

## The Influence of Market Economy on Georgian Family

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### *Abstract*

*In a very short period of time Georgian society and family itself undergone noticeable transformation process from a totalitarian regime to a democracy. In the process of this reforms the country is therefore undergoing significant economic, political, and social changes, which are having an impact on all aspects of public life. This article describes this shifting context and the links between economic hardships, unemployment and the influence of market economy on Georgian family. Article explains real market situation, its disadvantages and discusses reasons how the process of transition to the market economy has resulted in a significant worsening of the economy, conflicts in families and poverty occasioned by economic hardships have become frequent lately, how foreign investment will improve household income and how hard market economic situation influences on Georgian family. Hypothesizing that long term effects of foreign investment will result in increased employment and household income, poverty will be decreased and Georgian economy will be developed. The paper also includes the results of a survey of 300 respondents (150 students and 150 residents) conducted to find out what is the influence of market economy on Georgian family.*

**Keywords:** *Poverty, inequality, democratic transition, employment policy, household income.*

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## **Introduction**

Georgia is a developing country facing various problems in different areas. In the Caucasus region the process of transition to the market economy has resulted in a significant worsening of the economy. In Georgia, transition has been accompanied by economic and political crisis (Pkhakadze 2004). This has been related to the national conflicts arising from the territorial reallocation, on the one hand, and from an increase of the size of the shadow economy on the other. The size of these incomes, in total per family, made up only the minimum amount for the living conditions. The economic reforms in the Caucasus region are only in the initial stage and they have not yet touched sharply the social sphere (Melikidze and Tarkhan-Mouravi 1996). The characteristic process of market formation and creation of an independent country, the alterations in domination of private and state sectors etc., causing the changes in incomes for the various strata of society. The reallocation seriously influences the changes between the state and the people. The field of income distribution is being influenced by moral and ethnic events, and expectations on freedom, equality, solidarity etc. Due to the decline of the economy, together with a reduction of incomes, certain tendencies are initiated among Georgian people (Tokmazishvili 2005).

Macroeconomic stability is one of the most important pre – conditions for the economic development of the country. However, its sustainability and growth rates depend on the implementation of appropriate structural reforms in the country. It is important for country to sustain economic growth, maintain the stability of prices, promote favorable business and investment climate, increase budgetary revenues, decrease budget deficit, secure debt sustainability of the country, promote exports and reduce the current account deficit (Economic development and poverty reduction program of Georgia 2003).

The process of democratization and transition to the market economy in Georgia has in the first place brought about the re-distribution of rights and obligations between the state and its citizens. Initiative and responsibility suddenly shifted from the state to the people who had neither instruments of legal defense nor experience in providing for themselves. Socio-political changes caused unemployment, marginalization of certain

individuals and groups, deterioration of once officially recognized standards and systems of values, and a sharp rise in the social and economic activities of women and young people (Ravallion, M. 1994). Unpunished corruption at the highest levels undoubtedly played a role in the migration of corrupt behavior into everyday life (Shelley and Scott 2003). Migration for the purposes of conducting trade or seeking long-term employment have become quite common, bringing about greater knowledge of other cultures. It is very important to find out how has the family adapted to the novelties of democratization and the market economy and in what way has this situation affected the status/role distribution among the family members, their value orientations, and the position of a family, as a social institution, within a broader social system? Under socialism it was considered that the essential family-related social problems were settled (IDP's Reference Book 2002).

One of the major determinations of country's economic developments and well-being are the indicators of investment structure and volume. These indicators show attractiveness of economic for foreign investors and give clues for analyzing countries development process. What factors influence foreign investors to invest in Georgia and what are the effects of such investments? Georgia is very rich of natural and mineral resources and as country has rich investment climate locations, more and more investors will be interested in this country. Production factors and economic growth can be increased substantially only via attraction of the investments. For this it is required to create favorable entrepreneurial climate, efficient financial infrastructure and investment institutions. The investments should enhance export potential of the country to cover the country's trade deficit. The following factors: risk of political and social instability, corruption, defects in physical safety and professional culture hamper the growth of direct foreign investments because insufficiency of local investments in legal sector has been conditioned by poverty of the population, limited investment resources and extreme restriction of the instruments for local legal investments (Economic development and poverty reduction program of Georgia 2003).

The present situation in Georgia is bad in terms of the short social cycle of development, but the long term, which encompasses their peculiarities and history, does not present hopeless perspectives yet

(Tarkhan-Mouravi 1998).

### **Resources of Household Incomes and the Rules for Distribution**

In Georgia, household incomes are produced by employment in both public and private sectors and distributed according to the form of their value and kind. In recent years the share of the private sector in the whole economy has been continuously growing. Bankruptcies of state-owned enterprises, reduction of their effectiveness and the complicated financial situation have caused a decrease of wages and salaries, and their functional significance in the sector has been completely lost. Their average size is 4-6 times less than the minimum value of a consumer's basket. They have taken on a symbolic meaning of labor evaluation and their share of incomes of the population generally averages 1/4 (World Bank 1999). In recent times employment in the private sector has kept expanding. The official average salary paid in this sector does not significantly exceed the average salary in the public sector. However, the share of income from non-registered profit is relatively high. Agricultural land is a major source of income in the private sector, though land reform and privatization have not yet attained a perfect profile in Georgia (Tokmazishvili 2005). The small salaries in the public sector influence people to seek additional working places and to be employed at three, four and sometimes more places simultaneously. Besides work in the public or private sector, self-employment and work on farms create the general incomes for a large number of families. Income from humanitarian assistance, especially for refugees and children, makes up a significant share of income among the population of the Caucasus region (World Bank 1999). Reforms in the social sector are only in the process of development. Hence, it is natural that the policy of income distribution cannot be based on the corresponding institutional principles. As a result, poverty has reached a mass character. People who have high labor potential have joined the ranks of the poor and polarization of the population is still evident (Tokmazishvili 2005).

### **Democratic Transition**

One of the main problems facing transition economies is how to remove price controls and expose the population to market forces. Georgia faced this exact problem - not only from food prices but also the prices of

basic raw materials needed to boost manufacture. In these circumstances, the ordinary member of the public has to find a way around this or go without. Even now over half the population lives below the poverty line (Conway 1995). The new opportunities that arise in a market economy mean that those who take the opportunities can become very wealthy but that the business activities they are involved in are half legal and half not! What we mean by this is that the restrictions on business activity that existed in the planned economy era have not all been swept away at the same time and so business people find it hard to carry out normal business activity in such circumstances. Where rules still exist they have to be 'bent' and this tends to lead to an underground economy which fuels other problems, notably corruption (Parrot 1997).

Georgia has the richest resources for the production of gold, silver, platinum, iron, copper, nickel, manganese and all other metals, and of oil. But its population could not enjoy the highest standard of living (Amritia 1987). In addition to these difficulties, civil strife caused much disruption as regions sought greater independence - particularly in Abkhazia and Ossetia. The wars in these areas tended to have the effect of stifling foreign direct investment (FDI). However, one of the major obstacles facing this country is that of corruption (Investigation of Corruption Problems in Georgia 1998). The current president Mikhail Saakashvili is making inroads into the corruption problem but it is a long and difficult, not to mention dangerous process. There are concerns that investments will be short lived if the corruption problems cannot be solved (Nodia 1996).

Since becoming independent following the disintegration of the USSR (United States of Russia), Georgia experienced a sequence of painful developments, including the bitterness of civil war and extreme economic hardship. Majority of people appeared unprepared to the new way of life brought by independence and the emerging political reality. Democracy, an ideology, which together with market economy was cherished by the new political leadership proved difficult to exercise in reality. There hardly existed any social group or stratum that has clear understanding of the preferred model of development of the country (Davisha 1997).

## **Employment Policy**

Georgia has capacity to create competitive economic environment, favorable investment climate and sustainable legal basis; also to support the development of general market, implement rational monetary – credit, monetary fiscal, and financial – credit policy and to introduce order in all above mentioned fields. This will of course initiate effective social policy of the state. Though, it is very difficult to speak about social policy and fair distribution of welfare, while this welfare is not created and its antithesis – poverty is regnant in the country. Discussions on free and open market economy should start from the right of private ownership. We declare that ownership and management of property is the main right, or value of a citizen and the state should take care for development of appropriate guaranties. Income of an individual creates his/her property. The citizen should be free in management of his own income and choice of future arrangements. The more people own private business, the stronger is the country. Employment should be the key point in the daily routine of building of statehood. Georgia will not be able to adjust with collisions caused by unemployment. Each citizen should have opportunity to developed, work and achieve desirable position in the society. Labor and creation of welfare are the back – bone of strength of the state. We should create new employment opportunities, new enterprises and improve working conditions for all. Each unemployed person means loss, as nothing valuable is produced or created and such persons use welfare created by others. In this event two conditions are originated: individuals should satisfy demands of the modern labor market and appropriate places of work should be available for them. Each form of legal labor is the process of development of welfare and is useful for the country. The state should permanently direct its efforts towards improvement of conditions and environment of labor. Evaluation of privatization by such indicators, as its speed and proceeds, generated by the state budget is indicative of lack of competence. Success of privatization is determined by fair distribution of state property, support of local and international competition, quality of focusing on development of companies, development of many workplaces for citizens and other not alone important factors. A citizen should have opportunity of generation of welfare by his own work, achievement of personal freedom and independence (Economic development and poverty

reduction program of Georgia 2004).

After the emergence of open unemployment, certain social groups appeared to be disproportionately affected. They include young people, older workers (due to early retirement), particularly those without work experience, unskilled workers, disabled persons and small children and members of some disadvantaged ethnic minorities (Christopher O'Leary, p. 20). Besides a significant reduction in employment, the transition process also brought about substantial changes in the structure of employment by sector and branch and employment status of the jobholder. All transition countries experienced a sharp drop in the contribution of manufacturing to total employment (O'Leary 2001).

Finally, it should be stressed, that increase of quality of freedom, development of free trade and free markets is the best way for promotion creation of new jobs. Intense work in this direction shall improve prospects of poverty reduction and avoiding of social cataclysms Taxes for budget and budget for people. Consequently, the first task is determination of optimal extent of tax load, which makes both above mentioned directions commensurable. This will increase trust of the tax-payers towards the state, which shall promote to establishment and collection of optimal amount of taxes (Oyen 1999).

In conclusion, the key labor market problems experienced by transition countries are following: < Insufficient job creation capacity of the national economies leading to persisting weak demand for labor. < Low turnover in unemployment resulting in high long-term unemployment. < wide disparities in regional unemployment rates inside the countries: a number of regions and communities face extremely high unemployment. < Discrimination in recruitment and layoff lending to higher unemployment and forced economic inactivity among disadvantaged social groups (Christopher O'Leary, p. 23). There are also marked differences among transition countries in the ability of national labor market institutions to find jobs for the unemployed. Job placements depend primarily on the overall labor market situation (Christopher O'Leary, p. 33). Georgia provided income support to young people without work experience (Christopher O'Leary, p. 38).

Transition to the market economy, political and economic

difficulties is reflected in those young people's lifestyle who is gaining their independence. Unemployment and poverty, drug abuse and alcoholism, free time organization, problems of homeless children, inviolability of their rights and freedom, problems of young families, youth involvement in crime and offence, education and health, their participation in social and political life and in the process of decision making – these are the problems that Georgian people are facing in transition period (Young people in transition in Georgia, Unicef, 1999).

## **Poverty**

Poverty is defined as a standing of a human being or family when it has no capability to satisfy basic needs (food, shelter, physical safety, basic education, personal growth, health, communication) due to low income or nonavailability of money. In Georgia, poverty indicators are calculated according to consumption costs of households (Economic development and poverty reduction program of Georgia, Tbilisi 2003). Poverty can be measured through two different approaches: the income poverty and the human poverty approach (is a situation in which people lack resources to live a long and healthy life, to be educated, and to have access to resources needs for a decent standard of living). A utilitarian approach should enable the estimation of a poverty line corresponding to a minimum utility level, or to an indifference curve, which separates the welfare level of a poor from the non – poor individual (Acharya 2004). High rate of economic growth is essential for improvement of living standard in the country. This increase is significant not only for the nearest future, but also in long term prospective. In order to achieve increase, it is essential to achieve to the maximum resource potential of the country and to improve productiveness of labor and capital (Baulch 1996). Naturally, all achievements depend on people; this indicates to the need of substantial investments in new technologies, as well as development of human resources and education. Knowledge, information, education, new technologies are the main factors, providing for the development of post – industrial society. Poverty of each person decreases general welfare, which is reflected on the life of every individual. Poverty continues to be one of the main sources of human misery and at the same time a serious obstacle for democratic development in Georgia. The great section of the population (more than 11 percent) live on the margin of, or below, the poverty line (People whose per capita income does not cover



the cost of a minimum specified calorie intake within the family are considered below the poverty line (PL)), many owing their survival not to state safety net but to the system of informal benevolence of their extended family, friends or neighbors, even though Georgia appears from the outside to be relatively well-doing country of the South Caucasus (Greely 1994). Most, but certainly not all, of the problems of the vulnerable groups in Georgia stem from the economic and political crises that followed the disintegration of the Soviet Union. Such events as the collapse of the social security system, unemployment, inflation, declines in production and trade, ethno-territorial conflicts, etc., were further aggravated by natural disasters or factors such as the heritage of Soviet managerial or economic practice patterns that used to serve effectively in previous times but now tend to hinder development. The problems that existed due to low quality of social and medical services and labor protection in the Soviet period were also exacerbated in the post-Soviet period, when additional deficiencies and the failure of the whole infrastructure made the situation much worse and its problems more visible (Gogodze and Tsakadze 1994).

There are clear indications that after years of extreme hardship the population's real income in Georgia has started to increase. Economic growth is having strong influence upon reduction of poverty, and according to estimates, annual growth of 5-6 percent would reduce poverty incidence by one half in just five years. However, inequality stays remarkably high, partly due to the legacy of a long period of high inflation when it is people like pensioners on fixed incomes who suffer most, while the financially sophisticated and those with access to cheap loans can make great profits. In the first post-independence years the inequality in incomes was not too striking, rather it was based on the different value of savings from Soviet times, and different access to goods and services (Scott and Tarkhan-Mouravi 1995). However, later the inequality became more and more conspicuous following the weakening of the state control over economy and immense corruption and criminal profits of the thin layer of the new rich, against the background of the catastrophic reduction of incomes of the great majority. Middle class shrank at the expense of the increase of the poor. The government takes measures against the excessive inequality, such as progressive income taxation, but until now they had very limited effect. Still, government capacity to tax and redistribute income is crucial

for reducing inequality and its social implications in the future. Poverty continues to be one of the main sources of human misery and at the same time a serious obstacle for democratic development in Georgia. The great section of the population live on the margin of, or below, the poverty line, many owing their survival not to state safety net but to the system of informal benevolence of their extended family, friends or neighbors, even though Georgia appears from the outside to be relatively well-doing country of the South Caucasus. Effects of the rapid social changes are diverse. Although there is a slight improvement in the distribution of incomes, the richest 10% still have well over 40% of incomes. Not surprisingly, inequality of the population according to the owned property is also very noticeable, and due to gaps in incomes and value of stored property, the process of developing some specific, almost independent subcultures for families with different incomes is under way, and the difference is apparent not only in the quantity and quality of the commodities but also in the ways and manner of consumption (Tarkhan-Mouravi 1998).

There is significant difference between rural and urban poverty. They considerably differ from each other. Urban poverty is mostly related to an insufficient food supply, which is viewed as an indicator of severe and deep poverty. This is conditioned by the fact that households of rural places consume the food of own production. The most important problem of rural population is conditioned by the deficit of financial resources and underdevelopment of infrastructure, which consequently reduces the accessibility to major services (Economic development and poverty reduction program of Georgia 2003). Urban poverty is much more severe (12% against 10% according to the WB estimates) and much deeper (3.9 to 2.8, respectively), however at the same time the situation in major urban centers is much more dynamic, indicating to future reversal of the picture. At the same time rural poverty is highly sensitive towards seasonality and climatic fluctuations, as well as depends on availability of seasonal credits and supplies. Another important variability is from region to region, so that incidence of poverty in Imereti may be 3 times higher than in Ajara or Samegrelo. In urban areas stable salaries do not constitute any more source of income sufficient for living. Even the most senior employees have had to spend large amounts of time during normal working hours looking for

alternative income sources. However, recorded income from self-employment was considerably higher, though still theoretically insufficient to survive on, and this sector needs more support that could provide real impact on the quality of life. Still unemployment or underemployment remains the key issue in causing poverty. Whatever small are the salaries, households with jobless members have much higher probability to be poor than if all able family members are working. Poverty is a serious issue in all societies, as there always exists a group of people that are less adapted to existing socio-economic setting, that for one or another reason (health status, educational level, etc.) have lower level of income than most of the population and are hence deprived of many benefits enjoyed by the latter. However, general socio-economic events such as the disruption of production and trade, hyper-inflation, massive unemployment, energy crisis, civil war and forced migration from the conflict zones, and other less evident factors led to massive new poverty both in relative and absolute terms. Thus, the significant portion of the poor in Georgia are indeed the new poor, their poverty caused by and linked to the current economic crisis, ethno-territorial crises or other transitional processes. It seems to be important to distinguish between the chronic poverty, and the transitional/new poverty, as the interventions and approaches need necessarily to be different in order to obtain positive results (Economic development and poverty reduction program of Georgia).

Downward mobility has important repercussions among the new poor with respect to the education. The working places they manage to occupy do not require the level of education, which many of them have. Therefore, their attitude toward education, which used to be very positive, tends to become neutral. In addition, impoverished families have no funds to provide their children with high quality education, which is becoming more expensive in general. Therefore, the children cannot receive an intensive education and their attitude toward education also becomes negative as to something needless and useless. According to the social prestige the impoverished and displaced people represent the lowest social stratum, which is based not as much on their level of income but on their occupations or on the status of unemployed. The poor when questioned mostly emphasize physiological deprivations - inaccessibility of dwelling,

food, clothes, recreation. Especially painful for them is also the fact that due to indigence they cannot participate in the social life of relatives and friends (inabilities to give presents provide material aid) (Hoeven 1995). At the same time, one of the outcomes of the downward social mobility experienced by the new poor is the strengthening of their social integration, especially of the extended families. Indigence made them more dependent on each other, and also increased the importance of kinship, neighbors and friends. In some cases, the reasons of impoverishment may be attributed to individual circumstances and biography. More often this relates to the chronic poor who were not impoverished due to recent changes but have been on under these economic conditions for a long time and therefore had adapted to it both psychologically and socially (by requirements, needs, aspirations, education, social environment, living style, etc.). Frequently, people of this group were raised in families belonging to the same social stratum and therefore their living style is not unfamiliar even if no less distressing for them. It is true that at the given point the difference between the new and the chronic poor may not be so noticeable in respect to purely economic conditions but rather in respect to their psycho-social attitudes, however, the difference is considerable. The major point here is that while the chronic poor represent a socially stable group who have not changed their status for perhaps several generations; as for the new poor, this group is marked with high social mobility. The background, norms, education, values, social resources and social-cultural standards of the latter are not consistent with their status at a given point thus motivating them strongly to improve their conditions in order to attain desirable status. With regard to personal and social resources for improving their status the new poor possess by far more potential than the chronic ones (Tarkhan-Mouravi 1998).

Poor living conditions, failing utilities and dirty environment are among most apparent signs of poverty. The reduction of poverty is impossible without serious improvement of the living conditions both in the narrow and wider senses, i.e. the quality and size of the living space for a household, but also the neighborhood, services and whole environment. Efforts to increase awareness of the problems and also of what can be done to change these at individual, community and government level should be made in order to achieve a habitat in line with the changing society and one

which is conducive to health and happiness now and in the future. However, different approaches are needed when dealing with special cases of universal poverty in some, in particular, rural regions, or with respect to the chronic poor with very limited human capitals, like old lonely pensioners and disabled. Other especially important cases include those of the homeless or orphaned/careless children, and the poorest of the poor who often escape the safety nets due to difficulty in registration of the homeless, pauperized persons with cut family ties. Selective policies should be elaborated related to different kinds of poverty. Possible negative implications of institutionalized and prolonged humanitarian activities must be clearly understood, particularly with regards to development of dependency, the impact on the price system of food and drugs, employment of the best labor force and the introduction of higher levels of remuneration, etc. At the same time, there are cases of poverty linked to marginal vulnerabilities like age, health status, etc., where the institutionalized assistance should have permanent character, and the aim is just to improve its efficiency (Chambers 1995).

Poverty in Georgia has its historical-cultural reasons. Along with the similarities observed in scenarios of the impoverishment, there are many differences in expressing and perceiving poverty in the regions of Georgia. Differences in coping strategies and groups of poor are specified by economic, ethnic, geographic-climatic, and cultural. To be successful, any intervention or program that aims at the alleviation of poverty should take these differences into account. Also, different approaches are needed when in case the whole community is poor, or when the poor are randomly represented in all communities. When the poverty is just incidental, whether it is in urban or rural areas, mostly we have to deal with the households or individuals whose scarce capitals and resources would not allow them to develop sustainable livelihood without external support, which often has to have continuous form as in the case of lonely old and disabled. One of the possible directions of development in this latter case is to support the community itself to undertake the responsibility in assisting such persons, and creating general supportive environment and attitudes, often lacking in the society. There are also cases, as discussed above, when the community itself is poor and common cushioning mechanisms like kinship system are no more effective. In such cases only massive

intervention enabling the community to increase its coping capacity can solve the problem of vulnerable individuals. However, in general factor-specific groups of poor need to be determined, so that more adequate interventions can be planned in such cases. Economic growth is having strong influence upon reduction of poverty, and according to estimates, annual growth of 5-6 percent would reduce poverty incidence by one half in just five years. However, inequality stays remarkably high, partly due to the legacy of a long period of high inflation when it is people like pensioners on fixed incomes who suffer most, while the financially sophisticated and those with access to cheap loans can make great profits. In a strict sense, poverty means in sustainability of livelihood or well-being mainly caused by economic difficulties and low income. Though, in Georgian society, which relies less strongly on market relations and more on kinship and traditional values the role of the economic factors is somehow cushioned, it is nevertheless a decisive aspect of poverty. Most vulnerable people in a post emergency situation, such as today in Georgia, appear to be extremely poor in the sense of having low incomes and being unable to secure a sustainable livelihood. Whilst levels of poverty of the type frequently found in other regions of the world, such as in parts of Africa or South Asia, seldom exist in Georgia (Tarkhan-Mouravi 1998).

Being poor in Georgia means many very different things. It can mean not having sufficient food to eat a balanced diet, having no money to afford heating in winter, being unable to afford essential medicines are medical fees. It can also mean the inability to afford the very basic provisions such as soap or clothing. Apart from just the material problems, poverty can have many psychological and social aspects. There can be feelings of desperation caused by unfulfilled expectations, forced dependency and lack of self-worth. The following could be considered as characteristic for poverty in Georgia:

- Malnutrition, Lack of Food and Non-food Items.
- Poor Housing Conditions.
- Lack of Social Participation and Marginalization; Lack of Self-confidence.
- Transport and Communication Needs.
- Institutional Factors.

The traditional practice of taking a subjective income level as a

poverty line and counting the number of households below it is the basic measure used by the SOS. The first problem is how to define the minimum income level. The World Bank's absolute poverty index is 1 USD per day at PPP exchange rates, but poverty is also a relative measure and depends on expectations and access to other facilities. For Eastern Europe and the former Soviet Union the World Bank has used the 4 USD level per day. The SOS uses three different measures of the poverty line, all considerably lower than this: a subsistence minimum, 60% of national median consumption, and 40% of national median consumption. The subsistence minimum is an objective measure calculated on the basis of a hypothetical minimum consumption basket. It is possible that it considerably overestimates the income required to live, since its composition cannot adjust with the relative prices as quickly as people are likely to change their actual consumption. Many poor people actually eat a cheaper and less healthy diet, depending largely on bread. For 2006 the average subsistence minimum was 105 GEL per month for a working man, 92 GEL for an average consumer, and 187 GEL for an average family. For an average consumer the poverty line according to the subsistence minimum is thus approximately 2.35 USD per day. The other two poverty lines are, of course, relative measures and useful more for identifying the poorest member of society than judging the extent of poverty in Georgia. They work out at about 70 and 47 GEL for 2005, the latter verging in absolute poverty even by African standards. The poverty level, as shown below, is then considered the percentage of the population with the income, monetary and non-monetary, below the various poverty lines (UNDP 1995).

The most worrying fact about poverty now is that not only is it so widespread but it appears to be on an increase. In 2004 45% of the population had recorded incomes below the subsistence minimum. By the first quarter of 2005 this had risen to 49%, and in the second quarter it was 51%. Urban poverty is more widespread than rural, reaching 56% in the second quarter of 2006. This is before the impact of recent price rises, but probably reflects the fiscal chaos and widespread non-payment of wages and pensions already apparent earlier in the year. The crucial first step in doing something about poverty is to identify who the poor are. On second data quarter data Imereti stands out as having by far the greatest number of



poor and also the greatest poverty depth and severity. Imereti includes the mountainous areas of Racha-Lechkhumi and lower Svaneti, but, as mentioned above, the main cause of its extreme poverty seems to be its dependence on heavy industries that are no longer working. On 2005 data Guria had the most widespread poverty problem, with the proportion living below the minimum subsistence level of 34% greater than the national average. It may be that, with increasing economic difficulties, other regions now have just as severe problems. However, since income is so seasonal it is important also to look at an annual data. Gurians and others may benefit less from harvest income (Antadze 2000). One person and very large households are most likely to be poor, with single person households showing the greatest depth and severity of poverty. Pensioners, living alone in towns, are particularly likely to be lacking social support networks and certainly require targeting. Poverty increases almost directly with the number of children in the family, and even more with the number dependents per working person. Both are also likely to be good measures for targeting poverty support. 69% of the families with no member of working age have incomes below the minimum subsistence level. Single parents appear to be more complicated targets. 60% are poor if they are not working, although there are no such families in villages. 71% of working single parents are poor in villages, but, in towns, this group is actually unusually well off, perhaps because this lifestyle is relatively common among the more independent and educated (Forster, Greer and Thorbecke).

Not surprisingly, poverty also increases with the number of unemployed in family. Two-thirds of families with no employed member are poor. Yet employment isn't a guarantee against poverty. 43% of families with a member employed in a state organization are poor. In a situation where the conventional economy is still in a state of collapse, better proxies for the abilities of households to cope may be access to human and physical assets, such as particular skills and educational attainment, land livestock, a car, a rental apartment or garage, business trips abroad, and more well-off relatives. Indeed after a long period when it was the most educated who seemed to be the poorest, there now seems to be stronger link between education and absence of poverty. The highly educated were initially hit very hard by the disappearance of state-funded academic and research jobs,



while those with more practical skills were less affected. Now it seems that many of the educated have come to adapt. Once again the highest levels of poverty are among those, where the head of the family has only primarily or incomplete secondary education. Particularly vulnerable appear to be manual workers in declining industries, and low level clerical workers, demand for whom had fallen with the dismantling of the planning bureaucracy and streamlining of production. As everywhere else in the world, education remains a highly effective anti-poverty tool (UNICEF 1995).

The problem of emigration should also be considered in the context of poverty. Approximately 20% of the population have left the country. The principal reason causing emigration is the severe social and economic situation in the country. Scarcity of high income places of work and the unfavorable business environment force people to search for sources of income outside the country. In the long run, this could lead to a farther deterioration of the situation in the country (National assessment report for sustainable development, p: 11).

At the end I want to mention, that the process of democratization and transition to the market economy in Georgia has brought unemployment and poverty which caused migration of population to other countries. Society is moving forward in the right direction. Georgia still needs economic development and reduction of poverty in the country, so the problems with special impact on the welfare of the country and its citizens, economic situation and poverty must be solved.

### **Inequality**

The issue of inequality is not always related to that of poverty. A transfer of income from person in the top income group to one in the middle may reduce inequality while leaving poverty unchanged. A general decline in income that keeps inequality unchanged may lead to a sharp increase in hardship and clearly affect poverty. Yet in Georgia, as in other transition economies, two problems are closely intervened. It is clear that in recent years poverty and inequality have increased together, as sharp losses for the great majority of the population have translated into fantastic gains for the top 5 or 10%. The visibility of this wealth undoubtedly increases the expectations and suffering of the poor. A reduction in inequality by

transfers from the rich to the poor could make a substantial dent in poverty. The SDSEI survey suggested that the population's real income had started to stabilize. Inequality was remarkably high: the richest 10% of households surveyed had 48.3% of the total income, and the poorest 10%, only 0.5% of the total. Partly this must reflect the legacy of a long period of high inflation, when it is people, like pensioners on fixed incomes, who suffer most, while financially sophisticated and those with access to cheap loans can make great profits. In any case, the results of social differentiation process are disturbing-average money income of richest 10% of population exceeds incomes of 10% poorest about 250 times. In the structure of spending of the richest, food depending was more than half those of the poorest, and spending on non-food items was more than three times higher. One of the effects of the crisis has been the increased polarization of society-with growing numbers becoming poor and few becoming rich. This is thought to be occurring more markedly in urban areas where people are heavily dependent on a cash economy and are not able to grow crops and /or heap animals. In towns, the poor often have to sell their apartments in more prestigious districts and to move into cheaper, poorly located and worse flats which increase spatial as well as income inequalities. The normal measure of inequality is the Gini coefficient, an index that varies from 0, where everyone has the same income, to 1, where one person has all the income. According to this measure inequality seems to have been declining recently. The SOS puts the Gini coefficient at 0.39 in 1997. (Women's initiative for equality 1999). Yet, these figures are particularly open to question because of the non-reporting of incomes at the top of the scale. The richest decline recorded in the household survey still reports an average cash income of 433 GEL per month, of which 45% is spent on food, and cash consumption provides 30% of the total. This may be an indication that even the rich in Georgia are relatively poor, but it may also not be accounting for the Mercedes owning classes. The survey also needs to control for family size to give a better idea of how much the poor can rely on non-cash income. Preliminary estimates from other surveys put the Gini coefficient for expenditure at 0.52 and for income at 0.61, extraordinarily high levels that are comparable to the most unequal Latin American countries. Conflicts in families occasioned by economic hardships have become frequent lately (Mskhiladze 1991).

The society remains male – dominated one. The traditional image of a woman's role and responsibilities is that she should keep the family together, look after the children, and maintain the home. A man, meanwhile, is considered to be the head of the family, and he does not view a woman as an equal partner in family decision making. In Georgia, as elsewhere, women have always been subject to traditional gender roles and expectations: the experience of the majority of women – that of carrying the double burden of working and caring. Shifts in gender roles are now increasingly evident. In the process of transition to a market based – economy, women appear to be not only responsible for housekeeping and childcare, but are also breadwinners. The traditional family model of male provider and female homemaker, which was standard during the soviet era, is changing. In the middle and lower classes of society (the majority of the population), women find employment easily than men (although such work is largely unregulated and often exploitative), whereas men are increasingly confronted with the problems of unemployment, poverty, and lack of opportunity (Antadze 2000).

## **Findings**

The findings we have derived from the survey can be summarized as follow:

- With the increased role of women as an income earner, the duty of bringing up children has been partly redistributed to men or, sometimes to other members of the family.
- Average monthly income of the household with lowest income level equals GEL 51.8, average monthly income of the richest household constitutes GEL 710.6, i.e. 13 times more (75% respondents' opinion).
- Food expenses constitute the most portions of the household costs (85% of students' opinion and 95% of residents' opinion).
- Distribution of the expenditures is not appropriate (70% of respondents' (300 respondents) opinion).
- Unemployment is a very important factor defining extreme poverty level (97% respondents' opinion).
- The risk of households to live below the poverty line is increasing according to the number of unemployed members in the family. Out of 40%

of the households below poverty line no single member of the family is employed. Out of almost 45% of poor households, one working member of the family has to support two or more other family members including self on average (87% respondents' opinion).

- Official subsistence minimum is the amount of GEL 120–125 per month for an adult equivalent to the age of men with working capacity (73% respondents' opinion).

- Extreme poverty line as of today GEL 50-55 per month for an adult with working capacity (66% respondents' opinion).

- 85% of teenagers and young population does not have any income and they live on parents money; 15% of some students work after lectures late at night and help the family. 35% of teenagers and young population does not have any income and they live on parents money; 65% of some students work after and during lectures to help the family and sustain themselves.

- People who live in town are provided with goods and products they grow but they have low salaries (81% respondents' opinion).

- 80% of big families could not sustain family because of low family income. 50% of average family income is from 100 to 300 GEL; 55% of average family income is from 300 to 500 GEL; 5% of average family income is from 500 to 800 GEL. (82% respondents' opinion).

- Main sources of income is: working for government (60%), commercial business(30%), other (10%). (75% respondents' opinion).

- Wages have increased compare with previous years but family's monthly salary is not enough from month to month for all family expenses. (92% respondents' opinion).

- 90% of family conflict arises because of poor economic conditions and 5% of husband's alcohol abuse (76% respondents' opinion).

- 40% of main economic problems effecting Georgian family is the poverty - 50% is unemployment (92% respondents' opinion).

- 80% is low salary and 80% - high taxes (85 % respondents' opinion).

- The wellbeing of Georgian family relies on economic development

of the country (97% respondents' opinion).

- Unemployment rate is higher in villages than in towns (93% respondents' opinion).
- The percent of population living in poverty is high in Georgia (81% respondents' opinion).
- 80% of the population do not have insurance at all (87% respondents' opinion).
- The number of beggars and homeless people decreased but still exists in the country (83% respondents' opinion).
- The wages and salaries earned in the private and public sectors, income received from private farms, and income earned in small business are very low (80% respondents' opinion).
- The average size of the salary was 4-6 times less than the minimum value of a consumer's basket but this rate has increased comparing last years (95% respondents' opinion).
- Employment in public sectors has decreased, factories do not work, so in recent times employment in the private sector has kept expanding (76% respondents' opinion).
- 35% of the population of Georgia is engaged in the private sector of agriculture (63% respondents' opinion).
- Half the population lives below the poverty line (55% respondents' opinion).
- 20% of the economy is agriculture with 40% of the population employed in this sector (87% respondents' opinion).
- 10% of richest people still have well over 40% of incomes (86% respondents' opinion).
- 69% of the families with no member of working age have incomes below the minimum subsistence level (88% respondents' opinion).

## **Conclusion**

The process of democratization and transition to the market economy in Georgia has in the first place brought about the re-distribution

of rights and obligations between the state and its citizens. Drastic socio-political changes have radically altered ways of life, leading to the emergence of unemployment, marginalization of certain individuals and groups, deterioration of once officially recognized standards and systems of values, and a sharp rise in the social and economic activities of people. Migration for the purposes of conducting trade or seeking long-term employment have become quite common. The current situation in Georgia and the new realities in the world have evidenced that the country needs the long – term action strategy which will provide its development with new impetus. Widespread corruption allowed the traditional mode of life "to escape" the pressures of the ideology and the state. In today's Georgia, with processes of democratization and transition to a market economy still under way. Georgian society is moving forward in the right direction, and at the same time human rights violation by the law enforcement, huge corruption in the government and unresolved interethnic conflicts need special attention and effective response. To maintain economic stability, Georgia needs to ensure that its medium-term fiscal position is compatible with its balance of payments, monetary and inflation targets. Special attention is needed as well to support small and medium-size enterprises, including establishing business incubators, an effective crediting system, and informational services.

Development of the country depends, to a great extent, on efficient utilization of its natural and geo – political resources. The country is quite rich in different minerals, especially in hydro resources. Another important resource is the geographical location of the country and its transit potential both in east – west and north – south direction. I have stressed on market conditions, which causes poverty in the country. Georgia needs economic development and reduction of poverty in the country so the problems with special impact on the welfare of the country and its citizens, economic situation and poverty must be solved. Insufficiency of local investments in legal sector has been conditioned by poverty of the population, limited investment resources and extreme restriction of the investments for local legal investments so I think that production factors can be increased only via attraction of foreign direct investments. And the main important point here is that people are not optimistic from economic point of view for the future of the country.

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