*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 (IPPMD) 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).

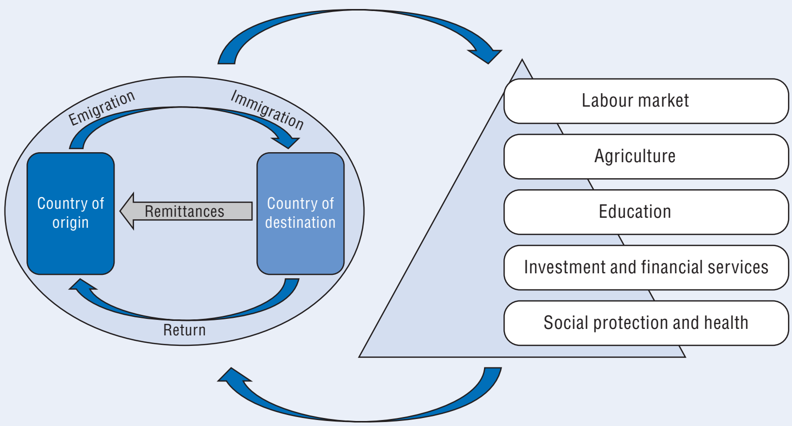
In this context, the European Union and the OECD Development Centre's project on the Interrelations between Public Policies, Migration and Development (IPPMD) in Georgia is rather timely. The empirically based project aims to provide policy makers with evidence of the untapped development potential embodied 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** (IPPMD). 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.<br><br>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.<br><br>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?

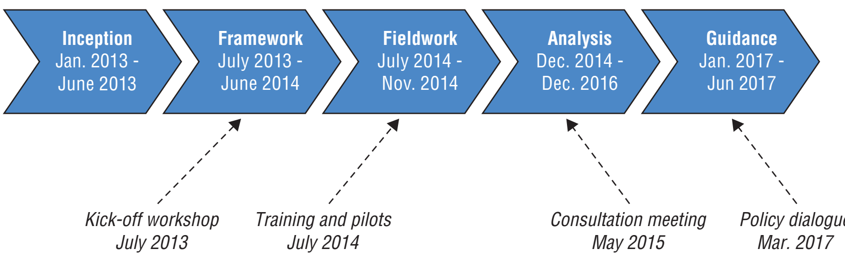
The project was carried out between 2013 and 2017 in close collaboration with two key partners in Georgia:

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 (CRRC-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.

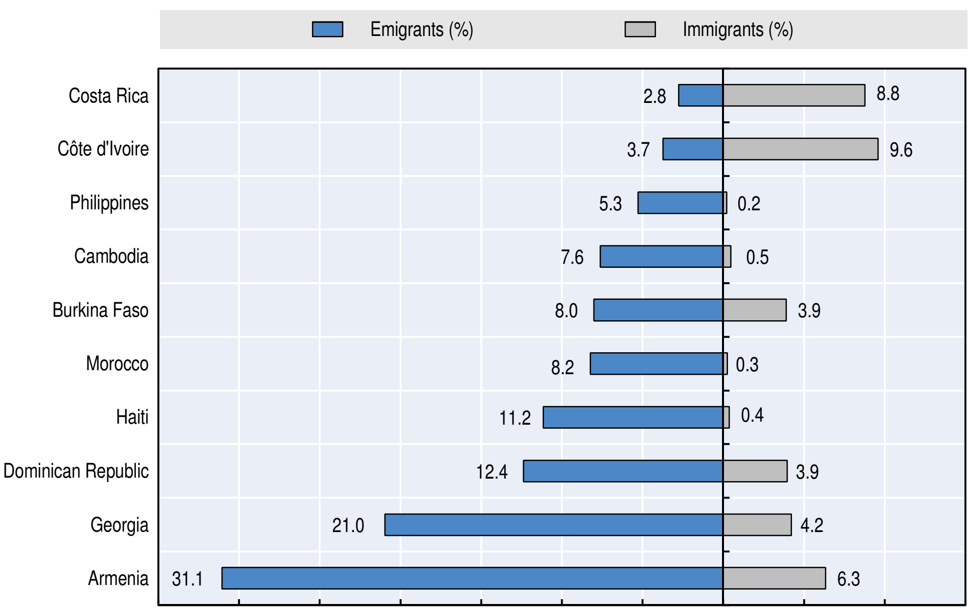
The quantitative data were analysed using both descriptive and regression modelling techniques. The former identifies broad patterns and correlations between key variables concerning migration and public policies, while the latter deepens the empirical understanding of these interrelations by also controlling 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 emigrate[3] – 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]

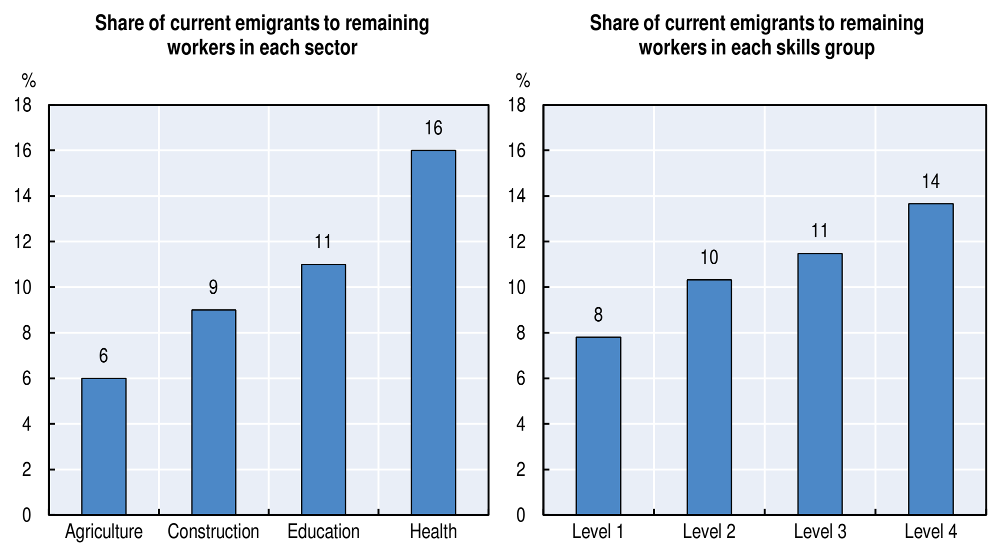
In many cases households lack the tools to overcome the negative short-term effects associated with the departure of one or several members of the household. For instance, losing household labour to emigration can have a significant impact on the remaining household members, especially as migrants are 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 is 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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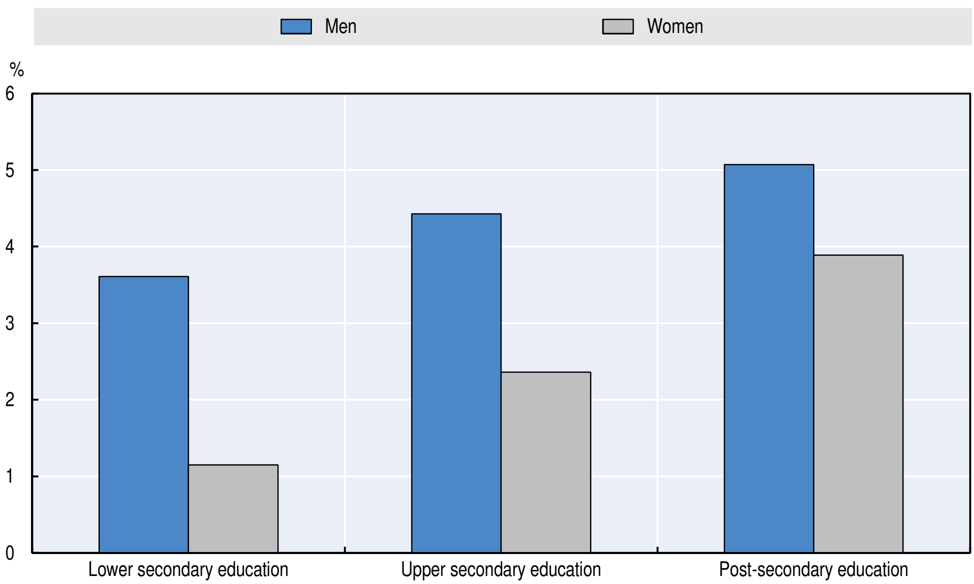
This finding is not entirely negative however. Highly educated individuals with the intention to emigrate do not always manage to do so. Moreover, the successful emigration of highly skilled individuals may persuade more people to acquire skills and formal education than would have been the case otherwise, 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 English[10]) 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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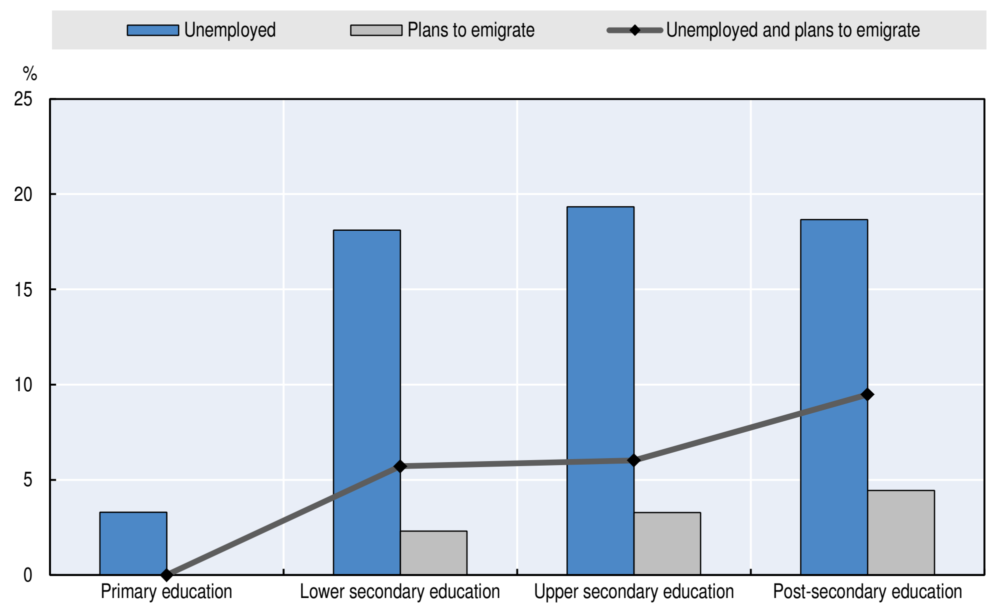
### *How do sectoral policies influence emigration and development?*

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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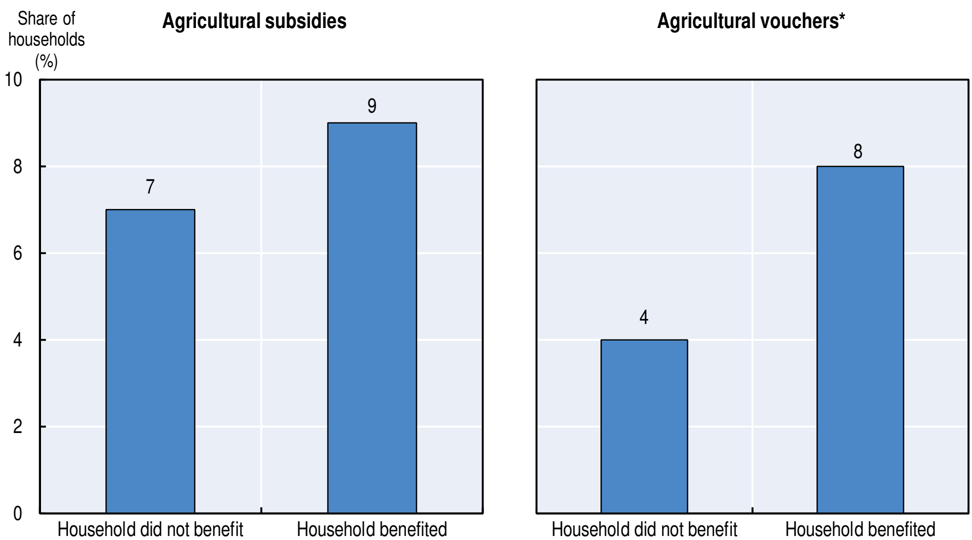
On the other hand, financial constraints are a major obstacle to people emigrating; according to the IPPMD data, both households with emigrants and those with members planning to emigrate are wealthier[12] than other households. Policies that relieve financial constraints (such as providing funds or 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).

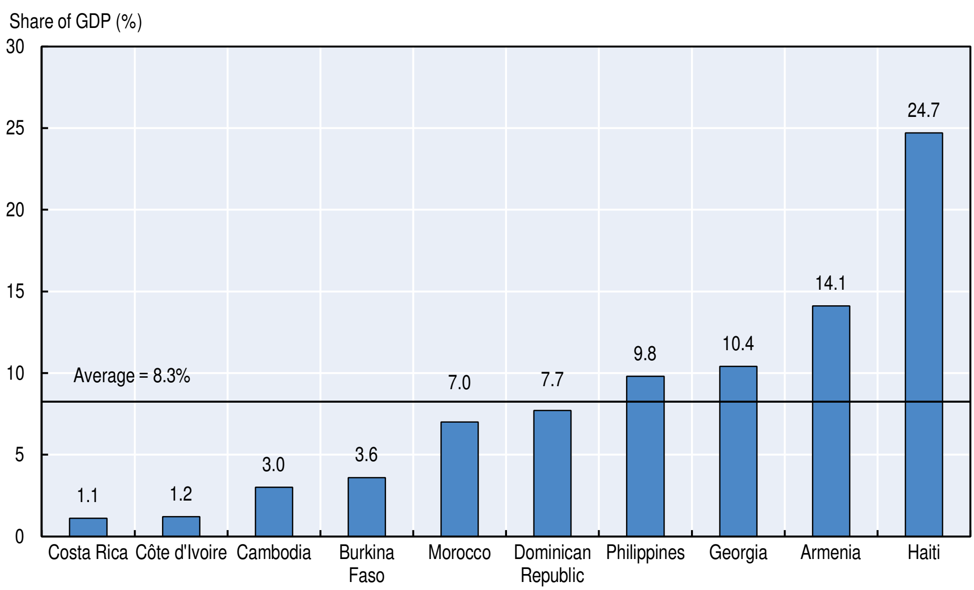
Overall – and despite the short-term labour losses incurred by emigration – the long-term effect of emigration is positive and outweighs the losses. That is because while emigration itself can be positive, the greatest tangible benefits stem from remittances and return migration – the topics of the next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

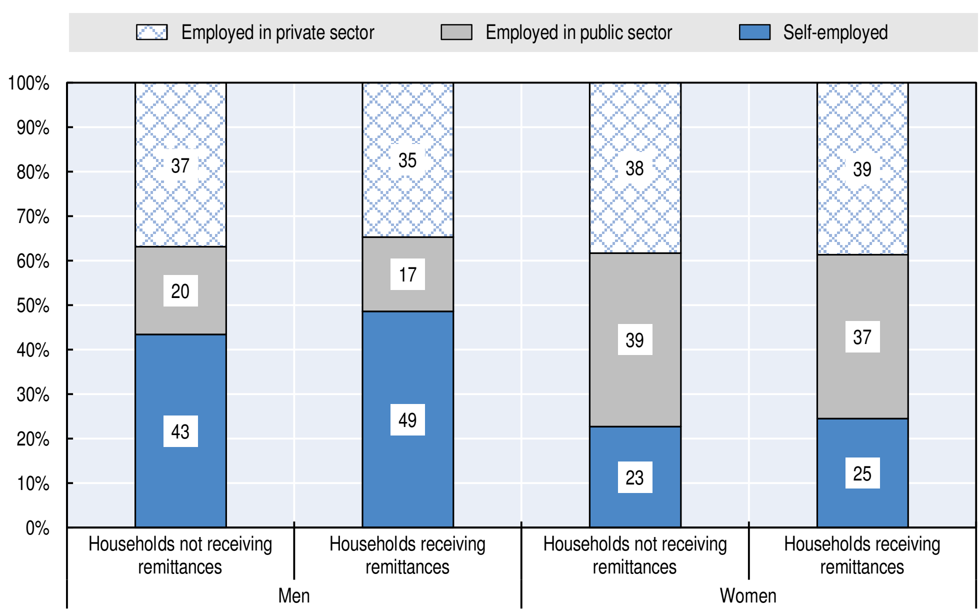
(World Bank, 2016).[16] Another important factor is increased access to formal money transfer channels and improved banking infrastructure in the country, particularly in rural areas (Zurabishvili, 2012).

### *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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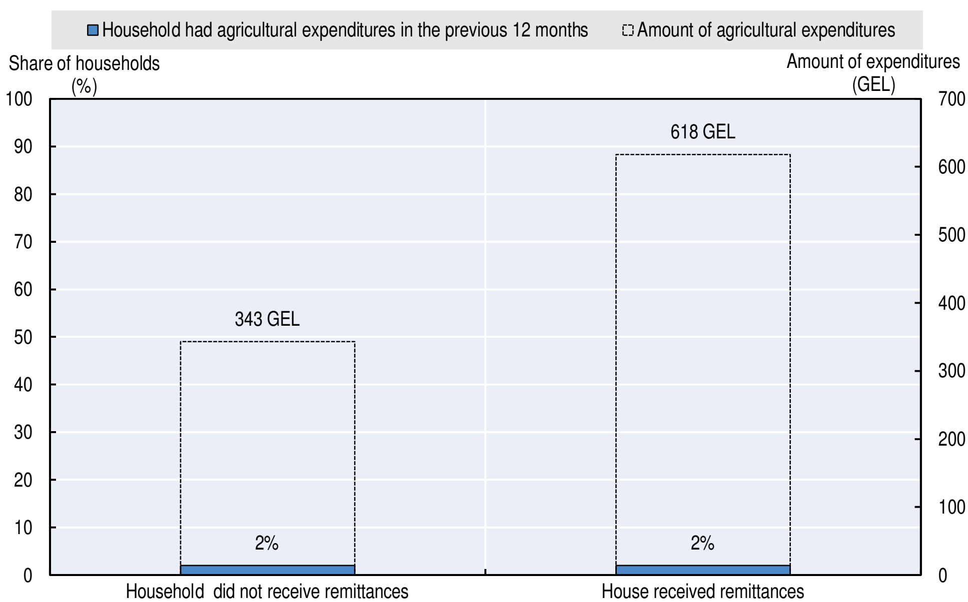
The data also point to other types of investment enabled by remittance income. Although very few agricultural households spend money on agricultural assets in general, such as machinery, barns, fencing, feeding mechanisms, irrigation systems and tractors, agricultural households receiving remittances 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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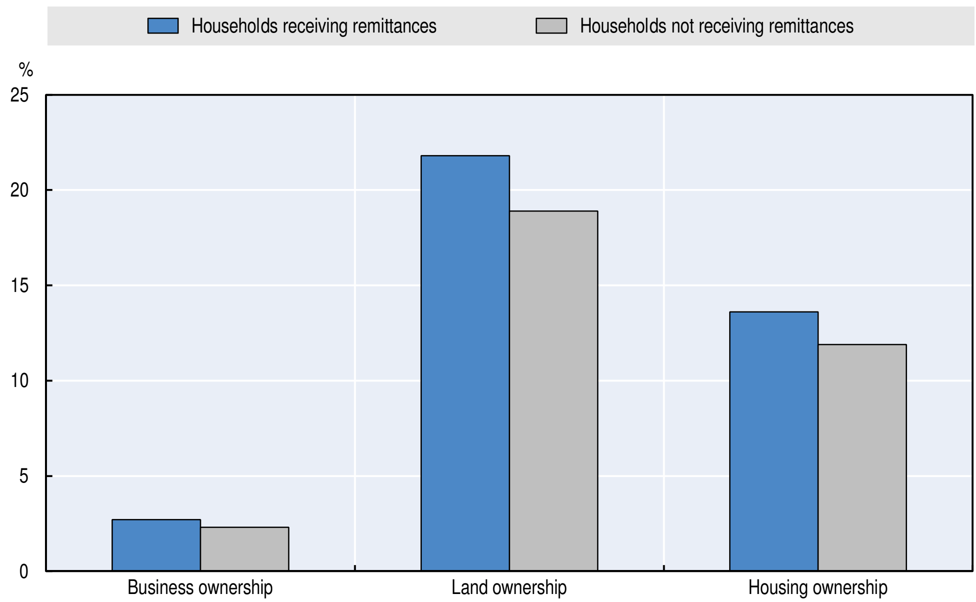
In addition to agricultural investments, remittances tend to also be used to finance non-agricultural investments such as businesses, land and housing (Figure 1.11). Households receiving remittances were more likely than households not receiving remittances to own a non-agricultural business, non-agricultural 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**

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.

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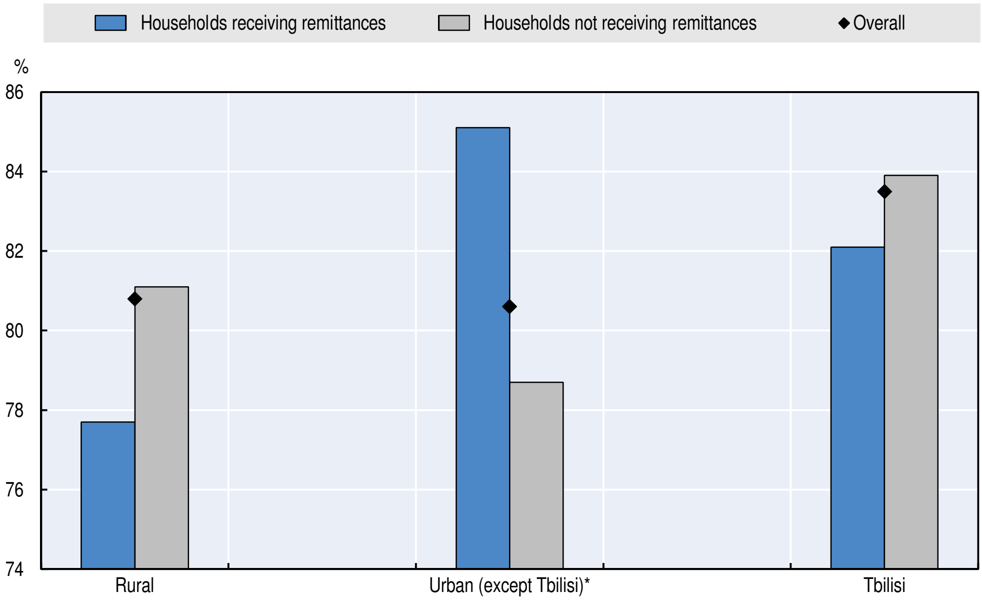
### *How do sectoral policies influence remittance use?*

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).

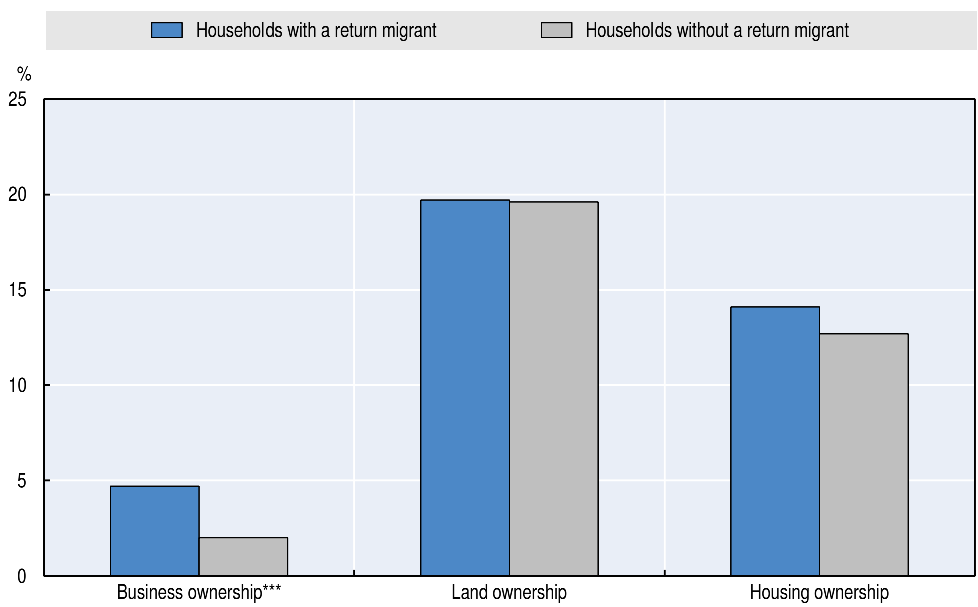
*Source:* Authors' own work based on IPPMD data.

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.

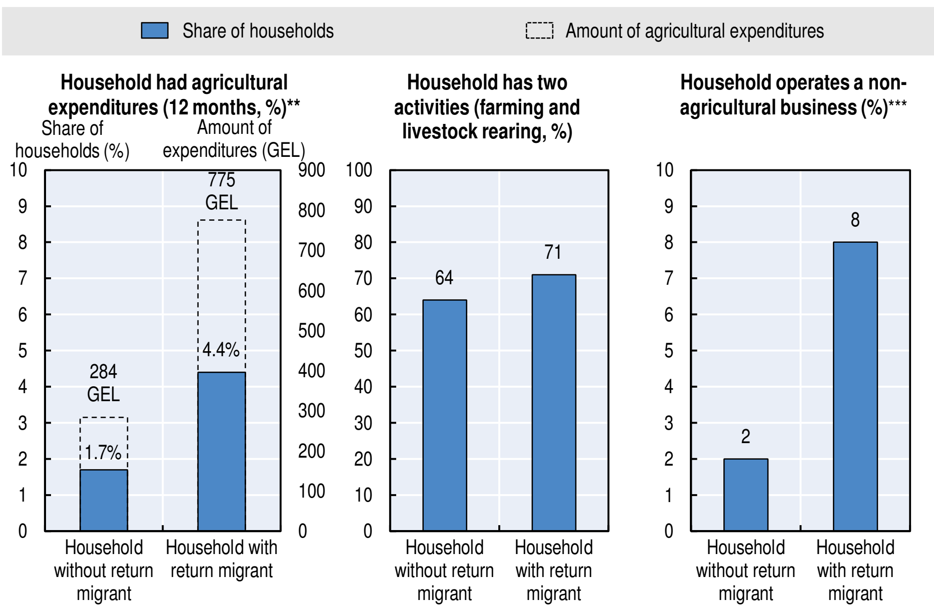
*Source:* Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933457703

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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