



**POLICIES FOR  
HUMAN  
CAPITAL  
DEVELOPMENT  
GEORGIA**

AN ETF **TORINO PROCESS**  
ASSESSMENT

**EXECUTIVE  
SUMMARY**

**DRAFT**



## 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>

# 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

# 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 higher education



Increase the offer through first-cycle 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 technical skills with key competences



Complement technical skills with key competences to address employer needs.

Focus on basic and transversal competences, particularly in regions and sectors with high unemployment.

## 8. Cooperate with the private sector as an equal partner



Provide clear incentives for private sector involvement.

Support small and micro enterprises through collective training in clusters.

Modernise VET governance and power-sharing.

## 9. Diversify opportunities



Address the weak areas of the VET system. Systematically expand the offer of VET.

### er-end VET in higher

ffer and effectiveness of VET  
ycle higher education



### ical skills

with key  
omplaints from

sal skills,  
ural areas.

### ivate sector as

r private sector

ompanies by providing  
rs.

e through co-management

### ortunities for work experience

k and fragmented private sector.

xplore 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.

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.

The ETF launched the Torino Process in 2010 as a periodical review of vocational education and training (VET) systems in the wider context of human capital development and inclusive economic growth. While providing a quality assessment of VET policy from lifelong learning (LLL) perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.



[www.etf.europa.eu](http://www.etf.europa.eu)



[www.twitter.com/etfeuropa](https://www.twitter.com/etfeuropa)



[www.youtube.com/user/etfeuropa](https://www.youtube.com/user/etfeuropa)



[www.facebook.com/etfeuropa](https://www.facebook.com/etfeuropa)



[www.instagram.com/etfeuropa](https://www.instagram.com/etfeuropa)



[openspace.etf.europa.eu](http://openspace.etf.europa.eu)

