

Trends in changes in poverty levels in the Republic of Armenia

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ՀՀ-ում աղքատության մակարդակի հիմնական միտումների վերլուծություն Բաղդասարյան Գևորգ Բ.

ՀՊՏՀ, Կառավարման ամբիոնի ասպիրանտ (Երևան, ՀՀ)

Ամփոփագիր. Ամբողջ աշխարհում սոցիալ-տնտեսական զարգացման արդի պայմաններում չափազանց կարևոր է դառնում սոցիալական անհավասարության, այդ թվում՝ աղքատության վերացմանն ուղղված համալիր և հետևողական քայլերի իրականացումը: Հատկապես համաճարակի հետևանքով գործազ անախտության փոփոխությունների ֆոնին սոցիալական անհավասարությունն էլ ավելի է սրվել, քանի որ տարբեր տեսակի ցնցումների ազդեցությունն աղքատ բնակչության վրա ավելի մեծ ազդեցություն է թողնում: Հաշվի առնելով այս ամենը՝ բոլոր երկրների իրավասու մարմինների կողմից աղքատության վերացման քաղաքականությունը պետք է առաջնահերթ նշանակություն ունենա: Ուսումնասիրության արդյունքները վկայում են, որ Հայաստանում նույնպես աղքատության մակարդակը բարձր է: Համեմատության համար ներկայացվել են աղքատության մակարդակը միջինից բարձր եկամուտ ունեցող և հարևան երկրների համար: Երկու խմբերի երկրների հետ համեմատության արդյունքները ցույց են տալիս Հայաստանի Հանրապետությունում աղքատության բարձր մակարդակը: Գործազրկության ցուցանիշների ուսումնասիրությունը ևս միտված է Հայաստանի Հանրապետությունում սոցիալական անհավասարության հստակ պատկերը ցույց տալուն:

Հանգուցաբառեր՝ աղքատության մակարդակ, աղքատության մակարդակի դինամիկա, գործազուրկների թվաքանակ, միջինից բարձր եկամուտ ունեցող երկրներ

Тенденции изменения уровня бедности в РА

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Аннотация: В современных условиях социально-экономического развития во всем мире становится чрезвычайно важной реализация комплексных и последовательных шагов, направленных на ликвидацию социального неравенства, в том числе бедности. Особенно на фоне изменений, произошедших в мировой экономике в результате пандемии, социальное неравенство стало еще более острым, поскольку воздействие различного рода шоков на бедное население становится более заметным. В связи со всем этим политика искоренения бедности компетентными органами всех стран должна носить первостепенный характер. Результаты исследования доказывают, что Армения также выделяется высоким уровнем бедности. Для сравнения были представлены показатели бедности в странах с доходом выше среднего и соседних странах. Исследование показателей безработицы также направлено на то, чтобы показать выраженную картину социального неравенства в РА.

Ключевые слова: Уровень бедности, динамика уровня бедности, количество безработных, страны с доходом выше среднего

Introduction. Today, the whole world is faced with ever-increasing demonstrations of social inequality, one of which is poverty. Especially in 2019-2020 Social inequality around the world has worsened as the pandemic has hit the poor hardest. According to the World Bank, more than 700 million people in the world today live in extreme poverty, spending just \$2.15 a day, which is the extreme poverty threshold. After decades of efforts to reduce global poverty, shocks and crises in the global economy in recent years have led to a

worsening of the situation. As a result, the problem of poverty has worsened in low-income countries, which are still unable to recover and return to their previous pace. At the current pace, the goal of ending global poverty will not be achieved by 2030, according to the World Bank [5].

As a result of the analysis of poverty and unemployment indicators in this article, it becomes clear that social inequality is at a high level in the Republic of Armenia. Comparing the poverty rate in Armenia with that of upper-middle income coun-

tries, it becomes clear that the poverty rate in Armenia is quite high (about 53.2 percent) with a consumption index of \$5.5 per day. For comparison: in Russia and Belarus, the same figure among the countries of the region is several tens of times lower.

Literature review. To assess the well-being of the population, it is very important to assess the level of poverty in a given country. According to the report of the Ministry of Education of the Republic of Armenia “Picture of Poverty in Armenia 2019-2022”, poverty affects various aspects of life: consumption, food security, healthcare, education, the right to decent work, etc. The main approach to measuring poverty in Armenia is absolute consumption poverty. According to the World Bank definition, absolute poverty is the inability of households (IT) to provide a certain minimum acceptable standard of living. Poverty in Armenia is estimated in 1996. Since 2019, Armenia has been using the fourth methodology, revised by the World Bank [1].

Many authors have addressed the problems of poverty, presenting its impact on economic development and improving the standard of living of the population. In a study conducted by the US National Bureau of Economic Research, L. Gorman reversed the relationship between unemployment and poverty, noting that the unemployment rate, average wages and the unequal distribution of wages among members of society are important factors influencing poverty. In the study, the author concluded that a 1 percentage point increase in the unemployment rate increases the poverty rate by 0.4 to 0.7 percentage points [7].

In the study “Poverty - A Challenge for Economic Development? Evidences from Western Balkan Countries and the European Union” E. Mansi and a number of other researchers note that the elimination of poverty is one of the important drivers of economic development, which many economists have been achieving for decades, trying to “eradicate” its negative impact, especially after the introduction of the UN Sustainable Development Goals. The authors note that the elimination or reduction of poverty is determined by many factors, the influence of only one of which is not enough to have a significant impact on reducing poverty [8].

Research methodology. The research was based on various foreign and Armenian scientific articles and works, reports published by the World Bank, the International Labor Organization (ILO), and the RA Statistical Committee (SC). Countries with upper-middle incomes were taken as comparison countries, including the countries of the region Armenia, Georgia, Russia and Belarus. To compare and study the level of poverty in the mentioned countries, the share of the population

with daily consumption of 1.9 and 5.5 dollars was taken as the poor population. The basis for calculating the number of poor people was the poverty level in the Republic of Armenia and the size of the resident population. To obtain the number of poor people, the resident population was multiplied by the poverty rate.

The basis for the quantitative analysis was the results of official statistics published by the RA Statistical Committee, the International Labor Organization, the World Bank, Theglobaleconomy.com. All quantitative and qualitative research analyzes are based on the principles of reliability, completeness and comparability. The analysis was carried out using methods of comparative analysis, quantitative analysis, and abstraction.

To study the problems of poverty, the main trends in employment and unemployment indicators for the period 2012-2022, poverty thresholds were used, in the case of the latter - official statistics from both the Ministry of Education of the Republic of Armenia and those presented by the ILO. Poverty rates in upper-middle-income countries were analyzed at consumption levels of \$1.9 and \$5.5 per day. A comparative analysis of the unemployment rate in neighboring countries –Georgia, Turkey, Azerbaijan and Iran – was also carried out.

Analysis. According to the Statistical Committee of the Republic of Armenia, there are 3 poverty lines in the Republic of Armenia:

1. Absolute or extreme poverty, in this case, monthly per capita consumption is within the range of 26,500 drams.
2. Lower poverty line: monthly consumption 38,548 drams.
3. Upper poverty line: monthly consumption 57,744 drams.

Since 2019, the RA has also calculated the average poverty line, which is the average of the upper and lower poverty lines. The average poverty line, which essentially characterizes the level of poverty in the country, in 2022 amounted to 48,145 drams [1]. For comparison, we note that according to the ILO, the thresholds for extreme poverty, moderate poverty and poverty are 1.90, 1.90-3.20 and 3.20-5.50 US dollars per day, respectively [6]. From the data in Figure 1, it becomes clear that there are some differences in the poverty level indicators in the Republic of Armenia, calculated by the RA Statistical Committee and the ILO. According to the RA SC, the poverty level in Armenia is 24.8%, in contrast to the ILO calculation, according to which the same indicator fluctuates around 18%. According to the ILO, there is no extreme poverty in the Republic of Armenia, which the RA SC estimates at 1.2% (Figure 1).

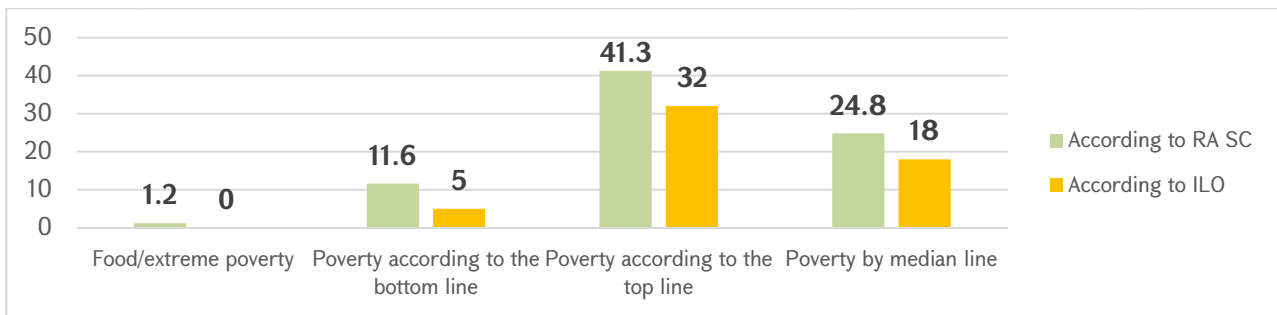


Figure 1: The level of poverty in RA according to the calculations of the ILO and SC of RA, 2022 % [6]

As a result of studying the level of poverty in terms of daily consumption in countries with upper middle incomes, it becomes clear that among the mentioned countries, in terms of daily consumption of 5.5 US dollars, Armenia and Georgia stand out from the countries in the region with a high level of poverty, respectively, 53.2% and 58.3%, from

which it can be assumed that every second resident of Armenia is considered poor. For comparison, we note that in two other countries in the region, Russia and Belarus, the same indicators are very small: 4.1% and 1.3%, where, according to the daily consumption index of 1.9 dollars, there is no poverty (Figure 2).

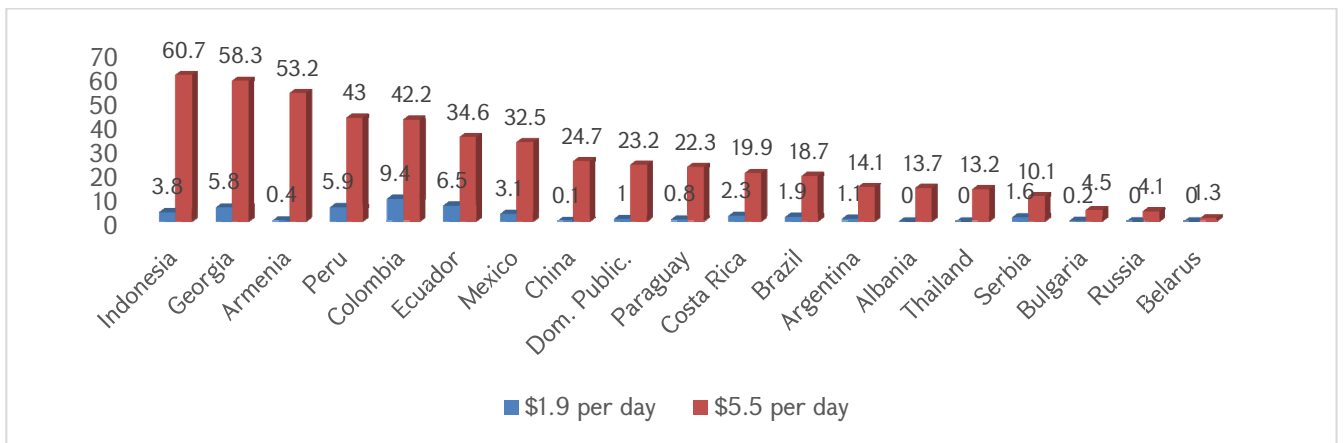


Figure 2: Poverty level in upper-middle-income countries by daily consumption in 2022, % [9]

If we look at the dynamics of the poverty level in the Republic of Armenia in 2012-2022, we will see that in 2022 poverty rates have decreased compared to last year. Compared to previous years, poverty rates generally tend to decline. Only the poverty rate calculated using the top line underwent significant changes in 2019 compared to the

previous year, an increase of 20.3 percentage points. And in terms of poverty, calculated according to the median line, that is, the poverty level indicator, the poverty level in the Republic of Armenia in 2012-2017 tended to decrease, and in 2018-2022 – to increase (Figure 3). The standard deviation of the index for the observed period is 2.93.

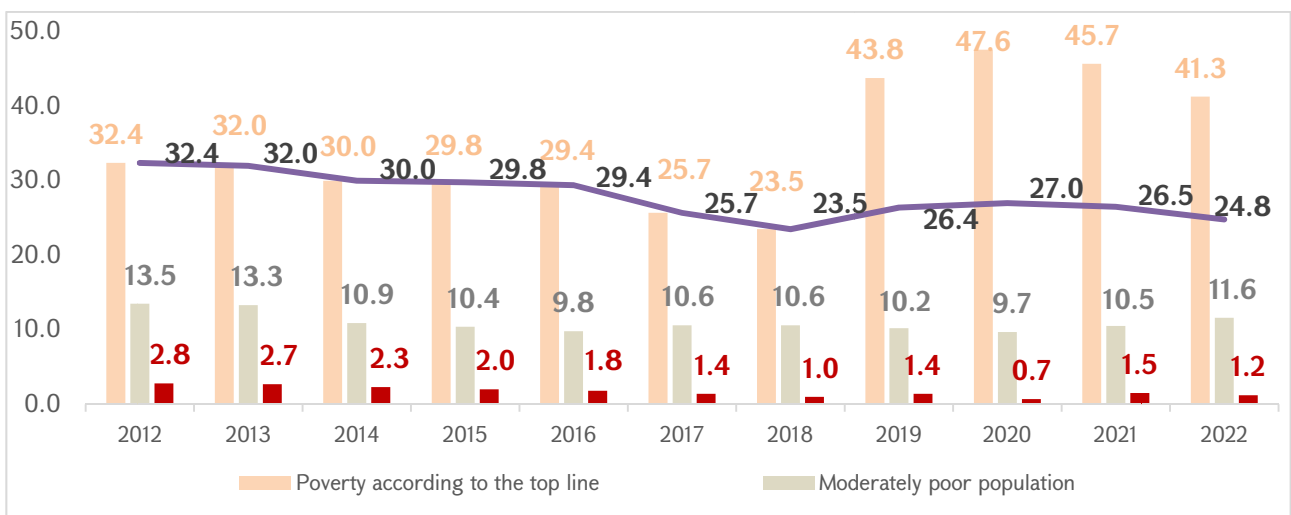


Figure 3: Poverty level trends in 2012-2022, % [1]

When analyzing the causes of poverty in any country, it is necessary to refer to the unemployment indicators in the given country. The dynamics of the number of unemployed in Armenia is depicted in Figure 4. It is clear from the data of the chart that in Armenia in 2022 according to the data, 170.1 thousand people are considered unemployed, and the number of poor was 736.3 thousand. Analyzing the trend of these two indicators, it becomes clear that the average growth rate for both indicators was

close to 3% for the considered period. However, we can say that there is no linear relationship between them, that is, the increase/decrease of one does not lead to the increase/decrease of the other. Of course, ensuring the employment of the population can have a positive effect on reducing the level of poverty, however, the factors affecting it are diverse and multifaceted, and only as a result of a comprehensive study can an effective policy for reducing the level of poverty be developed.

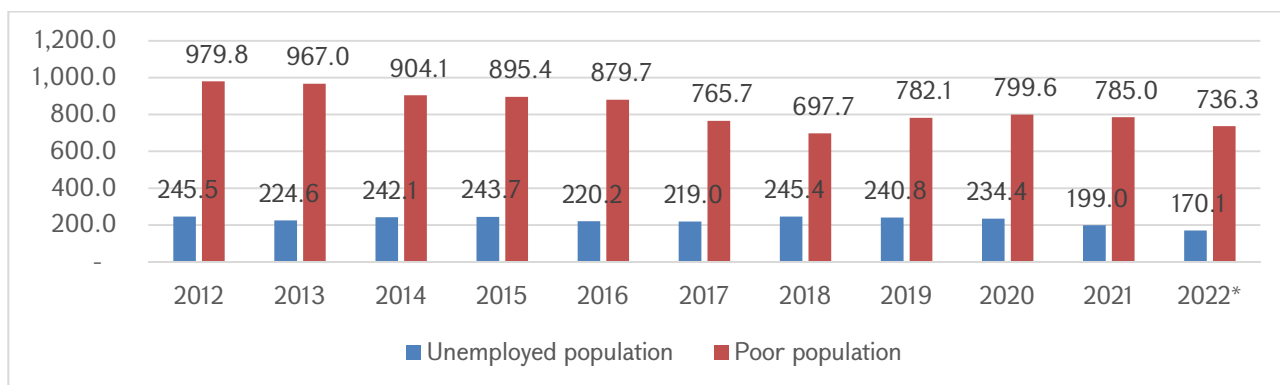


Figure 4: The number of unemployed and poor in RA 2012-2022, 1000 people [4]

From the data in Figure 5, it becomes obvious that the level of unemployment in Armenia during the considered period is mostly high compared to neighboring countries Turkey and Azerbaijan. Georgia also stands out with a high level of unemployment, where the unemployment rate exceeded the RA indicator in almost all years of the considered period. It should also be noted that during the considered period, the unemployment rate in RA mainly had an increasing trend: in 2022 reaching 12.56 percent. Despite the fact that the

unemployment rate in Georgia is generally higher than the unemployment rate in Armenia, it has shown a steady downward trend in 2012. From 19.65 percent in 2022, decreasing to 11.31 percent. As for Iran, the index of unemployment here is very close to the same indicators of RA in almost all years, but, as in the previous case, the index generally has a downward trend. The level of unemployment in RA showed stability during the considered years, changing on average by two percentage points (Figure 5).

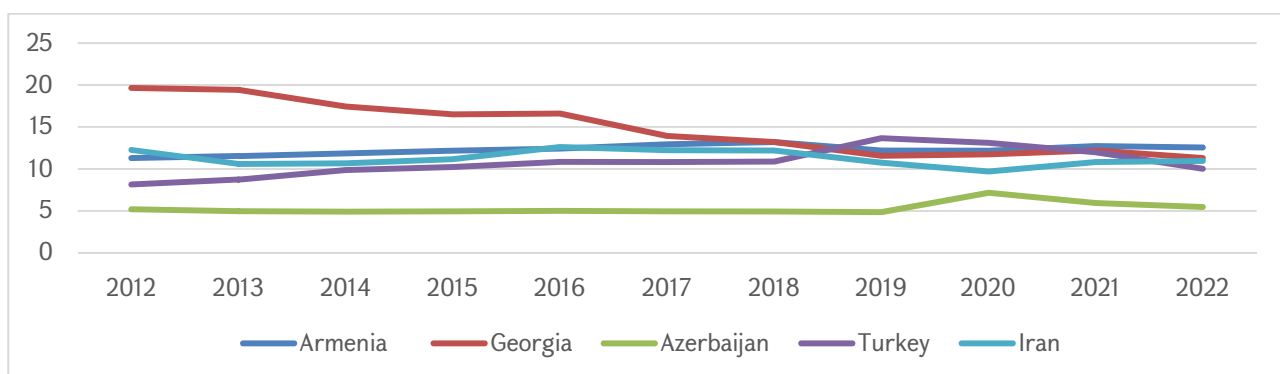


Figure 5: Trend in the unemployment rate in the Republic of Armenia and neighboring countries in 2012-2022, % [9]

Conclusion. Thus, as a result of comparing and analyzing the indicators, it can be concluded that, as in many developing and developed countries of the world, as well as in Armenia, reducing or eliminating poverty remains one of the most important problems. The comparison of poverty indicators with the same indicators of comparable countries proves that the elimination or reduction of

poverty in Armenia is of an urgent nature. In particular, Armenia stands out among countries with above-average incomes and neighboring countries with high levels of poverty and unemployment. moreover, they often tend to increase. It can be said that the elimination of poverty is almost impossible, but the implementation of appropriate measures can contribute to the reduction of poverty as much as

possible. This, in turn, will lead to an increase in the standard of living of the population and the creation of favorable conditions for well-being.

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