

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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OVERVIEW WELFARE IN GEORGIA AND PROSPECTS FORMATION OF EFFECTIVE ECONOMIC AND SOCIAL MODELS

The formation of the optimal economic and social organization model of the country is essentially dependent on the correct fiscal policy implementation. The social security philosophy of the population is one of the greatest achievements of the world civilization. The present work is dedicated to the development of the problems of human development – Welfare Problems. It provides the model for creating social security optimal system of population, social system parameters: distribution of national income to the population and their families, issues of financing social security needs. Based on the study of the social experiences of social reform and the social indicators of the EU, the alternate concept of prosperity and perfection is developed. Just these matters are covered by the present work.

Keywords: Welfare; Social Security; Household; Employment.

КОРОТКИЙ ОГЛЯД ДОБРОБУТУ В ГРУЗІЇ ТА ПЕРСПЕКТИВИ УТВОРЕННЯ ЕФЕКТИВНИХ ЕКОНОМІЧНИХ І СОЦІАЛЬНИХ МОДЕЛЕЙ

Утворення оптимальної економічної і соціальної моделі організації країни по суті залежне від правильного виконання бюджетної політики. Філософія соціального страхування населення – одне з найбільших досягнень світової цивілізації. Робота присвячена проблемам людського розвитку – проблемам добробуту. Це забезпечує створення моделі оптимальної системи соціального страхування населення, соціальні системні параметри: розподіл національного доходу населенню і їх сім'ям, проблеми фінансування потреб соціального страхування. Засновано на вивченні досвіду соціальної реформи і соціальних індикаторів ЄС. Додатковий розвиток у роботі отримала концепція процвітання.

Ключові слова: добробут; соціальне страхування; сім'я; працевлаштування.

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КРАТКИЙ ОБЗОР БЛАГОСОСТОЯНИЯ В ГРУЗИИ И ПЕРСПЕКТИВЫ ФОРМИРОВАНИЯ ЭФФЕКТИВНЫХ ЭКОНОМИЧЕСКИХ И СОЦИАЛЬНЫХ МОДЕЛЕЙ

Формирование оптимальной экономической и социальной модели организации страны по существу зависит от правильного выполнения бюджетной политики. Философия социального страхования населения – одно из самых больших достижений мировой цивилизации. Работа посвящена проблемам человеческого развития – проблемам благосостояния. Это обеспечивается созданием модели оптимальной системы социального страхования населения, социальными системными параметрами: распределение национального дохода населению и их семьям, проблемы финансирования потребностей социального страхования. Основано на изучении опыта социальной реформы и социальных индикаторов ЕС. Дальнейшее развитие в работе получила концепция процветания.

Ключевые слова: благосостояние; социальное страхование; семья; трудоустройство.

Introduction

The important problem of the economic policy includes increase of economic activity and standard of life of the population. Any kinds of budget systems shall be undoubtedly aimed at support of economic effectiveness and social justice. Otherwise, conditions for non-optimal disposal of budget recourses will originate, causing deepening of inflation, growth of unemployment, deficit of well-qualified personnel, deepening of the problem of interbudgetary relations (Abuselidze, 2015).

The main aim of any progressive state includes creation of such machinery for rise of welfare and social protection of people, which will not make a factor preventing economic growth, but quite the contrary, promote economic activity.

The research conducted by us establishes the connection between economic growth and social indicators. However, the economical variables are not a complete picture of social progress. It would be more correct if we say that social progress is a prerequisite for economic And his ignorance may lead to the outcome of the Arab world in 2010³⁵.

Because of the abundance of such incidents, there is a question that the existing approaches and measurements are not enough, That's why we should precisely define and have a systemic view of what people really want, What opportunities do people have with human needs, To satisfy the quality of life quality, development and sustainability. We will make such themes in social progress terms and say that the most important challenge we face, It is that individuals are able to achieve the maximum level of their realization And we admit that in the conditions of optimal fiscal policy, we can get much better results if we consolidate our activities and skills.

It is necessary to review the basis for the well-being of the population and the basis of development directions: GDP level, structure and level of income, expenses on material consumption and service consumption, labor market, Social guarantees in the lesser layers of the population, social progress towards the GDP, etc.

Survey

The main function of economic policy in the state of any arrangement was to ensure the socio-economic state of society. It is noteworthy that the priority of social issues is relatively large compared to economics in both developed and developing countries. Social Progress Index serves to raise awareness and influence political decisions and institutions around the world. This

³⁵ Arab Spring – a wave of civil revolution that was saturated with social discontent during which people's demands were mainly related to human rights, democracy, access to information.

is an objective, the resulting measuring country's well-being. Therefore, to accomplish this purpose, the following tasks were addressed: 1. Basics of Welfare, 2. Human Basic Needs and Opportunities.

Well, a person must have a guaranteed right to live on a level that provides food for people, medical care, and social security, unemployment, illness, disability, old age and others. If the realization of the goals of fiscal policy affects the accumulation of material capital, then the realization of the goals of social policy affects human and social capital. The face value of a rational social policy is important for the living wage, the margin below which a person's normal existence is under question is the basis for determining the minimum wage and pension. All civilized states have adopted law about living minimum, the main characteristic of which is the rational compliance of subsistence minimum and minimum wages (Abuselidze, 2018, p. 20). There is a sharp distinction in Georgia in this regard (Table 1 and Table 2).

Subsistence Minimum											Tab.1
2017 year	I	II	III	IV	V	VI	VII	VIII	IX	X	
Subsistence Minimum for working age male(Gel)	166.3	168.1	169.7	170.8	173.2	174.3	167.2	167.4	168.8	174.0	

Households Income														Tab. 2
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
Average Monthly Incomes of the Total Population (Million GEL)	353.2	387.5	426.8	544.7	575.4	649.2	711.1	808.8	906.9	1001.4	1039.9	1072.3		
Average Monthly Incomes per Household (GEL)	346.7	385.3	422.5	540.3	569.2	651.2	705.9	788.4	887.2	983.9	1022.3	1042.2		
Average Monthly Incomes per Capita (GEL)	92.3	102.6	115.2	147.2	154.5	178.6	195.2	218.4	246.6	273.1	284.5	294.2		
According to the data declared by the households.														

Source: National statistics office of Georgia. www.geostat.ge

The most important international indicator of welfare is the Index of Economic Activity Potential Development, which should be calculated on the basis of the standard of living, which expresses the volume of real GDP per capita. In 2017 economic growth was higher than expected and amounted to 5.0 percent. In the 1st quarter of 2017 real GDP growth amounted to 5.3%, in 2nd quarter growth rate equaled to 4.9%, in the 3rd quarter – 4.4% and in the 4th quarter 5.4%. According to preliminary estimates, in 2017 nominal GDP equaled to 38.0 billion Gel, GDP per capita amounted to 10 204 Gel. (see Figure 1).

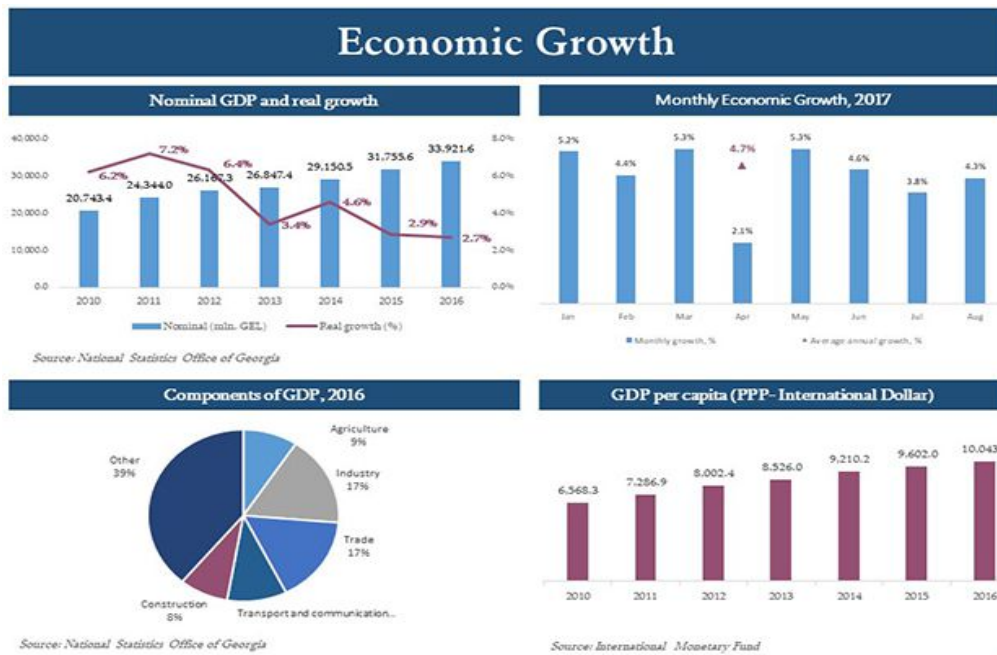


Figure 1. Economic Growth

Georgia’s economy has proved resilient to a significant economic and financial shocks in the region (2014–2016). Moreover, annual average economic growth in 2014-2016 amounted to 3.5%, when many of our neighbors were in or close to recession. In this regard, GDP component contribution in real growth and economic growth forecast analysis is interesting in countries from same region, that shows that Georgia is only behind Turkey and exceeds Armenia, Russia, Ukraine and Belarus (see Figure 2)



Figure 2. Economic Growth

The result of economic growth has not been able to make a significant reduction in the poverty level. In the last decade, poverty rates have not changed (see Figure 3)

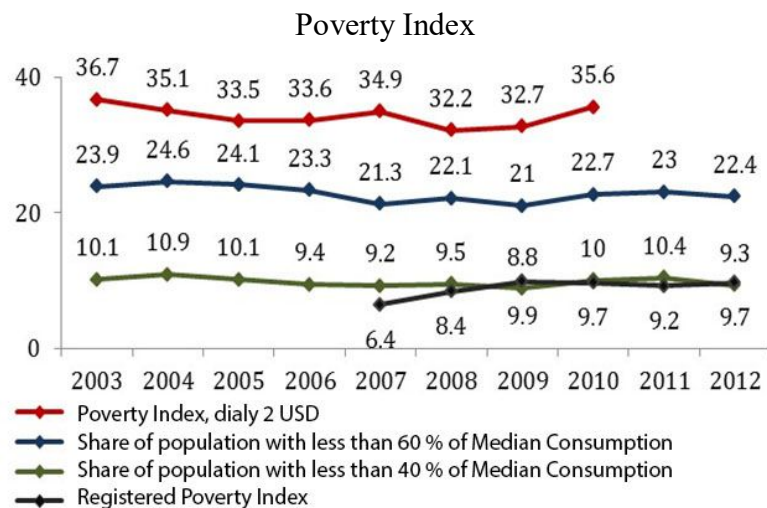


Figure 3. Poverty Index

In addition, Georgia is one of the first countries in terms of the inequality rate in the region (see Figure 4)

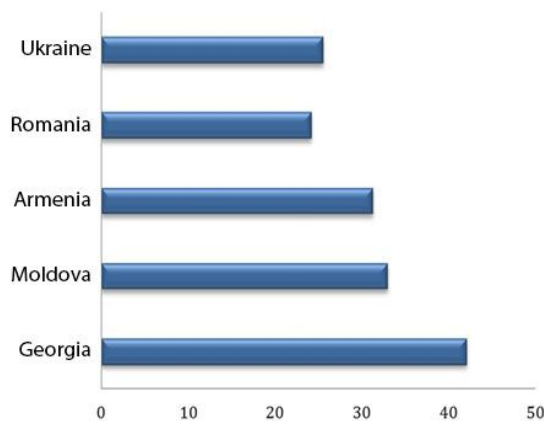


Figure 4. Inequality Rate

Source: World Bank

It is generally known that socioeconomic development of country is determined with strengthening of the financial sphere to considerable extent, what may be achieved providing that tax policy is optimal and well-reasoned. Besides, it is also doubtless, that development and operation of the optimal tax system is very complicated problem.

But the main problem, as we think, is which and what kinds of taxes shall be imposed by state, what tax rate shall be applied? Who shall pay concrete kinds of taxes to meet the principles of equity, effectiveness and simplicity – these are the questions put before all true statesmen and scientists and they are waiting for timely, qualified response, solution and actualization.

Foreign researches in this sphere prove that in consideration of time factor it is very important how average total tax rate changes, i.e. decreases or increases.

Fiscal policy can increase the prosperity if it will increase economic activity and volume of production in the country, resulting in a reduction of unemployment, improved labor and living conditions, forming a basic social security system and developing human capital.

At the same time, the government should take responsibility, assist and target social assistance to the poorest layer. Funding of social programs and social policy is directly dependent on the share of GDP (Abuselidze, 2018, p.22). In this regard, it is interesting to note that social progress in different countries is a GDP per capita (see Figure 5).

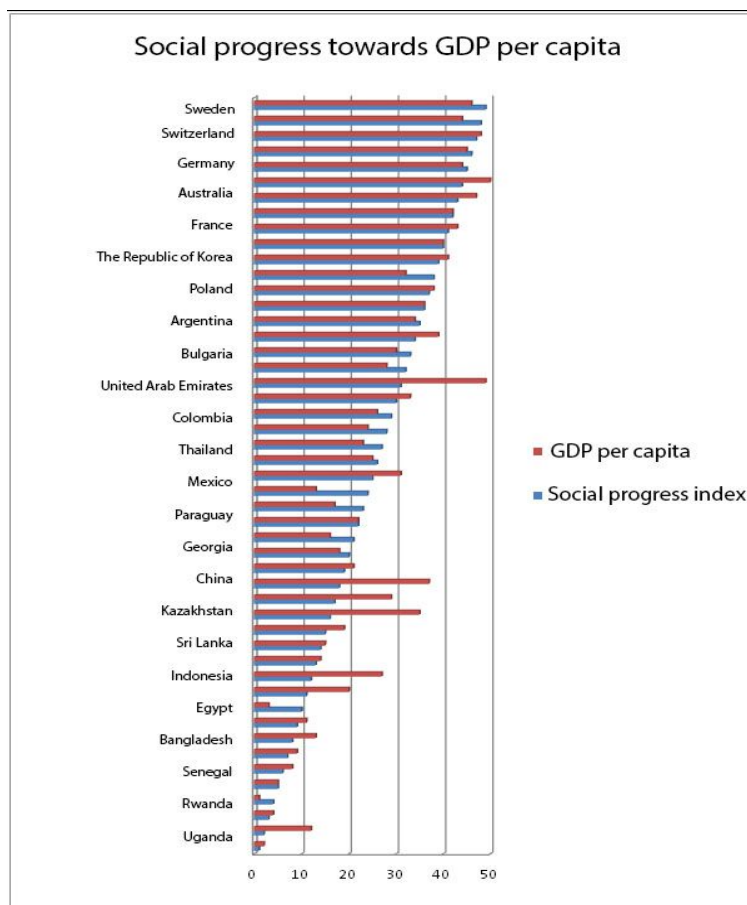


Figure 5. Social Progress towards

According to the World Bank data, in 2013, the income of the population was 8040 dollars, while in Armenia it was 8140 dollars, in Azerbaijan – 18180, in Russia – 23200 and in Turkey – 18760 dollars. This means that incomes of neighboring countries and their purchasing power is greater than us, respectively, there people live better.

The welfare of the population depends not only on the amount of money but also the purchase of this money, how many bread, meat or other products can be purchased by a certain amount of money. In Georgia and the United States, the same amount of goods that were taken and counted, it turned out that 60 USD is enough to buy the product that America needs about 100 dollars. That's why if the US has a monthly income of 1000 dollars and Georgians – 600 dollars, they will be on the same level [16. prices, inflation].

According to the World Bank data, in 2016, the income in Georgia was 7400 dollars, according to the proportion of the GDP per capita. According to this indicator, Georgia is ranked 139th in the world ranking and it is greatly exposed to countries such as Armenia, Turkmenistan, Belarus and Azerbaijan. In 2009, Georgia's GDP per capita was 5440 dollars per parity with a per capita purchasing cap in 2010, 5730 dollars in 2010, 6140 dollars in 2011, 6760 dollars in 2012, and by 2013, this figure reached 7040 dollars.

Georgia's last place in the neighborhood means that the welfare of the population in neighboring countries is higher than in Georgia. At current prices, Georgia may have higher GDP per capita than the population, for example, Armenia, but what prices are in Armenia and Georgia, according to the rating. Here's one more factor to consider: how well this welfare is distributed, but it does not reflect the rating [16. GDP and National Income].

Comparison of the index of social progress and GDP by the countries asserts that economic development is necessary, but the lack of social conditions for social welfare and in most cases, economic growth is caused by social progress.

Based on this, it is necessary to reflect the effective implementation of an effective social security system in the EU-Georgia Neighborhood Policy Action Plan. First of all it relates to the

adequate pension, unemployment and health insurance system gradually. The EU can provide substantial assistance to the Government of Georgia in this area.

Formation of the social protection system is in permanent progress. Frequent changes of reforms aims and forms has caused inconsistency and ineffectiveness of the changes implemented.

As we suppose, one of the main directions of the economic reforms aiming winning over poverty in Georgia shall include the policy oriented to increase of profits which will aim winning over poverty, lessening of differentiation of property and monetary profits, gradual increase of wages, promotion of employment etc.

In 2016 unemployment rate in Georgia decreased by 1.8 percentage points compared to 2006 and constituted 11.8 percent. It should be noted that in 2016 unemployment has reached the lowest level in the last 13 years (see Figure 6).

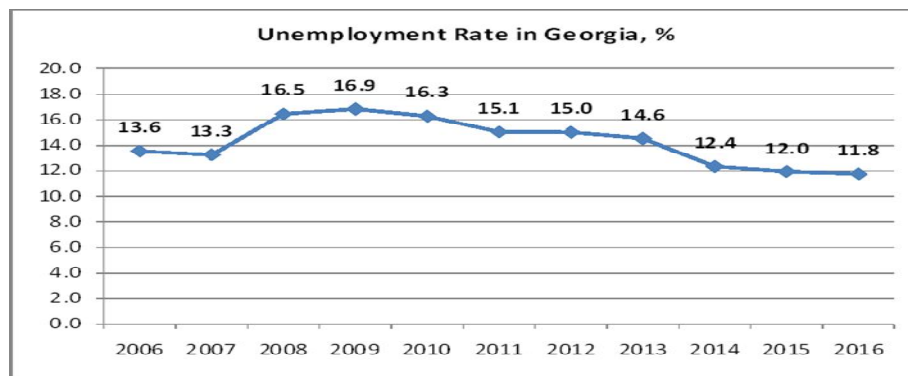


Figure 6. Unemployment Rate

The unemployment rate is much lower in rural population than in the city's population. In 2016, unemployment rate in urban settlement has decreased by 0.4 percentage points and in rural areas, the rate of 0.2 percentage points increased (see Figure 7)

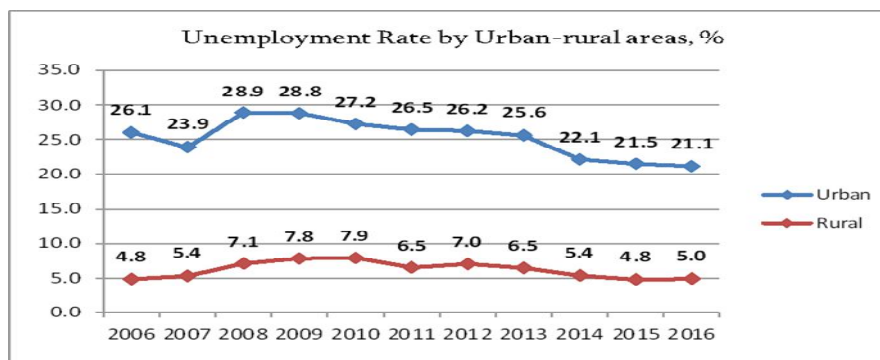
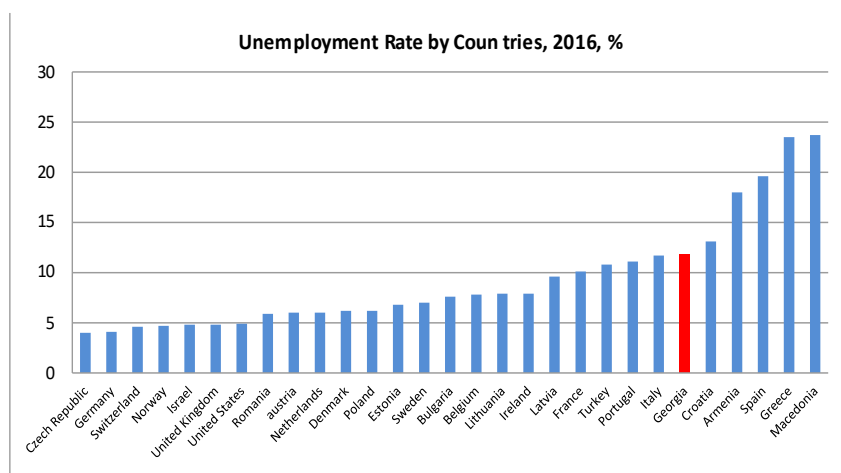


Figure 7. Unemployment Rate

In 2017 the economically active population constituted 65.8 percent of the working population (population of 15 years and older). Compared to 2016 the economic activity rate and employment rate decreased by 0.5 and 0.4 percentage points, respectively. The employment rate in urban settlements decreased by 1.5 percentage point compared to the previous year, while increasing by 0.8 percentage points in rural areas. Similarly, compared to the previous year the economic activity rate in the urban settlements decreased by 1.6 percentage points and increased by 0.8 percentage points in rural areas.

In this regard, the unemployment rate is also interesting (see Figure 8):



Source: International Labour Organization.

Figure 8. Unemployment Rate

According to these indicators, Georgia's socio-economic reforms did not have a clear social policy and the state could not properly control social processes, which resulted in the hardest crisis.

Of course, the reduction of unemployment is, first of all, possible through the improvement of business environment and economic development, but it is essential to implement an effective fiscal policy to promote employment and create new jobs.

In the present period improvement of the social security system shall be considered in two aspects: by means of employment policy and optimal tax policy we shall achieve increase of standard of life for employed people and their families (Abuselidze, 2018, p. 25). At the same time, aiming popularization of insurance mechanism we shall provide their stimulation in conditions of realization of social risks with preservation of financial state and creation of retirement savings. Also employers shall pay the employee worthy wages and their social insurance at reasonable cost. Each party, taking into consideration its own possibilities and interests, will provide interactions of all entities and achieve harmonization of all kinds of responsibility, satisfaction of interests. This may be achieved by use of special insurance mechanism.

At the modern stage among the economic reforms implemented in Georgia the especial accent is placed to macroeconomic stabilization, besides, strengthening of financial sphere is recognized one of imperatives of economic policy, what is impossible without the well-reasoned budget and tax policies.

Following above mentioned, political administrative legislation of the country, regulation of its economy and development, economic, financial and social policy shall obtain clearly defined aspects. As we suppose, it is required to apply differentiated approaches in the budgetary, fiscal, credit spheres, in business stimulation, development of industry and agriculture, employment, health protection, education, export-imports, regional and national markets protection spheres.

As everybody knows, Georgia is one of unique countries in the world due to variety of natural-climatic conditions of its regions, enviable even for countries having great territories, but all these effects development of various sectors of economy, regional economies. In such conditions the government may with help domestic finances balance economic and social development of the territorial units, which found themselves backward in comparison with the other regions due to certain historical and natural conditions.

Just fiscal policy has the greatest role expressing in financial assistance to the territorial units having lower level of development due to its natural conditions and situation or any other objective reasons. The central government shall provide such regions with the appropriate

assistance in the frames of the preliminary developed program. The modern trends urge the states to more differentiation of social services. For example, Holland and the Scandinavian countries maintain the active process of decentralization and assignment of responsibility to municipalities, but some EC countries (4) are introducing the new model which the researchers [3, p. 4] call “welfare pluralism”.

As we suppose, in present conditions it would not be proper to focus only on any one model and blindly transfer it to the Georgian reality, even if we mean the liberal model. In this respect the conservative model is interesting. It originates from Otto von Bismarck’s ideas and its introduction in Germany proved to be enough effective. The Bismarck’s model is based on social insurance covering determination of wages, pension age, size of pension meeting social standards, quality of allowances and medical assistance. The social security system in Germany operates as per the principles of self-regulation: social insurance institutions are conferred full legal, financial and organizational independence from governmental institutions, although the legal frames of formation and functioning of insurance institutions are always determined by the government.

As we suppose, it would be better for Georgia to take into consideration the social security system of Germany which relies on the following principles: principle of insurance which means that the population will be paid the old age pensions from their own accumulated funds paid in the period of workability. Social assistance is not based on earlier contributions; it is financed with the tax revenues paid to the budget. Such kind of public assistance, as a rule, is paid for the special services to the country. The most important principle is the one of allowances. Such kind of public assistance is paid to every person who cannot cope with the living problems. This principle means financing by the budget, like the social security one.

Conclusion

The country shall provide acceleration of economic activity and growth of production volume such way, that provides appropriation of its sectoral development structure to the interests of the population group having low incomes and living standards.

The state shall change the budget structure, allocate the appropriate means for satisfaction of the first-necessity demands of the population, especially – the social service sphere. Besides, it is important that socioeconomic progress depends on the private sector, where the investments growth tendency undoubtedly promotes eradication of poverty.

For just distribution of incomes and reduction of poverty the institutional changes shall be provided aiming formation of the strong civil society.

The considerable factor of reduction of inequality of incomes and poverty includes formation of competitive market and its development. Also important is expansion of financial market and due formation of the credit policy. Successful maintenance of these arrangements will promote considerable increase of living standards and employment level what is the strategically important necessity of development of the country.

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AUTHOR'S ABSTRACT

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OVERVIEW WELFARE IN GEORGIA AND PROSPECTS FORMATION OF EFFECTIVE ECONOMIC AND SOCIAL MODELS

Objective. The formation of the optimal economic and social organization model of the country is essentially dependent on the correct fiscal policy implementation. The social security philosophy of the population is one of the greatest achievements of the world civilization. The present work is dedicated to the development of the problems of human development – Welfare Problems. It provides the model for creating social security optimal system of population, social system parameters: distribution of national income to the population and their families, issues of financing social security needs. Based on the study of the social experiences of social reform and the social indicators of the EU, the alternate concept of prosperity and perfection is developed. Just these matters are covered by the present work.

Methods. In this top-down study the empirical material is collected from official documents and public statements made by centrally placed politicians and administrators in Georgia. Furthermore as well as research conducted by international organizations in Georgia. The research database is the legislative and normative acts adopted by the Georgian government at the modern stage, the National Statistics Office of Georgia, the Economic Development and Finance Ministries, the Georgian National Statistics Office, the Parliamentary Finance and Budget Committee and other departments.

Results. As everybody knows, Georgia is one of unique countries in the world due to variety of natural-climatic conditions of its regions, enviable even for countries having great territories, but all these effects development of various sectors of economy, regional economies. In such conditions the government may with help domestic finances balance economic and social development of the territorial units, which found themselves backward in comparison with

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the other regions due to certain historical and natural conditions. Maintenance of economic productivity and a rapid increase in production volume are the central issues in the current economic climate. These factors largely depend on the fiscal and social policies of a country.

Scientific of novelty. The empirical material contained within focuses on the period after 2005, when some important changes in political leadership took place. During this time, there was also a shift in government social policy at a central level. The collection of empirical data for this study ends in 2017, giving a total study period of 12 years.

Practical of significance. Successful maintenance of these arrangements will promote considerable increase of living standards and employment level what is the strategically important necessity of development of the country.