

Georgia's Middle Class in the Making: Methods of Measurement, Trends, and Constraints

Gugushvili, Alexi

Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Gugushvili, A. (2017). Georgia's Middle Class in the Making: Methods of Measurement, Trends, and Constraints. *Caucasus Analytical Digest*, 95, 6-11. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-88092-3>

Nutzungsbedingungen:

Dieser Text wird unter einer CC BY-NC-ND Lizenz (Namensnennung-Nicht-kommerziell-Keine Bearbeitung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:

<https://creativecommons.org/licenses/by-nc-nd/4.0/deed.de>

Terms of use:

This document is made available under a CC BY-NC-ND Licence (Attribution-Non Commercial-NoDerivatives). For more information see:

<https://creativecommons.org/licenses/by-nc-nd/4.0>

Georgia's Middle Class in the Making: Methods of Measurement, Trends, and Constraints

By Alexi Gugushvili (University of Oxford)

Abstract

Since 2016, Georgia has been categorized as an upper middle-income economy by the World Bank. The latter corresponds to the trends from the various micro-level data sets, which suggest that the middle class has been expanding in the recent years. However, what can be referred to as 'the middle class' in the Georgian context is still largely in the making, and this process remains vulnerable to endemic problems such as high inequality, low urbanization, agricultural underdevelopment, and the existence of rather large, vulnerable social groups. Political stability, geopolitics and international economic shocks all play a role in the prospects of the middle class in Georgia.

Framing 'the Middle Class' in Georgia

There is no universally accepted definition of the middle class, and the meaning of the term can vary across societies as well as over time. At its simplest, 'middle class' can be thought of as people who are neither very poor nor very rich and who have more or less stable sources of income or accumulated wealth. The latter implies that the appropriate identification of the middle class is related to how poverty is measured in a country. In an earlier issue of *Caucasus Analytical Digest* (CAD No. 34, 2011 on poverty in the South Caucasus), I discussed the contentious nature of the politics of social-economic measurement in Georgia. The same would apply to studying the middle class in the country. Interestingly, in the Georgian language, the notion of 'middle class' is rarely used—the concept of 'middle layer' is more popular instead. One of the reasons for this might be the legacy of the Soviet Union, which moved public discourse about class and class-based social relations to the margins.

The marginalization of the analysis of social and economic classes in the country does not mean that the issues related to the formation of the middle class are not salient. Quite the contrary, public discourse on the middle class predominantly concentrates on the inability of successive governments to facilitate the formation of a sizable population with decent and sustainable standards of life. It is not rare to see rather alarming media headlines and statements such as 'Georgia's absent middle class', or '(...) the middle class and the rich in Georgia jointly comprise only ten percent, while the share of poor nears ninety'. Therefore, before describing a more optimistic picture of the middle class in Georgia based on various sources of data, I will first highlight the main constraints on the expansion of the middle class in Georgia.

The Factors Affecting the Formation of the Middle Class

Arguably, the main driver of the expansion of the middle class in Georgia is the country's economic perform-

ance. According to the World Bank's latest classification of countries by income, in 2016, Georgia became only the sixth successor state of the Soviet Union (after Azerbaijan, Belarus, Kazakhstan, Russia and Turkmenistan) to move into the group of upper middle-income economies. Many observers in Georgia believe that *the larger the pie is, the larger is the slice* for the middle class. Indeed, economic growth can be reflected in an expansion of the middle class, but much depends on the type of growth and the level of redistribution in a society. In 2010–2014, the real average annual GDP growth was 5.6 percent, but it was primarily driven by financial intermediation, real estate, hotels and restaurants, trade, and some forms of manufacturing. These sectors, although conducive to job creation, were not able to generate many stable and well-paid jobs. In addition, the country's economy was also heavily affected by macro-level shocks, first in 2008–2009 with the Russo–Georgian War and the international financial crisis and then again in 2014–15 with the regional economic crisis.

Although the government has been attempting to direct more public resources towards redistributive policies such as health care and social provision, the main measure of inequality, the so-called 'Gini index', has been static at approximately 0.40 over the last decade or so. As the recent comparative research of the industrialized nations suggests, the middle class formation and identities are negatively associated with the overall level of income inequality. Since the first decade of this century, Georgia has also pursued quite intensive economic liberalization policies, which have been shown to negatively affect the levels of social mobility. Therefore, it should not be surprising that the middle class has not been expanding fast enough to elevate those in deprivation and poverty, and thus, many Georgians still do not consider themselves part of the middle class.

Lastly, probably the main reason why there are limits to expansion of the middle class in Georgia is the country's endemic constraints, such as the relatively low level

of urbanization, with 43 percent of population living in rural areas, agricultural underdevelopment, and the existence of large vulnerable social groups, such as the internally displaced from the Tskhinvali region (South Ossetia) and Abkhazia, constituting approximately 7 percent of the population of Georgia. It is also hard to imagine how the rural population, the majority of whom are engaged in agricultural activities, can join the ranks of the middle class in the foreseeable future unless fundamental agricultural and land ownership reforms are implemented. As an illustration, the share of the agricultural sector in total output in 1991 was 28.7 percent, which by 2013 declined to 9.3 percent. By 2008, the share of irrigated agricultural land among total agricultural land accounted for only 4.0 percent. On the other hand, economic growth in urban areas cannot absorb individuals who are self-employed in small-scale and subsistence agriculture. The attempts to bring foreign investments in the agricultural sector also encountered major difficulties related to economic nationalism.

The Size of the Middle Class, and Its Changes Over Time

Despite the described difficulties in expanding the middle class, some of the micro-level data sets suggest that the share of individuals who are and perceive themselves to be in the middle of the social hierarchy has been increasing. Most likely, the most contentious estimates comes from the World Bank's latest assessment of poverty in Georgia using data from the Integrated Household Surveys. Their default measure suggests that the approximately 7 percent of the population that is living on more than \$10 (by 2005 purchasing power parity) per day in 2014 could be considered the middle class in Georgia. However, if we take the less strict measure of \$5–10 per day, then approximately a quarter of the population can be regarded as 'middle class', albeit often in a vulnerable position. Interestingly, the share of the middle class by the latter definition has increased from 15 percent in 2010 to 24 percent in 2014.

Some of the alternative estimates based on self-reporting and subjective assessment in survey data are in line with the described trend of expansion of the middle class. For instance, in the World Values Survey, individuals in Georgia were asked to describe themselves as belonging to the working class, the upper and lower middle class, or the upper or lower class. The share of individuals who perceived themselves as upper middle class in 2014 was 20 percent, up from 16 percent in 2008. Those who thought that they belonged to the lower middle class made up approximately half of all respondents (see Figure 1 on p. 9).

Alternatively, the share of individuals who perceive themselves to be somewhere in the middle of the social hierarchy has also been growing in recent years. When asked by Caucasus Barometer (see Figure 2 on p. 9) where they see themselves on a ten-step ladder with the first rung corresponding to the lowest possible economic position in society and the tenth to the highest, the period 2008–2015 saw the percentage of respondents who place themselves in the middle of the subjective ladder increase from 30 percent to 47 percent.

Furthermore, in various international contexts, the ownership of real estate, particularly owning one's own housing, has been used to identify the size of the middle class, but it might not be the most appropriate indicator in Georgia since 94.2 percent of respondents in 2016 reportedly lived in housing owned by members of their households. If the middle class can be defined as the share of households that can afford to buy their own cars (cf. Figure 3 on p. 10), then approximately one-third of the Georgian population in the year 2015 owned a car compared to 24 percent seven years earlier. The potential problems with car ownership as a measure is that some privileged urban households might choose not to own a car and that among those who own one, the quality and age of these vehicles might vary substantially.

Lastly, if we define the middle class in terms of multidimensional classification of status as the share of individuals who have higher education, are satisfied with their jobs, live in households with a monthly monetary income of \$400 or higher, and are not unemployed, then its share in 2015 would be approximately 15 percent. This operationalization of the middle class can be validated by the fact that individuals in this group, when compared with others, are about twice as likely to report good health, having personal savings, and being satisfied with their lives (see Figures 4 and 5 on p. 10 and 11 respectively).

Politics and Prospects of Georgia's Middle Class

With its multiple flows, the political system in Georgia probably comes closest to a democracy in the broader region of Soviet successor states, apart from the Baltic countries. It has been argued in the political science literature that those countries that allowed formation of new capitalist classes were the ones that rose against the corrupt and authoritarian political regimes during the so-called 'colour revolutions' starting with the one in Georgia in autumn 2005. The data also suggest that in the first peaceful transition of power through the elections in 2012, the opposition received the strongest support in those electoral districts of Georgia that were more urbanized and had higher average levels of schooling.

Furthermore, some of the policies adopted by the ruling elites in recent years, such as a basic universal healthcare package and some of the components of social security, are likely to benefit the members of the middle class rather than the most disadvantaged groups. As I have highlighted above, despite the peculiar nature of Georgia's developmental model and endemic constraints related to urbanization, inequality, the presence of rather large vulnerable population segments, the size of the middle class defined in various alternative ways has apparently been expanding since the second half of the first decade of this century, reaching anywhere between 15 and 30 percent of the population. Notwithstanding these developments, the measures that remained unaffected or even deteriorated are individuals' reported life satisfaction and happiness.

Based on the data from Caucasus Barometer, in 2015, 55 percent of the respondents declared themselves 'to be happy', down from 61 percent in 2013, while the share of those who reported being completely satisfied with their lives is approximately one-quarter of the population. In addition to the appropriate economic and social policies, Georgia's economic growth as the main driver of the formation of a middle class is intimately related to geopolitics, its closer relations with the European Union and political and economic stability in the region. The volatility in domestic and international politics is capable of hindering the achieved progress and undermining the expansion of the share of 'non-poor Georgians'.

About the Author

Alexi Gugushvili is a Postdoctoral Research Fellow at the Department of Social Policy and Intervention and a Research Fellow of Nuffield College at the University of Oxford. His current research interests include social stratification and mobility, public opinion and attitudes, comparative welfare research, and the social determinants of morbidity and mortality. Alexi Gugushvili's latest publications appeared in *European Sociological Review*, *Social Justice Research*, and *The Lancet Public Health*.

Further reading

- Curtis, J. (2016). "Social Mobility and Class Identity: The Role of Economic — Conditions in 33 Societies, 1999–2009", *European Sociological Review*, 32(1):108–121.
- European Bank for Reconstruction and Development (2016). *Life in Transition Survey III: a decade of measuring transition*, London: EBRD LITS series.
- Eglitis, D., 2011. "Class, Culture, and Consumption: Representations of Stratification in Post-communist Latvia", *Cultural Sociology*, 5(3):423–446.
- Fairbanks, C.H. and Gugushvili, A. (2013), "A new chance for Georgian democracy", *Journal of Democracy*, 24(1):116–127.
- Gugushvili, A. (2015), "Economic liberalization and intergenerational mobility in occupational status", *Comparative Sociology*, 14(6):790–820.
- — . (2016), "Money can't buy me land': foreign land ownership regime and public opinion in a transition society", *Land Use Policy*, 55:142–153.
- — . (2011), "Understanding poverty in Georgia", *Caucasus Analytical Digest*, No. 34:15–18, <<http://www.laenderanalysen.de/cad/pdf/CaucasusAnalyticalDigest34.pdf>>.
- Radnitz, S. (2010), "The color of money: privatization, economic dispersion, and the post-Soviet 'revolutions'", *Comparative Politics*, 42(2):127–146.
- World Bank (2016). *Georgia: recent trends and drivers of poverty reduction*, Washington, DC: World Bank Group.
- — . (2015), World Development Indicators database, data.worldbank.org, Washington, D.C.: World Bank Group.

OPINION POLL

Georgians' Self-Image

Figure 1: Subjective Social Class Belonging in Georgia (in %, World Values Survey, 1996–2014)

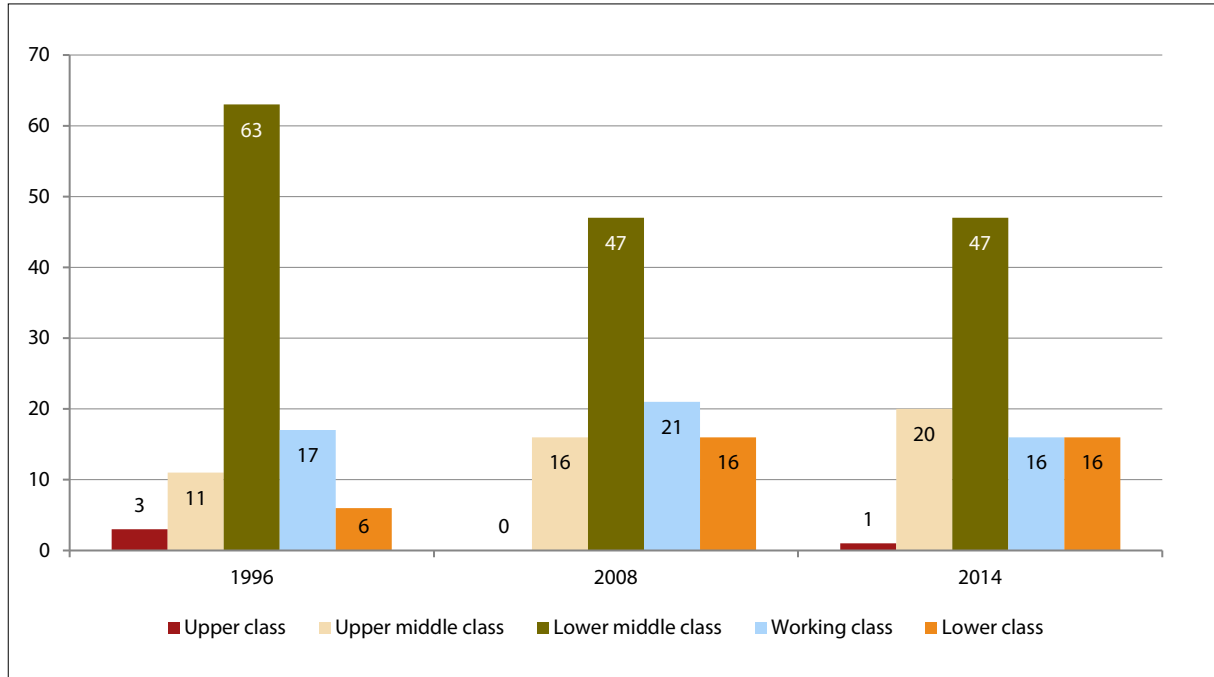


Figure 2: Subjective Self-Placement of Households on the 'Social Ladder' in Georgia (in %, Caucasus Barometer 2008–15)

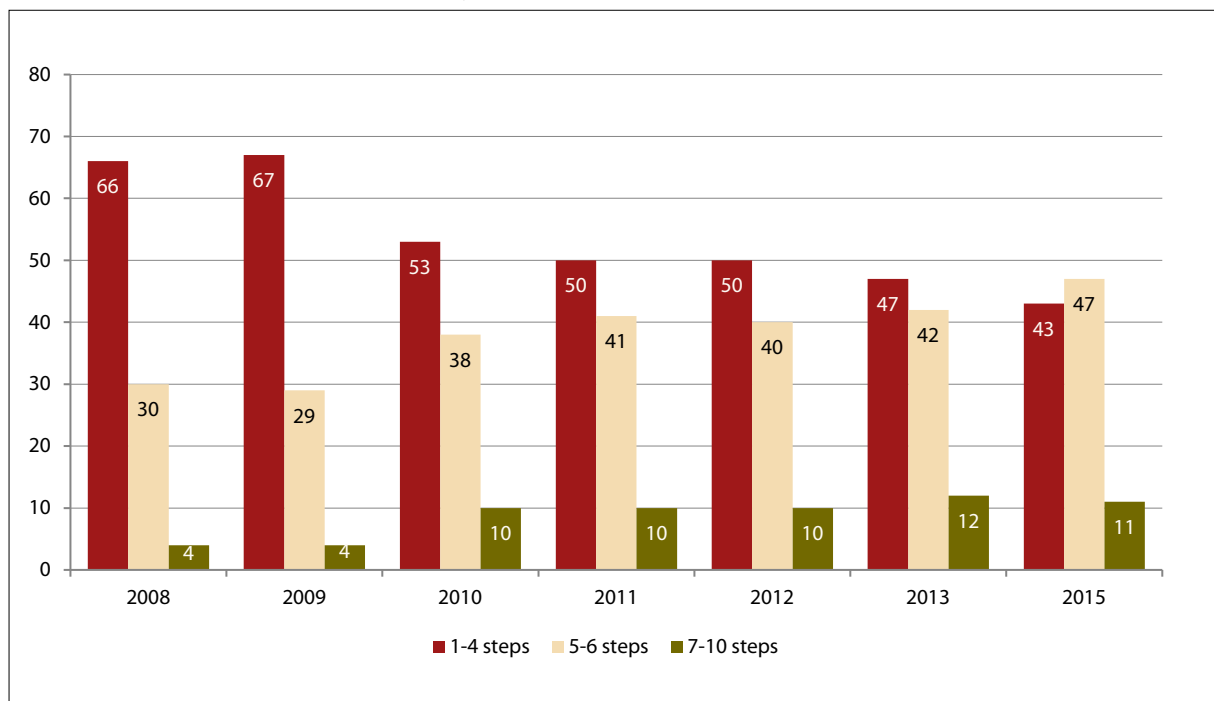


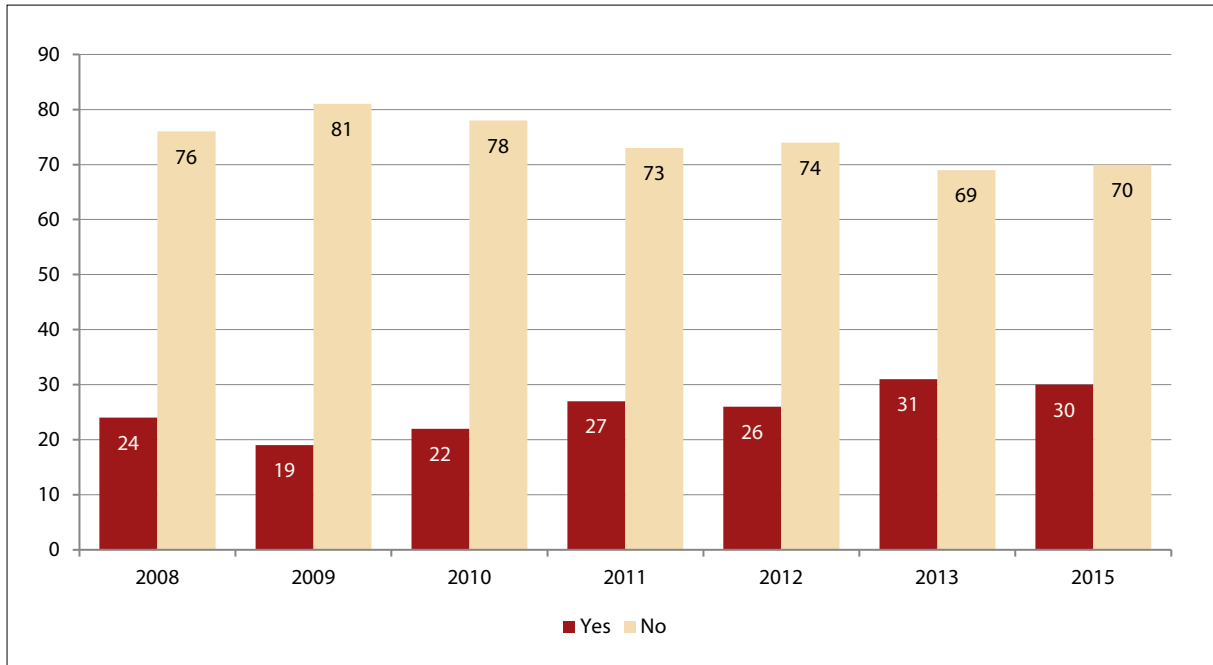
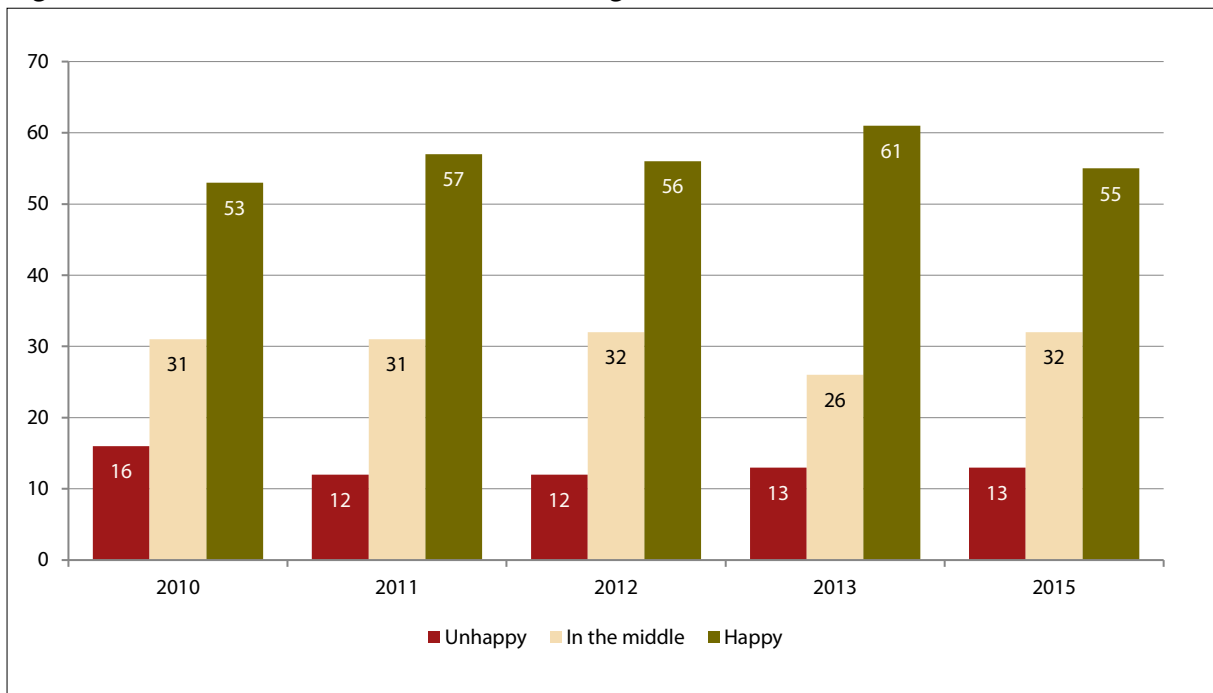
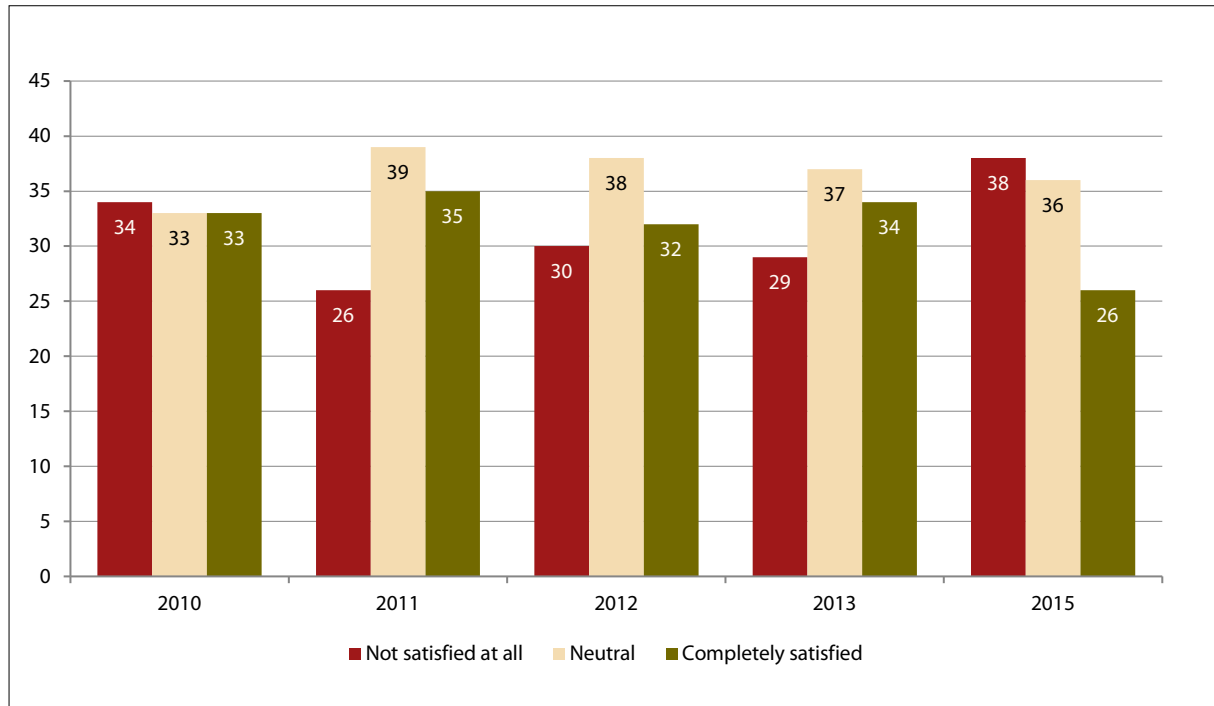
Figure 3 Ownership of a Car, by Households in Georgia (in %, Caucasus Barometer, 2008–15)**Figure 4: Overall Satisfaction with Life in Georgia (in %, Caucasus Barometer 2010–15)**

Figure 5: Reported Levels of Happiness in Georgia (in %, Caucasus Barometer, 2010–15)



‘Middle-Class, Limited-Edition’? Middle Class Subjectivities in Urban Azerbaijan

By Cristina Boboc (Ghent University)

Abstract

This article discusses the preliminary findings of an ongoing research project on the characteristics and dynamics of Azerbaijan’s urban middle class. The aim of this article is to examine what ‘middle class’ means in the country currently when new westernized consumption practices and lifestyle aspirations meet traditional local values. Additionally, what is the social role that the new middle class plays in the country’s development? Based on ethnographic data collected throughout 2016 in Baku, this contribution argues that the middle class identity is more than an interplay between the accumulation of material goods, education and occupation; middle-class belonging is also defined by linguistic identity and assumed modernity.

‘Middle What...?!’

Talking about my research topic while doing fieldwork in Baku, I am constantly asked by locals and by foreign residents alike if there is a middle class in Azerbaijan at all or if I ‘managed’ yet to find some middle class people. These questions are obviously intended more to mark their surprise and/or to express doubts

about the mere existence of a middle class in present-day Azerbaijan. Therefore, I will use this opportunity to answer to the most common questions: Is there any middle class in Azerbaijan? What does ‘middle-class’ mean in Azerbaijan’s societal context? The perception of ‘the middle-class’ in common knowledge is generally associated with the economic aspects of the middle strata