



Abolition of Labour Inspection in Georgia

Consequences for Workers and the Economy

GIORGI TCHANTURIDZE

September 2018

- Labour inspection was abolished in 2006 in Georgia citing corruption in the old structure and its hindering of business activities as the main reasons. The immediate outcome was a significant increase of workplace related deaths and injuries whereas no positive economic effects could be observed.
- In the EU-Georgia Association Agreement, Georgia committed to implementing internationally recognised core labour standards including effective labour inspection until September 2019. This commitment had no negative economic effects, especially on the level of foreign direct investments (FDI).
- After taking first steps in 2015 and 2018 towards a comprehensive labour inspection, the Georgian government still has much to do in fulfilling its international obligations.

Content

1. International obligations of Georgia..... 3

**2. Effects of the Abolition of the Labour Inspection
and its Effects on Safety at Work 3**

3. Effects of the Abolition of the Labour Inspection on the Economy 6

1. International obligations of Georgia

Under the EU-Georgia Association Agreement, Georgia has undertaken the obligation to align its legislation step-by-step with the EU legislation in the agreed time frame. According to the Association Agreement “the Parties recognise full and productive employment and decent work for all as key elements for managing globalisation and reaffirm their commitment to promote the development of international trade in a way that is conducive to full and productive employment and decent work for all. Parties commit to respecting, promoting and realising in their law and practice and in their whole territory the internationally recognised core labour standards, as embodied in the fundamental ILO conventions.” One of the important steps to implement “decent work” is to have an effective labour inspection, referring to ILO Convention 81. Annex XXX of the Association Agreement includes a list of Euro-directives concerning health and safety issues at the workplace and timelines for their implementation. The deadline to transpose these directives into Georgian legislation is September 2019.

In 2015, through the decree of the Government of Georgia, an amendment was introduced into the regulation of the Ministry of Labour, Health and Social Affairs of Georgia, based on which the Labour Conditions Inspection Department was established. However, its authority was limited to voluntary inspections and issuing recommendations for businesses.

On March 21, 2018, the Law on Labour Safety came into force, which is still far from setting up an effective inspection mechanism. The major drawbacks that distinguish this law from the International Labour Organization 81 Convention and the EU-Georgia Association Agreement are as follows:

- Labour inspection has no unconditional access to workplaces. In order to conduct an unscheduled inspection, the department needs permission from the court.
- The mandate of the labour inspection is not comprehensive and applies only to workpla-

ces with hard, harmful or hazardous labour conditions.

- Labour inspection is only concerned with the occupational safety and health and does not include control of labour conditions, such as working time.

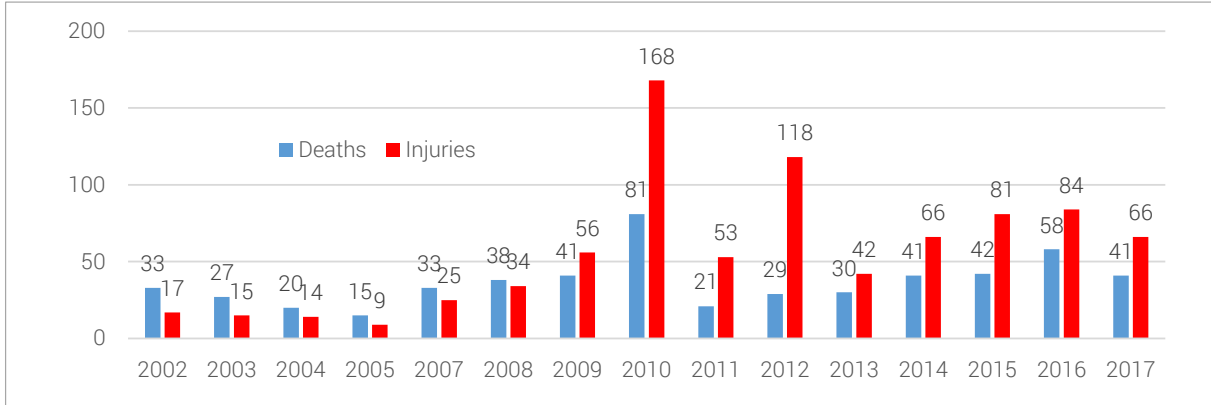
2. Effects of the Abolition of the Labour Inspection and its Effects on Safety at Work

Labour inspection in Georgia was abolished in 2006. The main arguments for the abolition were that the inspection was corrupt and could not fulfil its function due to this. Also labour inspection was supposedly hindering the business. However, the then government failed to consider negative consequences that would follow this action. The abolition of labour inspections resulted in unequivocally negative consequences for workers. The total number of workplace accidents increased significantly (figure 1), as well as the number of deaths and injuries. After the abolition of the labour inspection in 2006, the average number of fatal work place accidents reached 41.36, which is 74.1% more than in the previous period (figure 2).

It should be noted that the statistics do not include self-employed workers since they do not have an employer and the Ministry of Internal Affairs of Georgia does not initiate a criminal case in these circumstances. Self-employed people constitute 52% of those employed in Georgia, so the real number of those injured and deceased exceeds the current statistics.

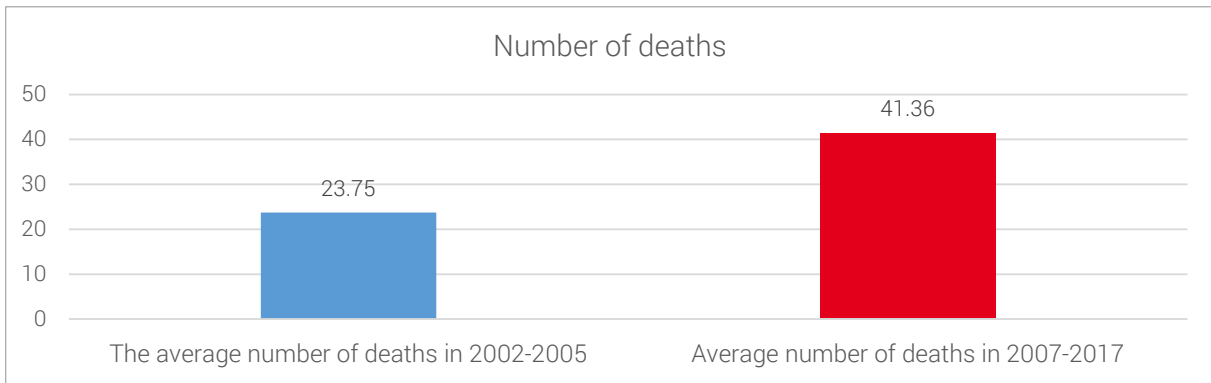
An important measuring tool used in European countries in assessing workplace safety is the number of deaths per 100,000 workers. In 2002-2005, this figure was 3.7 while after the labour inspection was abolished, the average number increased to 5.9 (figure 3).

Figure 1. The number of deaths and injuries at workplaces 2002-2017 (the labour inspection was abolished in 2006)



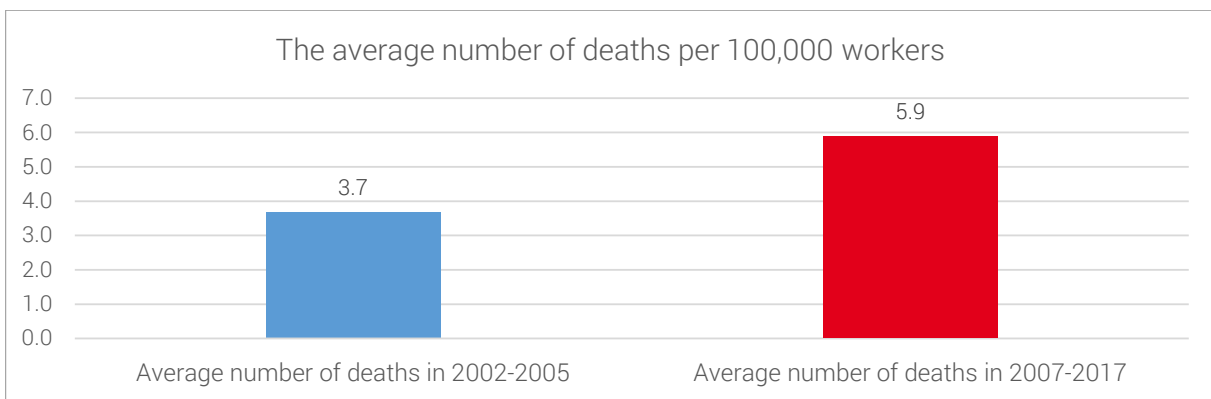
Sources: Georgian Trade Unions Confederation (GTUC). Ministry of Internal Affairs of Georgia. Ministry of Internally Displaced Persons from Occupied Territories, Labour, Health and Social Affairs of Georgia.

Figure 2. The average number of deaths at workplaces before and after the abolition of the labour inspection



Sources: Georgian Trade Unions Confederation (GTUC). Ministry of Internal Affairs of Georgia. Ministry of Internally Displaced Persons from Occupied Territories, Labour, Health and Social Affairs of Georgia.

Figure 3. Average number of deaths per 100,000 workers

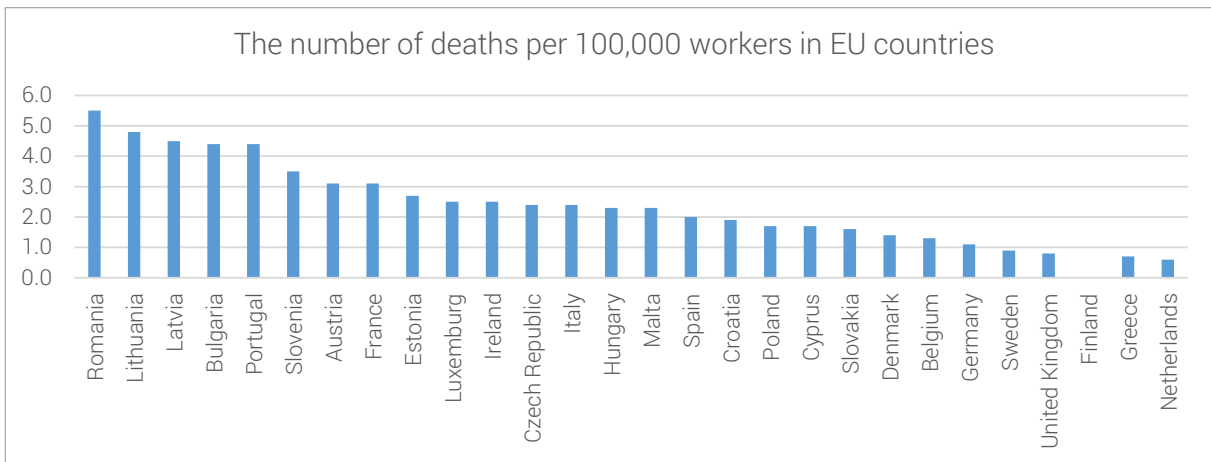


Sources: Georgian Trade Unions Confederation (GTUC). Ministry of Internal Affairs of Georgia. Ministry of Internally Displaced Persons from Occupied Territories, Labour, Health and Social Affairs of Georgia.

Industry and construction sectors are the most precarious areas for life and health of workers (more than 60 % of work-related deaths in 2017 were recorded in industry and construction sectors). 7,3 % of the total workforce in Georgia are employed in the industry sector and 4,8% - in the construction sector¹. While in Europe the share of those employed in the industry sector is 21 %^{2,3} and 6 % are employed in construction sector. Despite

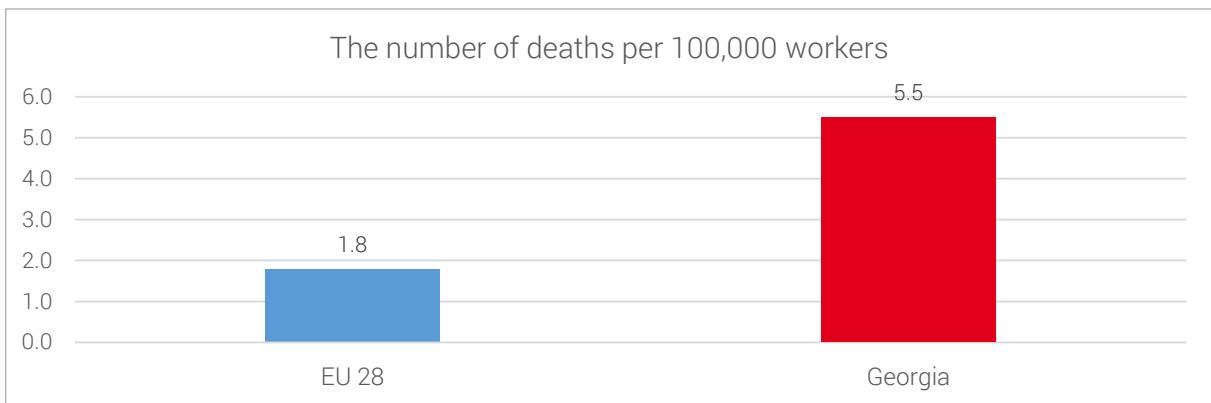
the fact that the share of those employed in industry and construction sectors of Georgia is significantly lower than in European countries, the number of work-related deaths in Georgia still exceeds the number in all EU member countries (figure 5). The average number of deaths per 100,000 workers in the EU in 2014 amounted to 1.8, while in Georgia the figure was 5.51 in the same period (figure 5).

Figure 4. Number of deaths per 100,000 workers in the EU countries (2014)⁴



Source: Eurostat

Figure 5. Average number of deaths per 100 000 workers in Europe and Georgia (2014)



Sources: Georgian Trade Unions Confederation (GTUC). Ministry of Internal Affairs of Georgia. Ministry of Internally Displaced Persons from Occupied Territories, Labour, Health and Social Affairs of Georgia. Eurostat

1. http://geostat.ge/index.php?action=page&p_id=146&lang=eng Distribution of employed by economic activity, 2017
 2. <http://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20171024-1>
 3. Industry share in GDP – 25,1%
 4. [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Fatal_accidents_at_work_2013_and_2014_\(incidence_rates_per_100_000_persons_employed\)_YB16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Fatal_accidents_at_work_2013_and_2014_(incidence_rates_per_100_000_persons_employed)_YB16.png)

3. Effects of the Abolition of the Labour Inspection on the Economy

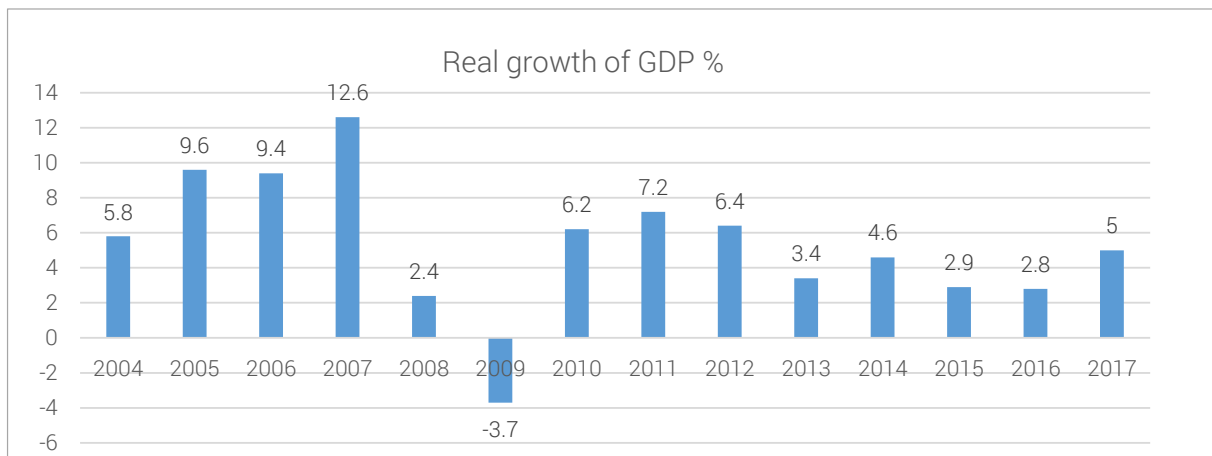
After the Rose Revolution in 2003 various reforms were implemented in Georgia. Among them were economic reforms and tax reforms. The system of tax administration was regulated and corruption was eradicated that led to acceleration of economic growth.

As a result of the Russia-Georgia war and the international economic crisis in 2008, the economic growth slowed down and the GDP decreased by 3.7% in 2009.

With the decline in GDP, the amount of direct foreign investments plummeted in 2009. When in 2008 FDI amounted up to 1.6 billion GEL, in 2009 it was 664 million GEL. In 2011 the situation stabilized, and high growth has been observed since 2014. In 2014, Georgia signed the Association Agreement with the European Union, resulting in increased interest from investors.

The EU-Georgia Association Agreement obliges Georgia to establish effective labour inspection. This is certainly known to foreign investors, however the interest towards Georgia and respectively, the volume of investments, remains high.

Figure 6. Real Growth of GDP in 2004-2017



Source: National Statistics office of Georgia

With the decline in GDP, the amount of direct foreign investments plummeted in 2009. When in 2008 FDI amounted up to 1.6 billion GEL, in 2009 it was 664 million GEL. In 2011 the situation stabilized, and high growth has been observed since 2014. In 2014, Georgia signed the Association Agreement with the European Union, resulting in increased interest from investors.

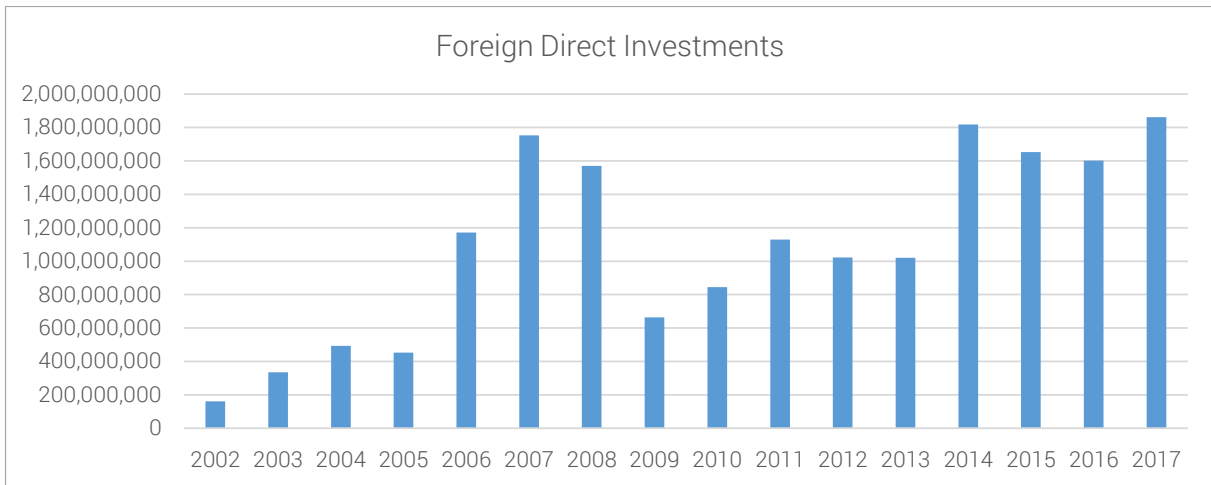
The EU-Georgia Association Agreement obliges Georgia to establish effective labour inspection. This is certainly known to foreign investors, however the interest towards Georgia and respectively, the volume of investments, remains high.

Increase in direct foreign investments since 2014 indicates that economic stability and open mar-

kets in the country have a decisive importance for investors and the planned re-introduction of the labour inspection does not constitute a barrier for investment. On the contrary, its absence is seen as an obstacle by leading foreign investors: On August 25, 2015, Adidas, Puma, Nike, and New Balance together with the Fair Labor Association addressed the Ministry of Labour, Health and Social Affairs of Georgia and requested protection of decent working conditions through inspections.⁵ For such big brands it is especially important to protect occupational safety, health norms and labour rights in the countries producing their products, since violation of labour rights can taint their image.

5. <http://www.fairlabor.org/report/fla-and-four-affiliated-companies-call-meaningful-minimum-wage-georgia>

Figure 7. Foreign Direct Investments 2002-2017 (GEL)



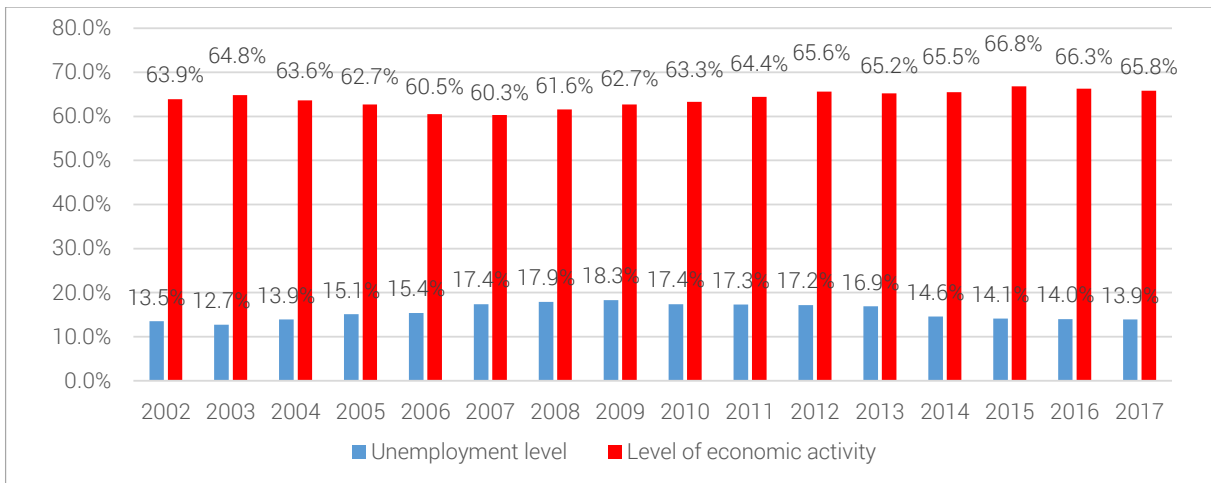
Source: National Statistics office of Georgia

The abolition of the labour inspection did not directly affect the level of unemployment. The increase of unemployment started in 2003 and continued until 2010. Economic activity decreased in 2006-2007. The share of economically active population returned to the level of 2005 only in 2009. Only in 2010, the unemployment rate started to decrease marginally. In 2014, after the signing of the Association Agreement, the unemployment rate dropped by 2.3%. The above indicates that the abolition of the labour inspection has not resulted in unemployment reduction and / or employment growth.

it has not provided any noticeable positive effect on investments and economic growth. Given the fact that ten years later the country has to start to establish the labour inspection and to accumulate experiences from scratch, it would have been better to conduct a reorganization of the labour inspection instead of its abolition in 2006, as it was done concerning reforms in police or tax authorities. This would not have only reduced the violation of workers' rights, but also the accumulated experience of already existing structures would have been maintained and the country would no longer have to go through this difficult process - a process that has already been under way for three years now and tangible results are yet to be seen when it comes to protection of workers' rights.

It can be said that the results of the abolition of the labour inspection were undoubtedly negative for workers' rights and occupational safety, and

Figure 8. Economic activity and unemployment levels (2002-2017)



Source: National Statistics office of Georgia

About the author

Giorgi Tchanturidze is economist at the **Georgian Trade Unions Confederation (GTUC)**.

Imprint

Friedrich-Ebert-Stiftung | Tbilisi Office
N. Ramishvili str. 4 | 0179, Tbilisi | Georgia

Responsible:
Felix Hett | Director, FES Regional Office South Caucasus
Tel.: +995 32 225 07 28
<http://fes-caucasus.org/>

To order publications:
stiftung@fesgeo.ge

Commercial use of all media published by the
Friedrich-Ebert-Stiftung (FES) is not permitted without the
written consent of the FES.

The views expressed in this publication are not necessarily
those of the Friedrich-Ebert-Stiftung or of the organization for
which the author works.