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Overcoming Dependence on Social Assistance – What is the right approach for Georgia?

Abstract

This paper examines the effectiveness of welfare-to-work strategies in Georgia, focusing on the relevance of "work-first" and "human capital development" approaches in a labour market characterized by high informality. Contrary to conventional assumptions, many social assistance beneficiaries are already economically active in Georgia, predominantly in informal and low-productivity jobs. The policy challenge, therefore, is not activation per se, but facilitating transitions into stable and formal employment. Drawing on desk research this paper shows that existing incentive structures, combined with limited availability of quality jobs, constrain sustainable labour market integration. In this context, work-first policies are unlikely to produce long-term gains, as they risk reinforcing a low-skill equilibrium.

While a human capital approach offers a more sustainable pathway, its effectiveness is constrained by weak labour demand and underdeveloped employment services. The paper argues for a hybrid model in which human capital development serves as the strategic direction, complemented by selective work-first elements. The findings highlight the importance of aligning activation policies with labour market structure in economies with high levels of informality.

Introduction

Overcoming dependence on social assistance remains a persistent policy challenge across both developed and developing economies. As a core component of social protection systems, social assistance plays a critical role in poverty reduction and income stabilization. At the same time, concerns about long-term reliance on such support have intensified, with a growing body of literature highlighting risks associated with prolonged benefit receipt, including weakened labour market attachment and potential disincentives to formal employment (Bergmark & Bäckman, 2004; Leisering & Leibfried, 1999; Saraceno, 2002). These concerns have placed increasing emphasis on identifying effective pathways for transitioning beneficiaries from welfare dependence to sustainable labour market participation.

Within this debate, two broad policy approaches have emerged. The "work-first" approach prioritizes rapid labour market entry, often into low-paid employment, while the human capital development approach emphasizes long-term investment in skills and employability (Lindsay, 2014; Dyke et.al. 2005). While both models have been extensively studied in advanced economies, their applicability in contexts characterized by high levels of informality and limited demand for skilled labour remains less well understood. Georgia represents a particularly relevant case in this regard. The country's social protection system is centered on the Targeted Social Assistance (TSA) program, a proxy means-tested scheme that plays a central role in poverty reduction and has demonstrated relatively strong targeting performance (World Bank, 2022). At the same time, the Georgian labour market remains structurally constrained, with a high prevalence of informal employment and a concentration of jobs in low-wage, low-productivity sectors.

In recent years, the activation of TSA beneficiaries and their integration into the labour market have become increasingly prominent in policy discourse. Programmatic responses, such as the Public Works Program introduced in 2018, aimed to promote employment while preserving benefit eligibility for participating households. However, the absence of systematic evaluation and the persistence of high levels of informality raise important questions about the effectiveness of such measures in reducing dependence on social assistance and facilitating sustainable transitions from informal into formal employment. This distinction is important in the Georgian context given that many social assistance recipients are economically active, albeit informally. Therefore, reducing dependence on social assistance in this context can be understood in two different ways: supporting transition from welfare to formal employment for those who are not economically active and supporting transition from informal to formal employment for those who are already working informally.

Moreover, policy narratives often rest on the assumption that social assistance recipients are insufficiently engaged in economic activity, despite evidence that many are already participating in the labour market, albeit informally.

Against this backdrop, this paper argues that the effectiveness of welfare-to-work strategies in Georgia is fundamentally shaped by the structure of labour demand. It asks whether conventional policy approaches-work-first or human capital development-can generate sustainable outcomes in a small, open economy characterized by a segmented labour market and limited availability of high-quality jobs. By combining insights from international literature with an analysis of the Georgian labour market and the institutional design of the TSA system, the paper contributes to a more context-sensitive understanding of welfare-to-work policies under conditions of structural labour market constraints.

Methodology

This paper is based on desk research, combining a review of academic literature, policy documents, and administrative data related to social assistance and labour market dynamics in Georgia. The analysis draws on secondary sources, including reports from international organizations (e.g., World Bank, UNICEF), national statistics, and relevant legal and policy frameworks governing the Targeted Social Assistance (TSA) system.

The study adopts a qualitative analytical approach, integrating comparative insights from the literature on welfare-to-work policies with a country-specific examination of institutional design and labour market structure. Particular attention is given to the interaction between incentive mechanisms embedded in the TSA system and prevailing labour market conditions. This allows for an assessment of how different policy approaches-work-first and human capital development-operate within the Georgian context and shape pathways into formal employment. The two policy approaches are assessed against four main dimensions: their potential to facilitate transition into formal employment, improve employment stability and quality, strengthen income security, and reduce longer-term dependence on social assistance. These dimensions are used to distinguish between short-term labour market entry and more sustainable forms of integration. Particular attention is given to whether each approach is likely to support movement from informal or precarious work into formal employment and whether such transitions can generate sufficient and stable income to reduce reliance on TSA over time. The assessment also considers the extent to which the effectiveness of each approach depends on wider labour market conditions, including the availability and quality of jobs and the alignment between beneficiaries' skills and labour demand.

Literature review

The literature on welfare-to-work policies broadly identifies two dominant approaches to reducing dependence on social assistance. On the one hand, neoliberal economies tend to prioritize the *"work-first" approach*, which emphasizes rapid labour market entry, even into low-paid jobs, often complemented by various forms of tax credits and in-work benefits (Peck & Theodore, 2000; Torfing, 1999). On the other hand, more social-democratic models emphasize a *"training-first" or human capital development approach,* which focuses on strengthening beneficiaries' skills through education and training before facilitating their integration into the labour market (Dostal, 2008).

The "work-first" approach represents a policy strategy that prioritizes the immediate integration of social assistance recipients into the labour market, often regardless of job quality or long-term career prospects. This model encourages individuals to accept "any job" as the primary pathway out of welfare dependence, emphasizing labour market attachment over long-term human capital investment (Daguerre, 2008; Karger, 2003). At its core, the approach is based on the principle that individuals should be working rather than relying on state support.

Four key elements characterize the work-first approach. First, it prioritizes *rapid job placement*, aiming to move individuals into employment as quickly as possible, even if this involves low-paid or unstable work. Second, it relies heavily on *conditionality*, whereby access to social benefits is contingent upon fulfilling specific obligations, such as active job search, participation in employment services, or attendance at counselling sessions. Failure to comply may result in sanctions, including benefit reduction or withdrawal. Third, the approach entails a *redistribution of risk*, shifting the burden of labour market instability from the state to the individual. In this framework, the role of the state evolves from providing social protection to facilitating labour supply for deregulated and flexible labour markets. Finally, it is underpinned by a clear *economic rationale*, often framed as "making work pay," whereby benefit systems are designed to ensure that employment-however low-paid-is more financially attractive than receiving social assistance (Peck & Theodore, 2000; Daguerre, 2008).

Historically, the work-first approach has been most closely associated with Anglo-Saxon welfare systems, particularly in the United States and the United Kingdom. Instruments such as the Earned Income Tax Credit (EITC) function as wage supplements for low-income workers, effectively increasing disposable income and incentivizing labour market participation (Moffitt, 2002; OECD, 2015). Over time, similar mechanisms have been adopted across European welfare states as part of broader efforts to reduce welfare dependency.

At the same time, the literature highlights significant limitations of work-first policies. While such approaches may lead to rapid reductions in the number of benefit recipients, they often fail to support *sustainable labour market integration*. Individuals are frequently channeled into low-skilled, low-paid employment, resulting in high job turnover and repeated transitions between employment and social assistance. This dynamic contributes to the expansion of the "working poor," as individuals remain in poverty despite being employed (Dengler, 2019; Immervoll & Scarpetta, 2012). Moreover, the approach has been found to be particularly ineffective for vulnerable groups, including persons with disabilities and single parents, who require more intensive and long-term support.

Empirical evidence also suggests that work-first strategies may reinforce existing labour market inequalities. Studies from the United States indicate that such policies can deepen gender and racial segmentation, disproportionately concentrating women and minority groups in precarious forms of employment (Wilson, 1996). Furthermore, the strong reliance on short-term activation measures and limited training opportunities means that beneficiaries are rarely able to acquire the skills necessary for stable and higher-quality employment.

In contrast, the *human capital development approach* emphasizes long-term investment in individuals' skills, productivity, and employability. The primary objective of this model is to facilitate sustainable integration into the "primary" labour market, where jobs are more stable, better paid, and offer greater security (Dostal, 2008; Bonoli, 2010). Rather than prioritizing immediate employment, this approach focuses on enabling individuals to access higher-quality jobs through education, vocational training, and comprehensive support services.

Given these objectives, human capital-oriented policies are typically more resource-intensive. They often include individualized counselling, case management, psychological support, childcare services, and access to training and education programs. Critics argue that such models entail significant public expenditure and may be difficult to scale (Bonoli, 2010). Attempts to privatize service provision have also faced challenges, particularly in reaching the most vulnerable populations, for whom such services are most needed.

Despite these challenges, the literature suggests that human capital approaches are more effective in the long term. By reducing labour market segmentation and improving skill matching, they contribute to lower inequality and more sustainable employment outcomes (Dengler, 2019). Notably, recent trends indicate a degree of convergence between the two models. Countries traditionally associated with human capital development have increasingly incorporated elements of work-first policies, while the United Kingdom-historically a pioneer of work-first strategies-has, since the late 2000s, expanded its focus on long-term skills development, acknowledging the limitations of purely activation-based approaches (OECD, 2018).

Finally, in economies characterized by a large informal sector, the traditional distinction between work-first and human capital approaches becomes more complex. In such contexts, work-first strategies often function as mechanisms for channeling individuals into precarious, low-productivity employment, without facilitating upward mobility. At the same time, human capital development is frequently underdeveloped due to its high cost and limited institutional capacity. The prevalence of informal employment also complicates the administration of social assistance systems, as income is difficult to monitor, and traditional concepts such as the "welfare trap" may not apply in the same way (Fields, 2005; World Bank, 2019).

Despite the extensive body of literature comparing work-first and human capital approaches, relatively little attention has been paid to how these models operate in small, middle-income economies with large informal sectors and segmented labour markets. In such contexts, the assumptions underpinning both approaches may not fully hold. The effectiveness of work-first strategies may be constrained by the limited availability of stable, formal employment, while human capital investments may not translate into improved outcomes in the absence of sufficient demand for skilled labour. Georgia represents a particularly relevant case in this regard. Characterized by a high prevalence of informal employment, low-wage job creation, and structural labour market segmentation, it provides a useful setting to examine whether conventional policy prescriptions are applicable. In such settings, formalization, welfare exit and sustainable employment should therefore not be treated as interchangeable measures of successful activation. A transition from informal to formal work may improve worker's access to labour rights without immediately eliminating the need for income support. Conversely, exit from social assistance does not necessarily indicate durable labour market integration if employment remains unstable or poorly paid.

This paper contributes to the literature by assessing the two analytical approaches against multiple dimensions of labour market integration, including formalization, employment stability and the capacity of employment to reduce reliance on social assistance (World Bank, 2018). Following the presentation of the methodology, the paper proceeds as follows. First, it sets the background by outlining key features of the Georgian labour market. It then examines the structure of the Targeted Social Assistance (TSA) system, including a detailed mapping of benefits linked to it. The findings section subsequently demonstrates how the design of the current social assistance system may create disincentives to formal employment. Finally, the discussion evaluates the relevance of the work-first and human capital approaches in the Georgian context, drawing on the empirical evidence presented.

Findings

The structure of the Georgian Labour Market

Recent labour market indicators of Georgia point to sustained improvement in Georgia's labour market over the past decade, particularly following the COVID-19 shock. Employment and labour force figures show that the number of employed persons increased from approximately 1.28 million in 2022 to around 1.40 million in 2024, while the unemployment rate declined from 17.3% in 2022 to 13.9% in 2025. Labour force participation has also shown gradual improvement, with activity rates reaching approximately 52% (National Statistics Office of Georgia, 2026). Taken together, these figures point to strengthening aggregate labour market performance and improved absorption of the working-age population.

Beneath these positive headline indicators, however, structural weaknesses remain pronounced. The Georgian economy continues to generate a high concentration of low value-added and low-skilled employment, while the share of high-productivity, high-skilled jobs remains limited. Evidence suggests that most available jobs require only basic skills, despite the fact that a large proportion of the workforce has completed at least secondary education (World Bank, 2018). This imbalance results in both underutilization of human capital and low returns to education. For instance, 16% of workers with upper secondary education are employed in elementary occupations. At the same time, the relatively small number of high-skilled vacancies often remains difficult to fill, reflecting a mismatch between formal educational attainment and labour market-relevant skills. As a result, employment growth has not been accompanied by sufficient structural transformation, and labour market polarization persists.

This duality is also reflected in wage distribution. While average monthly nominal earnings have increased to approximately GEL 2,200–2,300 in 2025, the median wage - a more representative measure of typical earnings - stood at around GEL 1,330 in 2024. The substantial gap between mean and median earnings indicates that higher wages are concentrated among a relatively small segment of workers. Sectoral disparities further reinforce this pattern. In large employing sectors such as trade and education, median wages remain comparatively low (GEL 1,256 and GEL 969 respectively), whereas sectors such as finance and information technology report median wages above GEL 1,900. However, these higher-paying sectors together employ only 2% of the labour force. The absence of a meaningful minimum wage[1] weakens the lower bound of the wage distribution and amplifies income inequality.

Gender disparities on the labour market is another critical challenge. In 2024, the employment rate gap between men and women stood at 15.7 percentage points, with the gap widening among those aged 25–34, coinciding with peak child-rearing years (National Statistics Office of Georgia, 2026). Women constitute the majority of the economically inactive population, and 49% report household responsibilities as the primary reason for not working (UN Women, 2022). These patterns indicate that structural barriers continue to limit women's full participation in the labour market, even amid broader employment growth.

Gender inequalities are further reflected in earnings and the unequal distribution of unpaid work. Women earn on average under GEL 1,800 per month compared with over GEL 2,600 for men, highlighting a substantial wage gap shaped by occupational segregation and limited access to higher-paying positions. At the same time, women shoulder a disproportionate burden of unpaid care and domestic work, spending around 45 hours per week on such tasks compared to 15 hours for men (UN Women, 2022). Together, these dynamics reinforce economic vulnerability and constrain women's access to stable income, social protection, and asset accumulation.

Informal Employment – push and pull factors

Informal employment remains one of the defining structural characteristics of the Georgian labour market. The National Statistics Office of Georgia applies a definition aligned with ILO standards, classifying as informal those workers who are not or are only partially covered by formal labour arrangements. This includes individuals without written contracts, without access to paid leave or sick leave, whose income is not declared for taxation purposes, and whose employers do not make pension contributions. The definition also encompasses employment in unregistered enterprises (Social Justice Center, 2021).

Using this methodology, non-agricultural informal employment accounted for 29.1% of total employment in 2024 (National Statistics Office of Georgia, 2026). However, this estimate excludes agriculture, which employs approximately 225,000 workers, representing around 16% of the total labour force. The overwhelming majority of agricultural workers are subsistence farmers and are therefore considered informally employed. When agriculture is considered, the effective scale of informality increases substantially. In practice, well over one third of Georgian workers operate outside formal employment arrangements, whether in subsistence agriculture or in non-agricultural activities such as domestic work, transport services or small-scale trade.

Although the share of non-agricultural informal employment declined between 2020 and 2023, it rose slightly from 27.6% in 2023 to 29.1% in 2024, suggesting that informality remains

[1] Georgia's statutory minimum wage is formally set at GEL 20 per month under a 1990s decree that has never been revised, making it largely symbolic rather than operative in today's labour market.

structurally embedded rather than purely cyclical. Informal employment is also gendered. In 2024, 34.2% of employed men worked informally compared to 23.3% of women (National Statistics Office of Georgia, 2026). This difference reflects broader labour market participation patterns, as men are more economically active overall and are more likely to be concentrated in sectors where informal arrangements are common.

Structural economic factors help explain the persistence of informality. As already discussed, the Georgian labour market is characterized by low wages, limited high-productivity job creation and the absence of a meaningful minimum wage floor. While the Labour Code formally provides a range of employment protections, enforcement remains uneven in practice. In such an environment, informal arrangements may appear economically rational for both employers and workers.

The institutional divide between formal and informal employment becomes particularly visible when examining access to labour, social and employment guarantees. Table 1 maps the most common guarantees and their applicability across employment types. The comparison reveals a segmented system. Core universal and poverty-targeted benefits - such as social assistance, child benefit and universal old-age pensions - are accessible regardless of employment status. Access to universal healthcare and basic social services similarly does not depend on formal employment.

By contrast, employment-related protections are almost exclusively tied to formal labour contracts. Informally employed workers are effectively excluded from these protections. They do not accumulate contributory pension rights, do not benefit from maternity protection linked to employment, and lack enforceable guarantees regarding working time, dismissal or occupational safety.

This asymmetry produces a dual labour market structure. Informal employment allows continued access to universal and means-tested social protection but excludes workers from labour-based rights and contributory schemes that provide long-term income security. The absence of operational unemployment insurance and the lack of an effective minimum wage further reduce the relative advantages associated with formal employment, particularly for low-income workers.

To summarize, in the Georgian context, the net benefits of informal employment may exceed those of formal employment, particularly for low- and medium-skilled workers. Higher take-home income-resulting from the avoidance of income tax and pension contributions-combined with greater flexibility in working arrangements, makes informality economically attractive. Moreover, access to universal social and care services does not differ substantially between formal and informal workers, further reducing the immediate institutional advantages of formal employment. However, these short-term gains come at the cost of significant long-term risks. Informal workers are excluded from employment-based protections and contributory pension schemes, limiting future income security. This gap is especially pronounced in relation to maternity protection, as paid maternity leave is tied to formal employment; consequently, only around one third of women in Georgia have access to such benefits (UNICEF, 2020).

This balance of relative gains and losses changes markedly once social assistance recipiency is considered. Obtaining Targeted Social Assistance (TSA) status and an associated vulnerability score not only provides direct cash transfers but also grants eligibility to a wide range of additional benefits and services. As detailed in the following section, this layered system of entitlements significantly alters the incentive structure surrounding formal and informal employment decisions.

Table 1: Access to Social, Labour and Employment guarantee by type of employment

	Formal Employment	Informal Employment
Social Benefits/Guarantees		
Unemployment Insurance/Unemployment benefit	---	---
Social Assistance*	Yes	Yes
Minimum wage	---	---
Paid Maternity Leave	Yes	---
Benefits for People w/Disabilities	Yes	Yes
Child Benefit**	Yes	Yes
Compensation for work related injury	Yes	---
Universal Old-age Pension	Yes	Yes
Contributory Old-age Pension	Yes	---
Social Services		
Access to universal health-care	Yes	Yes
Access to employer provided health-care	Yes	---
Child-care & pre-school for children	Yes	Yes
Care services for disabled	Yes	Yes
Care services for elderly	Yes	Yes
Employment Guarantees		
40-hour working week	Yes	---
Unlimited employment contract	Yes	---
24-hour leave per year	Yes	---
1-hour break during a 6-hour shift	Yes	---
12-hour leave per year due to illness	Yes	---
Paid annual leave	Yes	---
Work safety guarantees	Yes	---
Compensation for overtime work	Yes	---
Severance Pay	Yes	---
Compensation for discrimination/sexual harassment	Yes	---
Right to file a complaint with the Labour Inspectorate	Yes	---

* As explained in the following chapter Targeted Social Assistance (TSA) in Georgia is provided to households based on the assessment of their vulnerability. Formal employment of the household member does not automatically lead to disqualification from eligibility.

** Child Benefit in Georgia is provided only to households who are receiving TSA

Benefits linked to Targeted Social Assistance (TSA)

The Targeted Social Assistance (TSA) program is a state budget-funded social assistance program in Georgia launched in 2006 and to date remains the government's main instrument for supporting poor households. The program relies on a Proxy Means Testing (PMT) formula, that assigns households a welfare score based on observable socio-economic indicators including housing conditions, demographic composition, employment status, health status, asset ownership and utility expenditures. The resulting score determines both eligibility and the level of monthly cash assistance. As indicated on table 1 below the benefit structure is declining and stepwise: lower PMT scores correspond to higher per-capita transfers, creating implicit income thresholds that shape behavioral incentives (Social Service Agency, 2026).

Table 1: Overview of cash benefits in TSA program according to PMT score

PMT Score	Benefit amount per HH member	Child Benefit
< 30 001	60 GEL	200
30 001 – 57 000	50 GEL	200
57 001 – 60 000	40 GEL	200
60 001 – 65 000	30 GEL	200
65 001 – 120 001	0	200
> 120 000	0	0

Source: Social Service Agency

In addition to the base social assistance there are a range of TSA-linked benefits provided at the national level by various ministries and state agencies, as well as at the local level by municipalities.

Child Benefit is one of the largest direct cash benefits at the national level which is channeled through the targeted social assistance system. Every child under 16 whose household has a welfare score of 120,001 or less points is entitled to it. Since its introduction the government has systematically increased the level of child benefit, from GEL 10 (EUR 3.33) per child per month in 2015 to GEL 200 (EUR 66) in 2025. For 2025 it covered 250,909 children under 16, which constituted 33% of all children in this age group (UNICEF, 2020).

Other cash benefits linked to the TSA include financial benefits provided by the Agency for Internally Displaced Persons, Eco-Migrants and Livelihood Provision (Ministry of Labour, Health & Social Affairs, 2021) and by the Ministry of the Autonomous Republic of Abkhazia (Minister of Autonomous Republic of Abkhazia, 2023) are application based and target IDP households with specific vulnerabilities. While the utility subsidies aim at reducing the household expenditure and increasing disposable income, especially for large families (with many children) (Government of Georgia, 2018).

Beyond direct cash transfers and subsidies, the PMT score is also linked to a wide range of sectoral services and administrative benefits. These span wide range of fields from Health to Education and other administrative services. In the area of *Health*, households below specified thresholds receive enhanced coverage under the Universal Healthcare Program and access to selected state programs (Government of Georgia, 2024). In *Education*, the PMT score determines eligibility for partial or full higher education fee financing (Government of Georgia, 2025), while TSA registration provides preferential treatment in VET admissions (Minister of Education & Science of Georgia, 2021). In *Housing*, the PMT score features in two different programs. Firstly, it functions as a vulnerability-weighting mechanism that increases prioritization of poorer IDP households in housing allocation (Minister of Labour, Health & Social Affairs, 2021). In addition, the Ministry of the Autonomous Republic of Abkhazia provides rent support to IDP families with PMT 65 000 or less (Ministry of the Autonomous Republic of Abkhazia, 2013).

Last but not least, program-specific PMT thresholds also determine access to state-funded *Social Services* including community organizations, day-care services (for children with and without disability status), independent living support for persons with disabilities, and assistive devices provision (Government of Georgia, 2025). In addition, TSA registration grants exemptions from various state administrative service fees.

At the local level there are range of benefits/services access to which is linked with PMT score. Namely, municipalities use the welfare score to structure a wide range of supplementary benefits, including cash top-ups (such as child allowances, birth grants, disability-related assistance, and case-based medical support), utility subsidies, medicine vouchers, and various in-kind transfers. In addition, the PMT score determines access to locally financed social services, including free canteens, home-based care, day-care co-financing, and subsidized extracurricular and sports activities for children. While the types of support are broadly similar across municipalities, eligibility thresholds, benefit levels, and frequency of support vary substantially, reflecting local discretion and fiscal capacity.

TSA effect on engaging in formal employment

Documented evidence indicates that the design of the TSA system, together with the wide range of benefits linked to the PMT score, can create unintended disincentives to engage in formally declared employment. The analysis presented here concerns the incentive structure generated by the design of the TSA system rather than a direct causal estimate of beneficiaries' behavioral responses. Since the available evidence is based primarily on secondary and administrative data, it cannot establish the extent to which individual employment decisions are directly attributable to TSA eligibility rules. The discussion therefore identifies mechanisms through which the system may influence choices between formal and informal employment

The structure of the TSA program relies on sharp PMT thresholds. When household income increases through formally declared work, the new income is automatically reflected in administrative databases and may trigger reassessment. If the updated PMT score crosses eligibility cut-offs, the household risks losing not only the core cash transfer but also access to associated national and municipal benefits.

Empirical findings suggest that this effect is particularly pronounced around the PMT threshold of 65,000 points, where the likelihood of losing per-capita benefits increases (UNICEF, 2020). Households just below this cut-off may therefore face a situation in which modest formal earnings result in a net loss of total household income. Estimates indicate that beneficiaries near this threshold may have incomes approximately GEL 100 lower than households just above it, suggesting that some families may rationally choose to forego additional formal earnings in order to retain guaranteed support (UNICEF, 2020).

Importantly, the incentive structure differs between formal and informal employment. Informal work does not automatically enter the government's income database and therefore does not immediately trigger PMT reassessment. As a result, households may combine guaranteed social assistance with undeclared or irregular work without jeopardizing their benefit status. The institutional design may therefore make informal employment relatively more attractive than formally declared work for some beneficiaries.

At the same time, reliance on social assistance does not equate to labour market exclusion. Survey data indicate that 56% of TSA beneficiary households report that at least one member is employed in the private or public sector (ACT, 2023). Approximately 48% report receiving income from wages, demonstrating a significant overlap between earned income and social assistance. However, employment among TSA beneficiaries is frequently informal: 22% of employed members work without a written contract, with even higher rates observed in large cities. In addition, 39% of TSA recipients are self-employed, compared to 34% in the general population, although much of this self-employment remains unregistered (ACT, 2023).

The types of informal activities undertaken by beneficiaries are typically small-scale and income-supplementing. These include petty trade, small agricultural resale, and other low-skilled services. The potential incentives are further shaped by broader labour market conditions. Many available formal jobs are characterized by low wages and instability. In such an environment, guaranteed social assistance combined with informal earnings may provide greater income security than formal employment alone. The effect may be particularly pronounced among women with children in rural areas, where care responsibilities and limited childcare services further constrain formal labour market participation (Social Justice Center, 2023).

In response to concerns about work disincentives embedded in the TSA system, the government introduced the Public Works Program (PWP) in 2018 as an activation measure targeting TSA beneficiaries who were assessed as able to work (Social Justice Center, 2023). The program offered participants temporary public employment opportunities and, crucially, a four-year grace period during which their households were exempt from PMT reassessment. During this period, beneficiaries retained their full TSA benefits while also receiving remuneration for public employment, capped at GEL 300 per month and paid on an hourly basis. In practice, this meant that participating households could receive an additional GEL 300 on top of their existing cash transfers and associated benefits.

A distinctive feature of the program was its attempt to formalize informal employment. TSA recipients who declared informal or self-employment and agreed to register with the Revenue Service were also granted the four-year reassessment exemption. The policy objective was therefore twofold: to mitigate the “benefit trap” and to incentivize transition into formal economic activity. According to official data, more than 40,000 individuals enrolled in the program before its abrupt termination in 2025.

Despite its scale, the program was not subject to a comprehensive impact evaluation. Mid-term assessments raised concerns about its design, particularly the reliance on low-skilled and unskilled public jobs such as cleaning or guarding, without an integrated training component. This approach appeared inconsistent with the program’s stated objective of enhancing beneficiaries’ long-term employability and reducing reliance on TSA. In the absence of skills development or pathways into higher-productivity employment, participation in the program may have provided short-term income support without improving beneficiaries’ competitiveness in the formal labour market.

Overall, the interaction between TSA eligibility rules, linked benefits, and labour market conditions creates a complex incentive environment for vulnerable households. While TSA plays a critical role in poverty reduction and child income support, sharp benefit withdrawal thresholds and extensive linkage of services to PMT status may unintentionally discourage transition into formal employment.

Discussion and Conclusions

This paper has examined the relevance of work-first and human capital development approaches in the Georgian context, drawing on both international literature and empirical evidence on labour market dynamics and the structure of the Targeted Social Assistance (TSA) system. A central insight emerging from the analysis is that, contrary to the implicit assumptions of work-first policies, a large share of TSA recipients are not inactive but are already engaged in economic activity, predominantly within the informal sector. In this context, the policy challenge is not one of activating a passive population, but rather of facilitating transitions from informal and precarious employment into stable and formal labour market participation. However, the structure of labour demand in Georgia significantly constrains such transitions. The labour market continues to generate predominantly low-skilled and low-wage employment, particularly in the service sector, limiting the availability of upward mobility pathways for low- and medium-skilled workers.

Within this structural context, the application of a work-first approach is unlikely to produce substantial improvements in long-term labour market outcomes. While such policies may increase formal employment in the short term, they risk reinforcing an existing low-skill equilibrium by channeling beneficiaries into the same segments of the labour market that are already characterized by instability and low productivity. As demonstrated in the analysis of TSA incentives, beneficiaries may continue to cycle between low-quality employment and social assistance, particularly when formal employment does not provide sufficient income security to compensate for the loss of benefits. In this sense, work-first policies may contribute to the formalization of precarious work without fundamentally improving employment quality or reducing vulnerability.

At the same time, the human capital development approach-while more promising in terms of long-term outcomes-faces important implementation constraints in the Georgian context. The limited availability of high-quality jobs reduces the immediate returns to investment in skills, while employment services and active labour market programs remain at an early stage of institutional development. These constraints suggest that a purely training-focused strategy may not yield immediate or uniform results. For this reason, a human capital development strategy should not be understood simply as an expansion of training provision. Training and skills development need to be closely aligned with actual and emerging labour market demand, including sector- and occupation-specific shortages and realistic employment opportunities. This requires stronger links between employment services, training providers and employers, as well as the use of labour market information to guide the design and targeting of training programs. Without such alignment, investment in skills may improve individual employability without necessarily translating into sustainable employment.

Against this backdrop, this paper argues for a calibrated and context-sensitive policy approach that combines elements of both models. Human capital development should serve as the strategic orientation of social policy, with increased investment in skills development, vocational training, and supportive services aimed at enhancing long-term employability and facilitating access to higher-quality jobs. At the same time, selected elements of the work-first approach could complement this longer-term strategy, particularly for beneficiaries who are already close to the formal labour market. These could include more intensive employment counselling and job-matching services, support for rapid entry into suitable formal employment, and "making work pay" mechanisms that reduce the immediate financial risks associated with formalization, including temporary protection or gradual withdrawal of benefits as earnings increase. Temporary or subsidized employment may also support labour market attachment, but such measures should be linked to training and opportunities for progression rather than functioning as an end in themselves. In this sense, work-first instruments would serve primarily as transitional mechanisms supporting movement into formal employment, while human capital development would remain the principal means of improving beneficiaries' longer-term employment prospects.

Crucially, any such approach must be accompanied by reforms that address the structural features of the labour market itself. Without improvements in job quality, wage levels, and the availability of formal employment opportunities, activation policies alone are unlikely to produce sustainable exits from social assistance. In this regard, reducing labour market segmentation and strengthening the link between skills development and labour demand should be considered central policy priorities.

In conclusion, the Georgian case highlights the limitations of transferring welfare-to-work models without adapting them to local labour market conditions. While work-first policies may offer short-term gains in activation, they risk entrenching existing patterns of informality and low-quality employment. A more balanced approach, centered on human capital development but informed by realistic labour market constraints, offers a more viable pathway toward sustainable labour market integration and reduced dependence on social assistance.

ანა დიაკონიძე
ასოცირებული პროფესორი
ივანე ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტი
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სოციალურ დახმარებაზე დამოკიდებულების დაძლევა - როგორია სწორი არჩევანი საქართველოსთვის?

აბსტრაქტი

სტატიაში გაანალიზებულია სოციალურ დახმარებაზე დამოკიდებულების შემცირების ორი დომინანტი პარადიგმა - "work -first", რომელიც უპირატესობას ანიჭებს დახმარების მიმღებთა დაუყოვნებლივ ჩართვას შრომის ბაზარზე, თუნდაც დაბალკვალიფიციური და დაბალანაზღაურებადი სამუშაოების ხარჯზე და ადამიანურ კაპიტალში ინვესტირების მიდგომა, რომელიც უფრო გრძელვადიან განვითარებაზეა გათვლილი. აღნიშნული მიდგომების რელევანტურობა განხილულია საქართველოს, როგორც მაღალი არაფორმალური ეკონომიკის მქონე ქვეყნის მაგალითზე. კონვენციური წარმოდგენებისგან განსხვავებით, სოციალური დახმარების მიმღებთა დიდი წილი საქართველოში ეკონომიკურად აქტიურია. შესაბამისად, პოლიტიკის მთავარ გამოწვევას არა იმდენად ეკონომიკური აქტივაცია, არამედ მოსახლეობის აღნიშნული სეგმენტის არაფორმალურიდან ფორმალურ შრომის ბაზარზე გადაყვანა წარმოადგენს.

საქართველოში არსებული სოციალური დახმარების პროგრამის დეტალური ანალიზისა და ქართული შრომის ბაზრის მახასიათებლების გაანალიზების საფუძველზე სტატია ასკვნის რომ მოცემული კონტექსტის გათვალისწინებით ადამიანურ კაპიტალში ინვესტირების პოლიტიკა გაცილებით მდგრად ალტერნატივას წარმოადგენს, თუმცა მისი ეფექტური განხორციელებისათვის ხელისშემშლელი ფაქტორებია სამუშაო ძალაზე მოთხოვნის სისუსტე და ნაკლებად განვითარებული დასაქმების სერვისები. შესაბამისად, ძირითადი არგუმენტი მდგომარეობს იმაში, რომ მაღალი არაფორმალური ეკონომიკის მქონე ქვეყანაში უპირატესია ჰიბრიდული მოდელი, რომელშიც წამყვანი იქნება ადამიანურ კაპიტალში ინვესტირების მიდგომა, work-first პარადიგმის ელემენტებით.

AI Disclosure:

Google NotebookLM was used to assist with literature review organization. All analysis and writing were conducted by the author.

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