HOUSEHOLD INCOME AND INCOME INEQUALITY IN GEORGIA
(2013-2022)

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CONTENTS

MAIN FINDINGS

Household income and income inequality at the national level[1]

■ Over the last decade (2013-2022), on average Georgia's Gini coefficient amounted to 0.4 points, reflecting a high income disparity[2]. However, looking specifically at the period from 2018 onward, this figure has been recording downward trend, sitting in the range of 0.3-0.4, meaning that Georgia has shifted to a more even category. Indeed, its lowest figure during the last decade was recorded in 2022 - 0.36 points.

■ Despite that decrease in its Gini coefficient, Georgia still has a higher figure compared to EU member states, the states of the Black Sea region[3], and neighboring countries[4].

■ Over the last decade, Georgia has witnessed significant growth in nominal median household income, rising from 650 GEL to 1,145 GEL (by 75%). However, taking into account the notable deprecation of the Georgian Lari (GEL) over the same period, the figure when adjusted for inflation reveals relatively limited growth of real household income compared to nominal income (15%).

■ To arrive at a better understanding of household income distribution in Georgia, we examine different segments of society by dividing households into quintiles. Each quintile represents 20% of the population, with quintile I composed of the lowest-income households and quintile V representing the highest-income households. By analyzing income distribution in this way it becomes evident that:

    □ Over the last decade, nominal median household income increased across all segments of society, with the highest percentage increase observed in quintiles II, III, and IV. The growth in quintiles I and V was relatively low.

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[1] The analysis of this paper is based on Geostat's Household Income and Expenditure Survey.

[2] Although there are no internationally defined standard cut-off values, it is commonly recognized that a Gini index <0.2 corresponds with perfect income equality, while 0.2–0.3 corresponds with relative equality, 0.3–0.4 corresponds with a relatively reasonable income gap, 0.4–0.5 corresponds with high income disparity, and above 0.5 corresponds with severe income disparity.

[3] Black Sea region countries, in addition to Georgia are Turkey, Russia, Romania, Bulgaria, and Ukraine.

[4] Neighboring countries are Turkey, Russia, and Armenia. Azerbaijan is excluded as there are no Gini data available for this country.

□ It is also important to note that although there was a slight decrease, the difference in nominal median household income between the richest 20% of households (quintile V) and the poorest 20% of households (quintile I) remains significant. In 2022, the nominal median household income in quintile V was 7.3 times higher compared to quintile I.

□ In the past decade, the main income sources for the lowest-income segment (quintile I) were pensions, scholarships, and assistance, with a relatively low share from employment. The proportion of income from pensions, scholarships, and assistance increased over the covered period from 47% in 2013 to 56% in 2022, while the share from employment decreased from 15% to 10%.

□ In the highest-income segment (quintile V), employment was the primary source of income, while pensions, scholarships, and assistance made a smaller contribution. Over the covered ten-year period, the share of income for this quintile from employment increased from 50% to 56%, while the share of pensions, scholarships, and assistance rose too (from 5% to 9%).

□ With regard to the income sources for quintiles I, III, and V a correlation was shown between a higher share of income from employment and higher income levels as a whole, while a higher share from pensions, scholarships, and assistance was associated with lower income. Over the last decade, quantile I became increasingly reliant on government assistance.

Household income and income inequality in urban and rural areas

■ Historically, urban areas have had higher income levels compared to rural areas, but more recently there has been a gradual reduction in the urban-rural income gap. Indeed, in 2022, rural areas even surpassed urban areas in terms of nominal median household income. This shift may be attributed to the increasing prevalence of employment as a source of income within rural households.

■ Overall, during the analyzed period of 2013-2022, a downward trend in income inequality was observed in the urban areas of Georgia. In contrast, a tendency was noted of income inequality increasing in rural areas.

Household income in regions and income inequality between regions

- The regional distribution of nominal median household income illustrated growth in every region during the reviewed period. Tbilisi and Adjara maintained a higher income level than the nationwide median figure. Moreover, in 2022, Adjara, Kakheti, Imereti, and Racha-Lechkhumi and Kvemo Svaneti[5] all surpassed the national median in terms of household income, while Tbilisi fell below the national median.

- The analysis reveals that household income inequality between regions, though still substantial, slightly decreased over the analyzed period of 2013-2022.

- In 2022, the highest-income region in Georgia had a household median income nearly double that of the lowest-income region. Furthermore, household income in the highest-income region was 1.4 times higher than that of a middle-income region.

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[5] The data from Imereti and Racha-Lechkhumi Kvemo Svaneti regions are combined for analysis. This is because, until 2019, separate data for these regions regarding household incomes and expenses was not available.

INTRODUCTION

Over the last decade, Georgia experienced economic improvements in various areas. For instance, between 2013 and 2022, the country's GDP per capita increased by 44%, reaching US$6,672[6]. In addition, the share of the population living in absolute poverty decreased from 26.2% to 15.6%[7] during the same period while the unemployment rate dropped from 26.4% to 17.3%[8].

Despite these positive trends, public opinion polls indicate that poverty and related issues such as unemployment and low salaries remain significant challenges for Georgian society. According to surveys conducted by CRRC Georgia, in 2013[9], 30% of respondents considered poverty a major nationwide problem, and this figure remained unchanged in 2022[10]. Moreover, different measurements of inequality, such as the Gini coefficient for income, illustrate that income inequality[11] in Georgia is still high, sitting at 0.36[12] in 2022.

These findings suggest that the overall economic development in Georgia has not been enjoyed equally by all segments of society, and that the conditions for the lower segments of society have remained relatively stagnant compared to the upper strata. Therefore, examining the distribution of income across the population is crucial to gain a more comprehensive understanding of income inequality in the country. Addressing this is not only a matter of social justice but also a critical element of sustainable economic growth and societal well-being.

This bulletin aims to provide a broad comprehension of household income distribution in Georgia, and presents an analysis of income inequality beyond the traditional measure of the Gini coefficient, by examining additional dimensions of income distribution. More precisely, the bulletin compares the income of different segments of society, household income in rural and urban areas, and between regions.

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[6]   https://www.geostat.ge/ka/modules/categories/23/mtliani-shida-produkti-mshp

[7]   https://www.geostat.ge/en/modules/categories/192/living-conditions

[8]   https://www.geostat.ge/en/modules/categories/37/employment-and-wages

[9]   https://www.ndi.org/sites/default/files/Georgia-Public-Attitudes-Poll-121813-ENG.pdf

[10] https://www.ndi.org/sites/default/files/NDI%20Georgia_December%202022%20poll_public%20version_ENG_vf.pdf

[11] https://www.geostat.ge/en/modules/categories/192/living-conditions

[12] The Gini index measures how equally income is distributed over society, where 0 means perfect equality and 1 perfect inequality. Inequality - Income inequality - OECD Data.

THE GINI INDEX

Over the last decade (2013-2022), Georgia's Gini coefficient amounted to 0.4 points, reflecting a high level of income disparity. However, encouragingly, from 2018 onward, its Gini coefficient remained below 0.4, putting Georgia into a less disparate category. Moreover, Georgia's lowest Gini coefficient for the ten-year period covered came in the last year (2022), scoring 0.36.

By comparing the Gini coefficient of Georgia with its neighboring countries, states of the Black Sea region, and EU member states it is observable that Georgia scores highest and thus has the most significant income inequality in these contexts. Breaking this down further, over the last decade, Georgia's Gini coefficient was furthest away from EU member countries, followed by countries of the Black Sea region, and then its neighboring countries.

Figure 1: GINI index
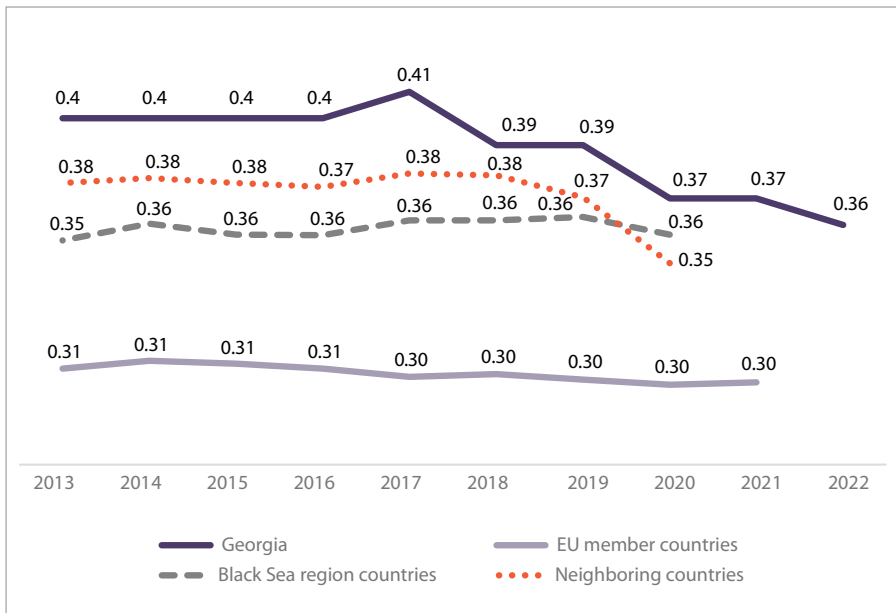
Sources: Geostat - Household Income and Expenditure Survey; World Bank; Eurostat

HOUSEHOLD MEDIAN INCOME DISTRIBUTION IN GEORGIA

As Georgia displays a high Gini coefficient for household income, it is prudent here to analyze the median income measure instead of the mean[13]. The median is considered a more robust measure of central tendency, particularly in situations where outliers or extreme values can significantly affect the mean calculation. By using the median measure of income, we can obtain a more precise and reliable picture of income distribution in Georgia.

Over the past decade, there has been a notable increase in nominal median household income in Georgia. From 2013 to 2022, the corresponding figure rose by 75%, reaching 1,145 GEL. It is particularly noteworthy that the highest increase per year was observed in 2022, when this increased by 20% compared to the previous year.

However, if we take into account Georgia's high inflation rate over the past decade (annual average 5%), the household median income adjusted for inflation indicates a quite different trend compared to nominal median income. For instance, from 2013 to 2022, real household median income increased by only 15% and amounted to 745 GEL.

Figure 2: Nominal and real median household income, GEL
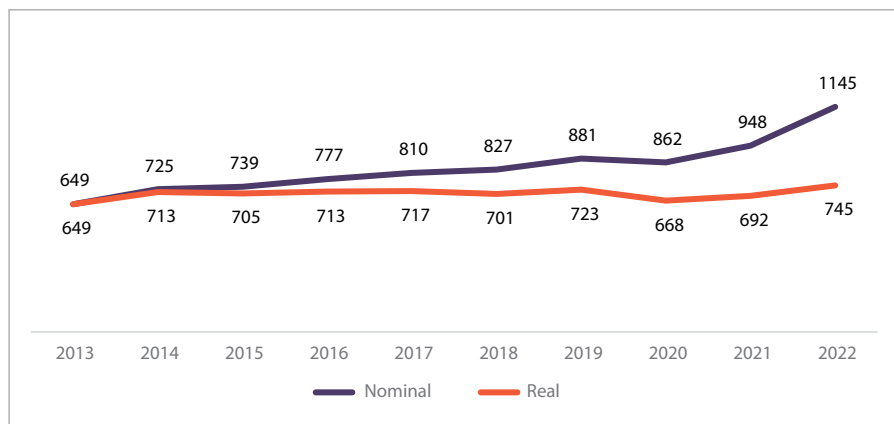
Sources: Geostat - Households Income and Expenditure Survey, PMC RC calculation

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[13] Median household income is the income cut-off where half of the households earn more, and half earn less. The mean household income is the income that all households would have if the total income of all households combined was equally distributed among all households. https://webtribunal.net/blog/what-is-median-household-income

To fully appreciate household income distribution in Georgia, it is important to examine how income is distributed among different segments of society. A useful method for such analysis is to divide households into quintiles, providing insights into income distribution across five equally sized groups within the population. Each quintile represents 20% of the population, allowing us to examine income disparities across different segments. The first quintile comprises the 20% of households with the lowest income, while the fifth quintile represents the 20% of households with the highest income. By analyzing income distribution using quintiles, we can uncover disparities and variations in household income across the Georgian population.

Observing the nominal median household income by quintile over the analyzed period, it is evident that nominal median income increased for each quintile over the last decade. However, the pace of growth differed among quintiles. Quintiles I (the 20% of households with the lowest income) and V (the 20% of households with the highest income) experienced the lowest growth (73% and 62%, respectively), while the other three quintiles saw growth ranging between 80% and 82%. It is also worth noting that in 2020, nominal median household income decreased for every quintile except I and II. This suggests that increased social assistance from the government served as a significant safety net for low-income households in Georgia during the COVID-19 pandemic[14].

Despite the overall increasing trend for nominal median household income over the past decade, there were significant differences in income levels between segments of households, particularly between quintile V and the other quintiles. For instance, on average, households in quintile V had 1.3 times higher nominal median income than the sum of the nominal median income for the first three quintiles.

It is noteworthy that the difference in nominal median household income between quintile V and quintile I decreased slightly over the last decade. More precisely, in 2013, quintile V's nominal median household income was 7.8 times higher compared to quintile I, and in 2022 this decreased to 7.3 times more. However, compared to 2021, the difference between quintiles V and I increased by 0.5 percentage points in 2022. In terms of the entire covered period (2013-2022), the story was similar for the difference between quintiles V and III, where the difference decreased from 2.8 times more to 2.5 times more.

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[14] Subsistence allowance in Georgia (2018-2022).

*Figure 3: Nominal median household income distribution by quintile, GEL*
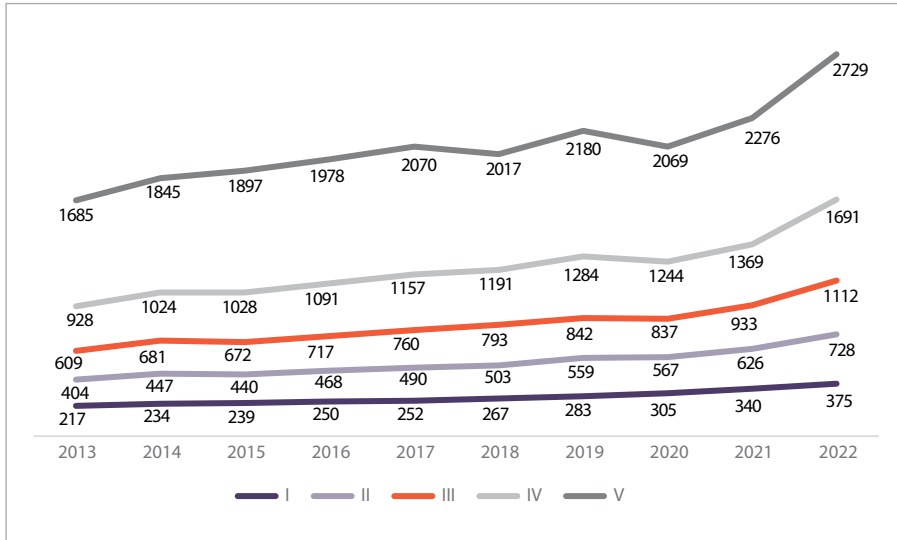
Analyzing the shares of different income sources[15] within quintiles I, III, and V reveals some notable differences between the highest (quintile V), the medium (III), and the lowest (I) income segments of society.

Over the last decade, in quintile I (the lowest-income segment), the main source of income was pensions, scholarships, and assistance, while the share of income from employment was relatively low. Furthermore, the share of pensions, scholarships, and assistance increased from 47% in 2013, to 56% in 2022, while the share from employment[16] decreased from 15% to 10%. Notably, over the past decade, the second-highest income source for quintile I was remittances and money received as a gift, the share of which in total income increased from 17% to 20%. This indicates that over time the lowest stratum has become more reliant on social assistance from the government and remittances.

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[15]   In the Household Income and Expenditure Survey, income sources are defined as follows: Wages; From self-employment; From selling agricultural production; Property income (leasing, interest on deposit, etc.); Pensions, scholarships, and assistance; Remittances from abroad; Money received as a gift; Non-cash income; Property disposal; and Borrowing and dissaving.

[16]   Income from employment is defined as the sum of income from wages and self-employment.

Figure 4: Composition of income sources for quintile I
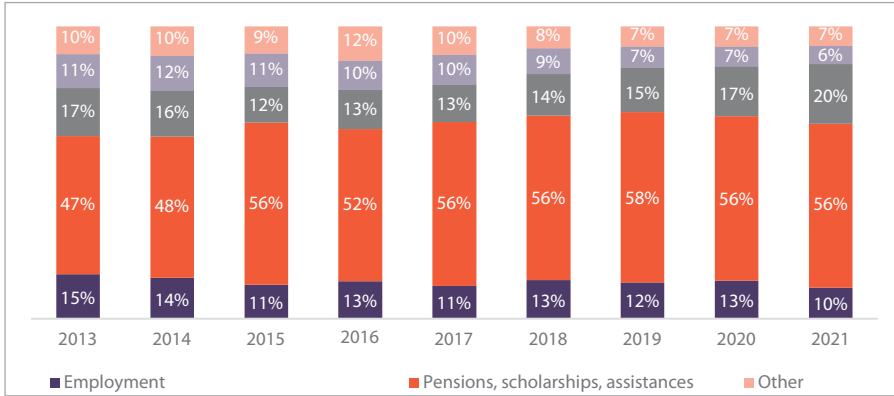
In quintile III, the share of employment as a source of income was considerably higher compared to quintile I, showing an increasing trend from 36% to 47% over the last decade. On the other hand, the share of income from pensions, scholarships, and assistance was more modest compared to the first quantile, albeit also increasing from 22% to 27%.

Figure 5: Composition of income sources for quintile III
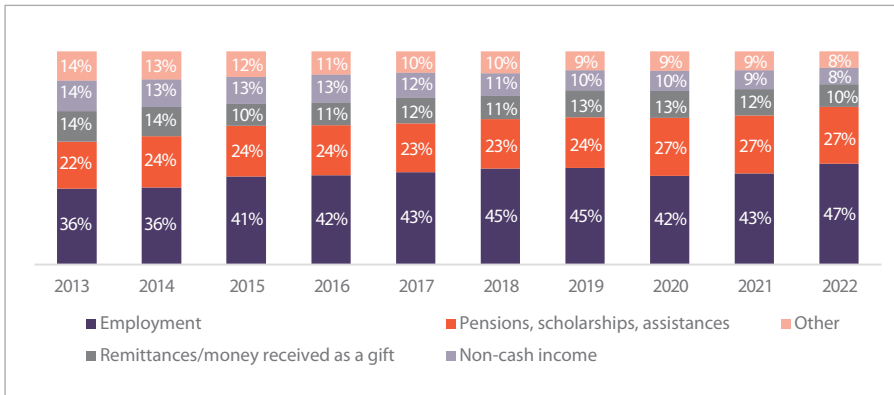
In quintile V, the main source of income was employment, with a modest contribution from pensions, scholarships, and assistance. The shares of both categories increased over the last decade, with employment rising from 50% to 56%, and pensions, scholarships, and assistance increasing from 5% to 9%.

Figure 6: Composition of income sources for quintile IV
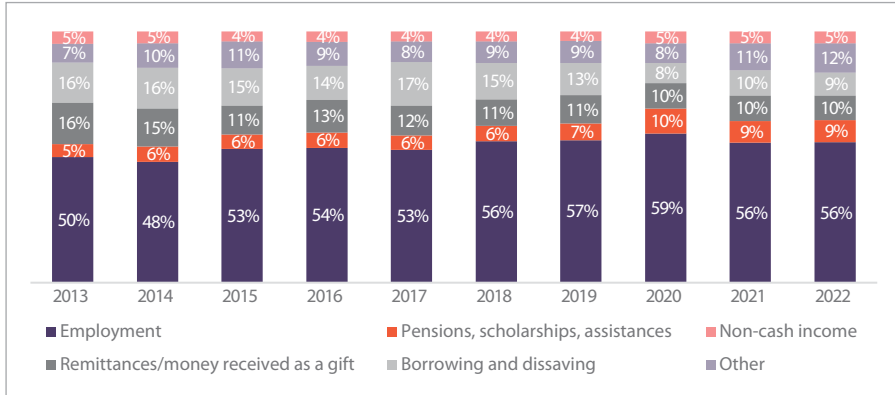
The distribution of income across different household segments reveals a strong positive correlation between the share of income from employment and overall household income. For instance, the lowest-income segment (quintile I) had a much lower proportion of income from employment compared to quintiles III and V. In addition, when considering households with income from employment within each segment, it was evident that only 19% of households in quintile I, on average, had received income from employment over the past decade. In contrast, in quintile III, 62% had gained income from employment over the given period and for quintile V this indicator reached 84%. Conversely, a high share of income from pensions, scholarships, and assistance is inversely correlated with the overall income level.

It is important to note that the share of pensions, scholarships, and assistance increased across all analyzed quintiles during the selected period. However, in quintiles III and V, the increase can be attributed to the rise in the basic pension amount in Georgia[17], while in quintile I, the rise is driven by pensions and additional support such as the increase in the monetary value of the subsistence allowance package and the number of its recipients.[18]

[17] Pension System in Georgia (2017-2021).
[18] Subsistence allowance in Georgia (2018-2022).

HOUSEHOLD MEDIAN INCOME DISTRIBUTIONS IN URBAN AND RURAL AREAS OF GEORGIA

When analyzing nominal median household income by rural and urban areas of Georgia[19], an interesting trend emerges over the last decade. Between 2013 and 2019, the nominal median income in urban areas was on average 1.3 times higher than in rural areas. However, from 2020 onwards, the income disparity between rural and urban households began to shrink notably, with both figures getting closer to the national nominal median income level. Remarkably, in 2022, the nominal median income among rural households even exceeded that of urban households. Over the last decade, nominal median income in rural areas increased more notably (101%) compared to urban (56%).

Meanwhile, the analysis of household median income adjusted for inflation indicates that, from 2013 to 2022, the increase in real median household income in urban areas was only 3%, whereas in rural areas it was 30%.

Figure 7: Nominal and real median income of households
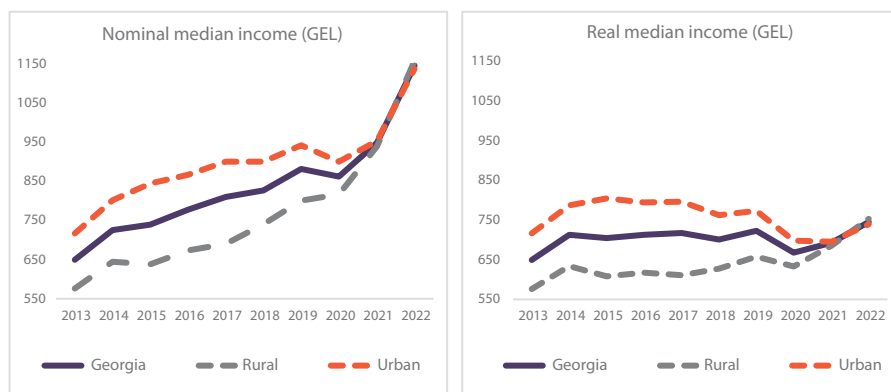
Sources: Geostat - Households Income and Expenditure Survey, PMC RC calculation

To understand the convergence of urban and rural household income, it is important to examine changes in the composition of income sources over the past decade. In urban areas, the primary income sources during this period were employment, and pensions, scholarships, and assistance. The combined share of these two categories increased from 66% in 2013 to 79% in 2022, indicating a growing reliance on these sources (in particular, the share from employment increased from 56% to 62% during the last decade).

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[19] From 2013 to 2022, on average 58% of the Georgian population lived in urban areas.

In rural areas, income sources appear to be more diversified compared to urban areas. However, the share of employment as an income source notably increased by 10 percentage points over the selected period, reaching 34% over the last decade. This significant increase in the share of employment as an income source may have contributed to the significant rise in household income observed in rural areas.

The increased share of employment as an income source in rural areas over the period was not determined by the coincidental rise in the employment rate (from 2013 to 2022, the employment rate increased in rural areas of Georgia from 39.4% to 41.5%), but this was rather caused by strong growth in nominal salaries in Georgia (from 773 GEL to 1,592 GEL).

*Figure 8: Top three household income sources in rural and urban areas*

90/10 Percentile Ratio

To assess income inequality within households, the 90/10 percentile ratio is commonly utilized. This ratio compares the income earned by an individual in the 90th percentile to that of an individual in the 10th percentile. An increase in the ratio indicates a rise in inequality.

In Georgia, the national 90/10 percentile ratio declined gradually from 8 in 2013 to 6.7 in 2020. However, it rebounded in 2022, increasing to 7.3. Urban areas followed a similar pattern to the national trend but recorded a more significant decline (from 8.7 to 6.7) between 2013 and 2020, and there was also a notable recovery in 2022, back up to 7.3. Meanwhile, rural areas exhibited a different trajectory compared to both the national trend and urban areas. From 2013 to 2019, its 90/10 percentile ratio increased (from 7 to 7.5). However, in 2020, a significant decrease (from 7.5 to 6.7) was recorded, followed by an increase in 2022 to 7.2.

Figure 9: 90/10 percentile ratio
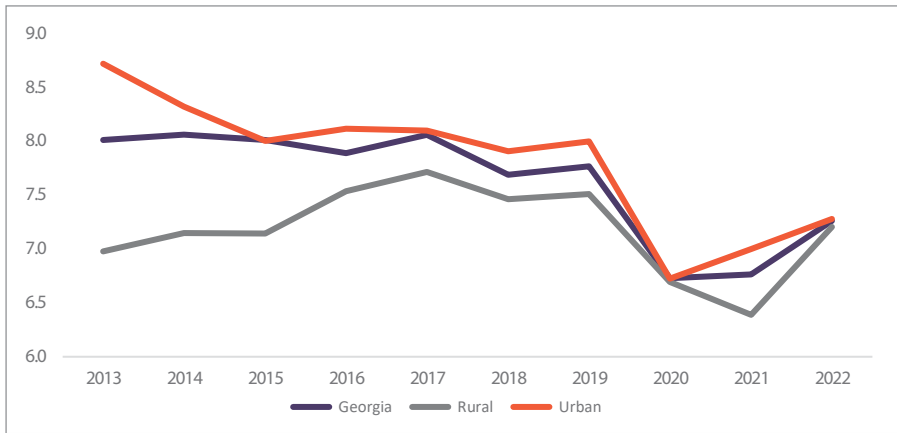
Notably, the ratio saw a sharp decline in 2020 not only in rural areas, but also in urban areas, which could be attributed to the COVID-19 crisis and subsequent governmental increases in assistance for poor households. Specifically, in 2020, the income of households in the 10th percentile increased by 7%, whereas the income of households in the 90th percentile decreased by 7%. Similar changes were observed in household income in both urban areas (income in the 10th percentile increased by 9%, and in the 90th percentile it decreased by 9%) and rural areas (income in the 10th percentile increased by 8%, and in the 90th percentile it decreased by 3.8%).

Overall, during the analyzed period of 2013-2022, a downward trend in income inequality was observed in urban areas. In contrast, there a tendency for income inequality to increase in rural areas was noted.

HOUSEHOLD MEDIAN INCOME DISTRIBUTION IN THE REGIONS OF GEORGIA

To get a broader picture of household income trends over the last decade, it is also important to analyze how household nominal median income changed in the regions of Georgia.

Looking at the distribution of nominal median household income by region over the past decade, an increase was evident across all regions. However, the pace of growth varied among the different regions. Notably, Samtskhe-Javakheti (148%) experienced the highest growth rate, while Tbilisi (33%) exhibited the lowest. The highest nominal median household income in 2022 was reported in Samtskhe-Javakheti (1,514 GEL), while the lowest household income was observed in Guria (840 GEL).

Comparing nominal median household income by region to the national median level at different time points, it can be observed that in 2013 only households in Tbilisi and Adjara had higher-than-average nominal median income. In 2022, Kakheti, Samtskhe-Javakheti, Adjara, Imereti, and Racha-Lechkhumi and Kvemo Svaneti all surpassed the national median in terms of household income, while Tbilisi fell below it.

*Figure 10: Nominal median income of households by region (GEL)*
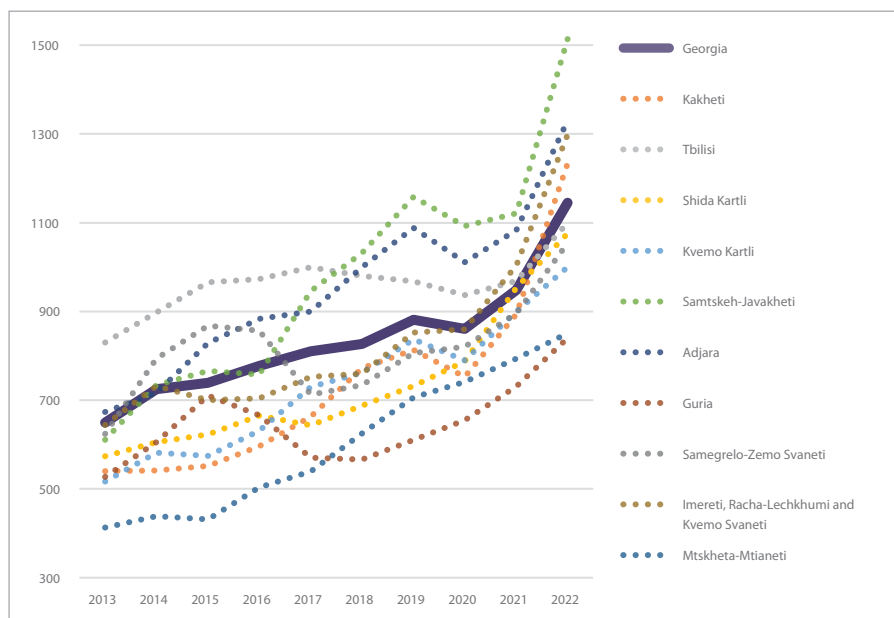
To assess how nominal median household income varied among regions, we compare the maximum and minimum, median and minimum, and maximum and median income value ratios between regions for each year of the covered period. A decrease in the ratio indicates a decline in inequality among regions, while an increase indicates a rise in inequality among regions.

The analysis of the mentioned ratios reveals that household income inequality between regions has slightly decreased over the analyzed period (the maximum/minimum ratio declined from 2 to 1.8, the median/minimum ratio decreased from 1.4 to 1.3, and the maximum/median ratio remained unchanged at 1.4).

Although a slight reduction in inequality was recorded, the disparity in household income between regions remains substantial. More precisely, in 2022 the highest-income region had a household income nearly double that of the lowest-income region. Furthermore, household income in the highest-income region was 1.4 times higher than that of the middle-income region.

Figure 11. Income ratios between regions of Georgia (maximum/minimum, median/minimum, and maximum/median)
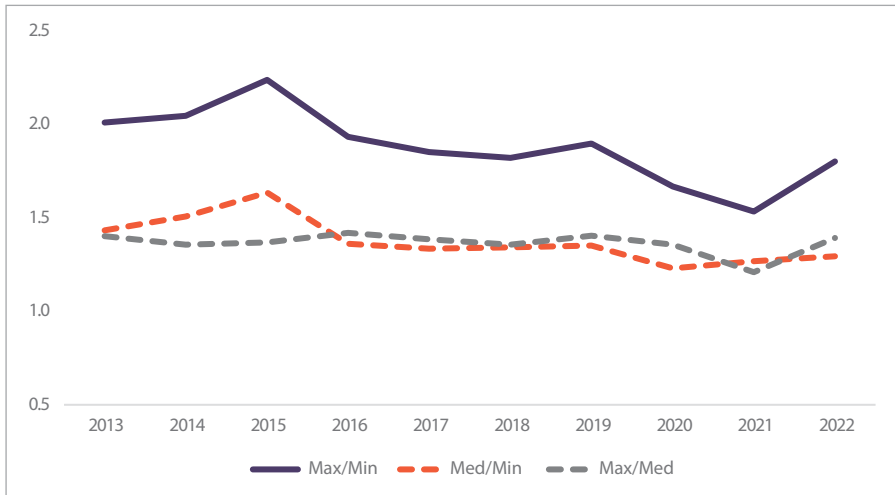
Sources: Geostat - Household Income and Expenditure Survey, PMC RC calculation

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