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## **Consequences of COVID 19 pandemic on employment rate and monthly average income in Khulo municipality**

**IPM Market Intelligence Caucasus**

October,2020



### **Executive summary**

In September 2020, Caritas Czech Republic contracted IPM Market Intelligence Caucasus LLC to conduct a survey “COVID-19 Pandemic impact on local economy in Khulo Municipality. The study was conducted within the frame of EC funded project “Promotion of Rural Development and Diversification in Khulo Municipality. In order to achieve the 95% of reliability 120 households were interviewed randomly in six communities of Khulo Municipality. The objective of the study was to determine COVID 19 impact on the Specific Objective of the project: to improve employment and living conditions in Khulo Municipality through diversification of the rural economy. The objective has two indicators – (1) Employment rate increase in Khulo Municipality and (2) Monthly average income increases per household. Targets for those indicators are – (1) 8 % increase of employment (2021) and (2) 10% monthly average household income increase in Khulo (2021).

According to the survey, COVID 19 pandemic negatively affected above mentioned indicators and their target values. Namely, due to COVID 19 pandemic employment rate and monthly average has decreased.

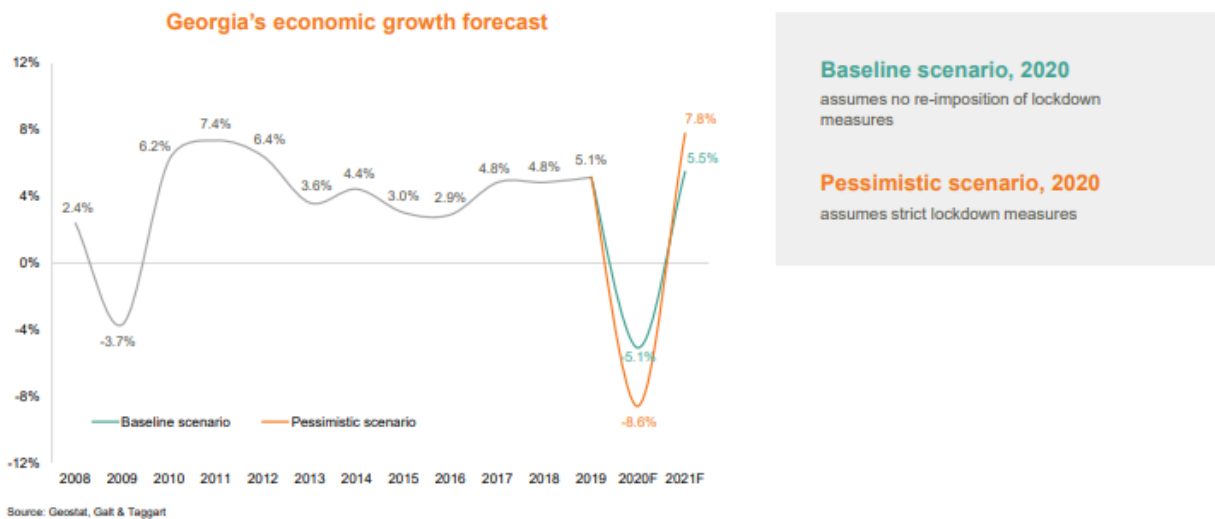
The analysis of the survey results showed that (1) the employment, if compared to 2018 data has dropped from 73% to 62% and (2) the monthly average income per household have changed significantly, in particular - 69% of the surveyed population say that their income has decreased.



The Covid-19 pandemic is having a severe impact on economic activity worldwide. What was already a global health crisis is now evolving into a global economic crisis with dire and sweeping consequences. The nature of this particular shock is markedly different from past downturns, affecting supply, demand, and consumer confidence.

COVID19 pandemic also negatively affected Georgian economy. According to GALT TAGGART study (<https://galtandtaggart.com/research/research-reports/economy/all-all/1/>) by October 2020, if compared to same period of 2019, we observe 5.1% economic contraction.

## Georgia's GDP growth forecast in 2020-2021



Georgia's real GDP decreased<sup>1</sup>

Table 2: Effects on 2020 Budget	Optimistic	Less Pessimistic	Very Pessimistic
<b>Real GDP Growth</b>	<b>-4.3%</b>	<b>-8%</b>	<b>-12.9%</b>
Expected decrease in tax revenues (-) in mln GEL	1 756	2 208	2 843
Expected additional expenditures (-) in mln GEL	1 738	1 818	2 220
Expected reduction of expenditures (+) in mln GEL	300	300	300
Expected Budget Deficit in mln GEL	-4 905	-5 437	-6 474
<b>Expected Budget Deficit as a % of nominal GDP</b>	<b>-9.8%</b>	<b>-11.2%</b>	<b>-14.1%</b>
<b>Expected Government Debt as a % of nominal GDP</b>	<b>53%</b>	<b>56.1%</b>	<b>61.4%</b>

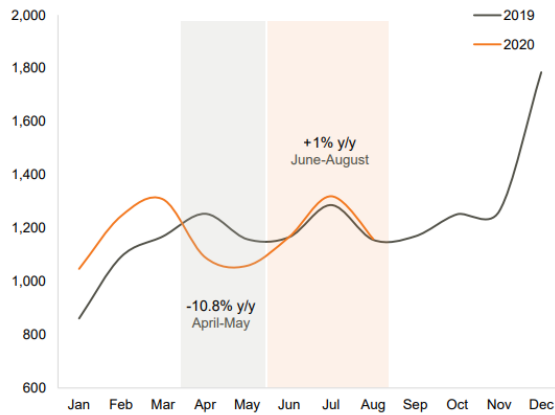
<sup>1</sup> Source: PMC RC research



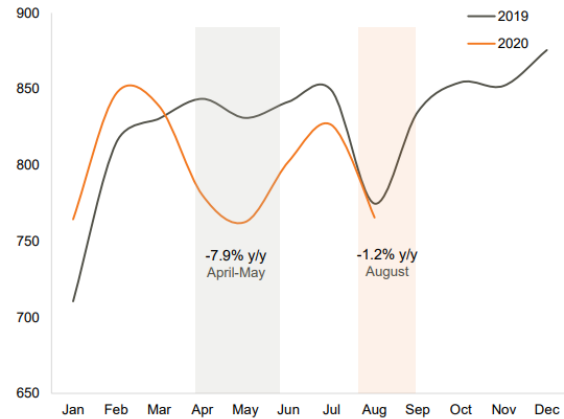
1.2% decrease in employment rate and no changes in gross salaries

## Salary and employment recovered since June 2020, converging the last year's levels

Gross salaries, GEL mn

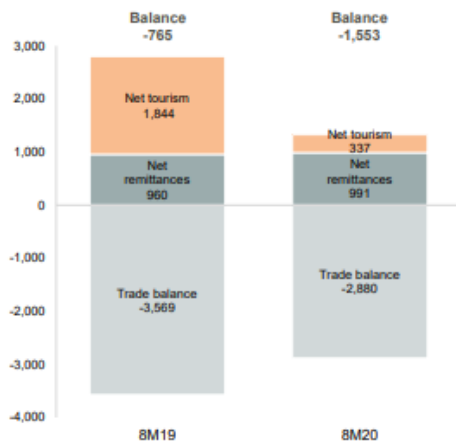


Number of employed (hired), '000 persons



External balance deteriorated by \$787mn in 8M20 as tourism vanished

Major categories of external balance  
US\$ mn



Source: NBG, Geostat

January – August 2020:



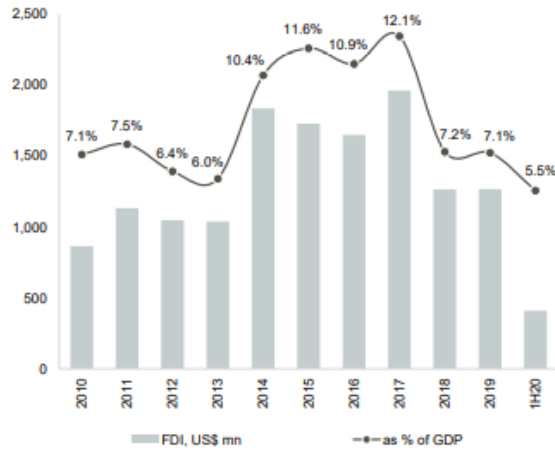
Source: NBG, Geostat



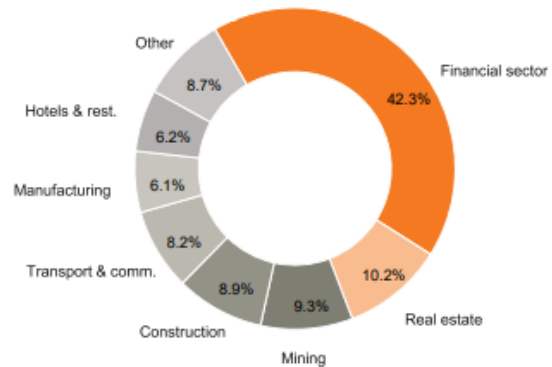
Foreign direct investment in Georgia 26% down

## FDI down 26% y/y in 1H20

Foreign direct investment in Georgia



FDI by sector in 1H20, share in total



There is no reason not to assume that all above factors also negatively affected employment and average monthly income in Khulo. In this regard the project has contracted IPM Market Intelligence Caucasus LLC to conduct a survey in September-October 2020 to determine the impact of COVID 19 pandemic on Specific Objective of the project: to improve employment and living conditions in Khulo Municipality through diversification of the rural economy. The objective has two indicators – (1) Employment rate increase in Khulo Municipality and (2) Monthly average income increases per household. Survey conducted by CCRG contractor - IPM Market Intelligence Caucasus LLC confirms this assumption. In particular: the analysis of the survey results showed that (1) the monthly average income per household have changed significantly, in particular - 69% of the surveyed population say that their income has decreased and (2) employment, if compared to 2018 data has dropped from 73% to 62%.



The survey details:

Survey method	Quantitative survey
Survey technics	CATI <sup>2</sup> (Computer-assisted telephone interviewing)
Survey area	Khulo Municipality
Target segment	I – study of households – population of the municipalities of the selected regions (of the ages above 18). 120 interviews in total.  Beneficiaries of the second project –beneficiaries who became winners of the project. 47 interviews in total.
Selection method	The multi stage cluster selection by ratification in advance  Based on the selection method and size the research data is generated from the selected residents of Khulo Municipality
Selection range	Study of the households – 120 respondents  Study of the beneficiaries – 47 respondents
Duration of the interviews	10-15 minutes

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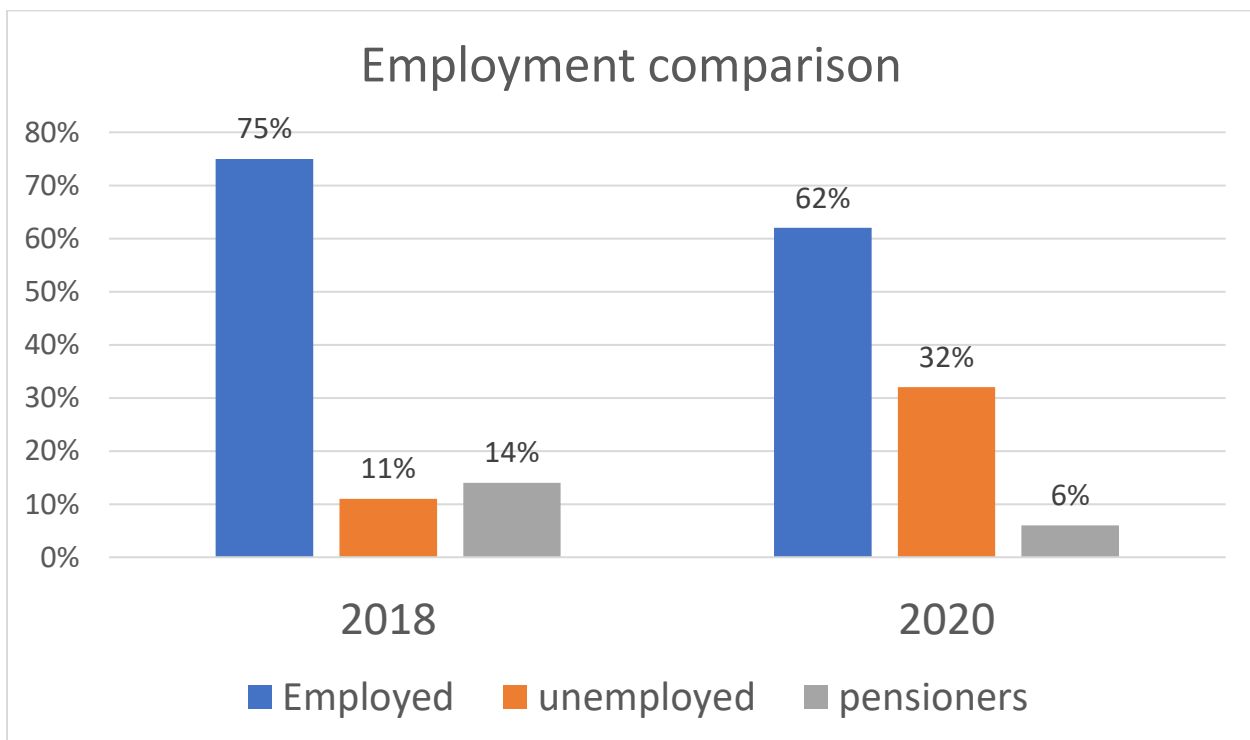
<sup>2</sup> Initially, it was planned to conduct the study in a face-to-face method, however, due to pandemic environmental conditions we had to change the method in agreement with the client.



If we talk about the comparison of employment rate, in Figure 1, you can clearly see that, in 2018, 75% of the population is employed, while in 2020, after COVID-19 pandemic, it dropped to 62%. 47% are hired employees and 15% are self-employed. 32% of the working age population does not work. It is also noteworthy that the number of men employed (54%) is higher than the number of women (44%), while in other employment statutes, the number of women is significantly higher than that of men.

If we compare these numbers with the data of 2018, we can clearly see that the situation has deteriorated sharply, the unemployment rate rose from 11% to 32%.

**Figure 1.** Comparison of employment rate of Khulo municipality residents according to survey



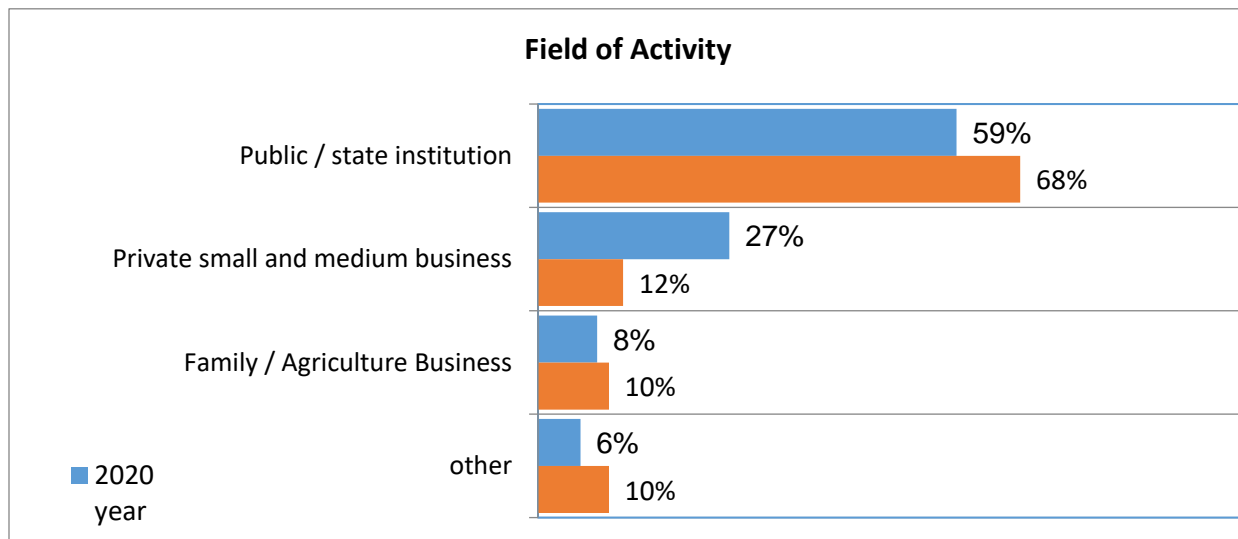
It is important to note the fact that more than half (59%) of employed people work in the public sector. 27% of employed people are engaged in small and medium private businesses such as shops, small cafes and restaurants, guest houses, etc. Also noteworthy is the fact that only 8% of employed people are engaged in agriculture. The number of people employed in other fields is quite small (6%). We found interesting the fact that the number of men employed in the public sector and private business (large company) exceeds the number of women, while small and medium-sized businesses (cooperatives, family



hotels, restaurants, etc.) and even those employed in the family / agricultural business Women predominate.

These data, like the previous paragraphs, are different from the 2018 data. The number of people employed in the public sector and the agricultural sector has decreased and the number of people employed in private business has increased. See the data for both years in Figure 3.

**Figure 3.** Field of activity in 2018 and 2020

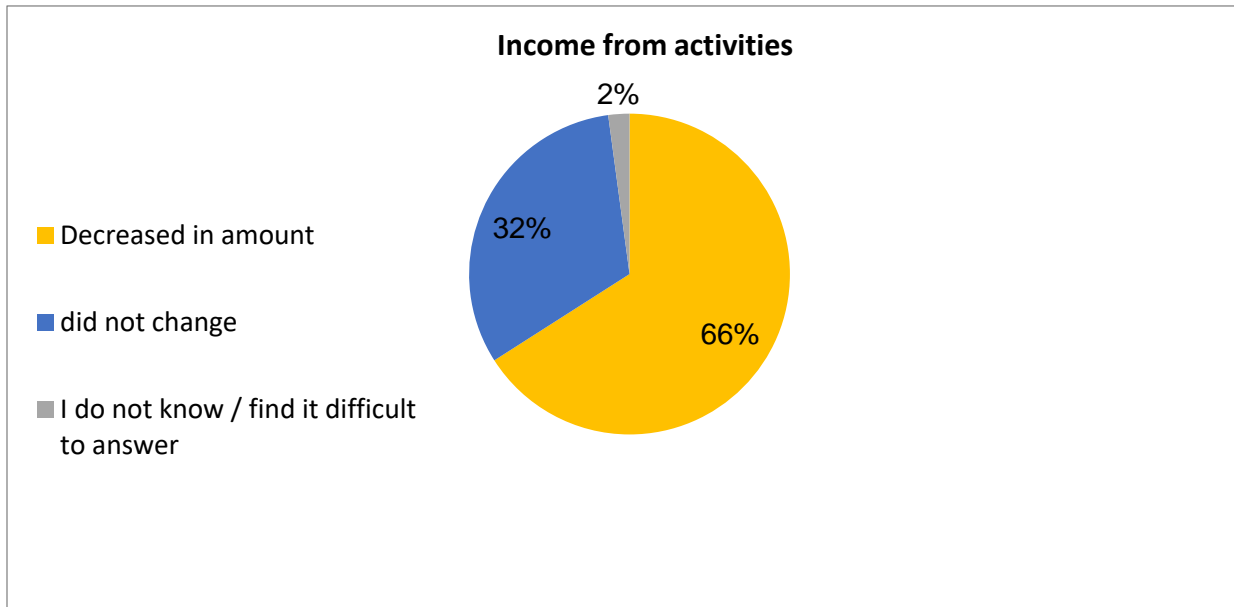


69% of respondents say that the economic situation of their family has significantly decreased recently, which cite unemployment and closed borders as the main reasons. While 30% say that the economic situation of the family has not changed. Accordingly, in the post-Corona period, the most important family problems are unemployment (27%), the economy (15%), COVID 19 (11%), and high prices for products (10%). Only 20% of respondents said that COVID 19 did not cause them any problems.





**Figure 4.** How changed the income of the family in the post-Corona period



**Figure 5.** The most important family problems in post-Corona period

