SOCIAL INEQUALITY AND RELATED ISSUES IN GEORGIA

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Summary. Social inequality is a significant challenge for the modern world. Timely identification of problems related to social inequality and finding ways to solve them is especially important for a country with a small economy like Georgia. The high level of social inequality in our country contributes to the aggravation of a number of problems, namely: poverty, long-term unemployment, conflicts, violence, political instability, and others. The aim of the paper is to analyze the social situation of the Georgian population and to develop recommendations to reduce inequality.

Keywords: Social Inequality, Income, Expenditure, Poverty, Savings.

Introductions

The study of social inequality and its causes is especially relevant for the economic sciences. Reducing social inequality in a market economy is one of the key issues in Georgia's economic policy.

Income inequality has attracted the attention of scientists and economists in the second half of the last century and has not lost its relevance since then. Analysis of statistical data confirms that inequality has not decreased in the world in recent decades, but on the contrary, continues to increase. Income inequality is also viewed by some researchers in a positive context as a stimulus to the economy, although the latter can do more harm to society than benefit.

The social inequality in the society was further aggravated by the Covid-19 pandemic. Restrictions imposed by the pandemic and the suspension of various business activities have left many people without jobs. Currently, despite the partial opening of the economy, many employees can no longer regain their jobs. Unemployment in the country has risen by almost two percentage points since the start of the pandemic, to 21.9% in the first quarter of 2021, according to Geostat. Covidpandema has exacerbated severe social problems in the country. According to
2020 data, 21.3% of the population is below the absolute poverty line, which is an increase of 1.8 percentage points compared to the same period of the previous year (2019 -19.5%). Thus, the study of social problems remains relevant [1].

The purpose of the research
The aim of the paper is to assess the current state of quality of life of the population of Georgia based on the analysis of statistical indicators, to develop recommendations that will help reduce inequality and increase economic prosperity.

Research Methodology
The theoretical-methodological basis of the research is the Georgian and foreign scientists' research and scientific publications. The data of the National Statistics Office of Georgia are analyzed in the research process.

Results / Discussion
Income inequality is the different distribution of income between population groups, social classes, or countries. Its causes can be: education, technological growth, and personal factors, if the difference between these characteristics is large, then the inequality will be high.

Social inequality and unequal distribution of opportunities among people is a problem that exists in all countries of the world. The United Nations annually publishes the Inequality Adjusted Development Index (IHDI), which clearly tracks the distribution of human development achievements across different groups in society, and the losses that inequality creates. The data from this index show that even in the top 10 most developed countries there is an acute problem of inequality, and high levels of existing prosperity are unequally distributed among the population. That means that economic development does not directly imply low levels of social inequality and poverty. Moreover, the example of different countries proves that in the face of high inequality, they can no longer maintain economic growth and social stability over time. Therefore, We can say that the problem of the global economy today is precisely to maintain the golden mean between economic growth and deepening inequality.

The National Statistics Office of Georgia studies the standard of living in Georgia according to the following three data:
- Absolute poverty
- Relative poverty
- Gini coefficient.

Poverty is the result of an unequal distribution of material resources and wealth. Absolute poverty is characterized by a lack of access to food, clothing, and shelter. In this case, the individual buys only the minimum of products that can sustain him for life. As a rule, he can not pay for utilities and refuses to buy personal items. The international standard of absolute poverty has changed over time and circumstances. First was introduced in 1990, when $ 1 per day was set as the absolute poverty line in the world's poorest countries. In 2015, the World Bank set a new international poverty line of $ 1.90 per day [2].

According to the National Statistics Office of Georgia, the share of the population below the absolute poverty line is characterized by a decreasing trend in 2010-2019 (from 37.3% to 19.5%). In 2020, we are dealing with 1.8% growth.
As of 2020, the share of the population below the absolute poverty line in Georgia is 21.3%, which means that every fifth citizen of the country lives in extreme poverty. We are talking about 800 thousand people, about whom the study is published by Geostat. It should be noted that this figure is at the maximum of the last two years - the share of the population below the absolute poverty line in 2018 - 20.1%, in 2019 - 19.5%, and in 2020 - 21.3%.

In relative poverty, a person does not have enough income to maintain a normal standard of living in the society to which he or she belongs.

The chart clearly shows that relative poverty rates have been declining since 2010 and stood at 20.2% in 2015. It increased in 2015-2017 and amounted to 22.3% in 2017 and 19.7% in 2020.

There are different ways of measuring inequality. The Gini coefficient is the most well-known and frequently used indicator for the study of inequality. It was introduced into the economic literature in 1912 by the Italian statistician and demographer Corrado Gini (1884-1965). The Gini coefficient is a macroeconomic statistical indicator that is the most adequate means of measuring distribution inequality. The Gini coefficient shows the deviation of the actual distribution of income from the level of their equal distribution. It is calculated in the interval from 0 to 1. The closer the given coefficient is to 0, the higher the level of income equality.
and the given coefficient, and the closer it is to one, the higher the unequal distribution of income [3].

According to the Gini coefficient, countries are divided into three groups:
1. Low level of social equality when the Gini coefficient is less than 0.33;
2. The average level of social equality when the Gini coefficient ranges from 0.33 to 0.41;
3. High levels of social inequality when the Gini coefficient exceeds 0.5.

Diagram 3 Gini coefficient in Georgia in 2010-2020
Source: https://www.geostat.ge/

The Gini coefficient, calculated on the basis of total consumer spending, is approximately 0.4 in recent years, and in 2020 it was 0.36. Given that the critical margin is 0.41-0.46, based on the above data, we can conclude that the income inequality of the population in Georgia is slightly reduced. According to some researchers, the middle class in the country is virtually non-existent, and the society is mainly made up of rich and poor.

The National Statistics Office of Georgia offers the Gini coefficient calculated according to different indicators.

<table>
<thead>
<tr>
<th>Years</th>
<th>By total revenue</th>
<th>By total cash</th>
<th>By total funds</th>
<th>By total consumer spending</th>
<th>According to total cash expenditure</th>
<th>By total costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.43</td>
<td>0.49</td>
<td>0.46</td>
<td>0.42</td>
<td>0.49</td>
<td>0.46</td>
</tr>
<tr>
<td>2012</td>
<td>0.40</td>
<td>0.47</td>
<td>0.44</td>
<td>0.41</td>
<td>0.48</td>
<td>0.44</td>
</tr>
<tr>
<td>2013</td>
<td>0.40</td>
<td>0.43</td>
<td>0.41</td>
<td>0.39</td>
<td>0.45</td>
<td>0.42</td>
</tr>
<tr>
<td>2014</td>
<td>0.40</td>
<td>0.43</td>
<td>0.41</td>
<td>0.38</td>
<td>0.47</td>
<td>0.44</td>
</tr>
<tr>
<td>2015</td>
<td>0.40</td>
<td>0.43</td>
<td>0.41</td>
<td>0.39</td>
<td>0.45</td>
<td>0.43</td>
</tr>
<tr>
<td>2016</td>
<td>0.40</td>
<td>0.43</td>
<td>0.41</td>
<td>0.40</td>
<td>0.46</td>
<td>0.43</td>
</tr>
<tr>
<td>2017</td>
<td>0.41</td>
<td>0.45</td>
<td>0.43</td>
<td>0.37</td>
<td>0.47</td>
<td>0.45</td>
</tr>
<tr>
<td>2018</td>
<td>0.39</td>
<td>0.42</td>
<td>0.40</td>
<td>0.37</td>
<td>0.44</td>
<td>0.42</td>
</tr>
<tr>
<td>2019</td>
<td>0.39</td>
<td>0.42</td>
<td>0.40</td>
<td>0.39</td>
<td>0.44</td>
<td>0.43</td>
</tr>
<tr>
<td>2020</td>
<td>0.37</td>
<td>0.39</td>
<td>0.37</td>
<td>0.36</td>
<td>0.42</td>
<td>0.41</td>
</tr>
</tbody>
</table>

Source: https://www.geostat.ge/
The data presented in the table are characterized by small changes, decreases, or increases over the years. The highest inequality is recorded in terms of costs. The presented indicators are used to assess the degree of social inequality in this or that society and to determine how the unequal environment has affected the living conditions of the population and their development opportunities.

The ratio coefficient and the Palma index are also used to estimate economic inequality. The ratio between different income groups shows how much revenue is distributed between them. For example, the most commonly used ratio is 10:10, which shows how many times the average income of the 10% of the highest income population is ten times the income of the 10% of the lowest income population.

Absolute and relative poverty rates and the Gini coefficient are calculated from household income and expenditure surveys. The purpose of producing these statistics is to obtain data on the degree of concentration of population incomes and expenditures, the level of poverty, and the annual change in these indicators.

The Gini coefficient of most member countries of the Organization for Economic Co-operation and Development is low. One of the lowest rates is recorded in Denmark - 0.25. Highest rates: 0.625 in South Africa, 0.608 in Haiti. [4]

An important place in the study of the standard of living of the population is occupied by the discussion of income, which plays a major role in the development of the economy and the welfare of society. According to the English economist J. Hicks, the income of the population is the maximum amount that can be spent on consumption over a period of time. The country's government is obliged to develop such economic policies so that this inequality does not deepen further and does not cause social tensions.

Information on the standard of living of the population in present-day Georgia is given in Table 2.

**Table 2**

<table>
<thead>
<tr>
<th>Years</th>
<th>Income of the population</th>
<th>Population costs</th>
<th>Monthly savings per capita, in GEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>302.2</td>
<td>297.7</td>
<td>4.5</td>
</tr>
<tr>
<td>2017</td>
<td>317.2</td>
<td>312.2</td>
<td>4.0</td>
</tr>
<tr>
<td>2018</td>
<td>318.3</td>
<td>312.2</td>
<td>6.1</td>
</tr>
<tr>
<td>2019</td>
<td>336.1</td>
<td>327.7</td>
<td>8.4</td>
</tr>
<tr>
<td>2020</td>
<td>321.4</td>
<td>303.3</td>
<td>18.1</td>
</tr>
</tbody>
</table>

Source: [https://www.geostat.ge](https://www.geostat.ge)

The table presents the distribution of average monthly income and expenditures of the population in Georgia in 2016-2020. Revenues during this period exceed expenditures, so the population had the opportunity to save during this period, but as we can see the difference between expenditures and revenues is very small. Revenues are characterized by an upward trend until 2020, although along with revenues, expenditures are also increasing, and according to 2020 data, both population incomes and expenditures have decreased compared to the previous year.
It is true that the monthly savings per capita are growing, but in the last five years (GEL 8.42), it has not reached even ten GEL. In 2020, the total savings for the year is \(18.1 \times 12 = 223.2\) GEL. Which is such a meager amount that it will have no real impact on improving the living standards of the population.

The incomes of the population are quite unequal in terms of quantity and even lead to unequal accumulation of wealth and property differentiation of the population.

The Statistics Office of Georgia also studies the median consumption of the population, which shows the inequality of the population. According to Geostat, almost 20 percent of the Georgian population is below 60 percent of median consumption. Many European, developed countries have a similar rate. As for the number of people living below the poverty line, it is slightly lesser than 10 percent in Georgia and is characterized by a downward trend, along with an increase in GDP.

The main source of income in today’s Georgia is income from hired labor, self-employment, sale of agricultural products, and property (rent, interest deposit, pensions, scholarships, grants, remittances, gift money).

Diagram 4 Average monthly cash and non-cash resources of the population in Georgia in 2011-2020, million GEL

Source: https://www.geostat.ge/

In 2020, the average monthly income of the population of Georgia (cash and non-cash) amounted to 1 194.6 million GEL, which is 4.5 percent less than the same indicator in 2019. The average monthly income per household decreased by 6.4 percent to GEL 1,100.5, while the per capita income decreased by 4.4 percent to GEL 321.4. The total average monthly income of the country’s population decreased by 4.3 percent in urban-type settlements to GEL 747.8 million, while in rural-type settlements it decreased by 5.0 percent to GEL 446.9 million.

In 2020, the structure of monetary income and transfers still occupies a significant share of income from hired labor, the share of which decreased by 0.9 percentage points compared to the same period last year and amounted to 47.8 percent. Also, the share of income from self-employment decreased by 2.0 percentage points and equaled 9.4 percent. At the same time, the share of income from pensions, scholarships, and social assistance increased by 4.4 percentage points compared to the same period last year and amounted to 23.4 percent.
Percentage distribution of income and remittance categories in 2020 gives the following picture: 47.8% from hired labor, pensions, scholarships, and allowances, 23.4%, 9.4% from the self-employed, 8.9% from the sale of agricultural products, 5.7% from Remittances abroad, 3.9% from property (rent, interest deposit) 1.0% [5].

The average monthly cash and non-cash assets of the population are characterized by an upward trend in 2016-2019, while in 2020 the average cash and non-cash assets of the population decreased by 4.5%. Statistics show that the main source of household income is cash income, which in 2020, compared to last year, increased by 2.3 percentage points to 86.8%. The share of income from employment in the part of cash income has decreased, while the share of income from social assistance has increased. 47.8% of total income comes from employment, 23.4% from pensions, scholarships, and benefits, and 9.4% from self-employed people. The total percentage of revenues from other sources is up to 20%. As for the volume of expenditures, statistics show that in 2020 the average monthly expenditure of the population of Georgia was 1.1 billion GEL, which is 7.6% less than in the corresponding period of 2019. It should be noted that the decline in spending by the population last year was due to the lockdown in the country and the shutdown of a number of sectors of the economy.

Conclusion

Thus, the paper discusses internationally proven and applicable indices and indicators, the consideration of which will be important in assessing the current social situation. Determining the differentiation of living standards requires the use of methods that allow us to distinguish between different segments of the population.

The study found that the level of differentiation between the incomes of the population is high, and a large proportion of employees have low pay, which is not enough to meet even the minimum needs. Despite the small scale of the research, we can say that the results obtained are close to the real ones. This is confirmed by the official data of the National Statistics Office of Georgia.

The study found that the cash income of the population increased from year to year, which was mainly due to the increase in the remuneration of employees. In 2020, a decline in revenues was observed, which was caused by the crisis caused by the pandemic. In our view, the decline in the Gini index may be due to the impoverishment of the rich and the increase in the incomes of the poor.

We think that the measures taken by the government to reduce inequality are not enough, more radical actions are needed to stimulate business, to increase the level of employment, which will increase the income of the population.

Social inequality is a threat to the economic and social development of the country. Purchasing power is inversely proportional to the level of poverty, the higher the level of poverty, the lower the purchasing power of the population. Inequality increases the risk of controversy within society.

Reducing social inequality will be possible if the three conditions are met. First of all, labor market reform must be implemented in order to create a level playing field for workers. The second essential factor is the perfection of the education system so that all those who wish can receive highly qualified education. The third condition is the distribution of income from the rich to the poor, which will be possible by taxing different segments of the population with different taxes.
References:


