved in agriculture. This is the case in the northeast, for instance, where 45% of urban households have such activities. Most agricultural households in the sample (66%) come from the rural parts of the northeast and northwest of the country, reflecting the large samples selected in those areas. In the northwest, 92% of households are involved in agriculture.

How does migration affect agriculture in Georgia?

How does migration affect labour in the agricultural sector? Agriculture relies heavily on manual labour, especially in countries that lack investment in the sector, such as Georgia. As such, the departure, arrival and return of workers as well as the remittances migrants send back can potentially alter the activities of households, and more generally the sector as a whole.

The global literature offers two main views on how migration affects the agricultural sector. The first paints a negative picture, highlighting the loss of labour and the potential for that loss to affect food security and economic growth in rural areas. The second highlights the positive effect garnered from remittances and return migration (FAO and IFAD, 2008). The two views are not mutually exclusive and can be summarised as follows:

- Emigration decreases labour availability within the household and potentially in the wider community. For example, households in central Mali consider the loss of a young man's agricultural contribution to be greater than any gain from remittances (McDowell and de Haan, 1997). The departure of the most productive workers may even lead to labour shortages (Tacoli, 2002) and food insecurity in certain communities (Skeldon, 2009; Cotula and Toulmin, 2004; Cissé and Daum, 2010; Tsiko, 2009).
- Migration can be a source of investment and innovation for the sector through remittances and social and financial capital brought home by return migrants. These can be invested in productive assets such as machinery, barns, fencing, feeding mechanisms, irrigation systems and tractors (Mendola, 2008; Tsegai, 2004). The productive investment of remittances can also help households move from labour-intensive to capital-intensive activities (Lucas, 1987; Taylor and Wouterse, 2008; Gonzalez-Velosa, 2011), or into specialisation (Böhme, 2013; Gonzalez-Velosa, 2011). Remittances also permit agricultural households to resist and insure against hardships (Lucas and Stark, 1985). At the same time, migration can also be the catalyst for a move out of the sector as remittances and the various forms of capital repatriated by return migrants can be used to invest in activities outside of the agricultural sector (Carletto et al., 2010).

This section explores these issues in Georgia, drawing on the empirical analysis of the IPPMD dataset.

Households with emigrants have less household labour for farming

The departure of a household member may lead to adjustments in labour supply by the remaining family members. The fact that emigration can affect household labour by increasing the probability of working for those remaining behind, or decreasing it in the presence of remittances, is in line with the discussions in Chapter 4, although empirical studies confirming this specifically for agricultural households are rather scarce. There are two ways agricultural households can fill the labour gap – they may either put more household members to work in their fields, or they may have to hire in workers.

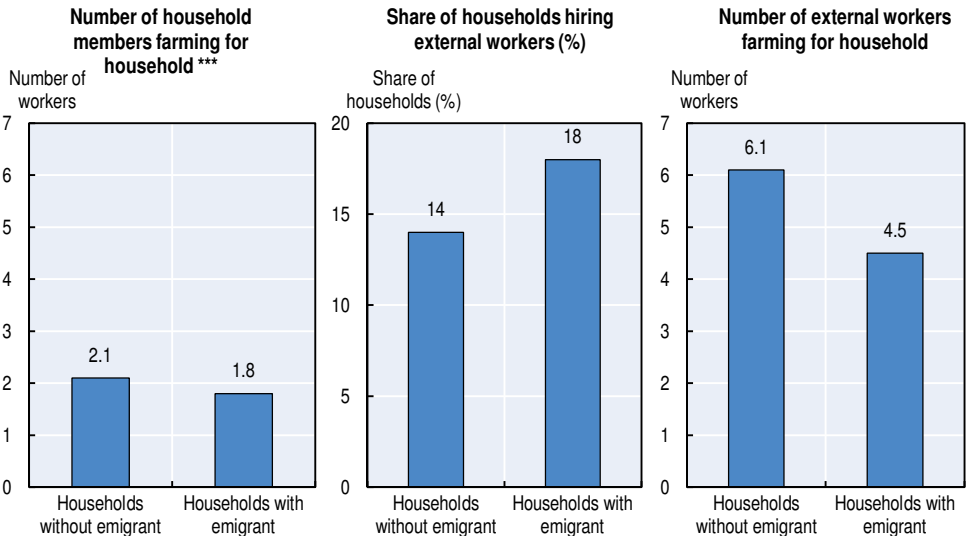
Nearly all arable farming households (98%)² in the survey had at least one household member working on the land during the last harvest season; 65% had at least two members, while only 22% had at least three members. Fifteen per cent of households hired in labour to work the land, and unsurprisingly

those same households had fewer household members involved in farming, on average. Most workers were hired on a seasonal basis. Of those households that hired in workers, the average per household was 5.5 workers.

What do the IPPMD data tell us about the effect of emigration on household labour in Georgia? Figure 5.2 suggests that emigrants are not necessarily replaced when they leave, as households with emigrants draw on slightly less household labour (1.8 vs. 2.1) and hire in fewer external workers (4.5 vs. 6.1) than households without emigrants. However, it also suggests that households with emigrants are more likely to hire in labour, perhaps because households with emigrants may not have been hiring external workers at all before, but are now forced to do so to replace the person who has left.

Figure 5.2. Households with emigrants have fewer workers, but are more likely to hire in labour

Use of labour in agricultural activities, for emigrant and non-emigrant households



Note: Statistical significance calculated using a t-test (1st and 3rd graph) and chi-squared test (middle graph) is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457914>

Regression analysis was used to probe these patterns further. To help isolate the effect of emigration, a first model was run that excluded remittance-receiving households. The results (shown in Table 5.2, top rows) suggest that there is no statistically significant link between emigration and drawing on more household or external labour, or the probability of hiring external labour.

However, as it is difficult to isolate the effect of emigration from that of receiving remittances, a second model included remittance-receiving households and also controlled for the fact that a household may receive remittances. The results suggest that emigrant households have fewer household members working on the land than non-emigrant households, but that those receiving remittances are more likely to have household members working (column 1, bottom rows). This shows that emigrant households are not replacing their departed household workers, except for remittance-receiving households, which are drawing on more household labour (but not hiring in any more external workers than non-remittance receiving households). This is possibly due to the fact that remittances are funding new activities for the household, which require more labour. The ways in which remittances can help households finance assets and activities is the focus of the next section. The second equation finds no significant difference between emigrant households and remittance-receiving households in terms of hiring in external workers or the numbers hired.

Box 5.1. The links between emigration and labour in agricultural households

To estimate the probability that an emigrant agricultural household draws on more household or external labour, the following ordinary least squares (OLS) regression model was developed:

$$\text{number_workers}_{hh} = \beta_0 + \beta_1 \text{emig}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

where the unit of observation is the household hh and the dependent continuous variable number_workers in equation (1) represents the number of people working in the fields, emig_{hh} represents whether the household has a former member who has emigrated or not. control_{hh} stands for a set of household-level regressors¹ while δ_r represents regional-level fixed effects. Standard errors, ε_{hh} , are robust to heteroskedasticity.

In addition, the following probit model was estimated:

$$\text{Prob}(\text{hire_external})_{hh} = \beta_0 + \beta_1 \text{emig}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

where $\text{Prob}(\text{hire_external})$ takes on a value of 1 if the household has hired at least one external worker and 0 otherwise. The other variables are defined as in equation (1).

Results are presented in Table 5.2. Column (1) presents results on the number of household members working in agricultural activities for the household, column (2) presents results on whether the household hired external labour to work for their agricultural activities, while column (3) presents results on the number of external workers hired by the household. Results are also divided into two sections. The top rows present results based on a sample excluding non-migrant households receiving remittances, while the bottom rows present results based on a sample including

Box 5.1. The links between emigration and labour in agricultural households (cont.)

remittance-receiving migrant households and show coefficient results related to both emigration and remittances.

Table 5.2. Emigrant households use less labour on the farm

Dependent variable: Agricultural labour working for the household			
Main variable of interest: Household has an emigrant			
Type of model: Probit/OLS			
Sample: Agricultural households			
Variables of interest	Dependent variables		
	(1) Number of household members working in the fields (equation 1)	(2) Household hired external labour (equation 2)	(3) Number of external workers hired by household ^a (equation 1)
All agricultural households, excluding remittance-receiving ones			
Household has an emigrant	-0.093 (0.061)	0.007 (0.026)	-0.803 (1.234)
<i>Number of observations</i>	801	803	116
All agricultural households, including remittance-receiving ones			
Household has an emigrant	-0.207*** (0.073)	0.011 (0.031)	-0.531 (1.604)
Household receives remittances	0.145* (0.081)	0.009 (0.033)	-0.449 (1.591)
<i>Number of observations</i>	909	911	129

Note: a) This regression model is estimated only for those households that hired at least one external worker. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Coefficients from probit model estimations reflect marginal effects.

1. Control variables for all regression model estimations presented in this chapter include the household's size, its dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, its wealth estimated by an indicator (Chapter 3), whether it is in a rural or urban region and a fixed effect for its geographic region. In regression models related to policies, the regional fixed effect is omitted due to smaller sample sizes.

Agricultural households do not seem to invest remittances in agriculture

Many households receive money and goods from friends and family living in other countries; according to Chapter 2 the amount represented nearly 12% of GDP in 2014. As agricultural households are mostly located in rural areas with poor credit and labour markets, remittances may be especially important to these households. As argued earlier, they may provide the financial means to invest in agricultural assets or new activities.

Table 5.3 provides an overview of remittance data from the IPPMD project in Georgia. Compared to non-agricultural households, agricultural households are slightly more likely to be receiving remittances, and the difference is marginally statistically significant when considering remittances originating from any source. Looking specifically at households with current emigrants, the gap remains in favour of agricultural households – with 49% of agricultural households receiving remittances compared to only 46% for non-agricultural ones – although the difference is not statistically significant.

Table 5.3. Agricultural households are slightly more likely to receive remittances

Number and share of households receiving remittances

Household type	Households that receive international remittances from any source	Households that receive international remittances from a former member	Rate of remittance receipt (amongst emigrant households)
Agricultural household	309* (28% of agricultural households)	245 (23% of agricultural households)	245 (49% of emigrant agricultural households)
Non-agricultural household	295 (25% of non-agricultural households)	256 (22% of non-agricultural households)	140 (46% of emigrant non-agricultural households)

Note: Differences between agricultural and non-agricultural households are calculated based on a chi-squared test. Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%.

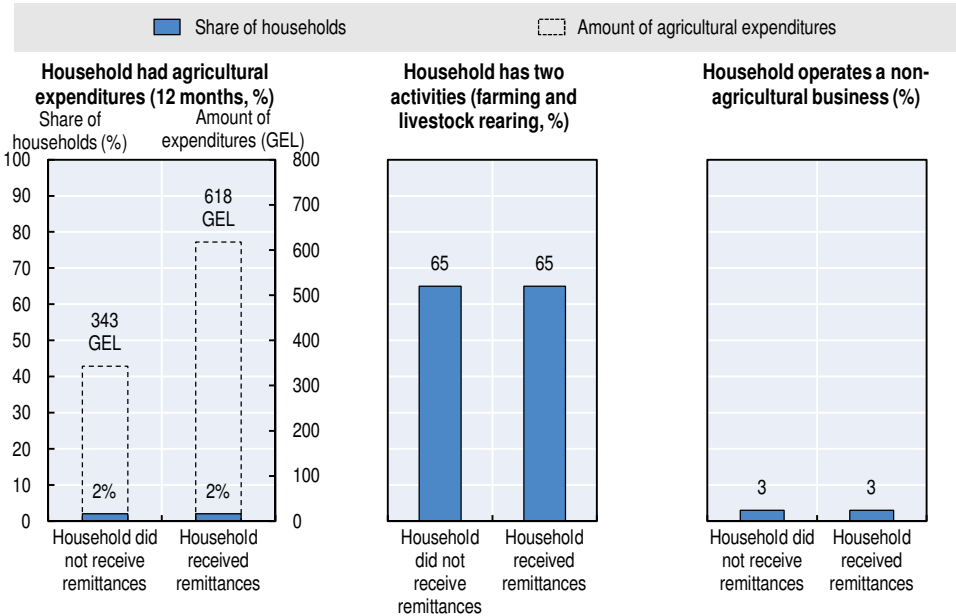
Source: Authors' own work based on IPPMD data.

What do these households use their remittances for? The IPPMD survey asked whether households had made agricultural expenditures³ in the previous 12 months: only 22 households claimed to have done so. Looking closer at these 22 households, those receiving remittances were just as likely to make agricultural expenditures as those not receiving them. However, the former had spent more on average over the previous 12 months than the latter (GEL 618 vs. 343) (Figure 5.3).

Households that receive remittances may also choose to spend their additional income on either specialising in one activity, such as farming or animal rearing, or diversifying by doing both. The data suggests that no difference between the two types of household, however (Figure 5.3). Remittances might also be used to finance entrepreneurial non-farm activities that require capital, such as a retail business or transport services (FAO and IFAD, 2008). This would be consistent with the gradual move away from agricultural dependence occurring in many countries. This has been the case in Albania, for instance, where remittances have been negatively associated with both labour and non-labour inputs in agriculture (Carletto et al., 2010). The IPPMD survey

therefore asked whether households ran a non-agricultural business. The data suggest that households receiving remittances are just as likely as those not receiving remittances to own such a business (Figure 5.3).

Figure 5.3. Households receiving remittances spend more on agriculture
Household expenditures and business ownership, by whether household receives remittances



Note: Statistical significance calculated using a t-test (1st and 3rd graph) and chi-squared test (middle graph) is indicated as follows: ***, 99%, **, 95%, *, 90%.

Source: Authors' own work based on IPPMD data.

StatLink <http://dx.doi.org/10.1787/888933457927>

Regression analysis explored these links more closely (Box 5.2). The results largely confirm the patterns suggested above: there was no link between a household receiving remittances and investing in agricultural assets (Table 5.4, column 1). However, based on the 22 households that did spend money on agricultural investments, the receipt of remittances seemed to be related to higher investments (Table 5.4, column 2). There does not seem to be any statistically significant link between the amount of remittances received by a household and the probability of a household investing in agriculture assets (Table 5.4, bottom rows). The sample was too small to test the relationship between the amount of remittances received and the amount spent.

In addition, remittance receipt does not seem to be related to households running activities in both arable farming and animal rearing. So what do remittance-receiving households do specifically then? Descriptive statistics

suggest that they are indeed specialising, in arable farming. Remittance-receiving households were statistically significantly more likely to have arable farming activities than households not receiving remittances (25% vs. 22%), whereas the reverse was true for animal rearing (10% vs. 13%). Neither of these differences was statistically significant however.

Equation (3) was also modified by replacing the probability of spending on agricultural assets with the probability of owning a non-agricultural business. The results shown in Table 5.4 suggest that there is no link between receiving remittances or the amount received, and owning a non-agricultural business.

Box 5.2. The links between remittances and investing in farming

To estimate the probability that an agricultural household has invested remittances in an asset or activity, the following regression models were developed:

$$\text{Prob}(\text{agri_outcome}_{hh}) = \beta_0 + \beta_1 \text{remit}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

where the unit of observation is the household hh and the dependent binary variable agri_exp in equation (3) represents the probability that the household engaged in a particular agricultural outcome (e.g. making expenditures or having a specific activity) and takes on a value of 1 if the household did so and 0 otherwise, remit_{hh} represents the fact that the household received remittances in the past 12 months, control_{hh} stands for a set of household-level regressors while δ_r represents regional-level fixed effects. Standard errors, ε_{hh} , are robust to heteroskedasticity.

A second OLS model is also estimated:

$$\text{Ln}(\text{agri_exp}_{hh}) = \beta_0 + \beta_1 \text{remit}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (4)$$

where agri_exp represents the logged amount of the agricultural expenditures that were spent. All other variables are as defined in equation (3).

Table 5.4 presents the regression results. Column (1) presents results on whether the household has made agricultural asset expenditures, column (2) on the amount spent on agricultural assets in the past 12 months, column (3) on whether the household has activities in both farming and animal rearing and column (4) on whether the household operates a non-agricultural business. The table also presents results for two variables of interest. The top rows present results related to the fact that the household received remittances in the past 12 months, whereas the bottom rows present results related to the logged amount of remittances received by former members of the household in the past 12 months, limiting the sample to those that received remittances only.

Box 5.2. **The links between remittances and investing in farming** (cont.)Table 5.4. **Remittance-receiving households spend more on agricultural assets**

Dependent variable: Investment outcomes				
Main variables of interest: Household received remittances/amount of remittances received by household				
Type of model: Probit/OLS				
Sample: Agricultural households				
Variables of interest	Dependent variables			
	(1) Household has made agricultural asset expenditures (equation 3)	(2) Logged amount spent on agricultural assets in the past 12 months (equation 4)	(3) Household has activities in both farming and animal rearing (equation 3)	(4) Household operates a non-agricultural business (equation 3)
Household received remittances in the past 12 months	-0.001 (0.008)	0.727* (0.357)	-0.038 (0.035)	0.002 (0.006)
<i>Number of observations</i>	1 066	22	1 079	1 076
Logged amount of remittances sent from former household members	-0.005 (0.004)	n/a	-0.021 (0.022)	0.006 (0.015)
<i>Number of observations</i>	184	-	185	184

Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Results denoted "n/a" refer to small sample sizes too small to adequately analyse. Coefficients from probit model estimations reflect marginal effects.

Return migration is linked to both agricultural and non-agricultural investments

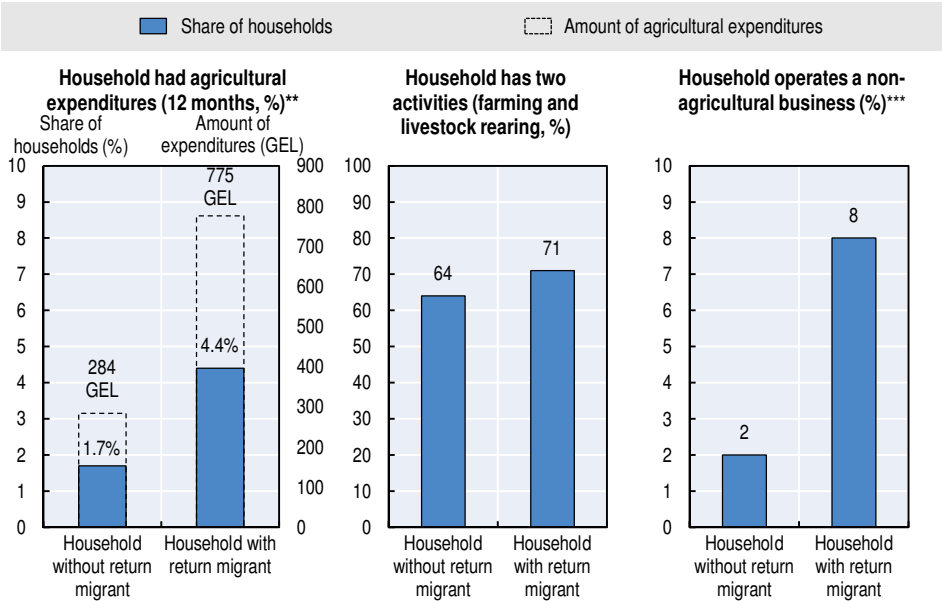
Return migration can also affect the agricultural sector in many of the same ways as remittances, since the migrants may return with savings, as well as their labour and new skills and contacts (human capital). Of the 258 households with return migrants, 137 (13%) were from farming households while 121 (10%) were from non-farming households, a statistically significant difference. Looking specifically only at migrant households (those with current emigrants or return migrants), the difference in rate between farming and non-farming households is even wider (29% vs. 24%).

Looking at the same outcomes as for the analysis on remittances above finds that households with return migrants perform better than households with no return migrant for several outcomes (making agricultural expenditures and investing in non-agricultural businesses; Figure 5.4). Moreover, the difference between return migrant and non-return migrant households was statistically significant for agricultural expenditures (4.4% vs. 1.7%), as well as for operating a non-agricultural business (8% vs. 2%). In addition, those households with return migrants that had made agricultural expenditures, had spent more in the previous 12 months than agricultural households without return migrants

(GEL 775 vs. 284). As was the case earlier, the results come with the caveat that the analysis was based on only 22 households.

Figure 5.4. **Households with return migrants are more likely to invest in agriculture and to own a non-agricultural business**

Household asset expenditures and business ownership, by whether household has a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.
Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457931>

A similar regression analysis as the one described in Box 5.2 was used to explore whether return migrant households invest their savings in agriculture. The probability of receiving remittances is replaced in the equation with the probability of having a return migrant in the household. The results found no relationship between having a return migrant in a household and making an agricultural expenditure. However, as for remittances, return migrant households that have made agricultural expenditures spend more than households without return migrants, and the link is strongly statistically significant (Table 5.5). While return migration is not statistically significantly linked with running activities in both arable farming and animal rearing, there was also no evidence that it is linked with specialising in one of the two activities in particular. In addition, return migrant households are also more likely to operate a non-agricultural business, suggesting that the human, financial and social capital brought back by return migrants is channelled towards productive use, but outside of the sector.

Table 5.5. **Return migration is positively linked with investing in agriculture and running a non-farming business**

Dependent variable: Investment outcomes				
Main variables of interest: Household has a return migrant				
Type of model: Probit/OLS				
Sample: Agricultural households				
Variables of interest	Dependent variables			
	(1) Household has made agricultural expenditures (equation 3)	(2) Logged amount spent on agricultural asset expenditures (equation 4)	(3) Household has activities in both farming and animal rearing (equation 3)	(4) Household operates a non-agricultural business (equation 3)
Household has a return migrant	0.020 (0.016)	1.78*** (0.219)	0.038 (0.047)	0.024* (0.013)
<i>Number of observations</i>	1 066	22	1 079	1 076

Note: Results that are statistically significant are indicated as follows: ***, 99%, **, 95%, *, 90%. Standard errors are in parentheses and robust to heteroskedasticity. Coefficients from probit model estimations reflect marginal effects.

Migration therefore seems to have a positive impact overall on the agricultural sector in Georgia, through emigration, remittances received by households and return migration. In addition, return migration seems to be a catalyst for a greater diversification of activities outside of the sector. On the other hand, public policies in the agricultural sector are also likely to have an impact on migration outcomes, such as the decision to emigrate, remit, return, and stay in the country. This dynamic is investigated in the next section.

How do agricultural policies affect migration?

In 2012, the Georgian government declared the agricultural sector to be a development priority (MOAG, 2015). Current Georgian agricultural policy is primarily concerned with the poverty of many agricultural households and the low productivity across the sector. The government vision for the sector is:

“[...] to create an environment that will increase competitiveness in the agro food sector, promote stable growth of high quality agricultural production, ensure food safety and security, and eliminate rural poverty through sustainable development of agriculture and rural areas.” (MOAG, 2015).

In particular, Georgia’s 2020 national development strategy sets out the following priorities for agriculture: i) facilitating exports; ii) developing infrastructure; and iii) improving access to investments. This strategy has led to the enactment of a raft of agricultural policies, many of which have the potential to affect migration-related outcomes. This section investigates how current agricultural policies (described in Box 5.3) affect decisions to emigrate, to send remittances (and the amount remitted), as well as to return home and to stay permanently. Stakeholders interviewed as part of the project confirmed

that many public programmes have been developed following the government's declaration of the agricultural sector as a state priority. The programmes aim to assist small farmers with few opportunities to cultivate or exploit their small landholdings profitably. In addition, several non-public organisations seized the opportunity of the government's agricultural prioritisation to organise meetings with current emigrants, seasonal returnees and their households to inform them of the changes in the sector, and to discuss opportunities for a more permanent return and possible investment in the country.

Box 5.3. Georgian agricultural policies and programmes covered in the IPPMD project

The IPPMD household survey asked adult household members whether they benefited from agricultural policies and programmes such as subsidies or free services, agricultural training programmes and insurance mechanisms such as cash-for-work, input-for-work, food-for-work, crop insurance and contract farming (listed in Figure 5.5), over the past five years. Households were asked to state every year in which they had benefited from these programmes (between 2010 and 2014). In addition, the project collected information on households with land titles and beneficiaries of land reform, while the community survey collected information on whether the communities where the household surveys were conducted have farmers' co-operatives. It also asked whether subsidies and training programmes had been implemented in these communities.

Figure 5.5. Agricultural policies explored in the IPPMD surveys

Subsidy-type programmes	Training programmes	Insurance-based programmes	Programmes included in the community survey
<ul style="list-style-type: none"> • Subsidies: <ul style="list-style-type: none"> • seeds • other types of inputs • hiring labour • Vouchers 	<ul style="list-style-type: none"> • Agricultural training • Other types of extension programmes 	<ul style="list-style-type: none"> • Contract farming • Cash-for-work programmes • Crop insurance coverage • Land reform • Land title certificate 	<ul style="list-style-type: none"> • Farmers' co-operatives • Subsidies • Training programmes

It is not immediately clear whether the agricultural policies introduced in Box 5.3 are likely to have a net positive or negative effect on migration flows. By increasing households' income, **agricultural subsidies** can reduce financial constraints and therefore have the potential to reduce emigration pressure. On the other hand, they may provide enough additional income to make emigration

affordable to a household. They may also provide the incentive for households to invest and channel funds towards agricultural activities, thus increasing the receipt of remittances, or they may make them less necessary, thereby reducing their flow. Similarly, they may provide the incentive for emigrants to return and – more importantly – to stay.

Agricultural training can provide the skills needed to increase efficiency and improve yields, thereby reducing the need to emigrate. On the other hand, by making workers more efficient and perhaps more employable, training may actually promote emigration by increasing people's chances of finding work overseas. Remittances can complement new skills – by providing the income necessary to invest in mechanisation, for instance. Similarly, the availability of training could encourage emigrants to return if they feel the training would lead to better yields. It can also increase their probability of staying in the home country. But, if training makes workers more employable and enables them to emigrate and work elsewhere they may be less likely to return as their employers may want to keep them longer.

Insurance and risk reduction are at the core of emigration. Individuals often emigrate in search of more stable income or to overcome a shock. Lack of land or land title, for instance, can push people to emigrate from poor agricultural economies. Mechanisms which reduce risk – such as crop insurance protection, cash-for-work programmes and government contract farming programmes which guarantee incomes even when harvests are poor – may therefore decrease the need to emigrate. In addition, policies that help households exploit their own land or use it as financial collateral, such as land reform or enforcement of land registration, can keep households from seeking to emigrate. However, on some occasions, such mechanisms may increase the probability of emigration: for example, financial stability gained from the lowered risk could be used to finance emigration. Risky circumstances back home are also a main reason for sending remittances – to help households smooth consumption and survive financial stress. Risk-reducing mechanisms may therefore reduce the need to send remittances. On the other hand, they may also make investments more secure and so increase the flow of remittances. Similarly, reduced risk may provide the incentive for emigrants to return and to stay – especially if they had left to avoid risk.

Vouchers have the widest coverage of all the policy programmes surveyed

Table 5.6 summarises the policy-related data collected from the surveys. Overall, 939 of the 1 089 (86%) agricultural households surveyed had benefited from agricultural programmes between 2010 and 2014. The vast majority had benefited from the agricultural voucher system (85%), a programme developed

by the Ministry of Agriculture intended to help farmers financially.⁴ There are two strands to the programme: i) subsidised ploughing services; and ii) financial aid for agricultural raw materials and equipment.⁵ About 600 000 farmers have benefited from the programme (World Bank, 2015). The value of the vouchers ranged but was on average GEL 300,⁶ based mainly on the farm's total land size.

The next most popular policy was land reform – 195 households had acquired land through reform, representing 20% of all land-working households covered in the survey. In addition, 675 (72%) land-owning households were in possession of the title papers of their lands.

Table 5.6. Policies and number of benefiting households in the IPPMD survey

Type of policy programme	Number of benefiting households	% of agricultural households
Any type of agricultural programme	940	86
Subsidies	124	11
<i>of which :</i>		
<i>for seeds</i>	42	4
<i>for other inputs</i>	99	9
<i>for labour</i>	12	1
Vouchers	929	85
Training-related	19	2
Insurance-related	26	2
Land reform	195	20 (of arable farming households)
Possession of land title certificate	675	67 (of arable farming households)

Regression analysis was used to explore whether these policies were linked to migration-related decisions (Box 5.4). The results are discussed in the sections which follow.

Box 5.4. The links between agricultural policies and migration

To estimate the probability that an agricultural policy (or lack of) affected a migration-related outcome, the following probit regression model was estimated:

$$\Pr(\text{migration_outcome}_{hh} = 1) = \beta_0 + \beta_1 \text{benefited}_{hh} + \gamma \text{controls}_{hh} + \varepsilon_{hh} \quad (5)$$

where the unit of observation is the household hh and the dependent binary variable $\text{migration_outcome}_{hh}$ takes on a value of 1 if the household has experienced a migration event and 0 if not. benefited_{hh} represents a dummy variable, taking the value of 1 if the household benefited from a certain agricultural policy. control_{hh} stands for a set of household-level regressors.¹ Standard errors, ε_{hh} , are robust to heteroskedasticity.

Box 5.4. The links between agricultural policies and migration (cont.)

The results for five outcomes are presented in Table 5.7. Column (1) represents results for a binary variable equal to 1 if the household has at least one member that planned to emigrate, column (2) represents results for a binary variable equal to 1 if the household has at least one emigrated member, column (3) represents results for a binary variable equal to 1 if the household has received remittances from any source in the past 12 months, column (4) represents results for a binary variable equal to 1 if the household has a member who returned to the household from an emigration episode within the past 5 years, amongst households with either returned or currently emigrated members; and column (5) represents results for a binary variable equal to 1 if a household with a return migrant has at least one return migrant planning to migrate again.

Table 5.7. **Voucher schemes seem to be strongly linked to plans to emigrate**

Dependent variable: Migration outcomes					
Main variables of interest: Household benefited from a policy					
Type of model: Probit					
Sample: Agricultural households					
Variables of interest	Dependent variables				
	(1)	(2)	(3)	(4)	(5)
	Household has a member planning to emigrate	Household has a member leave within 5 years	Household received remittances in the past 12 months	Household has had a member return in the past 5 years (amongst migrant households)	Household has a return migrant planning to re-migrate
Benefited from an agricultural subsidy in the past 5 years	0.014 (0.026)	0.029 (0.045)	0.012 (0.044)	-0.020 (0.067)	-0.038 (0.107)
Benefited from an agricultural voucher in the past 5 years	0.046*** (0.015)	0.014 (0.040)	0.019 (0.041)	0.071 (0.063)	0.043 (0.114)
Benefited from an agricultural training in the past 5 years	-0.010 (0.059)	0.213* (0.125)	-0.030 (0.102)	-0.082 (0.132)	n/a
Benefited from an agricultural insurance mechanisms in the past 5 years	0.041 (0.061)	0.285** (0.110)	0.079 (0.097)	-0.159** (0.079)	n/a
<i>Number of observations</i>	1 089	910	1 089	474	112

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. Results denoted "n/a" refer to small sample sizes too small to adequately analyse. Coefficients from probit model estimations reflect marginal effects.

1. Because of the small sample size in this section, a regional-level fixed effect is not included in the regression model.

Agricultural vouchers seem to increase the probability of emigrating

There appears to be a small difference in emigration plans between households benefiting or not benefiting from agricultural subsidies (9% vs. 7%, Figure 5.6). In addition, households that had benefited from agricultural subsidies at least once since 2010 were just as likely as non-benefitting households to have had an emigrant leave (36% vs. 35%).

The regression results suggest that general agricultural subsidies have little effect on any of the migration outcomes amongst the surveyed households (Table 5.7, row 1).⁷ Agricultural subsidies therefore do not seem to loosen the constraints for emigrating, real or imagined, in the immediate term. The impact of subsidies may vary according to their objective. For instance, subsidies that help finance inputs such as seeds or fertiliser may have a different effect to those that help pay for hiring labour. However, regressions performed on the impacts of these individual subsidy types found no significant links with any of the migration outcomes.

A large majority of households (85%) claim to have benefited from the agricultural voucher system, indicating that this government programme has good coverage. Households having benefited from the programme are more likely to have a member planning to emigrate than households who did not benefit (8% vs. 4%, Figure 5.6) – a finding confirmed by the regression analysis (Table 5.7). As the programme largely amounts to a subsidy, the money saved by the household is perhaps making emigration more affordable. Since the programme is for inputs or for services tied to activities prior to harvest, the household is not obliged to demonstrate the quality or quantity of its yield. This means they can choose to use the money saved to send a member abroad. The vouchers had no effect on any other migration outcome, however.

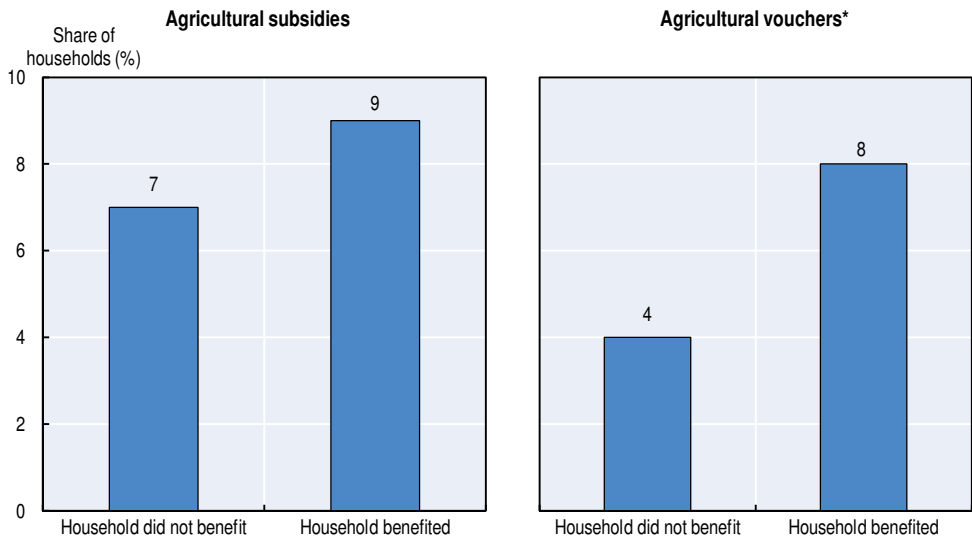
Agricultural training programmes appear to be linked to emigration

As only 19 households benefited from agricultural training in Georgia, robust regression analysis is difficult. However, benefiting households were more likely to have a current emigrant than households that had not benefited from training (44% vs. 22%), a relation confirmed by regression analysis (Table 5.4, column 2). This suggests that the training may have given people the skills required to find farm work in neighbouring countries. For example, many households have emigrants working seasonally on farms in Armenia or Turkey. However, there was no difference in the probability of having a member plan to emigrate in households that had benefited from training. Training programmes were also not a determinant for receiving remittances – although there is a link between training and receiving higher amounts of remittances, the difference is not statistically significant (GEL 863 vs. 670). Regression analysis found no

statistical link between benefiting from training and return migration. An analysis of the plans to re-migrate amongst return migrants was not possible given the small sample size.⁸

Figure 5.6. **Agricultural vouchers appear to be linked to plans to emigrate**

Share of households with a member planning to emigrate, by public policy



Note: Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457945>

Insurance-related programmes are linked to emigration, but not return migration

As for training programmes, the small number of households (26) benefiting from a diversity of agricultural insurance programmes – including contract farming, cash-for-work programmes and crop insurance – limited any substantial analysis. In addition, many households may not know that they are covered by crop insurance until they need to make a claim.

With this caveat in mind, the descriptive analysis indicates that benefiting households are more likely than non-benefiting households to have a member planning to emigrate within the next year (8% vs. 4%). They are also more likely to have an emigrant who had left within the past five years (50% vs. 22%). Regression analysis controlling for a number of household-level characteristics confirms this, as well as the fact that households benefiting from insurance programmes are significantly less likely to have a return migrant (Table 5.7). It

seems therefore that insurance mechanisms may indeed encourage households to emigrate and to stay in the host country for longer. This is perhaps because they allow households to survive the risk of losing a member to emigration. Insurance programmes had no effect on remitting behaviour, however.

A small amount of information was collected by the IPPMD project on agricultural aid following a shock.⁹ This found that 51 households had benefited from government agricultural aid for crop loss. A regression analysis similar to the one in Box 5.4 found that these households are more likely to have a return migrant (results not shown), suggesting that such programmes could encourage people to return. However, there was no conclusive link found with permanent return (results not shown).

Land ownership and possession of titles are linked to migration outcomes

What about the links between migration and land-related policies (land reform and land titles)? In 1992 the Georgian government launched a reform of agricultural land in the country. From 1992 to 1995, the state transferred very small parcels of land to most of the population living in Georgia, including rural and urban regions, regardless of whether they had been engaged in agriculture before. Overall, 760 000 hectares of land was transferred, with up to 1.25 hectares provided to individuals engaged in agriculture and up to 5 hectares for those living in mountainous areas. Very small parcels were provided to those not already engaged in agriculture. The state then gradually opened the agricultural land market, although continued to lease land to households that were not able to obtain land during the reform¹⁰ (EPRC, 2013).

There were 195 households that benefited from land reform in the survey. A similar regression model to the one presented in Box 5.4 was run, controlling for whether the household owns agricultural land or not (Table 5.8). This suggests that households that have benefited from land reform are less likely to receive remittances – perhaps acquiring agricultural land has helped increase income and reduced the need for remittances.

In 1999, the Georgian government began issuing land registrations and continued doing so until 2008, while a formal land cadastre system was developed. However, the issuance of certificates has been problematic, and a study finds that only 20 to 30% of agricultural land transferred under reform had been registered by 2013 (EPRC, 2013). Households that have the official titles to their land may find it easier to use it for financial leverage or to sell it, potentially affecting migration outcomes. In many developing countries, access to land is often contingent on its use. Research suggests that delinking land rights from land use can increase emigration, as household members do not have to use the land productively in order to retain ownership. They are free

to leave it fallow or rent it out without risking losing it. In Mexico, for example, households that had obtained certificates through the Mexican land certification programme, rolled out from 1993 to 2006, were found to be 28% more likely to have a migrant member (de Janvry et al., 2014). Regression analysis confirmed that households with land titles were more likely to have members planning to emigrate (Table 5.8).

Table 5.8. **Acquiring land through reform can reduce the need for remittances**
Results from regression estimations on land reform and titling

Variables of interest	Dependent variables				
	(1) Household has a member planning to emigrate	(2) Household has a member leave within 5 years	(3) Household received remittances in the past 12 months	(4) Household has had a member return in the past 5 years (amongst migrant households)	(5) Household has a return migrant planning to re-migrate
Household acquired land through reform	-0.010 (0.020)	-0.040 (0.035)	-0.097** (0.034)	-0.017 (0.058)	-0.018 (0.086)
<i>Number of observations</i>	953	791	953	417	104
Household has the land title for their land	0.038** (0.017)	0.040 (0.033)	-0.005 (0.034)	0.018 (0.054)	0.096 (0.083)
<i>Number of observations</i>	918	759	918	400	99

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Coefficients from probit model estimations reflect marginal effects.

Conclusions and policy recommendations

To conclude, this chapter has found that migration has an impact on Georgia's agricultural sector, and the effect is positive overall. While households with emigrants have less agricultural labour than non-migrant households, remittances seem to help them cope with the loss of labour. In addition, remittances allow households to spend more on agricultural assets than those not receiving remittances. But the real difference comes from return migration, which seems to be prompting a diversification of migrant household activity: households with return migrants are more likely to invest in agricultural assets and to have non-agricultural businesses.

On the other hand, a side effect of government agricultural policy programmes – such as subsidies and voucher schemes, training, and land titling – seems to be to encourage emigration. For instance, households benefiting from agricultural voucher schemes, and have land title certificates

tend to be more likely to have a member planning to emigrate, while those benefiting from training and insurance programmes tend to have a current emigrant. Those benefiting from insurance mechanisms are also less likely to have a return migrant. Insurance mechanisms can also include land ownership and can substitute for remittances. In fact, households acquiring land through land reform were less likely to receive remittances.

Chapter 2 highlighted that while Georgia's migration strategy integrates the suggestions of various development strategies enacted by the government across many sectors and domains, it does not account for its national agricultural strategy. The dynamics outlined above suggest that policy makers need to account for migration when planning and drafting agricultural policies, and for agricultural policies when planning migration strategies. The recommendations are as follows:

- Ensure that agricultural households can access agriculture labour when needed. Better coverage by labour market institutions in rural areas can help agricultural households replace labour lost to emigration. Without such institutions the agricultural sector, food security and poverty could all deteriorate further in areas where emigration rates are high.
- Make it easier for remittances to be channelled towards productive investment, such as ensuring money transfer operators are present and affordable in rural areas, households are sufficiently trained in investment and financial skills and adequate infrastructure is already in place. Bottlenecks that limit investments in specific sectors, particularly declining ones like agriculture, are a lost opportunity to harness the potential of remittances and return migration for revitalising these sectors. In addition, economic and administrative hurdles, such as the cost of remitting and the lack of programmes to reintegrate return migrants, can also limit the potential of these assets.
- Tie agricultural aid to *ex post* output rather than providing it *ex ante*. The analysis of Georgia's voucher programme suggests that agricultural subsidy programmes that are not contingent on some level of output or outcome or do not provide a non-transferable asset, such as land, may help spur more emigration. This may run counter to the objectives of the programme if its aims are to keep farmers in the country and in the sector.

Such actions will help to ensure that workers remain interested and invested in the agricultural sector. In tandem, policy makers should address rural and agricultural infrastructure, such as irrigation, to make the sector more attractive for investment and employment. At present more productive and higher paying jobs are to be found elsewhere, and return migrants may be returning from abroad to urban areas instead of their rural households of origin.

Notes

1. This chapter focuses on households, unlike Chapter 4, which analyses data for individuals.
2. Questions related to farm labour were only asked to arable farming households.
3. The question in the survey asked households how much they spend on average on agricultural productive assets (such as farming equipment) over the course of 1 year.
4. Although this large governmental programme was launched in 2013, there were other similar but smaller voucher programmes run in the years prior to that one (e.g. by USAid). For that reason, the questionnaire covered the voucher programme starting in 2010. The voucher programme ended in 2015.
5. Additional programmes were added for farmers with activities not requiring ploughing, such as vineyards, orchards and tea plantations.
6. This total is equivalent to USD 170, at the exchange rate on 1 July 2014.
7. These results could be related to the fact that households mixed their responses in with the agricultural voucher system, which includes agricultural subsidies, but the results were similarly not statistically significant when looking specifically, or in combination with the voucher system.
8. As for agricultural subsidies, it could be that households were unclear on whether they benefited from a voucher or from training, as the agricultural voucher system in Georgia includes training programmes. However, combining the voucher beneficiaries with those claiming to have benefited from training did not alter any of these results.
9. A more robust and accurate analysis would require a random assignment of coverage combined with the random assignment of a shock across households.
10. Such leasing continued until 2011.

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Chapter 6

Migration and education in Georgia

Education plays a crucial role in development and growth. Migration, through its close links with education, can help to enhance educational outcomes – for individuals, as well as nationally. At the same time, education policies can affect migration behaviour. This chapter investigates the interlinkages between education and migration in Georgia. The chapter analyses the link between migration decisions, including remittances, and two key educational outcomes: educational expenditures and attendance rates. It also looks at the role of educational attendance in emigration decisions, and whether migration – and specifically return migration – is likely to affect human capital in Georgia. Finally, the chapter investigates the link between education policies and migration outcomes.

Education is a key determinant of future income earning potential and a driver of development at both individual and national level. Education and migration decisions are closely linked, and migration can potentially affect education through several channels. Emigration and return migration can change the skills composition in both countries of origin and destination. Emigration and remittances can also affect the educational attainment of children and youth in the household, as well as households' educational expenditures. At the same time, educational policies and programmes may influence migration decisions and remittance patterns.

Georgia is significantly affected by emigration (Chapter 2), and particularly emigration by parents, leaving children behind. Emigration can affect children's education both directly, through the absence of one or both parents, or indirectly through remittances sent home by migrants that can be used for educational investments. These effects, and several other potential channels and interactions between migration and education in Georgia, are explored in this chapter.

The chapter begins with an overview of Georgia's education sector, before investigating the role of education in migration decisions and the impact of emigration and return migration on the national human capital stock. The following section analyses the links between emigration and educational expenditures and school attendance. The chapter also assesses the role of existing education policies on emigration and return migration. It concludes by drawing some policy recommendations.

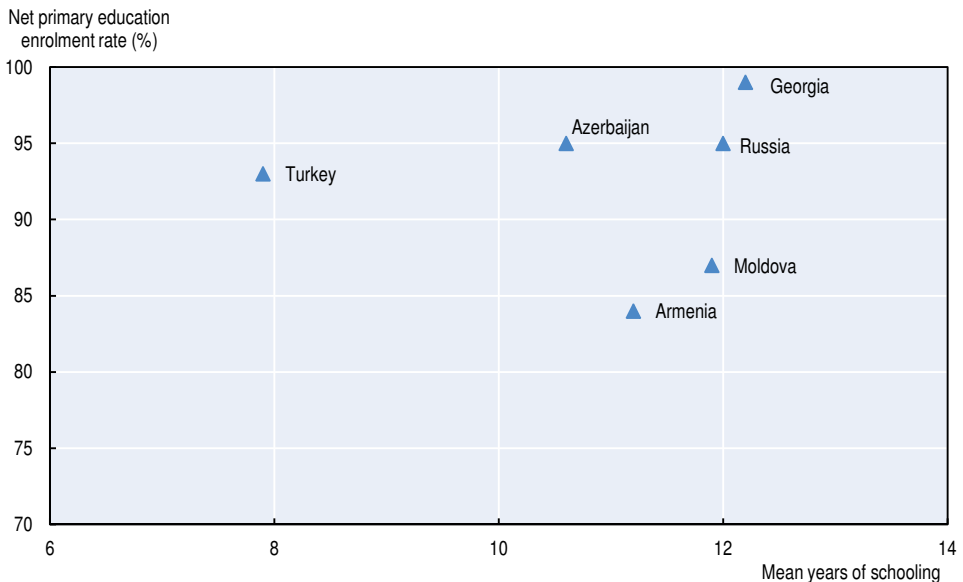
A brief overview of the education sector in Georgia

General education in Georgia is universal and involves three stages: six years of primary education, three years of basic education and three years of secondary education. The first two stages are mandatory, while receiving full secondary education is not mandatory, though it is a constitutional right. The state covers all tuition fees at public schools for all stages of general education, and guarantees the right to receive general education as close to the student's place of residence as possible. Fulfilling this can, however, be a challenge in the sparsely populated and remote mountainous rural areas where there is only a small number of children of school age. As a consequence, students in these remote areas may have to travel a long way to reach the nearest school.

Almost all children of primary school age are enrolled in education, placing Georgia above the regional average in terms of primary enrolment rate. The enrolment rate of children and youth from the richest households is however still significantly higher than for those from poorer backgrounds (UNICEF, 2010). The adult population (25 years and above) is the most well-educated in the region when it comes to length of schooling, with on average 12.2 years of education (Figure 6.1).¹


Figure 6.1. **Georgia is the region's top performer for primary enrolment and length of schooling**

Net primary education enrolment rates (%) and mean years of schooling of adults (25 years and above)



Note: Enrolment rates are for 2014, except Armenia (2007), Georgia (2011) and Turkey (2013).

Source: UNESCO (2016), UIS.Stat, database, <http://data.uis.unesco.org>.

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A reform of Georgia's tertiary education system began in 2004, which aims to bring the post-Soviet system into line with the European Union (EU) Bologna system standards (EPPM, 2013). Today, Georgian tertiary education consists of three cycles: Bachelor, Master and PhD level. Joining the European Higher Education Area was an important step for higher education in Georgia, allowing – among other advantages – tertiary qualification credentials received in Georgia to be recognised by EU countries.

The state covers a minimal amount of university tuition fees for students who perform well in the Unified national exams. Given the uneven quality of general education throughout the country, access to tertiary education is

characterised by disparities in the enrolment of applicants from various regions and settlement types (CRRRC, 2015).

The data collected through the IPPMD project are one of the few sources available in Georgia to investigate the link between household migration and educational attendance. The survey collected educational information on all household members in the sample (Chapter 3). The level of education of adults in the sample differs slightly depending on the location of the household. Adults living in urban settlements are more likely to have obtained post-secondary education than those living in rural areas: 43% of adults have completed post-secondary education in urban areas compared to about 21% in rural areas (Table 6.1). The gender disparities in post-secondary education are more pronounced in rural areas. The overall difference in education levels between men and women in rural areas is very small, while in urban areas 34% of men and 32% of the women have completed post-secondary education.

School attendance rates – the share of children in school age currently attending school – are almost 100% for children aged 7-14 (99% for both girls and boys; Table 6.1). Attendance rates are high also for young people between 15 and 17 years (84%).² Youth school attendance rates are higher in urban than in rural areas, with a more pronounced difference for boys (90% in urban areas and 69% in rural areas) than for girls where the difference is negligible (90% vs. 85%).

Table 6.1. The Georgian population is well-educated, and school enrolment rates are high

	Overall (%)	Urban (%)	Rural (%)
Share of adults with post-secondary education			
All adults	33	43	21
Men	34	45	21
Women	32	41	20
School attendance: children (aged 7-14)			
All children	99	100	98
Boys	99	100	98
Girls	99	99	99
School attendance: youth (aged 15-17)			
All youth	84	90	77
Boys	80	90	69
Girls	87	90	85

Note: Post-secondary education includes both non-tertiary and tertiary education (International Standard Classification of Education (ISCED) level 4-8). To ensure the sample captured people that had finished post-secondary education, the adult sample includes individuals aged 25 years and above.

Source: Authors' own work based on IPPMD data.

How does migration affect education?

Migration can affect education and skills through several channels. The emigration of well-educated individuals may have negative consequences for human capital in the country of origin, as well as for productivity and tax revenues. The absence of emigrant parents or adult members from a household may reduce the level of child supervision and educational support. Consequently, children may drop out of school or lag behind other students. Emigration also means losing adult working members from the household, which may force older children to undertake housework or engage in income-earning activities and could have negative impacts on educational outcomes. These issues may be aggravated by feelings of loneliness, missing parents or other emigrated household members.

On the positive side, remittances can increase household investments in education and reduce the need for children to work within or outside the household to support the family. Remittances can also be used to help boost educational outcomes. When remittances received by the household are sufficient to cover basic needs, there will be more resources to spend on education (e.g. better schools), and there will be less need for older children to work in or outside the household to support the family.

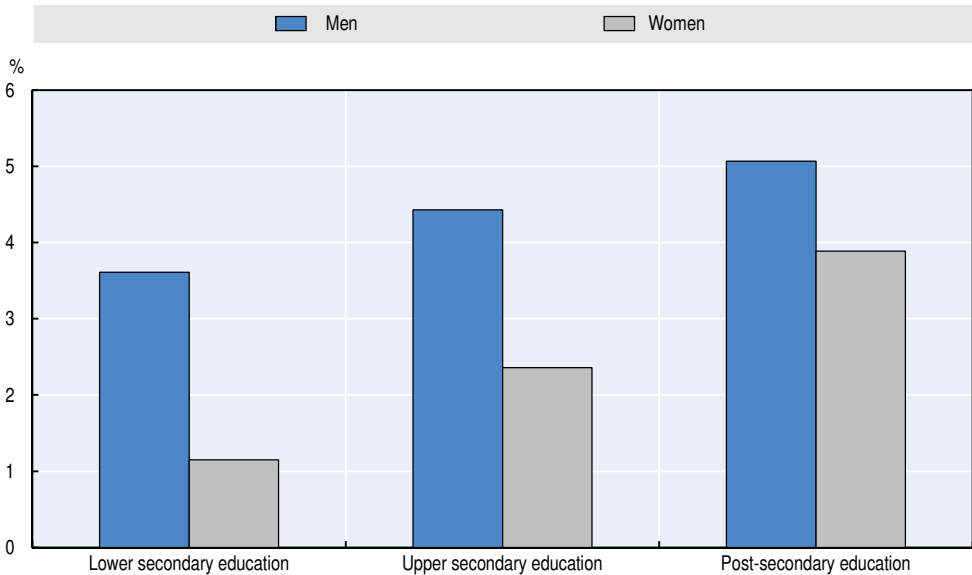
Return migration can contribute to human capital accumulation through the process known as “brain circulation”, whereby individuals obtaining experience, training or formal education abroad bring back knowledge and skills that can be used in the country of origin. The analysis below examines the extent to which these various dimensions affect education in Georgia.

Highly educated individuals are more likely to plan to emigrate

One way of evaluating how emigration affects human capital in the country of origin is to analyse the education level of those who plan to emigrate in the future.³ About 4% of the adults in the sample in Georgia report planning to emigrate in the future. The share of individuals with post-secondary education is, as shown in the previous section, around 33% in Georgia. The share of adults with no formal education is very low and most individuals have either completed upper secondary school or post-secondary education.

Figure 6.2 compares the education levels of adults planning to emigrate with those not planning to emigrate. These descriptive statistics show that intentions to emigrate increase with education level for both men and women. Among individuals with post-secondary education in the sample, 5% of men and 4% of women plan to emigrate.

Figure 6.2. **Well-educated individuals are more likely to plan to emigrate**
Share of adults (20 years and above) planning to emigrate (%), by gender and education level



Note: The figure displays intentions to emigrate on the part of adults aged 20 years and over. To better capture a sample of individuals that has completed post-secondary education, the cut-off age for adults in these estimations is 20 years and above (compared to 15 years in other parts of the report). To test robustness, the analysis was also carried out using the sample of individuals 25 years and above; this did not change the results. Lower secondary education includes basic education, and upper secondary education includes general secondary education (grade 10-12) in the Georgian education system.

Source: Authors' own work based on IPPMD data.

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Further analysis of the link between education and the decision to migrate, controlling for other relevant individual and household characteristics, confirms that education level is positively associated with plans to emigrate (Box 6.1). Individuals with higher education levels (secondary and post-secondary education) are more likely to plan to emigrate than less highly educated individuals (Table 6.2).⁴ The strength of the link between education level and plans to emigrate is greater for men than for women.

The analysis also shows that individuals living in households that already have an emigrant are more likely to plan to emigrate in the future. Previous research has shown that migration networks often lower the costs of migration and facilitate the migration process (McKenzie and Rapoport, 2007). Stakeholders in the qualitative interviews also highlighted that having friends and relatives abroad makes it easier to decide about emigration, and that the emigrant can serve as a facilitator of this process. However, disaggregated analysis based on gender (columns 2 and 3 in Table 6.2) reveals

that the network effect only seems to be present for female migration. Besides education level, unemployment is one of the most important determinants of future plans to emigrate, both for men and women.

Box 6.1. The links between education and intentions to emigrate

To explore the impact of education on the intention to emigrate, a probit regression was developed as follows:

$$\text{Prob}(\text{plan_mig}_i) = \beta_0 + \beta_1 \text{edu_level}_i + \gamma_1 \text{controls}_i + \gamma_2 \text{controls}_{\text{nh}} + \delta_r + \varepsilon_i \quad (1)$$

where plan_mig_i is the intention of adult i to emigrate, taking on a value of “1” if an individual plans to emigrate and “0” if not. edu_level_i represents a set of binary education level variables (no formal education being the reference category) of interest, while controls_i and $\text{controls}_{\text{nh}}$ are a sets of observed individual and household characteristics believed to influence the outcome.¹ δ_r represents regional fixed effects and ε_i is the randomly distributed error term.

Table 6.2. Higher education levels positively influence the decision to migrate

Dependent variable: Intentions to emigrate			
Main variables of interest: Education level			
Type of model: Probit			
Sample: Individuals 20 years and above			
Variables of interest	Sample		
	(1) All	(2) Women	(3) Men
Lower secondary education	0.230*** (0.017)	0.165*** (0.012)	0.276*** (0.028)
Upper secondary education	0.238*** (0.017)	0.181*** (0.020)	0.280*** (0.026)
Post-secondary education	0.245*** (0.017)	0.189*** (0.020)	0.283*** (0.027)
Household has emigrant	0.018*** (0.005)	0.022*** (0.006)	0.013 (0.008)
Individual is unemployed	0.021*** (0.006)	0.019*** (0.007)	0.024*** (0.010)
<i>Number of observations</i>	5 618	3 107	2 511

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity.

1. The individual and household level control variables included in the regression include: age, sex (in first specification), whether the individual lives in an the capital, household size, number of members in the household with tertiary education, whether the individual is unemployed, whether the household already has a migrant and wealth status of the household (measured through an asset index using principal component analysis).

Return migration can contribute to human capital accumulation

How migration enhances the human capital stock in the origin country depends on two aspects: the degree to which emigrants improve their skills, or acquire new ones, during their migration period and the degree to which they bring these skills back on their return. These two aspects are explored in this section.

Stakeholders interviewed for the IPPMD project in Georgia suggest that the relationship between tertiary education and migration is often affected by the labour market context in the country and its interaction with the education sector. Georgians sometimes go abroad to get high quality education, and if the opportunity arises they often prefer to stay and work abroad instead of returning to Georgia. According to the stakeholders, the reasons driving this are the difficulties in finding a job in Georgia and less favourable working conditions and remuneration in Georgia compared to many destination countries. Moreover, the stakeholders also stress that Georgia's professional and tertiary education systems often do not take into account the needs of the labour market.

Table 6.3 displays migrants' education levels before emigrating and the share of migrants who acquired additional formal education in the countries of destination. Georgia's migrants are well-educated. A majority – including current emigrants and returnees – have an upper secondary degree (53% of current migrants and 51% of return migrants) and about one-third have post-secondary education. Hence, the education levels of those who return are very similar to those of current emigrants, confirming that although those who leave tend to be well-educated, highly educated migrants also tend to return. In addition, about 9% of return migrants received additional education in the country of destination – they therefore bring back new skills on their return.

Table 6.3. About one in ten migrants acquire education abroad

	Return migrants	Current emigrants
<i>Educational level (% of all return migrants/emigrants)</i>		
No formal education	0	1.0
Up to end of primary school	0.3	0.1
Up to end of basic education	14.0	13.3
Up to end of general secondary education	51.3	52.6
Post-secondary qualification	34.4	33.0
Share of migrants receiving additional education in country of destination	9.2	12.4
Sample size	308	952

Note: General secondary education corresponds to grade 10-12 in the Georgian education system.

Source: Authors' own work based on IPPMD data.

Emigration and remittances are not linked to youth school attendance

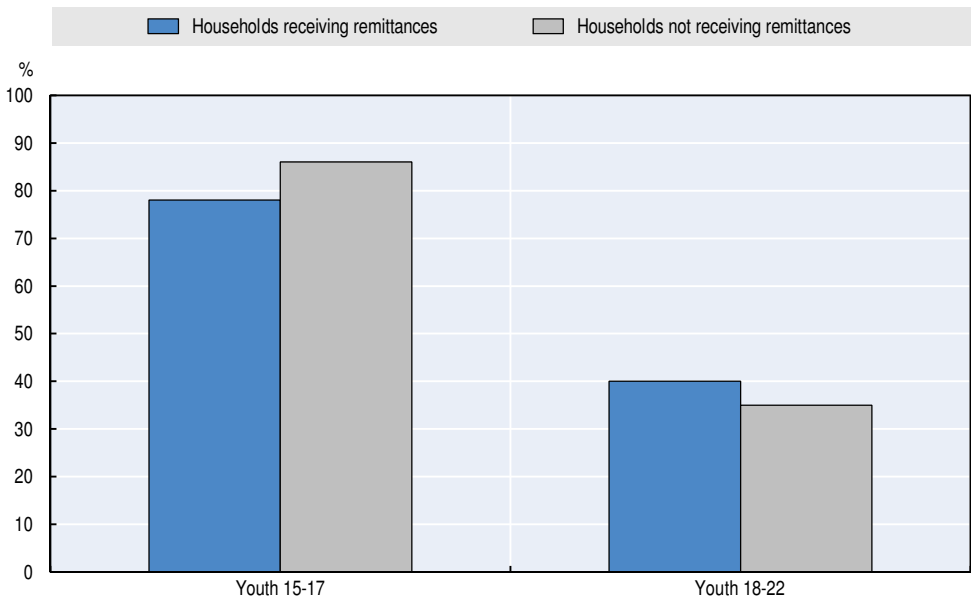
As discussed earlier, emigration and remittances can affect children's education in several ways. These links are investigated here for Georgia.

The empirical literature on the link between migration and education in Georgia is limited and shows somewhat mixed effects. One study using data from the early 2000s found no association between migration and the level of household spending on education in Tbilisi (Dermendzhieva, 2011), while other studies using more recent data found a positive relationship between remittances and educational expenditures in Georgia (Gugushvili, 2013; Chappell et al., 2010).

As shown in the first section of this chapter, primary school enrolment rates are high in Georgia. The analysis of the link between remittance receipt and education therefore focuses on school attendance for the 15-17 and 18-22 age groups (Figure 6.3). Young people in the 15-17 year old group living in households receiving remittances are slightly less likely to be in education, while the pattern is reversed for youth in the 18-22 year old group. These differences are however not statistically significant.

Figure 6.3. Remittances show little effect on youth school attendance

Share of youth attending school by household remittance status



Note: Results that are statistically significant (using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.
Source: Authors' own work based on IPPMD data.

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The link between migration and educational attendance was analysed in more depth using regression analysis that controls for other individual and household characteristics (Box 6.2). The results confirm that migration and remittances are not linked to youth school attendance. The results are not statistically significant for either age group (15-17 years and 18-22 years; Table 6.4).

Box 6.2. The links between migration, remittances and youth school attendance

A regression framework was used to estimate the effect of migration and remittances on education attendance using the following equation:

$$\text{Prob}(\text{edu_attendance}_i) = \beta_0 + \beta_1 \text{emig}_{hh} + \beta_2 \text{remit}_{hh} + \gamma_1 \text{controls}_i + \gamma_2 \text{controls}_{hh} + \delta_r + \varepsilon_i \quad (2)$$

Where the dependent variable edu_attendance_i is education attendance of youth in the two age groups: 1) 15-17 years old and 2) 18-22 years old. emig_{hh} represents a binary variable for emigration, where “1” denotes if the youth lives in a household with at least one emigrant and “0” if not, while remit_{hh} represent a binary variable for remittances taking the value “1” if the household in which the youth lives is receiving remittances and 0 if not. controls_i and controls_{hh} are sets of observed individual and household characteristics influencing the outcome, and ε_i is the randomly distributed error term. controls_i and controls_{hh} are sets of observed individual and household characteristics believed to influence the outcome.¹ δ_r represents regional fixed effects and ε_i is the randomly distributed error term.

Table 6.4. Migration and remittances do not influence school attendance

Dependent variable: Youth education attendance		
Main variables of interest: Household has emigrant/receive remittance/has return migrant		
Type of model: Probit		
Sample: Youth aged 15-17 and 18-22		
Variables of interest	Sample	
	(1) Youth aged 15-17	(2) Youth aged 18-22
Household has at least one emigrant	-0.078 (0.058)	0.060 (0.060)
Household receives remittances	-0.023 (0.066)	-0.023 (0.065)
Number of observations	242	498

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. Specification including a sample of youth aged 15-22 years old was also carried out but did not generate any statistically significant results.

1. The set of independent variables includes age and sex of the youth, a binary variable indicating if the household in which the youth lives is located in the capital, the household's dependency ratio (i.e. the share of teenagers, children and elderly in the household in relation to members of working age), the total number of children in the household, the number of children in the age ranges 6-14 and 0-14 respectively, the male-to-female ratio and a household asset wealth index (measured through an asset index using principal component analysis).

Remittances tend to increase educational expenditures

Apart from their potential impact on educational attendance, remittances may also affect educational expenditures. Remittances can improve households' economic situation and allow them to invest in schooling (Cox Edwards and Ureta, 2003; Hanson and Woodruff, 2003; Yang, 2008). In Georgia, it is common for parents to hire private tutors, especially to prepare for the Unified national exams (UNICEF, 2010).

In the stakeholder interviews in Georgia, education was mentioned as one of the target areas for migrants to spend their remittances. Regression analysis, controlling for other individual and household factors, confirms that remittances are positively associated with educational expenditures (Box 6.3). Receiving higher levels of remittances is linked with higher spending on education both in terms of absolute amounts and as a share of the household budget.

Return migration is not linked to educational expenditures

Return migration may affect demand for education and households' educational investments through the capital, ideas and attitudes that migrants acquire abroad and bring back to the country of origin. However, analysis of the data from Georgia (descriptive and regression analysis controlling for individual and household characteristics) does not find any association between return migration and educational expenditures. Regression analysis controlling for individual and household variables shows no difference in educational expenditures between households with and without return migrants. These findings are in line with other research in Georgia, which found that while remittances are often associated with higher educational outcomes, return migration tends to have a limited impact on educational expenditures or attendance (Chappell et al., 2010).

Box 6.3. The links between remittances and educational expenditures

A regression framework similar to the one described in Box 6.2 was developed to estimate the effect of migration and remittances on educational expenditures using the following equation:

$$\ln(\text{edu_exp}_{hh}) = \beta_0 + \beta_1 \ln(\text{remit})_{hh} + \beta_2 \text{emig}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

$$\frac{\text{eduexp}_{hh}}{\text{totalexp}_{hh}} = \beta_0 + \beta_1 \ln(\text{remit}_{hh}) + \beta_2 \text{emig}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (4)$$

where the dependent variables $\ln(\text{edu_exp}_{hh})$ and $\frac{\text{eduexp}_{hh}}{\text{totalexp}_{hh}}$ represent households' educational expenditures measured in absolute (logged) values or as a share of total household annual budget respectively. $\ln(\text{remit}_{hh})$ represents a remittance variable for

Box 6.3. The links between remittances and educational expenditures (cont.)

the amount of remittances received in logged values, while $emig_{hh}$ takes on value “1” if the household has at least one emigrant and “0” otherwise. $controls_{hh}$ are a set of observed household characteristics influencing the outcome.¹ δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Table 6.5. Households receiving remittances spend more on education

Variables of interest	Dependent variable	
	(1) Educational expenditure (amount)	(2) Educational expenditure (share)
Amount of remittances household receives	0.047** (0.022)	0.003** (0.001)
<i>Number of observations</i>	494	505 ^a

Notes: Only households with children in school age included. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. a) Only including households with children of school age.

1. The set of household and individual explanatory variables included in all specifications are the following: household size, household dependency ratio (defined as the number of children and elderly in the household as a share of members in working age), the mean education level of adults in the household, the number of young children (6-14 years old), the number of youth (15-17 years old) and the number of members of tertiary age (18-22) in the household, a dummy for household being located in the capital, and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household.

How do Georgia's education policies affect migration?

The relationship between migration and education is multidimensional and reciprocal. While migration can have an impact on education, as shown in the previous section, education policies can also influence migration decisions and outcomes. Adjustments to the education curriculum and provision of educational programmes to fulfil labour market demand may reduce incentives to emigrate, for example. Provision of financial support for children's education could affect remittance patterns as the need to send remittances for educational purposes decreases. Education policies may also affect the decision and sustainability of return migration. The analysis below examines these links between education policy and migration for Georgia.

Georgia’s education programmes have little effect on emigration

In spite of serious efforts to reform and improve the system of general education of Georgia in the past decade, quality has been declining, partly because of the economic crisis and low expenditures on education (UNICEF, 2010). Georgia spent 2% of its total GDP on education in 2014, which is lower than the average expenditure of 4.9% for the Europe and Central Asia region (World Bank, 2016).

However, certain progress has been achieved in increasing access to primary education and minimising households’ costs in sending children to school. The IPPMD household and community surveys explored a number of education programmes (Box 6.4), including two universal governmental programmes with particular importance in this respect: the distribution of school textbooks and distribution of personal computers. The distribution of school textbooks is a universal programme: all pupils in public schools should receive a complete set of textbooks free of charge at the beginning of the school year.

Box 6.4. Education programmes included in the Georgian IPPMD household and community surveys

Most of the programmes included in the Georgian IPPMD survey target primary and secondary students, and they are to a large extent universal. “In-kind distribution programmes” include the distribution of school text books, school supplies, computers for first grade students and school meal programmes (Figure 6.4). “Other types” of programmes include literacy campaigns, boarding school, home-based education and Georgian language courses. No cash-based programmes, such as scholarships or conditional cash transfer programmes were identified in Georgia.

The community survey collected complementary information about programmes available in the communities where the household survey was implemented.

Figure 6.4. Education policies explored in the Georgian surveys

In-kind distribution programmes	Other types of programmes	Programmes included in the community survey
<ul style="list-style-type: none"> • Distribution of school textbooks • Distribution of computers • Distribution of school supplies • School meal programme 	<ul style="list-style-type: none"> • Literacy campaigns • Boarding school • Home-based education programme • Georgian language courses 	<ul style="list-style-type: none"> • Free school textbooks • Free school uniforms • Free school meals

Note: Apart from the education policies mentioned here, questions on vocational training programmes were also included in the survey, but are analysed in Chapter 4 on migration and the labour market.

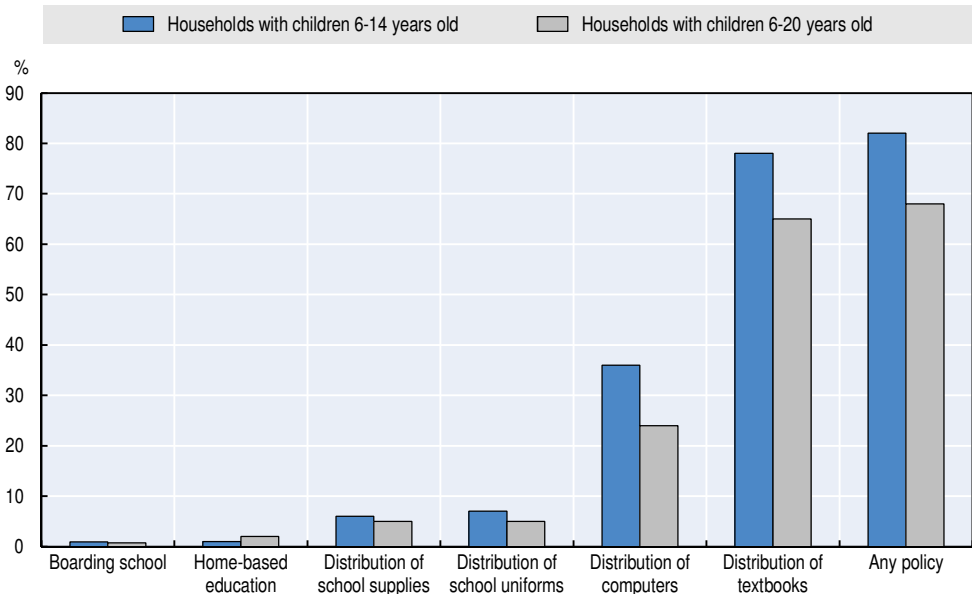
All pupils in the first grade of public elementary schools should also receive laptop computers. Pupils in private schools are only eligible to receive computers if they come from households that receive social assistance.

The two most common education programmes affecting the households in the sample are distribution of textbooks and distribution of computers to first grade students. Both are countrywide programmes initiated by the Ministry of Education and Science of Georgia.

Despite the universal nature of the programme, not all households with children of school age in the sample have benefited from free textbooks (Figure 6.5). The share of households with children in the age range 6-14 receiving free textbooks was 78%, and 65% among households with children of between 6 and 20 years old.⁵ Among households with children of elementary school age, 38% received a computer. A small share of households with children of school age benefited from other types of education programmes (7% received uniforms, 6% school supplies, and around 1% had benefited from boarding school or home-based education programmes).

Figure 6.5. **Distribution of textbooks has the widest coverage**

Share of households with children benefiting from an educational programme in the past 5 years (%)



Source: Authors' own work based on IPPMD data.

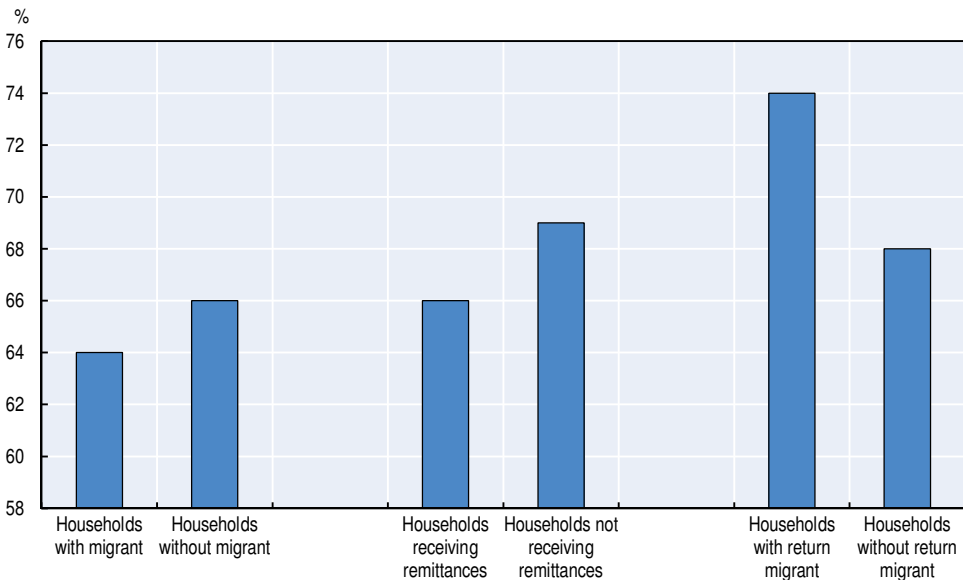
StatLink  <http://dx.doi.org/10.1787/888933457983>

As discussed above, education policy programmes could potentially affect migration and remittance decisions. However, the descriptive statistics (Figure 6.6) show little difference between households with migration experience

(emigrant, return migrant or remittance-receiving households) and those without when it comes to benefiting from the policy programmes listed in Figure 6.4. Regression analysis, controlling for individual and household characteristics, also confirms the lack of a link between migration and benefiting from these education programmes (not displayed here).

Figure 6.6. **There is no clear link between migration experience and education programmes**

Share of households with children benefiting from an educational programme in the past 5 years (%), by migration status



Note: The sample includes households with children aged 6-20 years old. Educational programmes refer to any of the programmes included in the IPPMD survey. Results that are statistically significant (using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933457990>

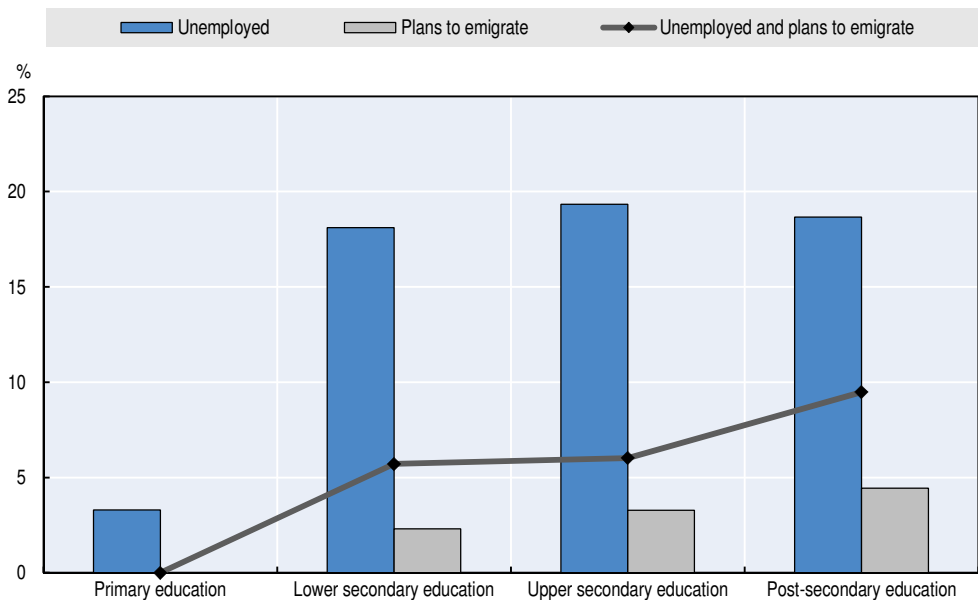
It is possible that cash-based programmes (such as scholarships or conditional cash programmes) could have a stronger impact on household migration decision making than universal distribution programmes.

Unemployment and skills mismatches are strong emigration push factors

Unemployment, especially among the young and highly educated, is a major challenge in Georgia. In 2014, 13.4% of the Georgian labour force was unemployed (World Bank, 2013). An important reason for the high unemployment rate is the mismatch between the supply of highly educated workers and demand

(World Bank, 2013; Gugushvili, 2013). Unemployment can be a driver of emigration, and was one of the major determinants of intentions to emigrate in the analysis in Box 6.1. Descriptive statistics reveal that the highest unemployment rates in the sample are found among individuals with higher education (19.3% and 18.7% for individuals with upper secondary (Grade 10-12) and post-secondary education respectively; Figure 6.7). The highest intentions to emigrate in the sample were found among highly educated unemployed individuals (9.5%); considerably higher than the average across the whole sample (3.4%).

Figure 6.7. **Highly educated, unemployed adults are more likely to plan to emigrate**
Unemployment and intentions to emigrate (%), by education level



Note: The sample includes individuals 20 years and above.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933458002>

Furthermore, these patterns also apply to return migrants. The IPPMD data show that 18% of all return migrants have faced problems finding a job that suits their education level. The share is even higher for return migrants with post-secondary education, at 21%. Hence, failing to align the education curriculum to the needs of the labour market and resolve the mismatch between the supply of highly educated individuals and demand in the labour market may have consequences for future emigration flows, and also for the satisfaction of return migrants and their likelihood of emigrating once again.

Conclusions and policy recommendations

Primary school enrolment rates in Georgia are close to universal, and higher education enrolment is currently above average for the region. Even so, the country is facing a large wave of outmigration. This chapter has explored how this outmigration is affecting educational outcomes and human capital accumulation, and what policies are playing a role.

The analysis confirms that emigration is contributing to a “brain drain” from Georgia: a large share of those who emigrate are highly educated, pushed to do so by a lack of jobs suited to their qualifications. However, nearly one in ten return migrant comes home with additional education, potentially contributing to a “brain gain”. Policies to attract back current migrants, especially the highly skilled, could thus help to enhance the positive links between migration and human capital. In addition, policies to make sure that higher education is aligned with labour market demand would address the high unemployment rates among highly educated and reduce the need to turn to labour markets abroad, and would also help to keep return migrants in Georgia permanently.

The findings also suggest that remittances invested in education target quality (mainly private tutoring) rather than quantity (increasing school attendance). It is therefore important to ensure that the increase in demand for high quality educational services driven by remittance inflows is met by sufficient investment in the supply of educational services.

Finally, turning attention to the link between education policy and migration decisions, the analysis found no effect on migration of the universal education programmes common in Georgia, such as the free distribution of text books.

These findings raise several recommendations for policy:

- Align professional and tertiary education to the demands and needs of the local labour market to address unemployment among highly educated professionals and reduce their need to emigrate. This will allow the local labour market to better absorb the highly skilled and to reduce skill shortages in certain sectors.
- The increased demand for educational services needs to be met with investments in educational infrastructure to ensure universal access to education, as well as investments in tools to monitor and assure quality education in both private and public institutions.

Notes

1. The length of schooling does however not say anything about the quality of the education.
2. A question about school attendance was also asked to 6-year old children, but as the fieldwork took place during summer (July through September), before the start of the academic year, 6-year old children were not yet enrolled in primary school and therefore excluded from the sample.

3. It is however important to keep in mind that intentions to emigrate are not always realised, and intentions to emigrate do not perfectly predict future emigration.
4. This may partly be related to age, as adults without secondary education or higher likely are older and thereby less inclined to emigrate. Age was however controlled for in the regression model.
5. Households with children older than primary and secondary school age are included as the questions on education programmes were designed to capture household participation in policy programmes in the five years prior to the survey.

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Chapter 7

Migration, investments and financial services in Georgia

Migration and remittances have the potential to promote development through household investments in entrepreneurial activities and other types of productive investments. This chapter explores if and under what conditions migration is likely to promote investment, and how sectoral policies linked to investments and financial services may affect migration investment decisions in Georgia. The chapter starts by giving an overview of financial inclusion and the investment sector in Georgia. It then examines if and how emigration, return migration and remittances can spur investments in entrepreneurship and real estate assets. Finally, the chapter discusses the role of public policies, particularly sectoral policies related to financial inclusion and financial training, for remittance decisions. The chapter concludes with a discussion on the policy recommendations of the findings.

The potential positive effects of migration and remittances on investments in the origin country have been acknowledged in research as well as by policy makers. The new 2030 Agenda for Sustainable Development recognises the positive contribution of migrants and diaspora to sustainable development, and commits to ensuring that affordable financial services are available to migrants and their households, as well as to reducing remittance transfer costs (UN, 2015). Migration and remittances can help overcome financial constraints and stimulate long-term investments, especially in countries where access to credit is limited and formal financial markets are underdeveloped. Sectoral policies linked to investments and financial services may also play an important role in enhancing the positive impacts of migration on productive investments. This chapter investigates some of these linkages in the context of Georgia.

Remittances contribute significantly to Georgia's gross domestic product (GDP), constituting 10% of the national income in 2015 (World Bank, 2016). Remittances, together with human and financial capital brought back by return migrants, are hence important sources of income for the country. Understanding if and under what conditions remittances and return migration promote investment is important to enhance the well-being effects of migration for households as well as the wider economy.

The chapter starts by giving an overview of the investment and financial service sector in Georgia, and then moves on to examine the impact of migration on business and real estate investments. The third section looks at the role of public policies related to investment and financial services on remittance patterns, followed by a concluding section that discusses some policy recommendations of the findings.

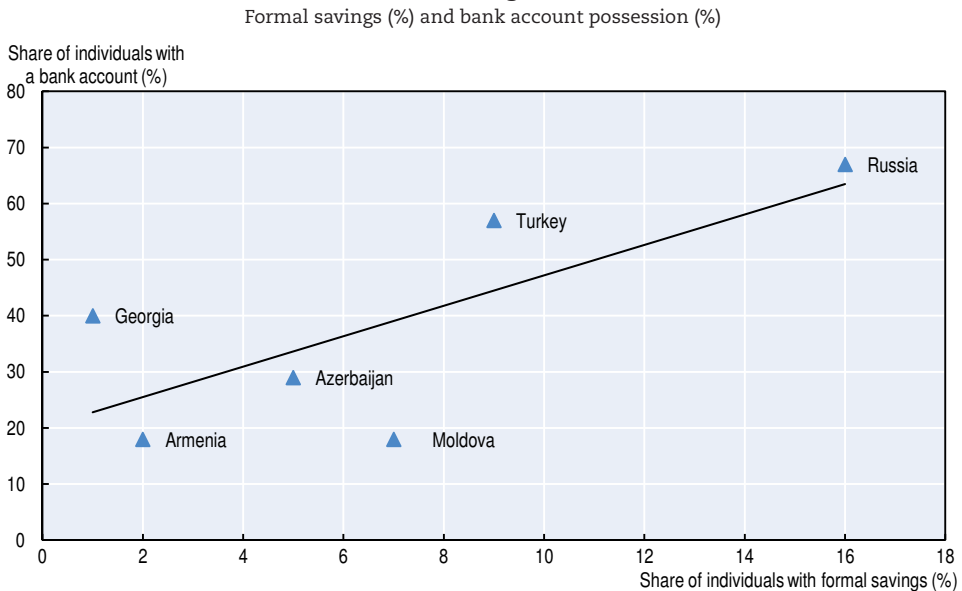
A brief overview of the investment and financial service sector in Georgia

Access to formal financial institutions and basic financial services allows households and individuals to better manage their finances and plan investments in both the long and short term. However, many households worldwide still lack access to bank accounts and other types of financial

services, and formal and informal small and medium-sized enterprises in developing economies are often financially unserved or under-served (Stein et al., 2013).

The banking sector is one of the most developed sectors in the Georgian economy (Gugushvili, 2013). About 40% of adults in Georgia have access to a bank account, which is relatively high in comparison to other countries in the region (Figure 7.1). However, the formal saving rate is very low; at only 1% it is below the regional average. Low income levels, cultural characteristics and little trust in the banking system have been suggested as reasons for Georgia's low saving levels (ACT Research, 2011; Gugushvili, 2013).

Figure 7.1. **Georgia has low levels of formal savings compared to other countries in the region**



Note: The definition of formal savings is having saved in a formal bank or other financial institution. The sample includes adults 15 years and above.

Source: World Bank Global Financial Inclusion Database, <http://datatopics.worldbank.org/financialinclusion/>.

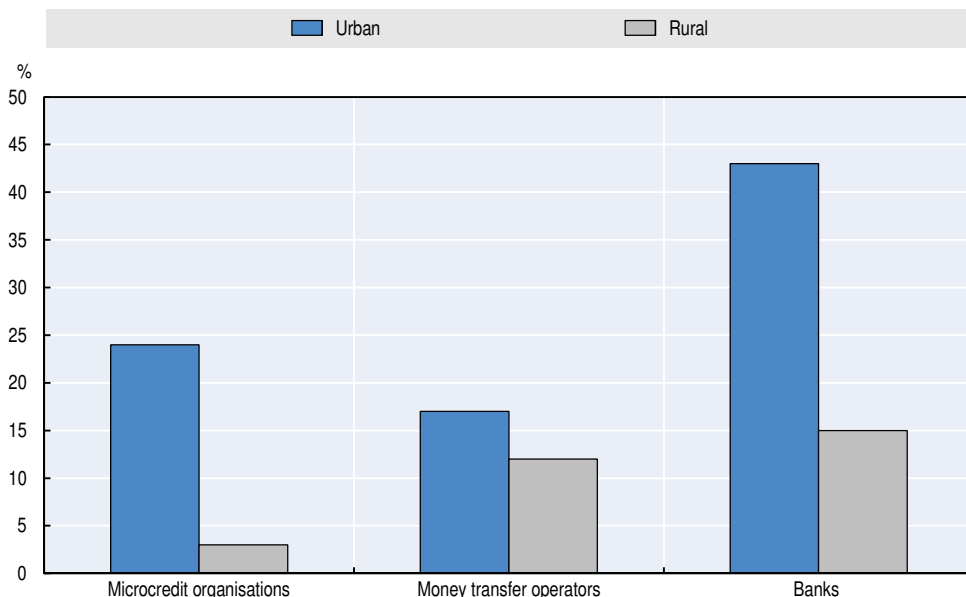
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Besides banks, other essential financial institutions in Georgia include insurance companies and microfinance institutions (Gugushvili, 2013). The IPPMD community survey included a question on financial institution coverage in the sampled communities.¹ As expected, urban communities are better covered when it comes to all three types of financial service institutions: banks,

microcredit institutions and money transfer operators. The biggest difference found in coverage is for banks: 43% of urban communities have at least one bank office while only 15% of rural communities have a bank. Microcredit organisations are very scarce in rural areas, while almost one in four urban communities has a microcredit organisation (Figure 7.2).

Figure 7.2. **Urban communities are better covered by financial service institutions**

Share of communities with financial institutions (%)

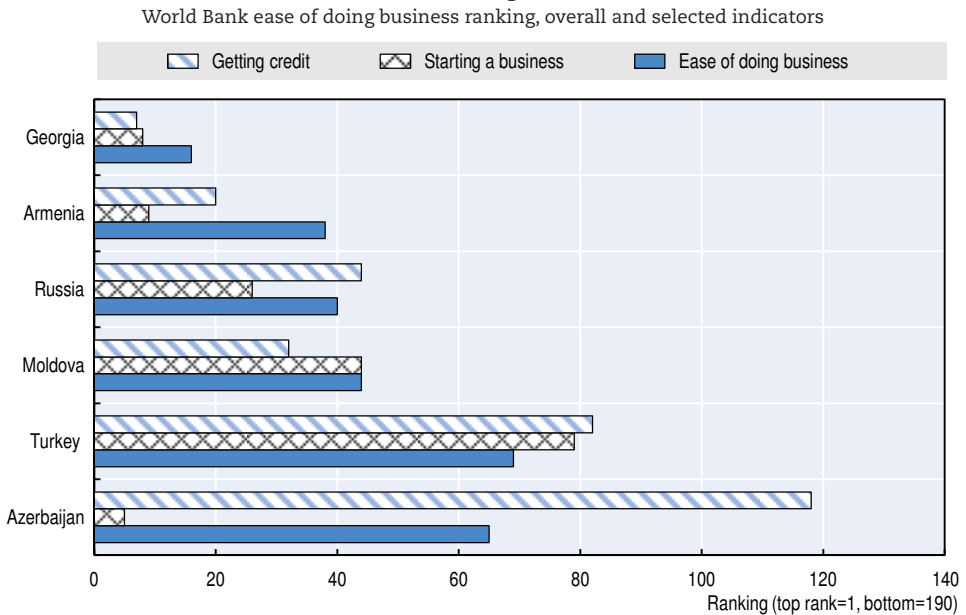


Source: Authors' own work based on IPPMD data.

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An important factor in promoting productive investments is a favourable investment climate. The Georgian government has in recent years introduced measures to promote entrepreneurship and self-employment activities by introducing liberalising policies; with the aim of reducing, for example, bureaucracy and tax burdens (Tchaidze and Torosyan, 2009). The World Bank's ease of doing business ranking, which measures the regulatory environment around the start-up and operation of a local firm, ranks Georgia as number 16 in the overall ranking. It ranks Georgia as number 8 for starting a business and 7 for getting credit (World Bank, 2017).

Figure 7.3. **Georgia has the most favourable business regulatory environment in the region**



Note: A high rank (represented by a low numerical value) indicates a relatively more favourable business environment compared to other economies worldwide. In total, 190 countries are included in the ranking. Starting a business and getting credit are two sub-topics of the ease of doing business ranking.

Source: World Bank Doing Business Economy Rankings, www.doingbusiness.org/rankings.

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How does migration affect investments in Georgia?

Migration can have various effects on the investment and financial sector. On the one hand, remittances can be used by migrant households to invest in productive assets such as non-agricultural land and housing. Similarly, return migrants may accumulate capital and knowledge abroad and invest in business activities on their return. On the other hand, migration could have disruptive effects on investment if households need to sell their business or other valuable assets in order to finance the cost of migration. The net effect of migration and remittances on investments is therefore ambiguous. The analysis below examines separately how different aspects of migration affect investment outcomes linked to business ownership and productive assets.

Migration and remittances have limited effects on productive investments

The impact of migration and remittances on household investments in business activities has been widely discussed in the literature. Migration and remittances can offer a way to overcome credit market imperfections and enable

households to invest in productive activities such as business start-ups and investments. Empirical studies on the topic provide mixed evidence, making it hard to draw any firm conclusions. One stream of literature found positive and significant impacts of remittances on business investments (Amuedo-Dorantes and Pozo, 2006; Massey and Parrado, 1998). The receipt of foreign earnings by households and communities seem to significantly increase the odds of business formation and productive investment in Mexico (Massey and Parrado, 1998). Similar results are found in the Dominican Republic: remittances increase the likelihood of family-run business investments (Amuedo-Dorantes and Pozo 2006). Another stream of literature finds limited associations between migration and productive investment (Basok, 2000; Zarate-Hoyos, 2004).

Given their large inflows to Georgia, remittances have the potential to stimulate savings, investments and financial sector development, and thereby contribute to better economic outcomes. However, previous empirical evidence from Georgia has shown that remittances are mainly spent on food and basic subsistence needs, housing, and to some extent on investments in child education. The link between migration, remittance and other types of investments, such as investments in business activities and land, is shown to be weaker or non-existent (Gerber and Torosyan, 2010; Gugushvili, 2013).

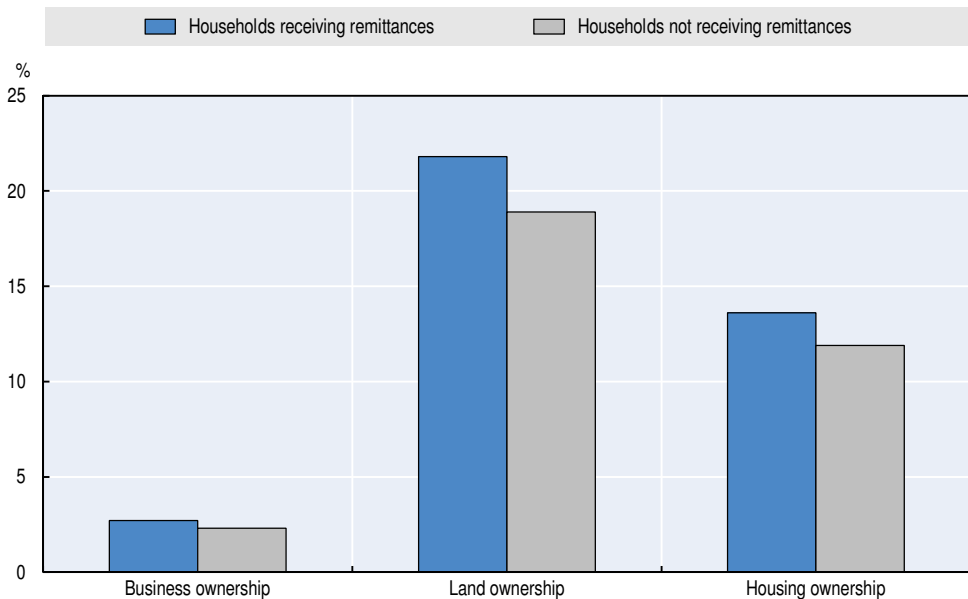
The IPPMD questionnaire contains a question about what activities households with migrants and remittances have carried out following the departure of a household member. The most common activity was repaying a loan, followed by paying for health treatment or household members' education and taking out a loan from a formal bank (Chapter 3). Few households stated that they used remittances for direct business investments or savings² (3% of rural households and less than 1% of urban households set up a business after an emigrant left the household; Chapter 3, Figure 3.6).

The IPPMD survey also collected data on business and real estate (land and housing) ownership. Overall business ownership among the households in the sample is very low. Only about 2% of the households in the sample run a business. One potential explanation for the low levels of business ownership in the data could be the way households interpret "business ownership". The aim of the IPPMD data was to collect information about all types of business activities, formal and informal, including microenterprises and self-employment activities. However, the difference in reported self-employment activities (which are significantly higher, as shown in Chapter 4) and the data captured in the business module indicates that respondents may have been reluctant to include self-employment activities in the business module. The small sample size of households running a business limits the analysis related to migration and business ownership.

Remittances may also contribute to investments in the real estate sector. Qualitative evidence has found that remittances are accumulated to invest in real estate such as apartments in the capital (Zurabishvili, 2007). In the IPPMD sample, households receiving remittances are in general slightly more likely to possess both land and housing other than the house in which the household currently resides than households not receiving remittances, although the differences are small (Figure 7.4). The share of remittance-receiving households that own non-agricultural land is 22%, compared to 19% among household without remittances. The difference across the two household groups is even smaller when it comes to housing ownership (14% vs. 12%), and there is no visible difference in business ownership across households with and without remittances. The differences are not statistically significant.

Figure 7.4. **Business and real estate ownership is higher among households receiving remittances than households not receiving remittances**

Share of households owning a business and real estate, by remittance status



Note: Business ownership is defined as the household running at least one business. Real estate includes non-agricultural land and housing other than the property the household currently lives in. Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933458049>

The relationship between migration, remittances and productive investments is further investigated in Box 7.1. The estimations show no association between business ownership and emigration or remittances. When it comes to real estate, the results show a positive link between the amount of remittances received by the household and owning real estate in the form of either non-agricultural land or housing, while the probability of receiving remittances is not statistically significant. Having an emigrant in the household is negatively associated with business ownership, indicating that migration may have a disruptive effect on entrepreneurship.

Taken together, the findings show a relatively weak relationship between migration, remittances and productive investments. The amount of remittances is positively linked to real estate ownership, which indicates that remittances need to be relatively large to promote real estate investments. No link between remittances and business ownership was identified. This may in part be explained by the low sample size. Yet, Chapter 4 showed a positive link between remittances and self-employment for men in rural areas, which suggests that remittances in some cases can spur more informal self-employment activities – but does not seem to be linked to other business activities.

Return migration is linked to entrepreneurship, but not real estate investments

Another potential link between migration and investments is return migration. Migrants may return with new knowledge and capital that can be used to finance business activities and invest in productive assets. Growing evidence shows that return migrants can accumulate savings abroad and start a business on their return (Labrianidis and Hatziprokopiou, 2006; McCormick and Wahba, 2001). On the other hand, migration may also have a disruptive effect on labour market integration and business activities can sometimes represent the “last resort” if return migrants face challenges in the local labour market (Mezger Kveder and Flahaux, 2013).

The IPPMD data include information about return migrants in the household and their employment status. The information about business activities is however limited to household level, and does not reveal if the businesses are run by the return migrants themselves or by other members of the household. The analyses will therefore be carried out at a household level, comparing productive assets and business activities across households with and without return migrants.

Box 7.1. The links between migration and business and real estate ownership

To test the magnitude of the impact of migration and remittances on business and real estate ownership, a probit model regression was run, taking the following form:

$$\text{Prob}(\text{binvestment}_{hh}) = \beta_0 + \beta_1 \text{remit}_{hh} + \beta_2 \text{emig}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

where investment_{hh} is either business ownership or real estate ownership (depending on the specification) undertaken by the household. investment_{hh} takes the value “1” if a household owns at least one business/owns real estate and “0” otherwise. remit_{hh} represents either a remittance binary variable or the amount of remittances the household receives (in thousand Georgian lari). The binary variable for remittances takes the value “1” for households that receive remittances and “0” otherwise. emig_{hh} represents a binary variable for whether the household has a migrant or not, and controls_{hh} is a set of observed household characteristics that are believed to influence the outcome.¹ δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Table 7.1. Higher volumes of remittances can stimulate business ownership

Dependent variable: Household runs at least one business/owns real estate			
Main variables of interest: Household has an emigrant/receives remittances			
Type of model: Probit			
Sample: All households			
Variables of interest	Dependent variables		
	(1) Household runs a business	(2) Household owns real estate	(3) Household owns real estate
Household has an emigrant	0.012 (0.009)	-0.042 (0.028)	-0.043** (0.022)
Household receives remittances	-0.012 (0.010)	0.024 (0.029)	<i>n.a.</i>
Amount of remittances received	<i>n.a.</i>	<i>n.a.</i>	0.007** (0.003)
<i>Number of observations</i>	1 979	1 967	1 967

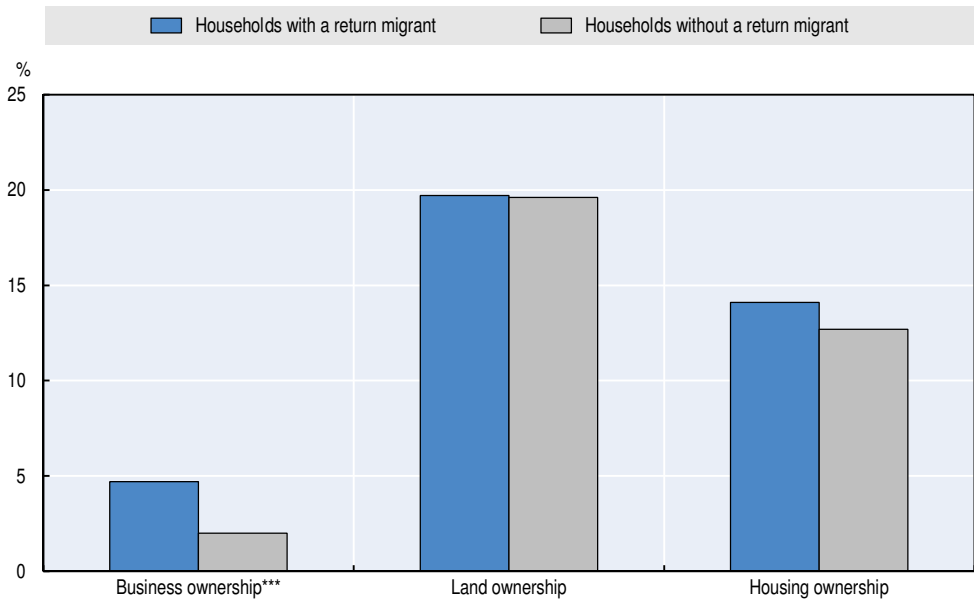
Note: Real estate includes non-agriculture land and housing other than the house in which the household lives. No analysis for amount of remittances was carried out for business ownership due to limited sample size (only 51 households in the sample runs a business). Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses and robust to heteroskedasticity.

1. The set of household and individual explanatory variables included in the specifications are the following: household size and household size squared; household dependency ratio (defined as the number of children and elderly in the household as a share of the total members of working age); mean education level among adult members; a binary variable for household located in the capital; a binary variable for head being female; and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household.

The descriptive statistics in Figure 7.5 reveal small differences between households with and without return migrants when it comes to real estate ownership. No visible difference is found for land ownership (20% of households own non-agricultural land, regardless of having a return migrant or not). Households with a return migrant are slightly more likely to own housing (14% compared to 13% for households without return migrants). The only statistically significant difference (using a chi-squared test) between households with and without return migrants is found for business ownership. About 5% of households with return migrants run a business compared to 2% of households without return migrants. This is also in line with findings in Chapter 4, showing higher levels of self-employment among return migrants than individuals without migration experience.

Figure 7.5. **Business ownership is higher among return migrant households than households without return migrants**

Share of households owning a business and real estate, by return migrant status



Note: Business ownership is defined as the household running at least one business. Real estate includes non-agricultural land and property (housing and/or apartments) other than the property the household currently lives in. Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink  <http://dx.doi.org/10.1787/888933458052>

A regression analysis was conducted to estimate the link between return migration and productive investments in business and real estate. More detailed results are presented in Box 7.2. The results show that return migration is

positively linked to business ownership, while no statistically significant effect was found between return migration and real estate ownership. The analysis for real estate was also performed separately for rural and urban households, but no separate effects were found for either of the household groups.

Box 7.2. Exploring the links between return migration and productive investment

To test the magnitude of the impact of return migration on productive investments, a Probit model taking on the following form is applied:

$$\text{Prob}(\text{investment}_{hh}) = \beta_0 + \beta_1 \text{return}_{hh} + \beta_2 \text{emig}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

where investment_{hh} is either business ownership or real estate ownership (depending on the specification) undertaken by the household. investment_{hh} takes on value “1” if a household owns at least one business/owns real estate and “0” otherwise. return_{hh} represents a binary variable for return, where “1” denotes a household that has at least one migrant and “0” otherwise. controls_{hh} is a set of observed household characteristics that are believed to influence the outcome.¹ δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Two different specifications are presented. Specification (1) investigates the link between return migration and household business ownership. Specification (2) looks at the household real estate ownership and return migration.

Table 7.2. Return migration is positively associated with business ownership

Dependent variable: Household runs at least one business/owns real estate		
Main variables of interest: Household has a return migrant		
Type of model: Probit		
Sample: All households		
Variables of interest	Dependent variables	
	(1) Household runs a business	(2) Household owns real estate
Household has a return migrant	0.013* (0.008)	-0.016 (0.029)
<i>Number of observations</i>	1 979	1 967

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses and robust to heteroskedasticity.

1. The set of household and individual explanatory variables included in the specifications are the following: household size and household size squared; household dependency ratio (defined as the number of children and elderly in the household as a share of the total members of working age); mean education level among adult members; a binary variable for household located in the capital; number of children in the household; a binary variable for head being female; and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household.

How do Georgia's investment policies affect migration?

Policy makers have paid substantial attention to the relationship between migration and investment in recent decades. Countries with significant migration and remittance flows have implemented policies to harness the potential of remittances to finance development. However, most of the attention has focused on policies that explicitly target migrants, their households and diaspora communities, while sectoral policies to improve the wider investment and financial service sector have received less attention. Policies not directly targeting migration can also be an important tool to enhance the positive linkages between migration and investments. The rest of this chapter focuses on policies on financial inclusion, financial training and their impact on remittance patterns.

Box 7.3. Investment and financial service policies in the IPPMD sample

The IPPMD household questionnaire included a number of questions on business investment policies, business obstacles and access to the formal financial sector (Figure 7.6). Business policy questions included questions related to tax subsidies and other subsidies from which the household business has benefited. However, these questions were only asked to households with businesses with at least four employees. The sample size is therefore limited.

The questionnaire also asked about access to bank accounts and participation in financial training. Access to an account in a formal bank gives people access to the formal financial sector, which can facilitate remittances and other capital transfers, encourage more remittances to be sent through formal channels, and facilitate access to credit and other financial services. Households without bank accounts (“un-banked households”) often have to pay more to access basic financial services. The questionnaire also asked if anyone in the household had taken part in a financial training programme in the previous five years. Financial training can provide guidance to migrants, return migrants and remittance-receiving households on investment products and investment opportunities that can help households to use their remittances in more productive ways.

The community questionnaire included a number of questions about policies and programmes related to investment and financial services available in the communities being surveyed. These include financial and business training programmes, loans for business start-ups and other types of economic advantages to stimulate investments such as tax exemptions, business subsidies, and favourable import and export tariffs.

Box 7.3. Investment and financial service policies in the IPPMD sample (cont.)

Figure 7.6. Investment and financial service policies explored in the IPPMD survey

Policies related to businesses	Policies related to financial services	Programmes included in the community survey
<ul style="list-style-type: none"> • Economic zone • Tax subsidies • Other type of government subsidies 	<ul style="list-style-type: none"> • Financial training programme • Access to bank accounts 	<ul style="list-style-type: none"> • Banking and financial tools/financial literacy training • Business creation and business management training • Loans for business creation • Economic advantages (tax exemptions, subsidies, lower export/import tariffs) provided to businesses

Many households have access to bank accounts, but this does not seem to impact remittance patterns

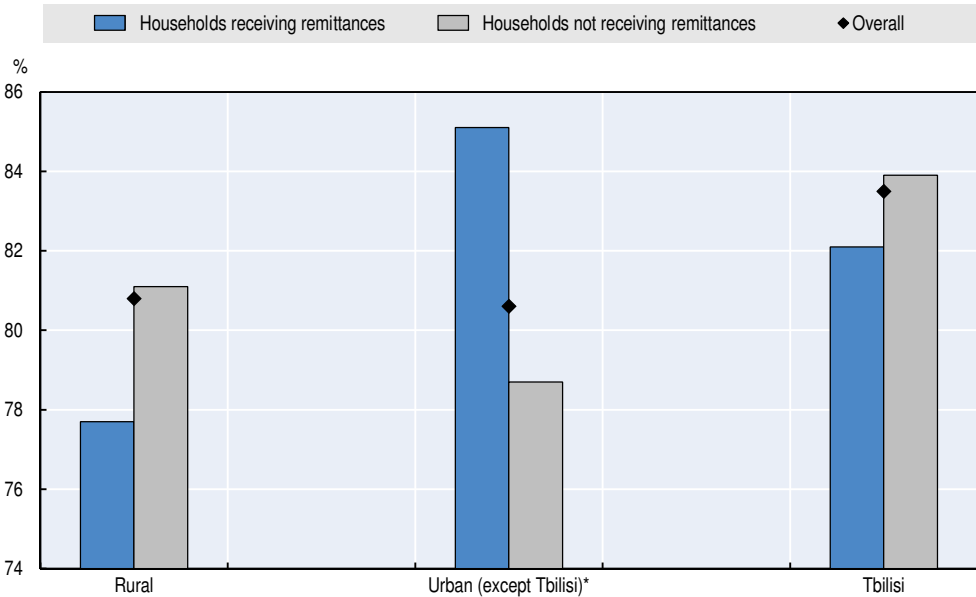
Access to the formal financial sector may facilitate the sending and receiving of remittances and stimulate increased remittances in general, particularly those sent through formal channels. Remittances sent through banks or other financial intermediaries have also been shown to stimulate savings (Aggarwal et al., 2006; Gupta et al., 2009).

A proxy indicator for access to the formal financial sector in the survey is whether any member of the household has a bank account. Figure 7.7 compares the share of households in the IPPMD sample with access to bank accounts by remittance status, overall and for rural and urban areas (Tbilisi and other urban areas) separately. As was also shown in the first part of the chapter, most households in Georgia have access to bank accounts. Households receiving remittances are more likely to have a bank account in urban areas other than the capital, while the opposite is true in rural areas and in Tbilisi.

Access to the formal financial system facilitates the sending of remittances through formal channels, which can encourage more savings and better matching of savings with investment opportunities; and thus strengthen the development impacts of remittances. Remittances sent through formal channels can also generate multiplier effects by making more financial resources available to finance economic activities.

Figure 7.7. **Most households have access to bank accounts, particularly households receiving remittances in urban areas**

Share of households with access to bank accounts, by geographical region and remittance status



Note: Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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The relationship between having access to a bank account and remittances' volume and sending channel is further investigated in Box 7.4. The findings do not show that households with access to bank accounts receive more remittances, or are more likely to receive remittances through formal channels. Separating the analysis for rural and urban household does not change the results.

One reason why these linkages are weak could be that financial inclusion is already high in Georgia, where a majority of households have access to bank accounts. A majority of remittances are also sent through formal channels; only 8% of the households that receive remittances receive them through informal channels.

Financial training programmes are scarce in Georgia

The findings in the previous section show that most remittances to Georgia are channelled through the formal financial system; this creates the potential to stimulate savings and generate multiplier effects in the economy beyond the households receiving remittances. However, this also requires households to have basic financial literacy and to be informed about available investment

opportunities. Better knowledge about savings and investment possibilities can channel remittances into more productive investment. Yet previous studies indicate that despite the high share of banked individuals in Georgia, lack of financial literacy is a concern for financial institutions (Gugushvili, 2013).

The IPPMD data show that very few households in the sample have benefited from any financial training programmes. Only about 1% of households in the sample have participated in a financial training programme in the past five years. Furthermore, the community survey revealed that no courses related to financial literacy or business creation are available in the sampled communities.

Box 7.4. The links between bank accounts and remittance-sending behaviour

Regression analyses were applied to estimate the effects of bank accounts and financial training on remittance patterns, using the following two models:

$$\text{Prob}(\text{informal_remitt})_{hh} = \beta_0 + \beta_1 \text{bank_account}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

$$\text{Ln}(\text{amount_remitt})_{hh} = \alpha\beta_0 + \beta_1 \text{bank_account}_{hh} + \gamma \text{controls}_{hh} + \delta_r + \varepsilon_{hh} \quad (4)$$

where the dependent variable in model (3) and (4) is the amount of remittances the household receives, and in column (2) the probability of receiving informal remittances. *bank_account_{hh}* represents a binary variable indicating if the household has a bank account, where “1” denotes a household with a bank account and “0” if not. *controls* are a set of observed household characteristics influencing the outcome.¹ δ_r represents regional (municipality level) fixed effects and ε_{hh} is the randomly distributed error term.

Table 7.3. Having a bank account does not affect remittance patterns

Dependent variable: Amount of remittances received/household receives formal remittances			
Main variables of interest: Household has a bank account			
Type of model: Probit/OLS			
Sample: All households receiving remittances			
Variables of interest	Dependent variables		
	(1)	(2)	
	Amount of remittances received	Household received informal remittances	
Household has a bank account	-0.306	-0.007	
	(414.4)	(0.008)	
<i>Number of observations</i>	339	1 901	

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses and robust to heteroskedasticity.

1. The set of household and individual explanatory variables included in the specifications are the following: household size and household size squared; household dependency ratio (defined as the number of children and elderly in the household as a share of the total members of working age); mean education level among adult members; a binary variable for household located in the capital; number of children in the household; a binary variable for head being female; and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household.

In addition, migration is often financed by debt in Georgia, and remittances are often used to repay debt (Chapter 3). The costs of emigration could present an obstacle to remittance investments and contribute to the absence or delay of productive investments following emigration. In the absence of functional credit markets, households may have to pay high interest rates, which may undermine their ability to invest.

Conclusions and policy recommendations

Remittances from migrants are a key income source for a significant part of the Georgian population, and constitute an important contribution to the country's national income. Financial resources sent in the form of remittances or brought back by return migrants can help households overcome financial constraints and finance productive investments such as business activities and real estate.

The findings in this chapter suggest that remittances can spur investments in real estate, provided that the amounts of remittances received are large enough. The results also showed a positive relationship between return migration and households running a business. However, the link between migration and investments is not clear cut, but the results suggest that the impact of migration and remittances on investments has not yet been fully realised. Despite a high ranking on the ease of doing business scale, the share of households with businesses in the IPPMD sample is low, and no link between remittances and business activities were found, which is also in line with previous empirical findings for Georgia. Facilitating business creation and small-scale business operations, through offering small business loans and business management training for example, could support households to channel more of their remittances into business activities.

Furthermore, the findings show that Georgia is already advanced when it comes to financial inclusion. However, low financial literacy may impede investments. Participation in financial training programmes is very low among both migrant and non-migrant households in the sample, which might be a missed opportunity to channel remittances into more productive investments. In addition, remittances are often used to repay debt, which may be linked to migration often being financed by loans. The amount of time and resources it takes the household to repay debts may then undermine their ability to invest. Sectoral policies could hence help create a more enabling environment for migration and remittance funds to be used more efficiently, for example by providing financial literacy training, and could make sure that cheap and secure ways of funding migration are available to potential migrants.

Findings from the analyses suggest several recommendations for policy:

- Provide business management and entrepreneur skills courses, promote entrepreneurship and help remittance-receiving households and return migrants overcome barriers to investments. Providing more information about local investment opportunities to return migrants could also increase investments.
- Develop financial education programmes to enhance financial literacy, especially in areas with high emigration rates and remittance flows.

Notes

1. The community survey defined a community as a fairly small area which does not reflect the country's official administration division. In urban areas for example, municipalities were divided into smaller units in the sampling process (Chapter 3). Hence, in certain cases the community data may not capture all financial institutions located in the municipality where the household resides, and may therefore underestimate the financial institution coverage in the community.
2. However, this is not enough to conclude that remittances are not used for long-term investments. Spending remittances on consumption or other short-term activities that only indirectly contribute to development may free up resources that can be redirected and used for investments in other activities.

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OECD Development Pathways

Interrelations between Public Policies, Migration and Development in Georgia

The *OECD Development Pathways* series helps developing and emerging economies to identify innovative policy solutions to their specific development challenges. Higher levels of well-being and more equitable and sustainable growth cannot be achieved by merely reproducing the experience of industrialised countries. For each of the countries studied, the series proposes options for action in specific policy areas and at the broader strategic level. It identifies the binding constraints to development across all sectors and proposes whole-of-government solutions.

Interrelations between Public Policies, Migration and Development in Georgia is the result of a project carried out by the Caucasus Research Resource Center (CRRC-Georgia) and the OECD Development Centre, in collaboration with the State Commission on Migration Issues (SCMI) and with support from the European Union. The project aimed to provide policy makers with evidence on the way migration influences specific sectors – the labour market, agriculture, education and investment and financial services – and, in turn, how sectoral policies affect migration. The report addresses three dimensions of the migration cycle that have changed remarkably in Georgia over the last 20 years: emigration, remittances and return.

The results of the empirical work confirm that even though migration contributes to the development of Georgia, the potential of migration is not fully exploited. One explanation is that, despite headway in the field of migration and development through the creation of the SCMI, not all policy makers in Georgia take migration sufficiently into account in their respective policy areas. Georgian authorities therefore need to adopt a more coherent policy agenda and better integrate migration into their sectoral strategies to enhance the contribution of migration to development in the country.

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