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European Training Foundation

POLICIES FOR HUMAN CAPITAL DEVELOPMENT

GEORGIA

AN ETF **TORINO PROCESS** ASSESSMENT

THE EU AGENCY SUPPORTING COUNTRIES TO DEVELOP THROUGH LEARNING

Disclaimer

This report was prepared in the framework of the Torino Process 2018-20 by Ummuhan Bardak, ETF.

PREAMBLE

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and vocational education and training (VET) policy responses from a lifelong learning perspective. It identifies challenges related to education and training policy and practice that hinder the development and use of human capital. It takes stock of these challenges and puts forward recommendations on possible solutions to address them.

These assessments are a key deliverable of the Torino Process, an initiative launched by the ETF in 2010 aimed at providing a periodic review of VET systems in the wider context of human capital development and inclusive economic growth. In providing a high-quality assessment of VET policy from a lifelong learning perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.

The ETF interprets human capital development as the provision of support to countries for the creation of lifelong learning systems. These systems in turn provide opportunities and incentives for people to develop their skills, competences, knowledge and attitudes throughout their lives so that they can find employment, realise their potential and contribute to prosperous, innovative and inclusive societies.

The purpose of the assessments is to provide a reliable source of information for planning and monitoring national education and training policies for human capital development in the relevant countries. The assessments are also intended to be basis for policy dialogue between the countries and the European Union (EU) and other donors, and for the design of their support programmes.

The ETF assessments rely on evidence collected from the countries using a standardised reporting template (national reporting framework) through a participatory process involving a wide variety of actors. Besides, this report uses other available information and data from existing resources and studies after an extensive desk research. The country has a high degree of ownership of the assessment. The findings and recommendations of the ETF assessment have been shared and discussed with national authorities and beneficiaries.

This report starts with a brief description of Georgia's strategic plans and national policy priorities (Section 1). It then presents an overview of issues related to the development and use of human capital in the country (Section 2), before moving on to an in-depth discussion of problems in this area, which, in the view of the ETF, require immediate attention (Section 3). Section 4 provides the overall conclusions of the analysis. The annexes provide additional information: a summary of the recommendations in the report (Annex 1) and an overview of the education and training system in Georgia (Annex 2).

The ETF would like to thank all the members of the Torino Process consultation team in Georgia who worked on the preparation of the national Torino Process report. Particular thanks should be extended to the Ministry of Education, Science, Culture and Sport (MoESCS) and National Statistics Office of Georgia, which provided timely updated information and data on the VET system and the labour force survey results respectively. The national Torino Process report compiled by the country itself can be found here: https://openspace.etf.europa.eu/trp/torino-process-2018-2020-georgia-national-report

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EXECUTIVE SUMMARY

Context

The ETF Torino Process assessment provides an external, forward-looking analysis of the country's human capital development issues and VET policy responses from a lifelong learning perspective. It is based on evidence provided in Georgia's national Torino Process report compiled in 2019 using a standardised questionnaire (national reporting framework) as well as additional information and data sources, where relevant.

Georgia is a small, lower-middle-income country. Like its neighbours, it has undergone a transition process with significant economic and social changes. It has an aging population due to both low fertility rates and high emigration flows. The country is an open economy with a flexible labour code, and ranks 6th in the World Bank's Ease of Doing Business. As a result, it has attracted high amounts of foreign direct investment (FDI) in the last decade. During the same period, it has received substantial donor support in the development of its education and VET system.

In general, while Georgians enjoy relatively wide access to education, there are loose links between education and employment. Access to education is high, the literacy rate is virtually 100% and there is nearly universal enrolment in primary education and comparable enrolment rates in secondary education. Enrolment figures suggest that secondary and tertiary enrolment can still improve, but the education levels of the Georgian labour force compare well even with high-income European countries (34.2% of the labour force participants have tertiary education). Wide access to (general) education is also confirmed by 12.8 years of average schooling and 15 years of expected schooling for pupils enrolling today.

However, according to the World Bank's recently launched Human Capital Index, after accounting for students' learning gains, the learning-adjusted years of schooling drop to 8.9 years. The OECD's PISA results also show a high share of 15-year-olds who could achieve only the lowest level of proficiency in reading, math and science. Although Georgia has improved its results from 2010 to 2015 round, the most recent PISA results in 2018 round shows deterioration, with more than 60% of students among the lowest achievers group in all three fields. Furthermore, VET is characterised by a very small size and low participation rate. For example, VET enrolment as a percentage of upper secondary education was 8.8%, while the share of the 15 to 24 cohort that participated in formal VET programmes was 4.5% in 2017. Levels I, II and III represent initial vocational education (IVET) (vocational schools) and levels IV and V represent secondary vocational education (community colleges).

Summary of findings on human capital

A brief analysis of economic and labour market developments in Georgia points to five issues regarding the use of human capital in the country.

The first issue is limited creation of high-skilled jobs, which are mainly concentrated in Tbilisi, despite the fact of growing economy and the competitive advantage that Georgia has achieved in services. Gross domestic product (GDP) has been growing, but at a relatively slow rate in the last five years (4.7% in 2018). The country has suffered from chronic goods trade deficits and trade surpluses in services. It has a competitive advantage in services, especially in tourism and (transit)

transport services. Between 2010 and 2017, the average annual employment growth rate was 1.4%, while the annual GDP growth rate was over 5% in the same period. Economic growth was largely due to the growth of productivity and capital, and had a limited impact on employment.

The gross value added by broad economic sector indicates that almost 58% is contributed by services, 23% by industry, and only around 7% by agriculture. Yet, about 39% of jobs were in agriculture in 2018 (down from 48% in 2010), whereby individuals were either working for themselves or as unpaid workers. Most of these jobs are not desirable and are low-productivity jobs. The share of industrial employment is small (8%) and has remained constant, while about 53% of jobs were in the services sector in 2018 (up from 45% in 2010). The economic structure creates imbalance due to the high numbers of people acquiring higher education and the low demand for a highly skilled workforce.

The second issue is the modest use of existing human capital potential despite the gradual improvement in labour market participation and the continuing exit from agriculture. Following a gradual increase in the last decade, almost 64% of the working age population was economically active in 2018; the male activity rate was 18 percentage points higher than the female rate. Women and people in rural areas are less likely to be in the labour market. The employment rate was 55.8% with similar gender difference. Those with lower secondary education have the lowest activity and employment rates, and the gender differences are similar. Both activity and employment rates increase by education level, gradually increasing from upper secondary to VET education. The highest rates are among those with university education.

Underemployment is common among the employed population as most agricultural employment is in the form of self-employment in subsistence agriculture. Another sign is the high unemployment rate. Although it has been decreasing over time (from 16.3% in 2010 to 12.7% in 2018), it is still high by international standards. Total unemployment is always higher among men, and among the graduates of upper secondary and higher education.

The third issue is the difficulty faced by young people in transitioning from school to work, leading to either unemployment or inactivity. Despite a drop from almost 40% in 2011, the youth unemployment rate is still as high as 30% in Georgia. Among the unemployed population, there are more young women than men, and more rural residents than urban dwellers. Another indicator of the difficult transition is the share of young people not in education, employment or training (NEETs). NEETs accounted for almost 27% of the total youth population aged 15 to 24 in 2018. It increases even further with age, reaching almost 30% for the 15 to 29 age group. There are more NEETs among women and in urban areas. The primary reason for being NEET is linked to caring responsibilities for family members. Most of this is undertaken by women, which leads to decreasing economic activity. Other reasons include, but are not limited to, unemployment, discouragement, disability or illness.

The fourth issue is a relatively high level of skills mismatch (in different forms) in the labour market. According to ETF calculations of skills mismatch, both over-qualification and under-qualification are observed in Georgia. In terms of occupational mismatch, 36% of those with tertiary education worked in semi-skilled occupations in 2016. Gender difference was very high at this level, with a higher mismatch observed among men (46% versus 26%). Among upper secondary education graduates, 9.4% were employed in elementary occupations (manual skills level) in 2016. The STEP (Skills Towards Employability and Productivity) skills measurement survey conducted by the World Bank indicates skills gaps in young workers (under the age of 30), such as technical competences and problem-solving skills. It also points to a lack of English and leadership skills and the ability to think creatively and critically. This refers to both secondary and higher education graduates. It is also

common for graduates to work in a job that differs from their field of education, e.g. only 17% of tourism workers were VET (tourism) graduates in 2017.

The fifth issue is relatively high levels of poverty and inequality, which prevent people from reaching their full potential in education and the labour market. The sustained growth experienced since the mid-1990s has reduced poverty and boosted shared prosperity in Georgia, but the pace of poverty reduction has been muted and relies heavily on pensions and social transfers to a large share of the population that is either unemployed or underemployed. Accordingly, one in five Georgians still lives in poverty and half of the population is considered vulnerable to falling into poverty. Moreover, with a Gini income coefficient of 36.5% in 2016, inequality is high.

Social inequality in educational attainment is also observed with high intergenerational inheritance of education levels. A deeper analysis of the PISA 2015 results shows that students from the poorest 20% of households exhibit a significant skills gap across reading, mathematics and science compared to the richest 20%. Both poverty and inequality prevent people from reaching their full potential and contributing to socio-economic development, and at an extreme level, they constitute important barriers to sustained economic growth.

How does the VET system fit in with this 'big picture'? Potentially, VET could be one of the solutions for better use of human capital, namely by facilitating youth transition, reducing skills mismatch and alleviating poverty and inequality. Although VET alone cannot solve all the problems, it might be part of the answer in addressing these socio-economic challenges. However, for VET to contribute properly it needs to overcome two important barriers, which are identified and discussed in this report: (i) disparities in access and low participation in VET, and (ii) varying quality and relevance of VET provision.

Disparities in access and low participation in VET

The small size of VET may be a problem of 'access' or 'low participation'. The number of students may be low because of a limited VET offering, or a limited VET offering may be due to low numbers of students. What is clear is that the small size and low participation prevents VET from making any sizeable impact on the Georgian economy. Thus, the issue of quantity is as important as the issue of quality in VET provision in Georgia. Increasing access to and participation in VET needs to start with increasing the existing VET offering, particularly in the regions, in order to reduce geographical barriers. Certain peculiarities of the Georgian VET system also create barriers.

The first barrier is the non-negligible role of the private sector in VET (one-third of all VET students attend private institutions). As students have to pay for VET education in private colleges, this constitutes a financial barrier for students from poorer backgrounds. The second barrier comes from the lack of specific age or education requirements to access to VET. This means that VET students might come from different age groups and education levels, practically abolishing the difference between IVET and continuing VET (CVET). Together with the 'unified VET admission exam', which favours academic success for entering the publicly subsidised VET system, it creates an academic barrier, as weaker students often come from poorer backgrounds. The fragmented nature of VET provision across different education levels and public and private authorities also creates complexity, requiring a higher degree of knowledge and professionalism on the part of VET providers and students.

Varying quality and relevance of VET provision

Despite its small size, the VET system also faces important challenges in terms of quality and relevance. Successful examples of VET provision exist, but the quality varies considerably from school to school and from course to course. The varying quality and relevance of VET provision is reflected in the varying degrees of success achieved by VET graduates in the labour market. There seems to be a difference between the performance of initial and secondary VET graduates, with the latter performing better. Moreover, VET graduates with a dual or workplace-based training background are more successful than VET graduates with school-based training. Statistics show that VET also does not provide firm protection against being unemployed or inactive (NEET).

VET quality depends on many factors such as curricula, teaching and learning materials, school infrastructure and equipment. Anecdotal evidence suggests that some VET providers are not always up to standard in these respects. The dropout rate is relatively high in VET (27% in 2018), and a worrying aspect is the quality and status of VET teachers. Around 72% of VET teachers are over 40 years old, and almost half of them are over the age of 50. Until recently, VET teachers were not required to have pedagogical skills. They earn low salaries and pensions, and continue working until they are very old. Their job status is fragile since they work only as employees of the school where they are hired by the school principal, and part-time work is quite common.

VET policy responses from the government

Being well aware of these challenges, the government of Georgia prioritised education and enhancing skills as one of the three overarching goals of the country's socio-economic development. Reforms have been under way in the education and VET system for more than a decade. The latest policy document Unified Strategy for Education and Science 2017–2021 encompasses all levels of education in a holistic approach to develop an accessible and quality education based on the principle of lifelong learning. One of the specific goals of the Unified Strategy for Education and Science is to increase the number of VET students to support the socio-economic development of the country. Different government documents mention increasing the number of 15- to 24-year-olds in formal VET programmes by up to 10%.

2018 was a milestone year in the reform of the VET system in Georgia with the adoption of a new VET law. The full implementation of the law will take some time due to the need to enact by-laws and improve the infrastructure and capacity of VET institutions. However, the law has a clear direction and has created a legal basis for many innovations within the system, e.g. the integration of VET into upper secondary general education; flexible pathways between general, VET and higher education; systematic application of work-based learning; incentives for adult education and short-cycle VET programmes; recognition of the private sector's role and public-private partnerships in VET; stronger mechanisms for VET quality assurance; and validation of non-formal and informal skills.

As repeated many times in the VET strategy documents, in the Unified Strategy for Education and Science and the new VET law of 2018, the policy direction includes three clear objectives with regard to the reform of the VET system. The first is 'relevant VET', which entails involving the private sector in the design and delivery of VET programmes and the implementation of work-based learning. The second is 'accessible VET', which entails increasing and diversifying VET provision, introducing modular VET and integrating VET in upper secondary education. The third is 'attractive VET', which entails eliminating the 'dead end' perception of VET by merging it with upper secondary education, achieving a higher quality in teaching and learning, and initiating public promotion campaigns for VET.

All three objectives and the policy priorities derived from these objectives are highly relevant and are a step in the right direction in the Georgian VET system. This shows the significant capacity and maturity of VET policy making, which must be praised for its relevance and coherence.

However, gaps might be observed in the implementation of these policy responses, which are still in the planning and/or early stages of implementation. Before going into the policy options for increasing the quantity and quality of VET, the following three observations are made as transversal policy issues in the VET system, all of which are linked to implementation:

- **The feasibility and sustainability issues in the implementation of those policy responses:** Considering the ambitious nature of the reforms, the high number of priorities, and sometimes conflicting nature of the objectives, their implementation will not be easy. Even the best policy on paper could fail badly on the ground if its implementation modality is not planned properly and the institutions and staff are not sufficiently prepared.
- **The continuing focus on the central institutions and policy makers, rather than on the service providers and end users**: At this stage of the reform, it is time to focus on the policy implementation issues rather than policy development. There needs to be a shift in perspective from the policy makers to the VET end users and VET providers, particularly in the regions due to their weak capacity, and to deal with local conditions in the regions and rural communities.
- **The financial and human resource limitations within the regions:** Linked to the first two issues, budget and staffing are key for the efficient implementation of policies. If implementation is to be successful, all local actors in the regions must be actively supported, e.g. VET providers, VET students, local authorities, local companies, local support facilities and local employment services. This has implications for the budget and staffing in the regions.

Recommendations for action

Actions to increase access and participation in VET (QUANTITY)

A1. Gain a better understanding of the 'VET clientele' and target this group: The profile and motivations of VET participants can be better understood through quantitative and qualitative research. The main target group for subsidised VET education could be clarified based on age, education, income, place of residence and level of poverty, for example.

A2. Create the same set of rules for all VET providers: A level playing field could be created for all types of VET providers (public, private, NGO), so that there is a spirit of 'one big VET family' and co-management of the system. This may increase the limited VET offering and reduce geographical barriers.

A3. Improve the voucher system for funding VET students: All VET providers should receive funding based on clear rules, which could reduce financial barriers. Students with vouchers could choose freely between public or private VET providers, while the unified VET admission exam would be applied to all VET providers, including private VET providers.

A4. Facilitate further access to VET by less successful or vulnerable groups: Entry requirements for publicly subsidised VET can be changed, with a special emphasis on age, education, income level and place of residence. Students from poor socio-economic households could get priority access to subsidised VET, so that both academic and financial barriers are reduced.

A5. Expand higher-end VET through first cycle programmes in higher education: New VET first cycle programmes could be offered in higher education in order to increase the VET offering and enhance the attractiveness of VET, as this opportunity has not been well exploited so far.

Actions to improve quality and relevance of VET provision (QUALITY)

A1. Introduce systematic counselling and career guidance for all learners and jobseekers: Counselling and guidance services could be developed better and provided on an ongoing (lifelong) basis for every student in the education system. All learners should have access to information and guidance for educational and occupational choices.

A2. Combine strong technical skills with key competences: Given the complaints from employers, technical skills could be complemented by key competences. A special focus should be on foundation and transversal skills, particularly in regions and rural areas.

A3. Cooperate with the private sector on new terms as equal partners: Clear incentives should be provided for the private sector, in particular small companies, to get involved in VET in different ways. A new approach of co-management and power sharing could be implemented into the VET governance structure.

A4. Diversify opportunities for VET students' first work experience: Measures have to be taken to counteract the limits of a weak and fragmented private sector. Different alternatives for the first work experience could be explored systematically (e.g. internships, traineeships, volunteerism, job shadowing, summer jobs and social entrepreneurship).

A5. Raise the status of teachers and get their buy-in for reforms: Improving the job status of teachers before implementing the new law is crucial. Improved salaries and working conditions should become a reality, and merit-based hiring and firing criteria should be developed and implemented for VET teachers.

Conclusion

The VET system can certainly contribute to both economic development and poverty reduction in Georgia, but it needs to be finely adapted to the socio-economic realities of the country. A reality check is needed to level between ambitious policy strategies and low-capacity implementers (VET providers), while allocating more financial and human resources can ease the tension. Moreover, closer coordination and cooperation between the actors in general education, VET and higher education is imperative, while cooperation with the main stakeholders (employers in particular) requires a new approach of co-management and power sharing, rather than simple communication and consultation.

1. INTRODUCTION

1.1 About this assessment

This ETF assessment offers an analysis of evidence provided in the national Torino Process report for Georgia (MoESCS, 2019), which was compiled by the Torino Process national coordinators (Irina Tserodze, Marika Zakareishvili and Anastasia Kitiashvili) and endorsed by the national stakeholders, following a standard analytical framework (national reporting framework). The assessment summarises the main challenges in developing and using human capital in the country and discusses how education, in particular VET, and labour market policies can contribute to their resolution.

This ETF assessment comes at an important point as the country prepares for the next Eastern Partnership multiannual programme. Launched in 2009 as a joint policy initiative, the Eastern Partnership aims to deepen and strengthen relations between the European Union (EU), its Member States and its six Eastern neighbours: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. In May 2020, all six Eastern Partnership countries and the EU will launch the third phase of the initiative and agree a new, ambitious work plan, revising the 20 Deliverables for 2020. It will aim at bringing tangible benefits to the lives of citizens across the region. In this context, cooperation between the EU and its six Eastern Partnership countries will focus on working towards stronger economies, stronger governance, stronger connectivity and stronger societies.

The assessment process included an extensive phase of desk research from existing information and data sources, responses to a standardised questionnaire (the national reporting framework) and the preparation of an Issues Paper containing an overview of themes to be discussed in the present report. These were then finalised by Ummuhan Bardak in consultation with the ETF country and thematic teams responsible for Georgia. An advanced draft of the ETF assessment was circulated to national stakeholders and international partners and discussed at a consultation meeting to verify the findings and recommendations.

Like other ETF assessments, this paper is not meant to be exhaustive. The national report covers a broad selection of issues around human capital development and use, while the focus here is on a number of challenges, which the ETF recommends addressing as a matter of priority.

1.2 Country overview

Georgia is a small, lower-middle-income country with 3.7 million inhabitants (Geostat, 2018). A total of 57% of the population lives in urban areas, with 1.1 million people in Tbilisi. Ethnic Georgians account for 87% of the population, while the remaining 13% are classified as ethnic minorities, with Azeris (6%) and Armenians (4.5%) constituting the largest shares[1]. It has an aging population due to low fertility rates and continuous emigration. The latest population census, conducted in 2014, revealed that the Georgian population has shrunk by more than a million compared to a decade ago. As a result, working age population and activity levels are gradually decreasing. For example, in 2017, there was a decrease of 0.7% in the workforce and 0.5% in the activity level (MoESD, 2018), while in 2018 there was a decrease of 1.9% in the workforce and 2.2% in the activity level (MoESCS, 2019).

[1] See the 2014 population census conducted by the National Statistics Office of Georgia (Geostat) for detailed information, http://census.ge/en/results/census1/demo

Georgia is primarily a country of emigration: 16% of its population lives abroad (ETF, 2015). According to the United Nations Department of Economic and Social Affairs (2018), 838 082 Georgian citizens were living abroad in 2017; just over half of these emigrants were male. A lack of job opportunities and economic hardship in general are often the main push factors for Georgians deciding to move abroad. The main destination countries have been Russia, Ukraine, Greece, Germany, Spain, the United States and Turkey (ETF, 2015). An important feature of Georgian emigration is that it mostly affects the younger age groups: emigration is highest in the 25 to 29 age group, followed by those aged 30 to 34 (Geostat, 2018). Approximately 1.4 million Georgians left the country between 2002 and 2017. According to a study conducted by Society& Banks (a Georgian NGO) and Ilia University for the IBRD & World Bank (2018), 20% of this cohort were young people with higher education. It is also claimed that the visa-free travel regime introduced on 28 March 2017 between the EU and Georgia may further increase the number of emigrants to the EU (MoESCS, 2019).

As in other European Partnership countries, Georgia has undergone a transition process that has resulted in significant economic and social change. Georgia is a small, open economy, sensitive to external shocks and political tensions in the neighbourhood. GDP growth has been stable but relatively slow in the last five years (Table 1). The country has been suffering from chronic goods trade deficits and trade surpluses in services. Overall, foreign trade has focused on neighbouring partners (Russia, Azerbaijan and Turkey). However, trade between the EU and Georgia has been growing steadily over the years. The EU bloc is currently Georgia's main trading partner, accounting for 28% of Georgian imports and 22% of Georgian exports in 2018 (wiiw, 2019). The main goods traded are copper ores, ferroalloys, nitrogen fertilisers, mineral oils, nuts, wine and spirits (wiiw, 2019).

TABLE 1. SELECTED COUNTRY CONTEXT INDICATORS, GEORGIA 2015–2019

Indicator	2015	2016	2017	2018	2019 (QI+II)
GDP per capita (USD at current prices)	3 754.9	3 857.3	4 046.8	4 345.5	N/A
GDP, real growth rate (%)	2.9	2.8	4.8	4.7	4.7
Population (in thousands)	3 721.9	3 728.6	3 726.4	3 729.6	3 723.5
Activity rate (% of 15+ age group)	66.8	66.3	65.8	63.9	N/A
Employment rate (% of 15+ age group)	57.4	57.1	56.7	55.8	N/A
Unemployment rate (% of 15+ age group)	14.1	14.0	13.9	12.7	N/A
Youth unemployment rate (% of 15–24 age group)	33.8	33.2	28.9	29.9	N/A

Source: ETF database (based on the Geostat statistics received).

Georgia has a competitive advantage in services, especially in tourism and (transit) transport services. The services balance has been increasingly positive, reaching a surplus of more than 12% of GDP in 2018. Remarkably, Georgia welcomed 8.3 million tourists in 2018 and collected USD 3.2 billion from exporting tourism services (wiiw, 2019). In addition to the positive contribution of services, the current account deficit has also been mitigated by remittances sent home by Georgians working in the EU, Russia and Turkey (according to the National Bank of Georgia, remittances and other transfers accounted for nearly 10% of GDP on average in the years 2015 to 2017 – about EUR 1 billion per year).

In the World Bank's Ease of Doing Business indicators, Georgia maintains its status among the top performing countries and ranked 6th out of 190 countries in 2019. At a European level, according to the latest report published by the European Chamber, the country ranked as the 16th best European

country for doing business in 2019 (wiiw, 2019). Georgia has a flexible labour code, and one of the most liberal labour environments in the region. Hiring and firing regulations are quite liberal and there is no minimum wage requirement. The country attracted high amounts of FDI (in excess of USD 8 billion) between 2014 and 2018 (MoESCS, 2019). Recently, the largest inflows of FDI went to the transport sector (around 25%)[2], followed by the financial and construction sectors. The real estate and energy sectors also receive high levels of FDI.

A long-term analysis of labour market indicators shows gradual improvements over the last decade, with increasing activity and employment rates and a decreasing unemployment rate (Table 1). Despite the sustained economic growth in the past decade, the three structural challenges facing the Georgian labour market have remained: limited (high-skilled) job creation; a high share of self-employment in subsistence agriculture in rural areas; and a high level of urban unemployment, especially among young people (Table 1). Roughly speaking, half of total employment is in the services sector, 40% is in agriculture and 10% is in manufacturing. The employment share of services has been increasing over the last decade at the expense of shrinking agricultural employment.

1.3 Strategic context

An Association Agreement (AA) with the EU was signed in June 2014 and entered into force in July 2016. It lays the foundations for far-reaching political and economic cooperation between Georgia and the EU and serves as a backbone for reform. The Deep and Comprehensive Free Trade Area (DCFTA) agreement, which represents a part of the Association Agreement, envisages the gradual implementation of reforms in areas such as trade, environment, agriculture, tourism, energy, transport, employment and education. Its aim is to bring Georgia into line with EU standards. The country pursues liberal trade policies, offers a tax-friendly environment to foreign investors and is committed to the costly and challenging path of integration with the EU.

In terms of the focus of this report, the DCFTA envisaged cooperation between the EU and Georgia in the fields of employment, social policy and equal opportunities (Chapter 14, Articles 348–354, Annex XXX) and education, training and young people (Chapter 16, Articles 358–361, Annex XXXII). In particular, Chapter 14 mentions promoting the Decent Work Agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality and anti-discrimination, while Chapter 16 foresees cooperation and exchanges in the field of youth policy and non-formal education for young people and youth workers, as well as youth mobility, lifelong learning, quality education and VET.

Education and economic growth are prioritised in the Georgia 2020 Strategy, which identifies ‘enhancing skills’ as one of the three overarching goals of the country’s socio-economic development. The four-point government programme for 2016–2020 set out measures in the areas of the economy, education, public management and spatial arrangements. The new government programme for 2018–2020 –Freedom, Rapid Development and Welfare – confirms the continuity of the same priorities: the importance of economic growth, employment and education policies for the country. It also recognises the need to improve the effectiveness of labour market functioning; develop labour market research; and improve state and private mediation services between jobseekers and employers. The State Strategy for the Formation of the Georgian Labour Market 2015–2018 has been the main policy

[2] Chinese investment in the Anaklia Deep Sea Port and the Poti Free Industrial Zone (adjacent to the Poti Sea Port) (wwiw, 2019), and in the Baku-Tbilisi-Kars railway line.

document in the field of employment, which is currently complemented by the newly approved National Strategy of Labour Market and Employment Policy 2019–2023.

In the field of education, the 2005 Law on General Education and the VET Reform Strategy 2013–2020 have been key documents. The latter sets out seven specific outcomes that aim to form a modern, inclusive, attractive and open system for international cooperation. In 2017, the Unified Strategy for Education and Science 2017–2021 was adopted with a comprehensive vision for education at all levels: early/preschool upbringing and education of children, general, vocational and higher education, adult education, science and studies. The document sets out specific goals that aim to expand access to quality education and ensure that students acquire the necessary competences to support Georgia's sustainable development. The overall objective of the strategy is to develop an accessible and high-quality education and science system based on the principles of lifelong learning, which will enable all the country's citizens to achieve high-quality, sustainable results.

Last but not least, a new VET law was adopted in September 2018. It aims to improve the quality and flexibility of the VET system; create flexible pathways between general, vocational and higher education; integrate general education into the vocational education system; accumulate credits and formulate transfer mechanisms; and develop adult education. The new law will help to eliminate the dead end perception of the VET stream and open up new opportunities in terms of access and participation in VET. It still requires a number of by-laws and regulations to be fully operational.

It is important to note that Georgia received substantial donor support in the development of its education and VET system over the last decade. In particular, the EU has been the biggest donor to VET, with continuous support programmes since 2009. The first EU support programme focused only on VET and was implemented between 2009 and 2012. It provided EUR 19 million in budget support and EUR 2 million in technical assistance. The second EU support programme, Employment and VET Sector Reform, which ran from 2013 to 2018, included EUR 20 million in budget support and EUR 7 million for technical assistance, twinning and a grant scheme. The third EU support programme, Skills4Jobs, has just started, running from 2019 to 2023. It will include EUR 30 million in budget support and almost EUR 19 million in complementary support (technical assistance, twinning, a grant scheme and specific actions in Abkhazia).

In addition to EU programmes, the Millennium Challenge Account also implemented its Industry-led Skills and Workforce Development project between 2014 and 2019. With a budget of USD 16 million provided by the US government, the aim of the project was to improve the link between the skills demanded by the market and the supply of technical skills offered by Georgians. The United Nations Development Programme (UNDP) also implemented the Modernisation of VET in Agriculture project to provide work-based learning in agriculture between 2013 and 2018. This project was funded by the Swiss Agency for Development and Cooperation (SDC) with a budget of USD 6 million. The project was extended for a further period (2019–2022) with additional funding of almost USD 7 million provided by the SDC. Called Skills for Agriculture, it will focus on public-private partnership in agricultural VET to provide farmers with access to quality VET and agricultural extension services.

The German development agency GIZ runs dual education programmes in a variety of sectors (tourism, construction, wine production, ICT, transport and logistics) as part of its Private Sector Development Programme, a regional programme (operating in Armenia, Azerbaijan and Georgia). The programmes receive EUR 30 million in funding from Germany, plus EUR 5 million in EU funding for SMEs. The first phase of the programme has already been implemented (2013–2016), and the second phase (2017–2020) is ongoing.

A number of other projects support the Ministry of Education, Science, Culture and Sport in implementing VET reforms. The UK's Good Governance Fund donated USD 50 million, which funded three large projects that are currently being implemented by the World Bank, the British Council and PricewaterhouseCoopers. The projects focus on VET teaching, public-private partnership mechanisms and short-term vocational education programs in higher education institutions. KfW recently started to support VET centres of excellence (see MoESCS, 2019, pp.17–19). The European Bank for Reconstruction and Development (EBRD) provided loans to improve the quality of nursing education in Georgia (December 2018 to December 2020). It did so mainly by producing and disseminating a Georgian-language nursing textbook; compiling a test item bank aligned to the new curriculum; and formulating a gender action plan to attract more young men into nursing.

Another important initiative is a loan of USD 100 million from the World Bank for the Innovation, Inclusion and Quality Project. This project supports the development of human capital through greater access to preschool education, higher-quality general education, improved learning environments and improved financing in higher education. The implementation period of the project is 2019–2022 and its aim is to support the government's 2018–2023 Education Reform Agenda. 2018-2023 Education Reform Agenda. The most recent loan announcement has come from the Asian Development Bank (USD 50 million), "Modern Skills for Better Jobs-VET sector development programme", which is under preparation and expected to start by 2021. The MoESCS is the beneficiary for both of these loans from the World Bank and ADB.

Finally, a new Danish-funded project, Inclusive Labour Markets for Job Creation in Georgia, is currently being implemented by the International Labour Office (ILO) Tbilisi, with a budget of USD 4.5 million. It is a four-year project running from 2018 to 2021 and aims to improve Georgia's capacity to enforce and respect labour laws and international labour standards and to promote youth entrepreneurship and responsible business conduct.

2. HUMAN CAPITAL: DEVELOPMENT AND CHALLENGES

2.1 Overview and key data

While Georgians enjoy relatively wide access to education, there are loose links between education and employment (IBRD & World Bank, 2019). Access to education is high, the literacy rate is virtually 100%, there is nearly universal enrolment in primary education and comparable enrolment rates in secondary education (Table 2). Enrolment figures suggest that secondary and tertiary enrolment can still improve, but the education levels of the Georgian labour force compare well even with high-income European countries (34.2% of the labour force having tertiary education). Tertiary education attainment was 44.1% in 2018 for the 30 to 34 age group. Gender parity has generally been achieved at all levels of education enrolment as well. Internationally, the country is positioned nearly in the middle of global human development and innovation indices, while presenting similar levels of economic competiveness. It is also progressing in terms of its capacity to reap the benefits of future digitisation and ICT, as presented by the digital and networked readiness indices, respectively (Table 2).

TABLE 2. HUMAN CAPITAL DEVELOPMENT INDICATORS

Indicator	Value	Year
Average years of schooling (UNDP)	12.8	2017
Expected years of schooling (UNDP)	15	2017
Learning-adjusted years of schooling (World Bank)	8.9	2017
Adult literacy (UNESCO)	99.8	2015
Net enrolment rate in upper secondary education (UNESCO)	86.6%	2017
Gross enrolment ratio in tertiary education (UNESCO)	57.5%	2017
VET enrolment as % of ISCED 3 (UNESCO)	8.8%	2016
UNDP's Human Development Index – ranking among 189 countries	71	2018
Global Innovation Index – ranking among 126 countries	59	2018
WEF Global Competitiveness Index 4.0 – ranking among 137 countries	66	2018
Digital Readiness Index – ranking among 118 countries	38/Accelerate	2018
WEF Networked Readiness Index – ranking among 139 countries	58	2016
% of population who use the internet (UNDP)	58.0%	2016

Source: ETF compilation from the databases of international organisations as specified in the table.

As per the 2005 Law on General Education, the education system encompasses primary education (grades 1 to 6), basic education (grades 7 to 9), and secondary education (grades 10 to 12). Education in Georgia is compulsory up to grade 9 (6 to14 years old). Once this stage has been reached, students may choose to continue with secondary education, which typically leads to higher education, or they may choose to continue their studies at vocational institutions (see the chart in Annex 2). VET programmes are provided at levels 3, 4 and 5 of the national qualifications framework, while training and retraining programmes are provided at levels of 2 to 5 (MoESCS, 2019).

According to Geostat, approximately 570 000 students were studying in the general education system (from grade 1 to grade 12) in the 2017/18 academic year in Georgia (Table 3). Combining all types of VET programmes together, a total of 15 600 students were registered in VET in 2018, with similar gender shares. The size of the VET system remains very small, and around two-thirds of VET students are in public VET schools. Levels I, II and III represent IVET (initial vocational schools) and levels IV and V represent secondary vocational education (community colleges). The most popular VET programmes seem to be engineering, business administration, health, inter-disciplinary branches, agriculture and art.

TABLE 3. GEORGIAN EDUCATION SYSTEM IN NUMBERS (2017/18 ACADEMIC YEAR)

Education level/type	No. of schools		No. of teachers		No. of pupils	
	Public	Private	Public	Private	Public	Private
General education schools (from grade 1 to grade 12)*	2 331	246	59 544	7 090	518 000	57 200
Total	**2577**		**66 634**		**575 200**	
Vocational/community colleges	42	83	2 291	1 793	11 500	4 100
Total	**125**		**4084**		**15 600**	
Higher education institutions*	20	55	4 692	3 539	93 600	50 200
Total	**75**		**8 231**		**143 800**	

Source: Geostat, 2018. Note: VET enrolment numbers vary due to different time reference: calendar year (1/1–31/12) versus academic year (1/9–31/8). Moreover, there are two enrolments per year in public VET.
*A few general education schools (10) and some higher education institutions (21) provide VET programmes as well.

Only students with an upper secondary diploma have access to higher education and they have to pass a unified national exam to enrol in a state-accredited higher education institution. In the 2017/18 academic year, the higher education system included 143 800 students, 65% of whom attended public universities. Women were over-represented among these students. Looking at the number of students by programme in public universities shows that social sciences, business and law are the most popular subjects, followed by science, humanities and arts as well as engineering, manufacturing and construction (Geostat, 2018). In general, gender-specific differences are most pronounced in the education, health and welfare disciplines, which are clearly dominated by women. In contrast, men dominate in engineering, manufacturing, construction and services (Geostat, 2018).

Wide access to (general) education is also confirmed by the 12.8 years of average schooling in Georgia and the 15 years of expected schooling for pupils enrolling today (Table 2). However, according to the World Bank's recently launched Human Capital Index, after accounting for students' learning gains, the learning-adjusted years of schooling drop to 8.9 years. Moreover, a child born in Georgia today would be only 61% as productive as they could be if they complete the current full education (IBRD & World Bank, 2019).

The results of some international student assessments that Georgia participated in confirm the signs of quality problems in basic education. For example, Table 4 shows the results of the OECD's PISA tests for three consecutive rounds in 2010, 2015 and 2018, in terms of the share of 15 years-olds who could achieve only the lowest level of proficiency (OECD, 2019). Although Georgia has improved its results from 2010 to 2015, the fact that more than half of the Georgian students who could achieve only the lowest level of proficiency was already worrying. On top of that, the most recent PISA 2018 results have deteriorated, where the share of lowest achievers has risen again up to 64% in reading,

61% in science, and 64% in mathematics. The country ranked 70th out of 79 countries participating in the PISA 2018 test. Weakness in these key competences will have an effect on the lives of these pupils and will limit their further learning capacity, whether they leave education or continue studying in VET or higher education.

TABLE 4. UNDERACHIEVEMENT RATES IN PISA FOR GEORGIA (% AGED 15)

PISA results	2009	2015	2018
Reading (those who could achieve only the lowest score)	62.0	51.7	64.4
Mathematics (those who could achieve only the lowest score)	68.7	57.1	61.1
Science (those who could achieve only the lowest score)	65.6	50.8	64.4

Source: OECD, 2019 (available at https://doi.org/10.1787/5f07c754-en).

Other international tests that Georgia participated in, such as TIMSS and PIRLS, also delivered below-average results (Table 5). Georgia was ranked 37th out of 49 countries participating in the 4th grade mathematics test, and 39th out of 47 countries participating in the 4th grade science test. Similarly, it was ranked 26th out of 39 countries participating in the 8th grade mathematics test, and 31st out of 39 countries participating in the 8th grade science test. However, the TIMSS 2015 results showed an improvement compared to its 2011 and 2007 results. The results of the PIRLS 2016 tests are not available yet, but the results of PIRLS 2011 ranked Georgia 34th out of 45 participating countries in the 4th grade reading test.

TABLE 5. GEORGIAN STUDENTS' PERFORMANCE IN INTERNATIONAL TESTS

International test	Country ranking	Country mean score	Average mean score	Highest mean score
TIMSS 4th grade, 2015	Maths: 37th out of 49 Science: 39th out of 47	Maths: 463 Science: 451	Maths: 500 Science: 500	Maths: 618 Science: 590
TIMSS 8th grade, 2015	Maths: 26th out of 39 Science: 31st out of 39	Maths: 453 Science: 443	Maths: 500 Science: 500	Maths: 621 Science: 597
PIRLS 4th grade, 2011	Reading: 34th out of 45 countries	Reading: 488	Reading: 500	Reading: 571
PIRLS 4th grade, 2016	Reading: 37th out of 50 countries	Reading: 488	Reading: 500	Reading: 581
PISA 15-year-olds, 2015	60th out of 70 countries in 3 subjects combined	Reading: 401 Maths: 404 Science: 411	Reading: 493 Maths: 490 Science: 493	Reading: 535 Maths: 564 Science: 556
PISA 15-year-olds, 2018	69th out of 77 countries in 3 subjects combined	Reading: 380 Maths: 398 Science: 383	Reading: 487 Maths: 489 Science: 489	Reading: 555 Maths: 591 Science: 590

Source: For PISA results: OECD, 2019 available at https://doi.org/10.1787/5f07c754-en). For TIMMS and PIRLS results, available at http://timssandpirls.bc.edu/.

These results are often linked to varying quality of education and training provision, either because the education quality is lower in certain areas (e.g. rural areas), or because the system does not sufficiently address the vulnerability of certain population segments that are exposed to poverty and inequality (e.g. pupils from poor backgrounds, ethnic minorities, people with disabilities or internally displaced people (IDPs) from Abkhazia and South Ossetia)[3]. For instance, early school dropouts are

[3] According to the ggovernment's IDP Livelihood Support Strategy, there were 268 034 IDPs registered in the Ministry of Refugees and Accommodation's livelihood database in 2016.

common among ethnic minorities. This needs to be tackled at community level by the schools (ETF, 2018). Even if these students manage to stay in school, a lack of Georgian language skills represents a further barrier to continuing higher education and hence integrating into the labour market.

Quality of education is also linked to the quality of teachers. Low salaries and pensions and the absence of a retirement age mean that many Georgian teachers continue to teach long after they retire. According to a recent OECD report (2019), around one in five of Georgia's teachers are over 60, around 86% of them are female, 60% work part-time, and many teachers supplement their low salary with private tutoring. Unlike many countries, teachers are not public servants in Georgia. They are only employees of the school where they work. Their contracts are signed by the school principal, as school principals have significant autonomy in hiring and firing teachers but limited oversight (with no central guidelines or requirements for recruitment). The country has started to work on improving the knowledge and pedagogical skills of teachers, also due to the recent changes introduced in the new curricula.

2.2 Limited job creation and low demand for the higher educated

Georgia is not creating as many jobs as its economic growth would suggest, and most economic activity is concentrated in the capital. According to the Ministry of Economy and Sustainable Development (MoESD) (2018a), the average annual growth rate of employment between 2010 and 2017 was 1.4%, while the annual GDP growth rate was over 5% in the same period. The economic growth was largely due to the growth of productivity and capital, so the impact on employment was limited. Since 2010, one important growth factor has been (private and/or foreign) investment, with almost half of total value added created in Tbilisi (MoESD, 2018a). Therefore, there is a very high concentration of jobs in the capital.

According to the World Bank (IBRD & World Bank, 2018), total employment growth in Georgia is low, despite robust firm entry, because firms are mostly small and employment is concentrated in larger and relatively older firms. Small firms and individual entrepreneurs, while contributing to job creation in the short run, fail to grow into medium-sized firms; they also have high failure (exit) rates. Moreover, too many workers are in the least productive firms within each industry. For example, in 2015, individual entrepreneurs (legal persons) represented over 70% of total registered firms, but accounted for only 11% of total employment. In the private sector, employment was concentrated in small firms (fewer than 20 employees) or large firms (more than 100 employees); small firms accounted for 40% of total employment and large firms accounted for another 40%. As a result, employment in medium-sized firms is disproportionately low ('missing middle') (IBRD & World Bank, 2018). Rather than business creation, the growth of micro and small companies seems to be the main problem in Georgia.

The main contributors to economic growth have been trade, manufacturing (aircraft parts, metal parts, textiles and furniture) and the services sector, with hospitality and financial services leading the way. Construction, mining and quarrying and real estate also experienced upward growth (Geostat, 2018). In 2017, the average monthly nominal wage was GEL 999.1 (Georgian Lari, equivalent to approx. EUR 319), but huge differences exist across economic sectors (MoESD, 2018a). Highly paid sectors include financial intermediation, transport and communication, construction, electricity, gas and water supply. The main low-paid sectors are agriculture, hunting and forestry, education and tourism. The problem is the low level of employment in the highly paid sectors, as most of the employed population is working in the low-paid sectors.

Gross value added by broad economic sector indicates that almost 58% is contributed by services, 23% by industry, and only around 7% by agriculture (Geostat, 2018). Yet, as seen in Table 6 below, about 39% of jobs were in agriculture in 2018 (down from 48% in 2010), whereby individuals were either working for themselves or as unpaid workers. Most of these jobs are not desirable and are low-productivity jobs. The share of industrial employment is small and has remained constant, while about 53% of jobs were in the services sector in 2018 (up from 45% in 2010). Due to this economic structure, a continuous imbalance exists between the high numbers of people acquiring higher education and the low demand for a highly skilled workforce. This is not to say that higher education should be limited, but rather that the workforce should be allowed to be productive by identifying the right investment opportunities.

TABLE 6. DEVELOPMENT IN EMPLOYMENT SHARE (% OF 15+ AGE GROUP) BY BROAD ECONOMIC SECTOR, 2010–2018

Economic sector	2010	2014	2017	2018
Agriculture & fisheries	48.0	45.9	43.2	38.9
Industry & manufacturing	7.2	7.2	8.1	8.3
Services & construction	44.8	46.8	48.8	52.8

Source: Geostat, 2018 (labour force survey).

It is obvious that the exit from agriculture will continue and further jobs will be needed for those leaving agriculture. Employment is growing in the cities and dramatically decreasing in rural areas. Given the characteristics of the Georgian labour force, coupled with the favourable investment and business climate in the country, the potential exists to expand and create new sectors with higher value-added activities, particularly in services and the agro-food sector. According to the Vienna Institute for International Economic Studies (wiiw, 2019), a development strategy combining the existing competitive advantages of tourism with domestic agriculture, supported by structural reforms in the agricultural sector and targeted FDI policies, could be a viable option for fostering inclusive economic growth.

2.3 Modest use of human capital in the economy

As previously mentioned, Georgia's population has a relatively high level of education. Based on 2018 labour force survey (LFS) data, 30.4% of the working age population (people aged 15+) has a university degree; 36.1% of the population has upper secondary education, while 21.7% has VET education. Those with only lower secondary education account for 11.8% of the population. Men are over-represented in lower secondary and upper secondary education, while women are over-represented in higher education. There are slightly more women than men with VET degrees. The education levels of the employed population are even higher (see the totals in the last column of Table 8).

Despite this educated workforce, activity and employment rates show a modest use of human capital in the country. Following a gradual increase over the last decade, almost 64% of the working age population was economically active in 2018, with men's activity rate 18 percentage points higher than that of women (Table 7). Women and people in rural areas are less likely to be in the labour market. The employment rate was 55.8%, with 14 percentage points difference again between men and women. Those with lower secondary education have the lowest activity and employment rates and a similar gender difference. Both activity and employment rates increase by education level, gradually

increasing from upper secondary to VET education, and the highest rates are among those with university education (Table 7).

TABLE 7. ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATES BY EDUCATION LEVEL, 2018

Education level	Activity rate	Employment rate	Unemployment rate
Lower secondary	35.5	31.9	10.0
Upper secondary	64.7	55.7	13.9
VET	66.7	59.2	11.1
Higher education	72.1	62.8	12.9
Total	63.9	55.8	12.7

Source: Geostat, 2018 (labour force survey).

On top of modest activity and employment levels, underemployment is common among the employed population in Georgia. Average working hours per week have been less than 40 hours in recent years, despite significant diversity across sectors (Geostat LFS data). Most agricultural employment (almost 40% of total employment) is in the form of self-employment in subsistence agriculture. Only a small proportion of this employment is full-time employment, most of it is seasonal or part-time. Indeed, 2018 LFS data shows that up to 9% of employed people worked less than 20 hours a week.

As shown in Table 8, 50.8% of total employment was in wage employment in 2018 (up from 41.2% in 2010). The rest is shared between own-account workers (almost 30%), unpaid family workers (almost 18%) and employers (2%). Not surprisingly, the share of informal employment is also high, even in total non-agricultural employment (36.2% in 2018). More males and rural workers work informally, compared to females and urban workers. Employment status by education level shows some interesting trends (Table 8). Among those working as employees, more than half were university graduates in 2018, followed by upper secondary and VET graduates. Among employers, two-thirds of them were university graduates. Among own-account workers, close to half of them were upper secondary graduates, followed by VET graduates (28%). Finally, unpaid family workers were dominated by upper secondary graduates (53%), but almost one-fourth were also VET graduates.

TABLE 8. EMPLOYMENT STATUS BY EDUCATION LEVEL, 2018

Total % of employed	Employee	Employer	Own-account worker	Unpaid family worker	Total by education
	50.8	**2**	**29.5**	**17.8**	**100**
Lower secondary	3	0.3	9	14.6	**6.7**
Upper secondary	25.1	18.8	45.9	53	**36.0**
VET education	20.4	12.4	28.3	22.9	**23.0**
Higher education	51.5	68.6	16.8	9.6	**34.2**
Total	100	100	100	100	100

Source: Geostat, 2018 (labour force survey).

Another indicator of the limited use of human capital is the high unemployment rate. Although it has been decreasing over time (from 16.3% in 2010 to 12.7% in 2018), it is still high by international standards. When the Geostat LFS data is analysed, it shows that total unemployment is always higher among men than women. In 2018, unemployment was highest among graduates of upper secondary

education, followed by graduates of higher education (Table 5). Unemployment was slightly lower among VET graduates, but still higher than lower secondary graduates. It seems that having higher education enables more people to enter the labour market, but it is relatively better educated people who face higher unemployment. Youth unemployment is particularly high, which contributes to the limited use of human capital. As this is also linked to the school-to-work transition, it is dealt with in the next section.

Unemployment is much higher in the cities (the highest being in Tbilisi), while it is very low in rural areas. This is not surprising given the fact that part-time and seasonal work in subsistence agriculture is common and counts as 'employed' in the statistics. Broadly speaking, job quality correlates with skills (IBRD & World Bank, 2018). Low-skilled workers live in rural areas and generally work in agriculture for themselves or as unpaid workers, while highly skilled workers are in wage employment. Highly educated men above 30 years of age have some of the best job prospects, and young, low-skilled women have some of the poorest job prospects.

2.4 Significant challenges of youth transition from school to work

As previously explained, the relative size of the youth population is shrinking over the years (from 21.8% in 2011 to 17.8% in 2018) (Table 9). Young people also get better education in general, as the tertiary education attainment level reached 44.1% among the 30 to 34 age group in 2018. More women (48.5%) than men (39.9%) attend university. Despite these favourable conditions, however, all youth labour market indicators show a very difficult transition from school to work, which leads to either unemployment or inactivity.

As seen in Table 9, the youth activity rate stalls around 40% (47% for males, 32% for females), while youth employment rate is around 28% in 2018 (35% for males, 21% for females). Thus young people are less likely to be in the labour market compared to adults. Moreover, a slight increase in the proportion of early school leavers was observed recently (almost 10% in 2018), although traditionally Georgia has a low share of early school leavers aged 18 to 24 (Table 9).

TABLE 9. BASIC INDICATORS OF YOUTH (% AGED 15–24), 2011–2018

Indicator	2011	2015	2016	2017	2018
Relative size of young population (% 15-24)	21.8	19.6	18.9	18.2	17.8
Youth activity rate (% aged 15-24)	39.8	40.4	38.2	44.4	40.4
Youth employment rate (% aged 15-24)	24.0	26.8	25.5	31.6	28.3
Youth unemployment rate (% active youth)	39.8	33.8	33.2	28.9	29.9
NEET rate (% aged 15–24)	32.6	26.6	25.9	24.8	26.9
NEET rate (% aged 15–29)	34.8*	31.8	32.2	30.0	31.6
Early leavers from education (% aged 18–24)	7.1*	5.8	6.2	8.9	9.6

Source: Geostat, 2018 (census and labour force survey). *Refers to 2012.

Despite falling from almost 40% in 2011, the youth unemployment rate is still as high as 30% in Georgia. Among the unemployed population, there are certainly more young women than men, and more rural residents than urban dwellers (Table 9). When analysed among the sub-age groups, unemployment is highest in the 20 to 24 age group (MoESD, 2018a), which is the typical transition time when graduates with VET and/or higher education transit to their first job. The second-highest unemployment rate is among the 15 to 19 age group, which is typically the time when graduates with

lower and upper secondary or VET transition to their first job. Finally, unemployment decreases significantly in the 25 to 29 age group, which proves that there is a gradual improvement in the labour market after first entry. Therefore, first entry into the labour market and finding a first job is the most difficult for young people.

Another indicator that proves the difficulty that young people have in transitioning to the workplace is the share of young people not in education, employment and training (NEET). This indicates the proportion of young people who are unemployed and those who are inactive. The share of NEETs was almost 27% of the total youth population aged 15 to 24 in 2018 (Table 10). It increases even further with age, reaching almost 30% for the 15 to 29 age group. There are more NEETs among women and in urban areas. The primary reason for being NEET is linked to care responsibilities for family members. Most of this is undertaken by women, which leads to decreasing economic activity. Other reasons include, but are not limited to, unemployment, discouragement, disability or illness. Younger NEETs can also be rural residents (SAVE-DEPA, 2018), which is in line with the higher share of early school leavers in rural areas (Table 10). Their orientation to the labour market is very weak and they lack most of the transversal skills (SAVE-DEPA, 2018).

TABLE 10. UNEMPLOYED YOUNG PEOPLE, NEETS AND EARLY SCHOOL LEAVERS IN 2018: GENDER AND PLACE OF RESIDENCE

Youth	Male	Female	Urban	Rural	Total
Unemployed	26.7	35.3	22.5	37.1	29.9
NEET % aged 15–24	23.2	31.0	26.5	27.4	26.9
NEET % aged 15–29	24.9	38.9	32.7	29.9	31.6
Early leavers % aged 18–24	9.7	9.5	5.5	16.2	9.6

Source: Geostat, 2018 (labour force survey).

In Georgia, the transition to a job takes on average one to two years; however, the jobs that young people acquire can often be precarious (ETF, 2018). Moreover, young people tend to work longer hours and in temporary or precarious jobs. Lack of work experience and a mismatch between the required and offered skills in the labour market put young people in a particularly vulnerable position. Three individual factors affecting youth transition are geographical location, gender and education level, which have a greater adverse effect on vulnerable groups (e.g. disabled people, poor people). Good, modern jobs are available only in the cities, and very little economic activity exists in the remaining regions. Being a woman is certainly a risk when it comes to transition. A low level of education is also a disadvantage, although longer time spent in education increases the transition time (ETF, 2018). All of this indicates weak labour and skills matching mechanisms in the country, including poorly developed institutional mechanisms (e.g. employment offices and career guidance services).

2.5 Skills mismatch signals inefficiencies in the labour market

According to the ETF's calculations of skills mismatch (ETF, 2019), both over-qualification and under-qualification are observed in Georgia. In terms of occupational mismatch, 36.1% of those with tertiary education worked in semi-skilled occupations in 2016. Gender difference was very high at this level, with a higher mismatch observed among men (46% versus 26%). Among upper secondary education graduates, 9.4% of them were employed in elementary occupations (manual skills level) in 2016 (ETF, 2019).

The most widely observed over-qualification among semi-skilled professions included the following: 30% of service and sales workers had tertiary education, as had 26% of plant and machine operators, 19% of people in elementary occupations and 16% of craft and related trades workers (ETF, 2019). In conclusion, highly educated workers are compelled to take less skilled jobs as there are not enough jobs requiring high skills. Under-qualification also occurred: 24% of clerks and 13% of technicians and associate professionals seem to be under-qualified for the jobs they are doing (ETF, 2019). The lack of VET institutions providing comprehensive teaching curricula for technicians and associate professionals, especially in specific industries, might be the reason for under-qualification in some skilled and semi-skilled jobs (a shortage of workers with technical skills).

A detailed ETF analysis of the 2018 labour force survey results reconfirms the high incidence of over-qualification and under-qualification in Georgia, and sheds light on the mismatch by education level (Table 11). Indeed over-qualification is most common among university graduates (almost 43%), followed by VET graduates (almost 38%). On the other hand, under-qualification is most common among upper secondary graduates (almost 39%), followed by university and VET graduates (around 28% for both).

TABLE 11. REPLY TO THE QUESTION: 'DOES YOUR PRESENT JOB CORRESPOND TO YOUR QUALIFICATIONS?'

Education level	YES	ABOVE	BELOW
Lower secondary	7.7	4.9	2.9
Upper secondary	41.0	38.7	16.6
VET education	19.1	27.5	37.7
Higher education	32.0	28.7	42.6
Total	100	100	100

Source: Geostat, 2018 (labour force survey).

In addition to vertical skills mismatch, many studies confirm the existence of skills gaps in the Georgian labour market (World Bank 2013, 2014a, 2014b). A STEP skills measurement survey carried out by the World Bank indicates that the most important skills that young workers (under the age of 30) often lack are technical competences and problem-solving skills, as well as a lack of English and leadership skills and the ability to think creatively and critically. This refers to both secondary and higher education graduates. For example, close to 70% of employers say that university graduates often do not know English, over 50% say they lack leadership skills, and 40% say they lack the ability to think creatively and critically.

Occupation-specific technical skills are also quite often deemed a problem. University graduates have insufficient technical skills according to almost 30% of employers, and secondary graduates have insufficient technical skills according to almost 40% of employers (World Bank, 2014a). In terms of personal traits, the survey also finds that a lot of young workers lack openness to new experiences, which is alarming since it is the young people who should by definition be open to new experiences. Another survey on IT skills needs revealed that there is a scarcity of qualified IT professionals, and those who have the requisite skills are very costly. Moreover, in addition to digital skills, the IT professionals need communication skills, work ethic skills and project management skills (GITA, 2017). Thus, despite relatively high formal education levels, a skills gap is rather pronounced and poses a serious challenge for the labour market (World Bank, 2013, 2014a).

2.6 Poverty and inequality prevent people from reaching their full potential

Georgia ranked 71st out of 189 countries and territories in the UN Human Development Index in 2018. When the human development rankings of countries are compared with their gross national income per capita rankings, Georgia fares relatively well in its human development compared to its level of wealth (UNDP, 2018). The sustained growth experienced since the mid-1990s has reduced poverty and boosted shared prosperity in the country. Poverty was drastically reduced in the last 10 years, mainly due to social transfers and income from economic activities.

According to the World Bank, however, recently the pace of poverty reduction has been muted and relies heavily on pensions and social transfers to a large share of the population that is either unemployed or underemployed (IBRD & World Bank, 2019). Accordingly, one in five Georgians still lives in poverty[4] and half of the population is considered vulnerable to falling into poverty. Moreover, when poverty in Georgia is measured using the global poverty headcount ratio at USD 3.2 per day (2011 purchasing power parity), it is shown to be higher than in neighbouring Armenia, a country with a similar level of GDP per capita. Georgia also has a higher poverty rate than some lower-middle-income countries, despite having a higher GDP per capita.

Geostat data also confirms the poverty, particularly among the rural population: in 2017, 12% of the population lived below the national poverty line, i.e. were officially registered and received means-tested benefits known as targeted social assistance. Furthermore, 20.6% of the population lived in relative poverty, defined as those people with a household income below 60% of the median value. More importantly, inequality in Georgia is the highest among the Eastern Partnership countries. According to the World Bank's development indicators database, the Gini income coefficient, as the most commonly used measurement of inequality, was 39% in 2015 and 36.5% in 2016[5]. Worldwide, these values are within the range of medium inequality, but they are higher than EU countries. Both poverty and inequality prevent people from reaching their full potential and contributing to socio-economic development, and at extreme levels, they constitute important barriers to sustained economic growth.

The results of a recent youth transition survey conducted face-to-face with 2 000 young people shed light on the social inequality in educational attainment (Badurashvili et al, 2019)[6]. According to the results of this survey, gender inequality is visible in education for men as they are quite over-represented in lower and upper secondary education and under-represented in higher education. There is also a clear ethnic inequality in educational attainment, as ethnic minorities are over-represented at the lower education levels of basic secondary (or lower) and upper secondary. Around 9% of respondents dropped out of education. The main reasons were financial burdens linked to

[4] In 2016, 21.3% of the Georgian population was under the national poverty line. This is known as the poverty headcount ratio (World Bank development indicators database).
[5] The Gini coefficient is a statistical measure of distribution that is used to measure inequality among values of a frequency distribution (for example, levels of income). The coefficient ranges from 0 (or 0%) to 1 (or 100%), with 0 representing perfect equality and 1 representing perfect inequality.
[6] The survey was conducted by the University of Bamberg (Germany) and Tbilisi State University between October and December 2016 with a nationally representative sample selected using multistage cluster sampling and stratification. After approaching 11 835 households in all regions throughout Georgia, 2 000 standardised face-to-face interviews were conducted with young people aged 18 to 35 who had left the education system during the previous 10 years. This gives an individual-level response rate of 86.0%, with a high confidence level (see Badurashvili et al, 2019).

education fees and the need to work for income. Almost one-third of VET students and 45% of tertiary education students face financial burdens (Badurashvili et al, 2019).

Even more visible is the influence of family origin on educational attainment. The results of the survey show a strong degree of intergenerational inheritance of education levels: 65% of respondents whose parents' highest level of education was lower secondary education also end up in the lowest education group, whereas this applies only to 1% of respondents with at least one parent with tertiary education. Similarly, there is a pattern of intergenerational transfer of VET educational attainment. The share of VET degrees is highest among persons whose parents had a VET degree as their highest level of education. The advantages that people from privileged families have is also visible in the link between parental wealth and educational attainment. For example, respondents who assessed the financial wealth of their parents as (fairly) poor ended up in basic education (21%) three times more often than respondents who reported that their parents were (fairly) wealthy (Badurashvili et al, 2019).

A deeper analysis of the PISA 2015 results also confirms inequality, as students from the poorest 20% of households exhibit a higher failure in reading, mathematics and science compared to the richest 20% (IBRD & World Bank, 2019). The difference in science performance of Georgian students in the top and bottom quintiles by socio-economic status accounts for about 85 score points and is equivalent to almost three years of schooling. The gap between rural and urban students is also more than one year of schooling (36 score points). Girls outperform boys in all subjects. PISA 2015 results also show that students who were enrolled in preschool for more than two years performed better in all subjects compared to those who were enrolled for one year or less (IBRD & World Bank, 2019).

If a person is exposed to social inequality in educational attainment, ending up with a low level of education, this disadvantage continues pretty much for the rest of his/her life. For example, wage analyses conducted by the ETF show huge differences across education levels, though a certain wage increase was observed for low-skilled jobs in recent years (ETF, 2019). The wages of highly educated workers are on average more than six times that of workers with a low level of education. On the other hand, the wages of workers with a medium level of education (both general and vocational) are on average 2.5 times more than that of workers with a low level of education (ETF, 2019). Thus, higher qualifications tend to command better jobs and higher wages, which is the main reason for the high demand for higher education. At the same time, both VET and higher education graduates show similar employment levels, and VET graduates perform better in the labour market than non-VET graduates (secondary education).

3. ASSESSMENT OF KEY ISSUES AND POLICY RESPONSES

The previous section presented an overview of key developments and challenges in the formation and use of human capital in Georgia. The analysis identified five issues which characterise the country:

1. a growing economy and relatively high education levels among the population, but limited creation of high-skilled jobs, which are concentrated in the capital
2. a gradual improvement in labour market participation and an ongoing exit from agriculture, but still modest use of existing human capital potential
3. persistent difficulties in finding a first job, leading to either unemployment or inactivity, even though young people have a higher level of education
4. relatively high levels of skills mismatch faced in the labour market in different forms, e.g. over-qualification, under-qualification, skill gaps, working in a field different to education field
5. relatively high levels of poverty and inequality, which prevent people from reaching their full potential in education and the labour market and lead to more vulnerabilities in life.

This section focuses on how the VET system fits into this 'big picture' in Georgia. Potentially, VET could be one of the solutions for better use of human capital, namely by facilitating youth transition, reducing skills mismatch and reducing poverty and inequality. The analysis results for the last three issues (i.e. youth transition, skills mismatch, and poverty and inequality) point the finger at the VET system. For example, VET can help to make it easier for young people to enter the labour market, particularly through practical learning and links with companies. An examination of labour market performance on the basis of education reveals that graduates of VET and higher education fare much better in their transition to work, compared to the graduates of only lower and/or upper secondary education. VET can also help to reduce skills mismatch by supplying the skilled and semi-skilled workers needed in technical fields and solving the under-qualification of workers. Finally, given the signs of social inequality in education, VET might be one of the ways in which people can exit poverty and vulnerability, and certainly provide better labour market prospects for those leaving agricultural employment.

The next section discusses whether the potential that VET has is exploited fully to address the economic and social challenges explained above. It is obvious that VET alone cannot solve all the problems, and there is also a need for other policy responses on the broader issues of economic and labour market reforms. Due to the focus of this report and space limitations, this section consciously leaves out these labour market-related issues regarding more efficient use of human capital in the economy. For VET to become a part of the answer to those challenges, however, it is expected to overcome two obstacles identified below: (i) disparities in access and low participation in VET, and (ii) the varying quality and relevance of VET provision. After reviewing these obstacles, it reviews the policy responses developed so far and the implementation gaps. This section concludes with some recommendations.

3.1. Disparities in access and low participation in VET

3.1.1. Problem

As mentioned in Section 2, the VET system in Georgia is very small with generally low levels of participation. According to UNESCO, VET enrolment as a percentage of upper secondary education was around 9% in 2016[7]. On the other hand, the share of young people in the 15 to 24 cohort that participated in formal VET programmes was only 4.5% in 2017 (ETF calculation). In August 2018, there was a total of 12 315 VET students; this figure includes both public and private VET providers (MoESCS, 2019 based on Education Management Information System (EMIS) data). Indeed, the annual number of total VET students has varied between 10 000 and 15 000 over the last decade (Table 12). This includes both initial VET students (levels 1–3) and secondary VET students (levels 4–5) in all types of VET providers. Annual VET enrolments even decreased in 2018 and 2019, due to the gradual replacement of subject-based programmes (lasting 9 months) with modular programmes (lasting 1.5 years) in VET institutions.

TABLE 12. VET ENROLMENT BY CALENDAR YEAR (1 JANUARY–31 DECEMBER)

VET provider	Gender	2012	2013	2014	2015	2016	2017	2018
Private	Male	1 466	2 376	1 949	1 960	1 866	1 879	1 991
Private	Female	2 871	3 695	2 874	2 560	2 754	2 816	2 633
Public	Male	3 630	7 398	5 953	6 412	6 757	6 612	4 480
Public	Female	2 015	5 126	4 245	4 771	5 066	4 923	3 417
Total enrolments		9 982	18 595	15 021	15 703	16 443	16 230	12 521
% in public VET		57%	67%	68%	71%	72%	71%	63%

Source: EMIS database. All VET enrolments covering both public and private VET schools between 2012 and 2018.

The small size of the VET system can be a problem of 'access' or 'low participation', i.e. the classic 'chicken and egg' problem: the number of VET students may be small because of the limited VET offering, or the limited VET offering may be due to a lack of interest in participating in VET. What is clear is that the small size and low level of participation prevents VET from making any sizeable impact on the Georgian economy. Thus, the issue of quantity is as important as the issue of quality in VET provision in Georgia. Within this context, it would be useful to analyse the number of VET applicants over the years, which is reported as increasing. The gap between enrolled students and applicants who could have been enrolled should be analysed. Increasing access to and participation in VET always starts with expanding the existing VET offering, i.e. using existing VET institutions to their full capacity, allocating more places in existing schools and/or creating new VET institutions.

One specificity of the VET system in Georgia is that there is no age or education limit for attending VET schools. As a minimum, anyone who has completed lower secondary education can apply to a VET school, while anyone who has completed upper secondary education can apply to a VET community college. So VET students might come from different age groups and education levels. This feature practically abolishes the difference between IVET and CVET – a 35-year-old upper secondary graduate with work experience can be on the same course as a 15-year-old who just finished lower

[7] As anyone who finished basic education can be admitted to a VET institution regardless of his/her age, comparing the share of VET students with the general education system does not seem as meaningful in Georgia as it might be in other countries.

secondary education. Analysing the ages of VET students enrolled between 2015 and 2019 (all public and private enrolments together), the majority of VET students (55.4%) were indeed between the ages of 19 and 29 (Table 13). Those above the age of 30 represent almost one-fifth of total students (19.8%), while one-quarter of all students (24.8%) were aged between 15 and 18.

TABLE 13. NUMBERS AND SHARES OF VET ENROLMENTS BY AGE GROUP – TOTAL, PUBLIC AND PRIVATE FROM 2015 TO 2019*

VET enrolments	15–18	19–24	25–29	30–49	50+	All ages total
Public total N	9 310	18 189	6 763	9 113	1 462	44 837
Public total %	20.2%	40%	15.4%	21.1%	3.3%	100%
Private total N	7 058	10 019	2 013	2 333	159	21 582
Private total %	32.7%	46.4%	9.3%	10.8%	0.8%	100%
Total both N	16 368	28 208	8 776	11 446	1 621	66 419
Total both %	24.8%	42.2%	13.2%	17.4%	2.4%	100%

Source: EMIS database. All VET enrolments covering both public and private VET schools between 2015 and 2019. *There are two enrolments per year in public VET institutions and the 2019 numbers include only the spring enrolment.

Interestingly, public VET schools have fewer students in the 15 to 18 age group (20% of their students) compared to almost 33% of students in this age group in private VET colleges (Table 13). Moreover, those above the age of 30 represent 24.4% of public VET students in contrast to 11.6% of private VET students. Indeed, from the perspective of lifelong learning, almost 40% of students in public VET schools are adults (aged 25+), in contrast to 20% in private VET schools. On the other hand, almost 80% of students in private VET schools are within the youth age group (15–24) compared to 60% in public VET schools. Although this system ensures greater flexibility and access for young adults who wish to enter VET, it may create complications in training provision and learning for a diverse clientele, considering the specific needs of the 15 to 18 age group.

VET enrolment by prior education level also proves the diversity of students enrolling in VET institutions. Table 14 shows the prior education level of VET students at the moment of their enrolment between 2015 and 2019 (all public and private enrolments together). It can be seen that students who completed lower secondary or upper secondary education sit in the same classroom with students who have previous VET or tertiary education. Overall, 60% of all VET students had an upper education diploma when they enrolled in VET (62% in public and 57% in private VET). On the other hand, 28% of them had only completed basic education (29% in public and 27% in private VET). Female students had a higher level of education than males. It is interesting to note that 8% of VET students already had a VET education diploma before they enrolled again in VET (their percentage goes up to 14% in private VET), while almost 4% of VET students already had a tertiary education diploma before enrolling in VET.

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RECOMMENDATIONS

1. Improve knowledge and better target VET clientele

Research to understand VET participants better, including differences between applications and enrolment.

Clarify main target group for subsidised VET education.

2. Develop single set of rules for all VET providers

Ensure level playing field for all types of VET provider.

Create a spirit of a single VET family to increase the limited VET offer and reduce geographical barriers.

3. Improve the voucher system for funding VET students

Fund VET providers based on clear rules and reduce financial barriers.

Allow students to choose public or private providers.

Apply unified admission test for all providers.

4. Facilitate the access of vulnerable groups to VET

Change entry requirements to publicly subsidised VET.

Give priority to students from poor socio-economic households.

Reduce both academic and financial barriers.

5. Expand highe education

Increase the c through first-c programmes.

6. Provide counselling and career guidance for all

Offer continuous counselling and guidance services to all students for education and occupational choices.

Reduce information barriers.

7. Combine strong techn with key competences

Complement technical skills competences to address co employers.

Focus on basic and transver particularly in regions and r

8. Cooperate with the p an equal partner

Provide clear incentives for involvement.

Support small and micro c collective training in cluste

Modernise VET governanc and power-sharing.

9. Diversify opp

Address the wea

Systematically ex

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k and fragmented private sector.

plore different options for work experience.

10. Improve the status of teachers and get their support for reforms

Implement the new law once the job status of teachers has been improved.

Improve salaries and working conditions to encourage more talented young people to enter the profession.

Hire and fire vocational teachers on the basis of merit.

11. Consider the feasibility/ sustainability of reforms

Check ambitiousness and number of implementation priorities.

Ensure that complex systems have the necessary professionalism.

Guarantee continuous support to service providers and end-users.

12. Enhance policy implementation

Focus on policy-making and clarify implementation modalities.

Pay more attention to the needs of service providers and end-users.

Target implementation in the regions/ rural areas.

13. Concentrate on financial and human resources

Focus on budget and staffing implications.

Target efficiency in regions and rural areas.

Avoid continuous reliance on donor interventions.

TORINO PROCESS 2018-20

TABLE 14. NUMBERS AND SHARES OF VET ENROLMENTS BY PRIOR EDUCATION LEVEL – TOTAL, GENDER, PUBLIC/PRIVATE FROM 2015 TO 2019*

VET enrolments	Basic education (ISCED 0-2)	Upper secondary general (ISCED 3)	Vocational education	Tertiary education (bachelor and +)
Total both N	18 356	39 072	5 117	2 311
Total both %	28.3%	60.2%	7.9%	3.6%
Male %	63.2%	47.4%	56.9%	38.3%
Female %	36.8%	52.6%	43.1%	61.7%
Public total N	13 015	27 652	2 336	1 682
Public total %	29.1%	61.9%	5.2%	3.8%
Private total N	5 341	11 420	2 781	629
Private total %	26.5%	56.6%	13.8%	3.1%

Source: EMIS database. All VET enrolments covering both public and private VET schools between 2015 and 2019. *There are two enrolments per year in public VET institutions and the 2019 numbers include only the spring enrolment.
Notes: (1) There was a category of prior education level 'not identified', which included 1 563 enrolments in total (516 males and 1 047 females). This number was excluded from the total in the calculation. (2) Tertiary education includes those with bachelor degrees, master and PhD degrees.

Another peculiarity of the system is the non-negligible role of the private sector in VET provision. VET in Georgia is provided by both public and private VET colleges, which numbered 39 and 65, respectively, in 2019 (MoESCS, 2019). The role of public VET provision has gradually increased over time, and public VET accounts for around two-thirds of total VET students (Table 12)[8]. While VET education is free in public schools, students have to pay for VET education in private colleges. Thus, private VET provision is not affordable for students from poorer backgrounds, and not available outside bigger urban centres. This already limits the financial accessibility of VET for people coming from poorer backgrounds.

As only public colleges have been eligible to get state funding so far, most private VET schools concentrate on generating profit from their expensive investment in VET education. Linked to this, many of them remain in two big cities where more people can afford to pay school fees. This also leads to limited geographical access for applicants in the regions and rural areas. The geographical distribution of public VET schools is improving, but is not large enough yet in the regions to fully compensate for the territorial limitation.
An analysis of VET enrolments by region between 2015 and 2019 (all public and private enrolments together) shows that 45% of all VET students are hosted in the city of Tbilisi (Table 15). In private VET institutions, the share of Tbilisi goes up to 63% of total enrolments compared to 36% in public VET institutions. The second region with the highest VET enrolment is Adjara (Batumi in particular) with 19% of total enrolments (22% in private VET and 17% in public VET). Overall, Tbilisi and Batumi together host two-thirds of all VET students. The uneven distribution of VET providers, lack of diverse facilities and courses in the regions are further aggravated by weak coordination and collaboration between the public and private VET schools in the same locality.

[8] For example, all VET providers in medical and para-medical professions (except physicians) are private, and students have to pay for this education. This might be linked to the selection of vocations that are more attractive to students and will return higher profits in the private VET sector.

TABLE 15. NUMBERS AND SHARES OF VET ENROLMENTS BY REGION – TOTAL, PUBLIC AND PRIVATE FROM 2015 TO 2019*

VET enrolments in the regions	PUBLIC		PRIVATE		TOTAL	
	Number	%	Number	%	Number	%
Adjara	7 700	17.2%	4 762	22.1%	12 462	18.8%
Guria	1 864	4.2%	-	-	1 864	2.8%
Tbilisi	16 287	36.3%	13 499	62.5%	29 786	44.8%
Imereti	4 938	11.0%	1 451	6.8%	6 389	9.6%
Kakheti	3 774	8.4%	96	0.4%	3 870	5.8%
Mtskheta-Mtianeti	416	0.9%	-	-	416	0.6%
Racha-Lechkhumi/Kvemo Svaneti	201	0.4%	-	-	201	0.3%
Samegrelo Zemo Svaneti	3 879	8.7%	660	3.1%	4 539	6.8%
Samtskhe-Javakheti	2 130	4.8%	86	0.4%	2 216	3.3%
Kvemo Kartli	1 399	3.1%	775	3.6%	2 174	3.3%
Shida Kartli	2 249	5.0%	253	1.2%	2 502	3.8%
Total	44 837	100%	21 582	100%	66 419	100%

Source: EMIS database. All VET enrolments covering both public and private VET schools between 2015 and 2019. *The 2019 numbers include only the spring enrolment.

In addition to the financial and geographical barriers in VET education, there might be an academic barrier too. If a person wants to enrol in a free public VET school, they have to pass a unified VET admission exam, which was introduced in 2013. This is considered a merit-based financing system as all students who successfully pass the exam (for levels 1–3) get full coverage of tuition fees at public VET institutions. Due to the academic success required to pass this exam and no upper limit on age or education for studying in VET colleges, however, academically successful students tend to be more likely to pass the exam. This is probably an unintended consequence – the exam might be acting as a strong filter and deterrent for weaker and poorer students, leading to the selection of better-performing individuals (known as 'creaming') for the subsidised VET education. Up to this year, successful students who passed the entry exam and got the voucher were not allowed to choose between public and private VET providers.

Weaker students often come from poorer backgrounds and cannot afford to pay. This becomes a vicious cycle, leading to the exclusion of more vulnerable groups from (subsidised) public VET education. To address this issue, the Ministry of Education, Science, Culture and Sport initiated the 'inclusive VET scheme' in which alternative procedures exist for the acceptance of people with disabilities and special educational needs, while ethnic minorities can take tests in their native language. Indeed, 10% of places have been allocated to disadvantaged groups in public VET schools since 2015. For example, an analysis of VET enrolments by disadvantaged group shows that a total of 842 disabled persons and 1 095 IDPs were enrolled between 2015 and 2019 (all public and private VET enrolments together). Together, they accounted for 1 937 places or 2.9% of all VET enrolments (EMIS database). This policy is going in the right direction, but the number of beneficiaries of this scheme is still low. Furthermore, this does not solve the problem of academically weak students who generally come from poorer and/or rural households. These people leave the education system

without any vocational skills, and possibly become NEET. Providing an alternative option for less successful students aged between 15 and 19 therefore seems imperative.

Last but not least, VET provision is fragmented across different education levels (subject to different governance mechanisms between VET and higher education departments) and public versus private authorities. Table 16 shows the different levels of VET education available in Georgia and the number of students at each level. As outlined already, most of the VET community colleges are in the private sector, while the public sector focuses on multi-purpose VET schools. In principle, this ensures greater flexibility in the VET system and better access to VET by different types of clientele, but it also adds to the complexity, requiring a high level of knowledge and professionalism, both on the part of VET providers and VET students. Moreover, management of the VET system at school level becomes even more complex, with no economies of scale impact due to the small size of VET institutions.

TABLE 16. VET STUDENTS BY VET PROVIDER TYPE, 2018 AND 2019

VET provider type	August 2018			August 2019		
	Public	Private	All	Public	Private	All
VET schools	5 697	788	6 585	4 954	555	5 509
VET colleges	787	3 091	3 878	654	2 526	3 180
Higher education with VET	1 277	423	1 700	1 624	323	1 947
Upper secondary with VET	-	252	252	19	217	236
Total VET	**7 761**	**4 554**	**12 415**	**7 251**	**3 621**	**10 872**

Source: Ministry of Education, Science, Culture and Sport, 2019, based on the EMIS database.
Note: The VET academic year runs from 1 September to 31 August in Georgia, and there are two enrolments per year in public VET institutions.

Diverse institutions, diverse VET offerings and diverse students also complicate the teaching and learning process from the VET trainers' and learners' point of view. For example, VET providers may have learners ranging in age from 15 to 70 years, prior education levels from primary to tertiary, and learners with special needs in the same class (MoESCS, 2019). Navigating this complex system might be relatively easier for the better-off and relatively higher-educated learners in the big cities, but navigation will not be easy for more vulnerable groups, e.g. students coming from poorer and/or rural households or students with special needs. Complex VET systems may therefore create serious information barriers, especially for more vulnerable groups. Those groups would require significantly more counselling and guidance in making the right educational and occupational choices, and finding the best type of VET education available.

As a result of these various factors, disparities in access and low participation in VET have been key features of the VET system in Georgia in the post-Soviet period. The striking imbalance between participation in general and vocational education (in favour of the former) is not only due to the limited physical VET infrastructure, but also due to the lack of respect for VET and blue-collar work in general, the lack of progression routes and the image of VET as a 'dead end' (until 2019). Limited participation in VET and lifelong learning is also visible among adults: only 1% of those aged between 25 and 64 received some kind of training in 2018 (Geostat, 2018). Although almost 40% of VET students in public institutions are adults (Table 13), the overall VET numbers are so small that it does not make any visible impact at national level. Interestingly, according to the tracer studies conducted by the Ministry of Education, Science, Culture and Sport in 2016 and 2017 (MoESCS, 2019), the absolute

majority of VET graduates are satisfied with their VET educational institution (93%) and chosen profession (82%).

3.2. Varying quality and relevance of VET provision

3.2.1 Problem

Despite its small size, the VET system also faces important challenges in terms of relevance to labour market needs and lack of attractiveness (MoESCS, 2019). Successful examples of VET provision exist, but the quality varies considerably from school to school, from course to course and from city to region. In particular, the differences in quality are more nuanced between initial VET (levels 1–3) and secondary VET (levels 4–5), i.e. between VET schools and VET colleges. The quality of training may also vary between programmes with dual education or workplace-based training and programmes with school-based training. As a result, many still consider VET a second choice vis-à-vis academic pathways leading to higher education. The 'stigma' of VET schools is also exacerbated where there is poor infrastructure and poor quality of teaching.

Some labour market trends also confirm the varying quality of VET provision. In some sectors, employers do not have a preference for hiring VET graduates over graduates with a general (medium level of) education. Indeed, it is quite common in Georgia to work in a job different to one's education field, particularly in vocational occupations. A tracer study of public VET graduates conducted by the Ministry of Education, Science, Culture and Sport indicated that 38% of VET graduates worked in their field of education in 2016 and 42% worked in their own field in 2017 (MoESCS, 2017). According to a labour demand survey conducted in the tourism sector in 2017, only 17% of all tourism workers were VET (tourism) graduates, while 47% had higher education and 36% had secondary general education (MoESD, 2018b). The VET graduates also reported lack of demand for their professions and qualifications, lack of experience and low salaries as the main barriers to their employment (MoESCS, 2019).

A recent survey focused on young people living in the four regions of Georgia[9] concluded that employers in those regions are primarily looking for people with low to medium levels of education (SAVE-DEPA, 2018). They have particular difficulties in finding the following specialists: electrical and electronics repair staff, computer specialists, plumbers, carpenters, catering and hotel management specialists, engineers, mechanics, veterinarians, industrial electricians, machinists, chemical and food technologists, civil technicians and welders. However, only 15% of youth respondents residing in the targeted regions had VET education and they mainly specialised in pharmacy, information technology, nursing and construction work. In other words, there is a discrepancy between the qualification levels of the graduates and the fields demanded in the regional labour markets (SAVE-DEPA, 2018).

The same survey found that, while technical competence is of paramount importance to employers who are making hiring decisions, future employees also need to have certain transversal skills (SAVE-DEPA, 2018). When assessing young staff members and job applicants, company representatives noted that they usually lack a sense of responsibility, punctuality, discipline and motivation. In terms of interpersonal transversal skills, the employers demand communication, teamwork, leadership and problem-solving skills, which young people often lack. Based on their own self-assessment, the young

[9] The four regions included are Kakheti, Shida Kartli, Samegrelo-Zemo Svaneti and Mtskheta-Mtianeti. The youth-focused labour market assessment was done based on surveys and interviews with young people, employers and non-formal education providers in 2018 (SAVE-DEPA, 2018).

people reported that these were the kind of skills that they were least proficient in; this also applied to VET graduates (SAVE-DEPA, 2018). Key competences and soft skills are therefore as important as technical skills, and are often reported as lacking.

The results of another youth transition survey conducted via face-to-face interviews with 2 000 young people provide detailed and statistically reliable information on youth transition by education level (Badurashvili et al, 2019)[10]. As seen in Table 17 below, almost half of young people found their first job within six months of graduating, although there is a variance of between five and nine percentage points between the different education levels. Interestingly, the worst performers in this period were the graduates of lower secondary education and IVET (levels 1–3). The secondary VET graduates (levels 4–5) were more successful than initial VET graduates in all periods after graduation. The differences of performance decrease in time after graduation, but in general the most successful job entries are made by graduates with tertiary education and secondary VET. Interestingly, upper secondary graduates got slightly better positions than VET graduates three years after graduation (Badurashvili et al, 2019).

TABLE 17. SHARE OF YOUNG PEOPLE AGED 18–35 FINDING THEIR FIRST JOB WITHIN A SPECIFIC NUMBER OF MONTHS OF LEAVING EDUCATION, BY GENDER AND EDUCATION

	Finding first job within a specific number of months of leaving education				
By gender	**6 mths**	**12 mths**	**24 mths**	**36 mths**	**60 mths**
Male (%)	52	61	72	79	87
Female (%)	41	49	61	68	78
By education level	**6 mths**	**12 mths**	**24 mths**	**36 mths**	**60 mths**
Lower secondary (%)	41	47	53	62	73
Upper secondary (%)	43	50	62	71	80
IVET (%)	38	47	57	64	75
Secondary VET (%)	47	52	64	69	74
Tertiary (BA) (%)	49	58	71	79	87
Higher tertiary (MA/PhD) %	56	67	73	76	82

Source: Badurashvili et al, 2019. Adapted from Table 3.4 on p. 31.

Another issue highlighted by the survey is the persistent difference between the performance of initial VET and secondary VET graduates, with the latter doing better at all times after graduation. Moreover, VET graduates with dual education or workplace-based training are more successful than VET graduates with school-based training, but the success rate is higher for secondary VET compared to initial VET (Badurashvili et al, 2019). Finally, almost one-fourth of lower secondary, initial VET and secondary VET graduates are still without their first work experience after five years (Table 17). Even if graduates find jobs quickly, this does not automatically guarantee a higher-quality job. The results of the survey show that the best chances of finding formal sector employment is found among tertiary graduates (81%), followed by (secondary) VET graduates (70%) (Badurashvili et al, 2019). In

[10] The survey was conducted by the University of Bamberg (Germany) and Tbilisi State University between October and December 2016 with a nationally representative sample selected using multistage cluster sampling and stratification. After approaching 11 835 households in all regions throughout Georgia, 2 000 standardised face-to-face interviews were conducted with young people aged 18 to 35 who had left the education system during the previous 10 years. This gives an individual-level response rate of 86.0%, with a high confidence level (see Badurashvili et al, 2019).

conclusion, secondary VET graduates are more likely to be active and employed and less likely to be unemployed, compared to those with only medium general education.

VET does not provide firm protection against being NEET either. As seen in Table 18 below, the highest probability of being NEET is among VET graduates (almost half of them), while the lowest probability of being NEET is among those with lower secondary or less. The next education group susceptible to being NEET is higher education graduates (almost 40%), followed by graduates of upper secondary education (almost 32%). These results by education group remain similar by gender, despite the fact that more women than men are NEET. This confirms that level of education does not always relate to NEET rate and VET education does not save young people from being NEET. At the same time, young people with a low level of education in rural areas are forced to take jobs in subsistence agriculture (despite not wanting to do so), thus they are not necessarily NEET (ETF, 2018).

TABLE 18. PERCENTAGE OF NEET (AGED 15–24) BY EDUCATION LEVEL, 2018

Education level	Total	Male	Female
Lower secondary and below	14.4	12.2	16.9
Upper secondary education	31.5	29.6	34.0
VET education (below tertiary)	49.6	33.1	64.2
Higher education	39.3	32.5	43.2
Total	26.9	23.2	31.0

Source: Geostat, 2018 (labour force survey data).

These varying degrees of success in the labour market achieved by VET graduates signal varying quality and relevance of VET provision. VET quality depends on many factors, such as curricula, teaching and learning materials, learning processes, infrastructure (ranging from the workshops used for traditional trades to building operations, e.g. energy, heating, AC) and custodial services (e.g. cleaning, maintenance) (MoESCS, 2019). Anecdotal evidence suggests that some VET providers are not always up to standard in these respects.

Learning and training environment requirements are defined in the authorisation standards set out by the Ministry of Education, Science, Culture and Sport, which are compulsory for all education establishments carrying out educational activities. However, only minimum technical standards are set and checked by experts. For example, according to the EBRD's 2018 project fiche, *Nursing skills in Georgia: Development of a local-language nursing textbook and test item bank*, the nursing education curriculum was, until very recently, outdated. Following the recent modernisation of curricula, however, VET colleges are lacking updated Georgian-language nursing textbooks and a test item bank aligned to the new curriculum. The aim of the current EBRD project is to produce these items.

Another sign of quality is the relatively high dropout rate in VET in Georgia. In 2018, the total dropout rate was 27% (21% in private schools and 30% in public schools), while the completion rate of VET programmes was 68% (75% in private VET schools and 66% in public VET schools) (MoESCS, 2019). The ministry reports the following reasons for dropout: military service (for men); study fees in private VET; studying in another school; leaving for work; family circumstances; health; and change of residence. VET institutions are encouraged to develop partnerships with companies to improve technical workshops and training, but such partnerships do not always end in success. In principle, a minimum component of 40% practical training is foreseen in all VET programmes, but the distinction between school-based and work-based practical training is somewhat blurred (ETF, 2016). Although

there is a gradual increase in practical training in VET programmes (with the help of donor projects such as those funded by GIZ), the actual share of work-based learning remains low.

Another aspect is the quality and status of VET teachers. According to the numbers provided by the Ministry of Education, Science, Culture and Sport (2019), there were 3 260 VET teachers in Georgia as of August 2019. The student-teacher ratio in secondary VET is relatively healthy – 20.2 in the 2017/18 academic year. However, around 72% of VET teachers were over the age of 40, with almost half of them over 50 years of age (no upper age limit). Two-thirds of teachers were female. Until recently, VET teachers were not required to have pedagogical training. They also earn low salaries and pensions, although salaries were just increased by 30% at the time of writing this report. As explained earlier, their job status is fragile since they work only as employees of the school where they are hired by the school principal, thus part-time work is quite common.

Last but not least, it is important to keep in mind the budget allocation for VET provision. Compared to the country's ambitions, average spending on education, and in particular on VET, seems low in Georgia by international standards. Given the average of 5% of GDP spent on education in OECD countries, Georgia's total education expenditure as a share of GDP has oscillated between 2% and 3% since the early 2000s. And VET expenditure has never exceeded 3 to 4% of the public education budget (Table 19). Despite some increases in VET spending in the last decade, it is still quite low considering the low starting base. Further increases in the budget for VET seem to be imperative given the ambitious plans of the state to increase the VET school network and the number of VET students, including those in the regions, with student dormitory facilities and transport services for students from rural areas.

TABLE 19. PUBLIC EXPENDITURE ON EDUCATION AND SHARE OF VET EXPENDITURE

	2014	2015	2016	2017	2018
Education expenditure as % of GDP	3.2	3.4	3.8	3.8	3.1
Education expenditure as % of public expenditure	10.6	11.1	12.2	12.7	12.7
VET expenditure (% of total public education expenditure)	3.7	2.7	2.7	3.1	2.8

Source: Geostat, 2019. Calculations are based on Ministry of Finance and Ministry of Education, Science, Culture and Sport data.

3.3. Policy responses developed to meet the challenges

Being well aware of these challenges, the government of Georgia prioritised education and 'enhancing skills' as one of the three overarching goals of the country's socio-economic development within the Georgia 2020 Strategy. The reforms have been under way in Georgia's education and VET system for more than a decade. The latest policy document – Unified Strategy for Education and Science 2017–2021 – consciously encompasses all levels of education in a holistic approach in order to develop an accessible and quality education and science system based on the principle of lifelong learning. There is an increasing emphasis on introducing the key competences needed for the new economy in education policy documents, e.g. digital skills, foreign languages and soft skills, as well as lifelong learning.

The goal of the VET reforms is also very broad and ambitious: 'a quality-oriented VET, relevant to current and future local and international labour market needs, inclusive, accessible to everyone within a lifelong learning context to support the country's economic development and poverty reduction'

(MoESCS, 2019). The VET system is therefore expected to contribute to both economic competitiveness and social inclusion (with poverty reduction). One of the specific goals of the Unified Strategy for Education and Science 2017–2021 is to increase the number of VET students to support the socio-economic development of the country, and to increase their competitiveness by developing both vocational and general skills. Different government documents mention increasing youth participation (young people aged 15 to 24) in formal VET programmes up to 8% of that age cohort – it was 4.5% in 2017.

With the adoption of a new VET law, 2018 was a milestone year in the reform of the VET system in Georgia. Although full implementation of the law will take some time due to the need to enact by-laws and regulations and to improve infrastructure and the capacity of VET institutions to implement it, the law has a clear direction and has created a legal basis for many innovations within the system, e.g. the integration of VET into upper secondary general education; flexible pathways between general, VET and higher education; the systematic application of work-based learning; incentives for adult education and short-cycle VET programmes; recognition of the private sector's role and public-private partnerships in VET; stronger mechanisms for VET quality assurance; and the validation of non-formal and informal skills.

As repeated many times in the VET strategy documents, in the Unified Education Strategy and the new VET law of 2018, the policy direction in the reform of the VET system includes three clear objectives:

1. relevant VET – relevant to labour market demands
2. accessible VET – accessible to everyone in the context of lifelong learning
3. attractive VET – attractive to (promoted to) all groups in society

These objectives are closely linked to each other, and an action to address one objective may indeed serve other objectives as well. Though it is difficult to identify which policy is designed for which objective, the sections below attempt to classify and analyse policy responses designed for each of these three objectives. For example, a key policy response for 'relevant VET' is the involvement of the private sector (world of work) both in the design and delivery of VET programmes, and the implementation of work-based learning. As for 'accessible VET', key policies considered involve increasing (more schools) and diversifying (more types of programmes) VET provision, introducing modular VET programmes and integrating VET into upper secondary education. With regard to 'attractive VET', key mechanisms considered involve eliminating the 'dead end' perception of VET by merging it with upper secondary education, improving the quality of teaching and learning, and initiating public promotion campaigns for attracting more students to VET.

3.3.1. More relevant VET

As reported in detail in the national Torino Process report (MoESCS, 2019), Georgia took several measures to involve the private sector in both the design and delivery of VET. For example, the National VET Council, which involves the social partners and civil society, was created to design VET policy; thematic working groups discuss and recommend VET policies; the sector skills councils review VET qualifications; and different models of public-private partnership are foreseen for VET delivery. A new national qualifications framework was adopted in 2019. However, how all these structures and mechanisms work in practice is another aspect of the analysis. The concept of work-based learning and dual education has gained a lot of attention and has been on the policy agenda during the last decade as well. It is expected that all these mechanisms will lead to more relevant VET programmes.

As a result, a minimum component of 40% practical training is foreseen in all VET programmes on principle, with some courses demanding higher percentages in line with the applicable occupational standard. These changes have resulted in an increased share of practical training, both at school and in work settings, but the total amount of provision available is still considered inadequate, while the distinction between school-based and work-based practical training is somewhat blurred (ETF, 2016). The VET curriculum includes work experience, work-based or company training, school-based practical training and external project modules, implying work-based training contexts for close to a quarter of the curriculum after the revisions (ETF, 2016).

Some success has been achieved in terms of raising the awareness of the private sector and engaging it in dual education. Since 2018, the number of companies involved in dual education increased from 11 to 51 and 29 brand new programmes were created in partnership with the private sector in 2019 (MoESCS, 2019). VET projects with a dual or work-based learning component that were funded and/or implemented by donors were essential in achieving this success. With the implementation of the new VET law, a new adult education system will also be developed in cooperation with the private sector, since companies can now get authorisation (in cooperation with the VET school or independently) from the Ministry of Education, Science, Culture and Sport to provide short-term training courses and their graduates can get a state-recognised certificate. This is of course only the legal aspect. It remains to be seen whether this legal permission clause will motivate a high number of companies to provide VET courses. The result will depend on the profitability of such actions for the companies.

Although modular VET programmes are classified and discussed under ‘accessible VET’ in the next section, the substantial changes and improvements made to VET curricula must be mentioned here also in relation to relevance. Georgia has gradually replaced subject-based programmes with modular programmes, which has also improved the relevance of VET provision to the labour market. Subject-based programmes had a duration of nine months, but with the full implementation of modular programmes in 2019, the minimum duration of VET programmes increased to a year and a half. Moreover, entrepreneurial learning has been an obligatory module in VET since 2015. This includes obligatory and optional learning materials such as a student book on entrepreneurship and a teacher's handbook on the same subject. Given the limited availability of wage employment, this could facilitate the self-employment of graduates. In 2016, the Ministry of Education, Science, Culture and Sport created a network of industrial innovation laboratories (known as FabLab) in 14 vocational colleges, where students can learn digital skills and create innovative products (MoESCS, 2019).

3.3.2. More accessible VET

Increasing existing VET provision is essential for accessibility, in particular in Georgia’s regions. To this end, public investment has been made to increase the geographical coverage of VET institutions by establishing new colleges and branches, developing student dormitories, rehabilitating college buildings, adapting school infrastructure for disabled students, and adapting and developing learning materials for people with disabilities or special educational needs (MoESCS, 2019). The Ministry of Education, Science, Culture and Sport continued the expansion of its public VET provision network by opening new branches in existing VET schools or creating new schools in 65 municipalities. In the 2019 plan, 27 municipalities are covered with the creation of 6 new VET schools. In addition, there has been an upward trend in the financial resources allocated for education and VET (MoESCS, 2019).

The diversification of VET programmes and the inclusion of short-cycle training programmes is another important policy response in VET provision. Since 2019, all VET institutions have been

working with a modular education system. The modular programmes are based on educational and occupational standards that were developed in cooperation with employers. The main advantages of modular VET programmes are not only compliance with labour market requirements, but also a greater focus on learning outcomes, a practical component, and modern approaches to teaching and assessment. In this way, each student can choose their individualised learning pathway based on their own needs and have more freedom in terms of choosing and planning their own education (MoESCS, 2019). Obviously, this will increase flexibility and hence access to VET, and facilitate further VET studies.

This flexibility in planning and implementing the educational process will be further complemented by the opportunity for VET providers to implement short-cycle training and retraining programmes, after which the state awards certificates. According to the new VET law, educational institutions will be able to add short-term programmes to their training and/or retraining offering without an extra quality assurance process if they already run authorised VET programmes (MoESCS, 2019). Establishing a system of validating non-formal and informal learning will also nicely complement the modular programmes, giving individuals more flexibility and options to continue their lifelong training. Overall, the system is expected to better support the lifelong learning of individuals and increase adult education in Georgia.

Another very important change with the new VET law is the possibility of integrating VET into upper secondary education. The preparatory work for this integration is still ongoing, so a clear implementation plan is not available yet on the question of 'how'. In principle, this option has great potential to increase VET enrolment considerably in Georgia, mainly by eliminating enrolment competition between VET and upper secondary education for the 15 to 18 age group. In the past, the diplomas awarded to VET graduates were not considered equivalent to upper secondary education diplomas, but the new 'integrated' schools can now award diplomas that combine both VET and upper secondary education.

Last but not least, the Ministry of Education, Science, Culture and Sport has implemented many important initiatives since 2016 to make VET more accessible and inclusive for special vulnerable groups and made institutional adaptations, including learning equipment and materials. As already mentioned, public VET providers allocate at least 10% of places in each enrolment round for applicants with special needs and/or disabilities, who require extended support during their education (MoESCS, 2019). The representatives of ethnic minorities can take the VET admission exam in their own language (Azeri, Armenian or Russian), after which they can enrol in VET and begin to learn the Georgian language in their vocational education studies. Transportation expenses are covered for IDP students to support their access to VET (MoESCS, 2019). This is a successful initiative, although the number of beneficiaries is very low.

3.3.3. More attractive VET

All of the policy responses explained above under the headings of 'relevant' and 'accessible' VET will eventually contribute to the increased attractiveness of VET in the medium to longer term. For example, modular courses will give individual learners (both young and adult) more freedom in organising their education; dual education and work-based learning will increase the relevance of VET and attract more students to it; short-cycle programmes will offer more options for working adults. Integrating VET into upper secondary education will definitely attract more young people aged 15 to 18 into the VET system in order to get both a vocation and an upper secondary education diploma. Increasing the quality of teaching and learning is another step. The Ministry of Education, Science,

Culture and Sport revised the quality assurance framework and the VET authorisation standards in 2019. It also plans to invest more in infrastructure and the learning environment, and to improve the quality and status of VET teachers (MoESCS, 2019).

The country has implemented successive changes to professionalise and modernise the teaching workforce. This has included increasing the qualification requirements to become a teacher and introducing a merit-based career structure. Teachers are now required to pass certification examinations in pedagogical skills and subject knowledge to reach the status of senior teacher. Considering that VET curricula and teaching need to be continuously aligned with the changing skills demands of the private sector, the ministry has developed and delivered many in-service training programmes for VET teachers, e.g. on modular VET curricula and pedagogical skills. Considerable work was done to develop draft regulations on the VET teaching profession and its professional development. The training model for VET teachers and their professional development is being modified to include professional standards and an ethics code (MoESCS, 2019).

The Ministry of Education, Science, Culture and Sport also supports the wider use of public promotion campaigns to change the image of VET from negative to positive, by emphasising the opportunities provided by VET education to students, parents and employers. The Communication Plan is only the beginning of a long process to change public attitudes towards VET, but at least seven countrywide VET award events take place annually, organised by the Ministry of Education, Science, Culture and Sport in conjunction with international donors: hackathons and Makaton, teachers' awards, ECOFactors, TVET and Makeathon (MoESCS, 2019). A National VET Award was launched in 2017 to select the VET student of the year, the VET professional of the year, the VET school of the year and the VET business partner of the year (see www.iswd.ge). All of these are intended to further improve the image and attractiveness of VET.

3.3.4. Policy and implementation gaps

All the objectives (accessible, relevant and attractive VET) and policy priorities set against these objectives are highly relevant and are going in the right direction in the context of the Georgian VET system. The review of policy responses in the previous section shows a significant capacity and maturity of VET policy making in Georgia, and all these policy responses must be praised for their relevance, coherence and correctness.

As a country with a high number of international donors in the field of VET (see Section 1.3) and as outlined in the national Torino Process report (MoESCS, 2019, pp.17–19), the Georgian government has received and continues to receive considerable (if not essential) support for its reforms of the VET system. In particular, international donor support has been highly visible in designing all the VET policy responses summarised in the previous section, as well as in piloting examples of work-based learning programmes and developing standards. This has stimulated a lot of learning and debate on different VET policy options among policy makers.

Given the maturity and richness of VET policy development and the widely available international expertise to support the Georgians, this report did not identify any obvious gap in written policy documents, but gaps might be observed in the implementation of these policy responses. It is already noted that most of these policy responses are still in the planning and/or early stages of the pilot or implementation period. Some of the implementation is supported heavily by donor projects (e.g. dual education or work-based learning). Before going into the details of policies designed to increase the

quantity and quality of VET, three general observations have to be made on transversal policy issues in the VET system. These issues are all linked to the implementation of the policy responses.

The first is the feasibility and sustainability of the implementation of the policy responses. Considering the ambitious nature of the reforms, the high number of priorities, and sometimes conflicting nature of the objectives, their implementation will not be easy. The complexity of the VET system will require a high degree of professionalism and efficiency from all actors in all regions, which will be extremely challenging in practice. Given the high number of policy priorities, it must be remembered that even the best policy on paper could fail badly on the ground if its implementation modality is not planned properly and the institutions and staff are not adequately prepared. The design of the implementation modalities and operational procedures or guidelines are therefore of the utmost importance to the success of implementation. The implementation process should be planned thoroughly and designed from the viewpoints of VET providers and end users, rather than from the policy makers' perspective.

The second is the continuing focus on the central institutions and policy makers, rather than focusing more on service providers and end users. At this stage of the reform process, and with the longstanding support of the donor community, the time has come to focus on policy implementation issues rather than policy development. Thus, action has to be taken on the ground in the regions, with direct support given to VET providers and end users in regions and/or sectors. Various signals indicate a huge gap between the capacities of central and local institutions in Georgia, the latter being much weaker. Thus, despite the right policy responses being designed at national level, their implementation plans are not well enough developed to deal with local conditions in the regions and rural communities. Therefore, there needs to be a shift in perspective from the policy makers to the VET end users and VET service providers, particularly in the regions. The needs and perspectives of the VET providers and VET end users have to be prioritised.

The third is the limited financial and human resources available within the regions. Also linked to the first two issues, budget and staffing are key to the efficient implementation of policies. Obviously, donor support has been less visible in the regions and helped only a handful of VET providers to improve local capacity on the ground. If implementation is to be successful, all local actors in the regions must be supported substantially, e.g. VET providers, VET students, local authorities, local companies, local support facilities and local employment services. Increasing the availability and diversity of VET provision and a highly sophisticated system will require extra financial and human resources, which is highly unlikely to be paid for by the private sector or students in the regions. Therefore, politicians seriously need to consider increasing the education budget and the allocation for VET resources going to the regions and rural areas. Donor funding could be better reflected and included in the education and VET budgets, while spending inefficiencies could be reduced in the existing budget. This is imperative if the country wants to improve both the quantity and quality of VET provision in the regions.

Gaps and recommendations on VET accessibility and low participation

To increase VET accessibility and participation, it is imperative to increase the VET offering in the regions and increase the number of VET applicants and students who are currently less represented in the VET system, e.g. academically oriented students who plan to continue to higher education, people with poorer or rural backgrounds and disadvantaged groups. The VET policy responses clearly recognise these issues and set the objectives, but the details of implementation modalities ('how to do it) are not entirely clear yet.

Increasing VET provision means increasing the allocation of financial and human resources and spending existing funds more efficiently. The state budget allocated so far shows that the system cannot be expanded only with public funding and public VET provision. Realising this situation, the new VET law opens the way for public-private partnerships and for more private sector investment in VET provision. Although this is the logical way to proceed, it is not clear whether the private sector will be interested and take action. Moreover, the entire VET governance structure is still very much oriented (if not biased) towards the public VET system. Private sector actors will not enter the game (to a large extent) unless there is something in it for them and the system is truly managed together. The public sector needs to accept the fact that if the private sector invests in VET it will also want to make decisions and manage it. Thus, VET governance also has to change to enable a power-sharing role with the private sector.

In addition to an increased VET offering, accessibility can be further improved by reducing the geographical, financial, information and academic barriers for certain groups, as mentioned in Section 3.1.1. One way of reducing the barriers is by embracing private VET providers, bringing them into a unified VET system and creating the same set of rules for all VET providers in the spirit of 'one big VET family'. This could promote greater cooperation and coordination between public and private VET providers in the regions and create economies of scale in the provision of certain vocational programmes in the same localities and/or regions.

It must be accepted that some students and parents in certain segments of the population will always choose higher education over VET education. Therefore, the state might think about targeting certain population categories as their main 'VET clientele' and adapt the VET system to make it more attractive to this clientele. For example, one option suggested is the integration of VET into upper secondary general education. In the implementation of this policy, however, a very fine balance is needed. It must not be too academically oriented at the expense of VET, nor must it be too much vocationally oriented at the expense of standard general education. Another option could be to increase the VET offering at the ISCED 5 level as a first cycle of higher education.

In any case, it is important to identify which socio-economic groups could benefit the most from this level of VET, particularly in the case of secondary VET provision. The key question to be answered in this respect is: who should be the main target group for publicly funded VET provision? On what basis should students be selected for public VET: age, income, place of residence, educational success? Surely anyone who has time and funding can receive any type of VET, but state-funding support for VET could be used more efficiently to increase the natural 'VET clientele'. Depending on the answer, the funding schemes could be revised or designed to better address the needs of such groups, e.g. funding based on income level, place of residence (rural/region), age group, education level and vulnerability.

Another direction that VET reform could take to increase the number of VET students (double or triple the number, depending on the objective) is by increasing its advantages and attractiveness. Launching public campaigns on the positive image of VET is the first step to attracting more students, but this will not be enough to radically increase the number of students in the VET system. As explained before, no differentiation is made between IVET and CVET in the Georgian VET system, so people with different ages and education or experience levels can be in the same VET training class. In principle, this is a good policy, but in practice 'targeting everyone means targeting no one', so it may fail to make a visible structural change in the VET system.

Within this context, the following are the possible options (recommendations) for consideration.

R1. Know and target the 'VET clientele'

For better targeting, the starting point is mapping the socio-economic profile and motivation of VET students according to different type and level of education and public or private VET provider. This would provide information on who is participating in VET education and why. This profiling can be done quantitatively by using the socio-demographic information about VET students registered in the EMIS database (both public and private schools), at least for the last decade. If there is information missing, a decision should be made to collect more information about the socio-economic profile of VET students. It would also be useful to analyse the number of VET applicants over the years, which is reported to be increasing. The reasons for the gap between 'enrolled students' and 'applicants who could have been enrolled' could be linked to the VET courses for which there is high demand/a high number of applicants vs courses for which there is low demand/a low number of applicants.

A qualitative analysis could also be performed by interviewing VET students and VET teachers about the profiles, motivations and future plans of VET students. Knowing the local context better, the VET providers in the regions could be consulted extensively on their insights into the motivations for enrolling in VET. Another way to understand social trends in education is to conduct a 'VET demand survey' with young people – a nationally representative survey based on robust research techniques. If well-planned, parents and employers could also be involved in this national survey. Such a survey could, for example, give a better idea as to whether an integrated school of VET and upper secondary education is more attractive to young people than having separate programmes, or under what conditions young people would give up their dream of having a university education in favour of having a VET education. Another important aspect to understand is who can afford to pay for VET training and under which conditions. The essence is to understand better the logic and motivations of VET end users: young people and adults alike.

R2. Create the same set of rules for all VET providers

The state needs to create a level playing field for all types of VET providers (e.g. public, private, NGO, secondary or higher VET level), so that all VET providers play by the same set of rules. Fair treatment in terms of state support for all providers with the same rules of the game and incentives is the only way to increase VET provision efficiently and attract more private players into the game. A unified VET structure could create healthier competition and better complementarity between public and private VET providers.

State support for VET providers would include not only the provision of financial support under certain, clear rules, but also would also entail capacity building actions, consultation and co-management with all VET providers and adaptation of the whole VET governance structure for all players. This would probably lead to changes in terms of working relations with VET providers, as the latter would no longer be subordinates of the public ministries, but rather 'co-managing partners' in achieving common objectives.

R3. Improve the voucher system for funding VET students

The state voucher funding scheme could be reformed so that all VET providers (public and private) receive funding for VET programmes, particularly in priority economic sectors. Those candidates who passed the VET admission exam and get a voucher could be free to choose any VET offering available in the country (not necessarily a public provider), so it would also be possible to use vouchers in private VET institutions. In any case, voucher systems work best only when students have a wider choice of VET courses to choose from (e.g. equal distribution of VET offering) and when they are well informed about education and career options by a well-developed career information and

guidance system (that is available to everyone). Linked to this reform, the unified VET admission exam could be adapted and used for all VET enrolments, including enrolments in private VET schools. In conclusion, private VET providers could be included in the unified VET admission exam, and get their rating according to the quality of their offering. This puts them on an equal footing with the public VET providers.

R4. Facilitate further access to VET for less successful and vulnerable groups

After identifying who should be subsidised in state-funded VET provision, the state needs to decide whether public providers will compete with private providers to get the best students or focus more on disadvantaged groups. Depending on the decision, entry requirements to the publicly subsidised VET provision could be changed and reformed for better targeting of some groups, the traditional 'VET clientele', e.g. by including age limits to target the younger population and education limits to exclude university graduates from public funding and by giving priority to certain types of residence or lower socio-economic groups.

The academic content of the unified VET admission exam could also be changed to diminish the importance of academic success, or some extra weighting elements could be introduced to increase the chances of students who are academically less successful. Means-tested weighting (by place of residence, income level, education level, or socio-economic background) could be used to balance the territorial or income inequalities in the 'merit-based' admission exam. Another way would be to develop compensation mechanisms for disadvantaged groups, e.g. in the form of remedial courses to do better in the next unified VET admission exam or special vouchers or scholarships for VET students from poorer family backgrounds. Building dormitories and developing transport for poorer VET students from villages could be introduced and highlighted in the system as a common state policy for all VET providers, including private providers.

R5. Expand higher-end VET through first cycle programmes in higher education

It must be accepted that some students and parents in certain segments of the population will always choose higher education over VET, irrespective of quality or attractiveness issues. To capture this potential in favour of VET education, higher-end VET could be expanded substantially within the higher education system. This could result in first cycle higher education programmes at ISCED 5 level, further addressing the attractiveness issue of VET. Out of 143 800 students enrolled in 2018 in the higher education system, only 1 700 students were at ISCED 5 level in VET education, accounting for only 1.2% of university students. Considering the total number of all VET students in 2018 (12 521), the students at ISCED 5 level in VET education account for 13.6% of the whole VET system. In conclusion, there is great potential to increase this offering also through the private provision of higher education.

Gaps and recommendations on quality and relevance of VET provision

The proposed reforms undoubtedly create some complexity in VET provision on the ground, which requires a high degree of knowledge and professionalism on the part of both VET providers and VET students. Diverse institutions, diverse course structures and diverse students also complicate the teaching and learning process from the VET trainers' and learners' point of view. Therefore, management of the VET system at school level becomes even more complex, with no economies of scale impact due to the small size of VET institutions. Navigating this new system might not be easy for some target groups. In particular, some vulnerable groups or simply worse-off students may not find it easy to choose and apply for a certain level of VET training or to know what modules to select,

for example. To function efficiently, the system will require high-quality counselling and guidance services for all to decide on educational and professional choices available.

The development of publicly available lifelong vocational counselling and career planning services in Georgia was outlined by Government Decree No. 721 (2014). Career guidance services were introduced in 2015 by the Ministry of Education, Science, Culture and Sport, the Ministry of Labour, Health, and Social Affairs (Social Service Agency) and the Ministry of Youth (which was subsequently abolished). Although an essential element in the country's education and training system, counselling and guidance remain at a basic level, mainly due to insufficient staffing. Students in primary and secondary education have limited access to counselling services and they often have to make uninformed decisions (MoESCS, 2019). The service is not mandatory for general schools, so only some schools offer career guidance. Career guidance is available in public VET colleges, but it tends to be tailored to attract students to the particular college (ETF, 2018).

Weak guidance is followed by weak support for job search and job intermediation, especially for young people as they enter the labour market for the first time. According to the Social Service Agency, the number of registered jobseekers (on the online platform worknet.gov.ge) has increased considerably, and two-thirds are people with a low level of education – the group that could certainly benefit from VET (MoESCS, 2019). As a result, young people and parents making important life decisions do not always have enough information on the available educational and occupational choices. This is particularly true for the individuals coming from socio-economically disadvantaged regions and rural areas.

Another aspect is the continued importance of key competences for VET graduates. Given the relatively poor results achieved in international education quality tests such as PISA and the complaints of Georgian employers about the lack of technical and soft skills, it might be also necessary to supplement the modular VET programmes with the missing key competences. In addition to technical skills, foundation skills, soft skills, transversal skills, digital skills, foreign languages and entrepreneurial skills are also required. Awareness could be raised among VET providers and students about the type of technical and transversal skills required in the labour market through more extracurricular activities (ETF, 2018).

To increase the quality and relevance of VET, the involvement of the private sector in different ways (design, delivery, financing) is considered key in Georgia. The Ministry of Education, Science, Culture and Sport places a strong emphasis on cooperation with the private sector, be it in the form of dual education or other forms of work-based learning, which has also been supported by many donors by implementing pilot projects. Nevertheless, it is not easy for the private sector to make an effective contribution when most of the sector consists of micro and small enterprises and own-account entrepreneurs in Georgia. Consequently, dual education and work-based learning is not just an issue for VET policy, it also requires significant changes in the functioning of the country's economic and industrial structure (ETF, 2018).

In any case, not all VET programmes can be effective dual education programmes. Even in Germany, the share of dual VET programmes in the whole VET system is less than 30% of the entire system. The rest is composed of other types of work-based learning programmes, which could be modular programmes, school-based practical learning or internship programmes, for example. A weak and very fragmented private sector cannot and will not provide the expected contribution to the VET system, as any contribution could be costly and time-consuming for small companies. Moreover, the quality of training provided by small companies might not be up to the required standards. Concrete

mechanisms are lacking for establishing sound collaboration with employers, and the current work-based learning system relies primarily on donor-funded projects. It is time to be more innovative and find alternative ways for students or graduates to gain their first work experience, rather than just trying to imitate the dual education system operated in one of the most industrialised countries in the world.

Last but not least, the quality and status of VET teachers is another step in ensuring better quality VET. As explained in the previous section, many initiatives have started on the professionalisation and continuous training of VET teachers. However, most of these are still only written policy documents. Moreover, attracting competent students and individuals to the teaching profession is as important as initial teacher education and their continuing professional development. This brings us back to the low wages and pensions of teachers, the job insecurity left to the discretion of school principals and the unattractive working conditions. Considering the ever-increasing demand placed on the shoulders of teachers, it may be necessary to think whether we demand too much from them without giving them enough. After all, the support of teachers is crucial in the success of any educational reform.

Within this context, the following are possible options (recommendations) for consideration.

R1. Introduce systematic counselling and career guidance for all learners and jobseekers

The Ministry of Education, Science, Culture and Sport recently launched a programme entitled Working Skills Development to introduce professions in general schools, in partnership with VET colleges (MoESCS, 2019). Although this is a step in the right direction, the country needs a holistic system that provides systematic and regular counselling and guidance in educational and occupational choices to all learners at crucial moments of their lives, i.e. from lower secondary education, VET, upper secondary to higher education. Systematic information provision and counselling support should be available for every student in the whole system.

This support would continue to be available to students as they search for a job after leaving education, and particularly when searching for their first job. This requires the training and recruitment of career guidance professionals in education, VET and employment services. It also requires the provision of the correct content guidance. All learners at different points in their learning would need counselling and guidance to make the right decisions both in educational and professional choices. This is more than introducing professions to the students. Finally, counselling and guidance services cannot be effective if they are not provided on an ongoing (lifelong) basis, from general education to VET, higher education and first labour market transition. Therefore, all education providers (and employment support services) have to be linked in the provision of this service.

R2. Combine strong technical skills with key competences

Taking into account the available evidence on missing foundation and transversal skills, more investment could be made to include key competences as part of the curricula in all education levels and types, including VET provision. It might be relevant to consider the eight key competences adopted in the EU's Framework of Key Competences and incorporate them into the education system. The Ministry of Education, Science, Culture and Sport has developed a concept to promote entrepreneurial education in VET. While this is a positive development, entrepreneurial education could be launched much earlier (e.g. in secondary schools) and also continue further in higher education. More focus and resources should be devoted to disadvantaged regions and rural areas, where there is more need to improve basic skills (mathematics, science, reading) and other key competences (e.g. digital skills, foreign languages and soft skills).

R3. Cooperate with the private sector on new terms as equal partners

It should be noted that simply giving companies legal permission to provide VET training may not be enough to attract large swathes of the private sector to VET. If this is to be more than just wishful thinking on the part of the ministry or VET donors in the country, there must be clear incentives for the private sector to be involved in VET in different ways. In this respect, the topic could be brought to a higher political level, where a serious discussion is launched between high-level policy makers and all employers' organisations (including the Ministry of Economy and Sustainable Development) on their (feasible) contribution to the VET system. Cooperation with the private sector requires a new approach of co-management in VET, rather than simply communicating and consulting with the ministry. Donor projects focusing on promoting dual education and/or work-based learning could engage some of the industry representatives through financial incentives, but the new focus should be on how to expand this engagement mechanism beyond the lifetime of a project. Moreover, a special support mechanism could be developed to support small and micro companies in their VET training offering and promote collective training across the economic clusters.

R4. Diversify opportunities for VET students' first work experience

Given the limits of a weak and fragmented private sector with too many small and micro companies, the potential of different alternatives for what makes a first work experience (in addition to work-based learning and apprenticeships) could be explored, e.g. internships, traineeships, volunteering, job shadowing, summer jobs for students, self-employment pilots, social entrepreneurship initiatives and small business start-ups. Other existing programmes, e.g. public service internships, could be better connected to educational institutions and employment services. Creating legal and practical mechanisms and incentives to develop social entrepreneurship could be another option. As social entrepreneurs are not business people in the traditional sense of the word, but rather voluntary initiative-takers who develop, fund and implement solutions to social, cultural or environmental issues, they can offer young people a life-changing experience. Experience with social enterprises gives young people opportunities to explore innovative ways of achieving their mission, independence and emancipation through entrepreneurship.

R5. Raise the status of teachers and buy in their support for reforms

The role of teachers is key in improving the quality of education and making any educational or VET reform a success. Therefore, improving the status of teachers must ideally come before system reform in order to buy in their support. Consequently, increasing teacher salaries and improving their job status and working conditions are as important as developing a framework for continuing professional development. These would all help to attract qualified practitioners from the field, while developing merit-based hiring and firing criteria and mechanisms would diminish the discretionary powers of school principals. The framework for continuing professional development could include the development of diversified training modules and learning opportunities in both pedagogy and field-specific modern technologies and approaches. Finally, teacher exchange programmes and joint courses with foreign VET institutions could increase the incentives to build capacity for teachers. This measure would require additional resources, but the inefficiencies in the (part-time) teaching system would also need to be examined and the existing resources would also have to be spent more effectively.

4. CONCLUSIONS

This ETF assessment provided an overview of human capital development issues in Georgia, and analysed the accessibility and quality issues in education and the VET system in particular. Following a review of the policy responses to the main challenges, the analysis identified key features of the human capital development system in Georgia.

The report established that the country has made significant social and economic improvements over the last decade, and gained competitive advantage in services. However, it noted that economic growth does not produce enough jobs, most of which are currently concentrated in the capital. There is continuously low demand for high-skilled labour in Georgia, which also leads to the modest use of human capital in the economy. The skills mismatch signals some inefficiencies in the labour market as well as the low demand for labour. Young people in particular suffer from a long and difficult transition from school to work, and finding their first job is the most challenging aspect. Nevertheless, the existing statistics show that secondary VET and higher education graduates fare better in the labour market, compared to the graduates who only have secondary general education.

The results of the analysis point to the VET system as one potential part of the solution in addressing the above-mentioned issues. The report discussed whether the potential that VET has is fully used to address those economic and social challenges previously outlined. Although VET alone cannot solve all the problems, it can still contribute to the solution. However, the analysis identified two obstacles that have to be overcome: disparities in access and low participation in VET, and varying quality and relevance of VET provision. There was a particular focus on the VET system from a lifelong learning perspective and on issues of its accessibility, relevance and attractiveness. The Georgian authorities are well aware of the challenges and have put in place an ambitious reform agenda to achieve attractive, accessible and relevant VET. Key policy responses to reach these objectives seem highly relevant and well designed.

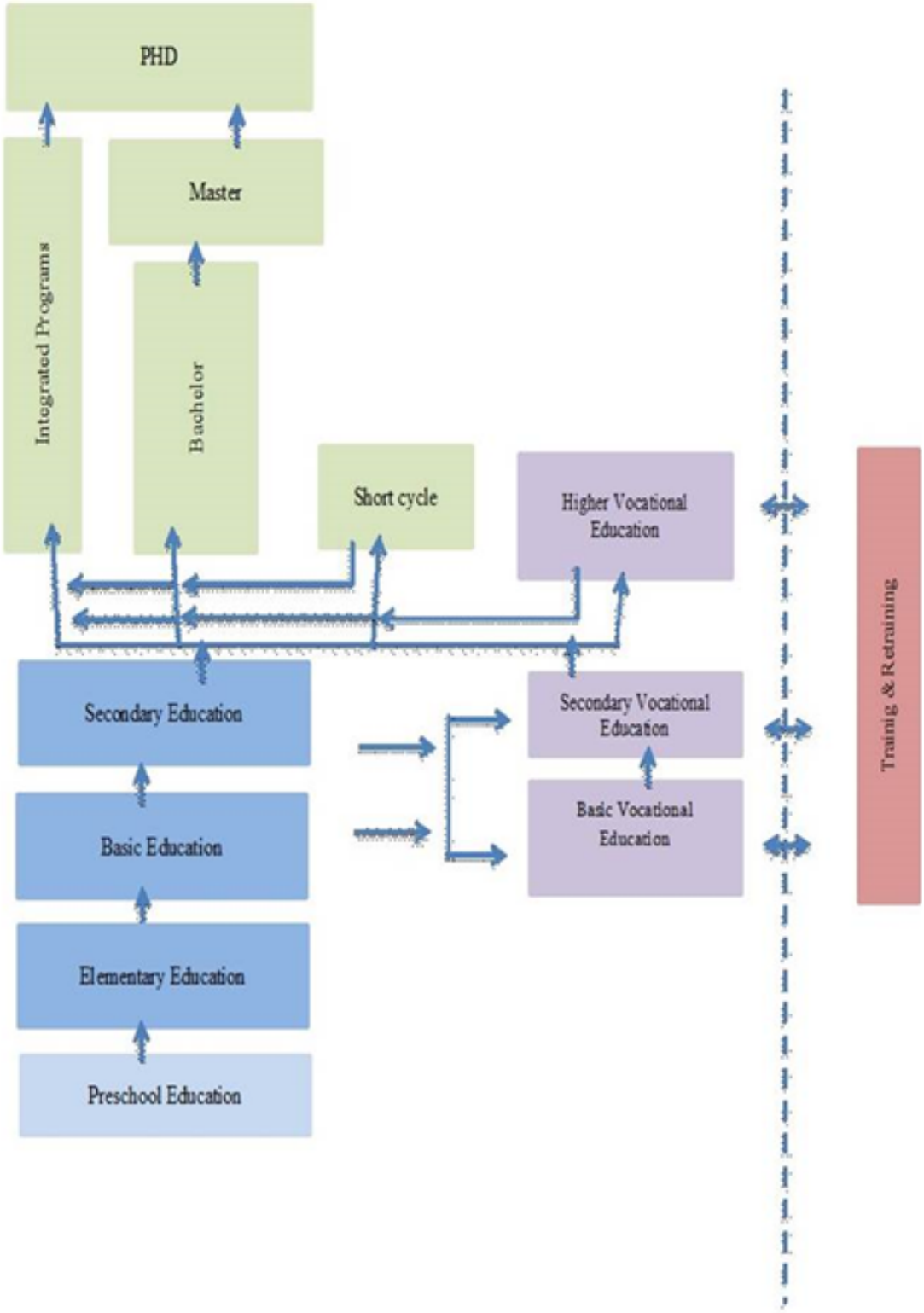
The analysis in this report points to the policy implementation issues, and tries to separate ‘what is feasible from what is not’ in the policy implementation. A reality check is necessary to distinguish between the ‘wish list’ and the actions that can actually be implemented by the Georgian policy makers, if they want VET reform to be truly successful. The VET system can certainly contribute to both economic development and poverty reduction in Georgia, but it needs to be finely adapted to the socio-economic realities of the country. Moreover, close coordination and cooperation between the actors in general education, VET and higher education is imperative, while cooperation with the main stakeholders (employers in particular) requires a new approach of co-management and power sharing, rather than simply communicating and consulting with the ministry.

ANNEX 1. SUMMARY OF RECOMMENDATIONS

Human capital development and use –problem	Recommendations	
	Recommendation	**Description**
Disparities in access and low participation in VET (QUANTITY ISSUE)	R1. Know and target the 'VET clientele'	■ Quantitative and qualitative research would provide a better understanding of the profile and motivations of VET participants. ■ The difference between the number of VET enrolments and applicants could be analysed for policy making. ■ The main target group for subsidised VET education would be clarified (based on age, education, income, place of residence and level of poverty, for example).
	R2. Create the same set of rules for all VET providers	■ A level playing field could be created for all types of VET providers (e.g. public, private, NGOs). ■ There would be a spirit of 'one big VET family' and co-management of the system. ■ Public and private schools could cooperate at local level. ■ This could increase the limited VET offering and reduce geographical barriers.
	R3. Improve the voucher system for funding VET students	■ All VET providers would receive funding based on clear rules, which would reduce financial barriers. ■ Students with vouchers could choose freely between public or private VET providers. ■ The unified VET admission exam would be applied to all VET providers, including private VET providers
	R4. Facilitate further access to VET for less successful and vulnerable groups	■ Entry requirements to publicly subsidised VET would be amended (i.e. based on age, education, income and place of residence). ■ Students from poor socio-economic households would get priority access to VET. ■ Measures would be taken to reduce both academic and financial barriers.
	R5. Expand higher-end VET through first cycle programmes in higher education	■ New VET first cycle programmes would be offered in higher education in order to increase the VET offering and its attractiveness.
Varying quality and relevance of VET provision (QUALITY ISSUE)	R1. Introduce systematic counselling and career guidance for all learners and jobseekers	■ Counselling and guidance services would be provided on an ongoing (lifelong) basis for every student in the education system. ■ All learners would have access to information and guidance for educational and occupational choices at crucial moments in their lives. ■ The information barrier would be reduced for the functioning of the complex VET system.
	R2. Combine strong technical skills with key competences	■ Given the complaints from employers, technical skills would be complemented by key competences. ■ There would be a special focus on foundation and transversal skills, particularly in regions and rural areas.
	R3. Cooperate with the private sector on new terms as equal partners	■ Clear incentives would be provided for the private sector to be involved in VET in different ways. ■ Small and micro companies would be supported in providing collective training offerings in clusters.

		■ A new approach of co-management and power sharing would be implemented in VET governance.
	R4. Diversify opportunities for VET students' first work experience	■ Measures would be taken to counteract the limits of a weak and fragmented private sector. ■ Different alternatives of first work experience would be explored systematically (e.g. internships, traineeships, volunteerism, job shadowing, summer jobs, social entrepreneurship).
	R5. Raise the status of teachers and buy in their support for reforms	■ The job status of teachers would be improved first before implementing the new law. ■ Improved salaries and working conditions would become a reality, so that more talented young people enter the teaching profession. ■ Merit-based hiring and firing criteria would be developed and implemented for VET teachers.
General observations (TRANSVERSAL ISSUES)	R1. Pay attention to feasibility and sustainability issues of implementation	■ Ambitious nature of reforms ■ High number of priorities set for implementation ■ Complex design of the VET system that requires a high level of professionalism ■ The need for continuous support to service providers and end users for efficient functioning
	R2. Pay attention to policy implementation instead of policy development	■ Continuing focus at the policy-making level ■ Implementation modalities are not always clear yet ■ Not enough attention paid to the needs of service providers and end users on the ground ■ No special focus on the implementation in the regions and rural areas
	R3. Pay attention to financial and human resources	■ Not enough attention to budget and staffing implications of reforms ■ Limited capacity of implementation in the regions and rural areas ■ Continuous reliance on donors' interventions ■ Risk of less efficient implementation in the regions

ANNEX 2. THE EDUCATION AND TRAINING SYSTEM OF GEORGIA



LIST OF ACRONYMS

EBRD	European Bank for Reconstruction and Development
EMIS	Education Management Information System
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
Geostat	National Statistics Office of Georgia
GIZ	German Federal Enterprise for International Cooperation
GITA	Georgia's Innovation and Technology Agency
IBRD	International Bank for Reconstruction and Development
ICT	Information and communications technology
IDP	Internally displaced person
ILO	International Labour Organization
ISCED	International Standard Classification of Education
LFS	Labour force survey
MoESCS	Ministry of Education, Science, Culture and Sport
MoESD	Ministry of Economy and Sustainable Development
NEET	Young person not in employment, education or training
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment
SDC	Swiss Agency for Development and Cooperation
STEP	"The Skills Towards Employability and Productivity" skills measurement survey
TIMSS	Trends in International Mathematics and Science Study
UNDP	United Nations Development Programme
VET	Vocational education and training
WEF	World Economic Forum
wiiw	Vienna Institute for International Economic Studies

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