

ON WELFARE INDICATORS OF GEORGIA

Todua Kh.B.

*Todua Khatuna Bondoevna - PhD in Economics, Associate Professor,
DEPARTMENT OF ECONOMICS, FACULTY OF BUSINESS, LAW AND SOCIAL SCIENCES,
AKAKI TSERETELI STATE UNIVERSITY, KUTAISI, GEORGIA*

Abstract: *the article analyses the principal indicators of welfare indicated by example of Georgia. Income distribution level, poverty level, unemployment level, education and health indicators and also the quality of life - these are general indicators of welfare, which are analyzed on basis of real statistical data and also by means of known economic public welfare indexes.*

Keywords: *welfare indicators, Georgia.*

Welfare is the highest possible access to economic resources, a high level of well-being. Social indicators such as income distribution level, poverty rate, employment and unemployment rates, educational attainment, health expenditure and others cover the full range of issues that matter for well-being. Let's analyze these principal social indicators of welfare illustrated by example of Georgia.

1. Income distribution level. The concept of income inequality is complex and can be measured using a variety of approaches. One way of describing the distribution of income is to compare the share of total income enjoyed by different groups of the distribution. In Georgia in 2014, the income share held by the poorest 20% was only 5,6%, while the income share held by the highest 20% was 46% - or about nine times that of the poorest 20%. The Gini coefficient is another most widely used indicator for measuring inequality of income distribution. Georgia suffers from relatively high levels of inequality with an estimated Gini coefficient of 0,40 for 2016. This is the worst coefficient of all the former Soviet Union countries.

Income inequality is due to the country's social and economic model. The problem of inequality needs global solutions, which involves improving the regulation of financial markets and institutions, encouraging foreign direct investment to regions of country.

2. Poverty rate. The inequalities in income is closely associated with poverty. Just over half a million Georgians are poor. By this we mean that they live in households where total consumption falls below a minimum subsistence level or poverty line. Data for 2016 shows that 20,6% of population live under the relative poverty line, in households with an income below 60 percent of the national median household income, compared to 20,15% in 2015.

Share of population under absolute poverty line has also increased from 20,8% in 2015 up to 21,3% in 2016. So, poverty is one of the most important challenges for Georgia, common explanations for which are: unequal distribution of wealth, insufficient qualification of the workforce, unused potential of labor productivity, high level of poverty indicates on gaps in social and economic policies.

3. Employment and unemployment rates. Poverty is tightly linked with unemployment. Unemployment poses a great problem in Georgia. According to official data for 2016, the economic activity rate was 67,5 percent, the employment rate was 59,5 percent. Specifically, 42,4% of the employed population of the country was engaged in employment, and 57,6% was self-employed, the unemployment rate was equal to 11,8% in the country which was 0,2 of a percent lower than the indicator from 2015 (12,0%). The general rate of unemployment in Georgia is among the highest in the world among the countries in transition.

„Due to insufficient development of the economy's real sector, the unemployment rate is high, „Some 50-70 percent of the workforce is self-employed, and their wages are so low that they do not consider such work to be employment“[1].

Still many citizens are trying to be self-employed. This is influenced by the absence of a labor market and a lack of formal job opportunities which represent serious constraints to economic development in Georgia.

Besides, it should be noted here that the category of self-employed is largely concentrated in agriculture, whereas the productivity levels in the sector are quite low; while 52 percent of the workforce is employed in the agriculture this sector comprises approximately 9% of the country's GDP. That is why job creation cannot be accomplished without full utilization of Georgia's agricultural capacity.

4. Health expenditure. The total healthcare expenditure is the best standard measure for social welfare. According to the World Health Organization, the state healthcare expenditure should comprise 15% of total state expenditure (Organization of African Unity, 2001). In Georgia, despite the significant growth in state expenditure on health care, its share in the state budget is relatively low (6,9%). This is almost twice as low as the indicator of WHO

and much lower than the indicators in Armenia (7,9%), Kazakhstan (10,9%), Ukraine (12,2%), Kyrgyzstan (13,2%), Belarus (13,5).

The next important indicator of financing healthcare is state expenditure on health care in relation to GDP. According to WHO recommendations the share of state healthcare expenditures in relation to GDP should be at least 5%.

Georgia still lags behind the threshold recommended by the WHO, with indicator of 2,2%, Georgia is behind countries such as Kyrgyzstan (3,9%), Belarus (4%), Ukraine (4,2%) (The World Bank 2015).

5. Educational characteristics. Into the causes of the wealth of nations, a significant place is assigned to education. The responsibility for providing citizens with a quality education rests first and foremost, with national governments. Government's approach toward education sector is illustrated by its spending on education. Georgia's education budget amounted to 2,9% of GDP in 2016, lower than comparators at a similar level of incomes per capita. In the OECD Program for International Student Assignment (PISA) in 2016, Georgian students scored below the OECD average in all fields. Only 38% of students were proficient in reading literacy, 34% were proficient in science, and only 31% were proficient in mathematics at or above the functional threshold. In PISA Georgia took the 62-th place among 74 countries [2]. Such a poor performance of the Georgian students in international assessments points to lack of investment and efficiency in the educational sector.

6. The quality of life. Various indicators to measure aspects of welfare and the quality of life have been proposed and constructed over the years. One example of a comprehensive well-being indicator is the United Nations' Human Development Index (HDI). Georgia's HDI value for 2015 is 0,769, which put the country in the high human development category - positioning it at 70 out of 188 countries and territories. However, when the value is discounted for inequality, the HDI falls to 0,672, a loss of 12,7 percent due to inequality in the distribution of the HDI dimension indices. The Human inequality coefficient for Georgia is equal to 12,2 percent [3].

Conclusion. In general, the level of economic well-being in Georgia remains low, although recent years have seen significant efforts by the Georgian government to increase population's welfare, the situation in the field stands still far from satisfactory, the high inequality, high rates of poverty and unemployment, lack of efficiency in the education - and healthcare sectors - are the key issues that are pointed out as areas of main concern for Georgia.

References

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