



POLICIES FOR HUMAN CAPITAL DEVELOPMENT

EASTERN PARTNERSHIP

AN ETF **TORINO PROCESS**
ASSESSMENT

EXECUTIVE SUMMARY

PREAMBLE

Economic, social, demographic and technological trends call for agile education systems that are fit to reflect changes in learning content, education provision and the assessment of skills acquisition. Such complex environments also call for regular analysis of information, data, facts and even perceptions aimed at providing decision-makers and practitioners with a good basis for taking steps forward in education reforms or consolidation of promising practices.

The partner countries of the European Training Foundation (ETF), most of them transition and developing countries, are particularly exposed to rapid and deep structural changes. Many are in a catch-up phase of economic development and at the same time are faced with serious challenges such as migration, aging populations or technology-driven inequalities. Within a lifelong learning context that brings together initial and continuous skills development, Vocational Education and Training (VET) is a cornerstone of socio-economic transformation. Most changes in technology, services and production influence the demand and supply of medium- and high-level skills, particularly those generated by VET.

To capture and document such changes and VET transformation across countries, since 2010 the ETF has been implementing the Torino Process: a periodical review of VET systems in the wider context of human capital development and inclusive economic growth. In this context, human capital is defined as providing opportunities and incentives for people to develop their knowledge, skills, competences and attitudes throughout their lives to help them find employment, realise their potential and contribute to prosperous, innovative and inclusive societies. While providing a quality assessment of VET policy from a lifelong learning perspective, the Torino Process builds on four key principles: ownership, participation, a holistic approach and evidence-based analysis.

The present regional report for the Eastern Partnership is the result of the fifth round of the Torino Process (2018–2020). It is designed to support medium- to longer-term strategic thinking in VET, looks into the regional aspects of education outcomes, and discusses commonalities while respecting the differences between the countries of the region. Therefore, the purpose of the regional report is to inform the planning, implementation and monitoring of country policies and regional initiatives for human capital development with a focus on education and training. At the same time, its findings and recommendations are available to inform the European Union and donor programming in support of these policies and regional cooperation processes. The regional report was prepared by Arjen Deij, Senior Specialist in Qualifications Systems at the ETF. Valuable input was provided by Stelios Karagiannis, ETF statistician and data analyst. The paper was peer reviewed by Ummuhan Bardak, Iwona Ganko, Didier Gelibert, Abdelaziz Jaouani, Timo Kuusela, Mihaylo Milovanovitch, and Margareta Nikolovska. The ETF thanks the Eastern Partnership countries for their engagement in the Torino Process 2018–2020, extensive contributions to the collection of policy updates and relevant statistics, and participation in the workshops organised at country level.

EXECUTIVE SUMMARY

The Eastern Partnership regional report (2018-2020) is part of the fifth cycle of the Torino Process, during which special efforts were made to look beyond the education systems and consider vocational education and training (VET) in the context of lifelong learning and human capital development to support sustainable growth. The report coincides with the planning for the Eastern Partnership post-2020 policy framework and aims to provide a solid basis for regional policy dialogue between the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine on human capital development issues.

The report provides a summary of key policy updates, data and information, including an overview of countries' progress against key European Union (EU) benchmarks and donor contributions to human capital in the region. Finally, the paper proposes several priorities for action at national and regional level. Given the large variation of socio-economic contexts, developments and policies across the Eastern Partnership countries, the regional analysis focuses on common denominators only.

Summary of findings on human capital

In spite of their differences, the six countries of the Eastern Partnership face many common challenges and share a common legacy. Under the influence of global drivers, all countries have entered change processes that affect their economies, labour markets and education and training systems, taking them beyond the 'transition' phase to one of 'transformation'. The relationships of the countries with their neighbours are changing quickly, links with the EU are strengthening especially through trade and migration, while the links with Russia are weakening. Benchmarking the education, labour market and economic performance of the Eastern partnership countries and the EU (2018 figures) gives a first impression that the labour force is well-educated and that employment levels are comparable or higher than those in the EU, albeit that earnings are lower. However, a deeper analysis reveals that looking at this data in isolation can be misleading.

Informed by the findings of the Torino Process country reports, ETF assessments and other sources we have identified three major common challenges that the countries need to address for a successful transformation.

Shrinking supply of skills and poor use of labour resources

Four out of the six countries now have negative population growth, with falling birth rates exacerbated by migration. The labour force is already shrinking in five countries, and this trend is expected to begin in the remaining country: Azerbaijan. The UN predicts that across the region by 2050 the youth population under 15 will be halved compared to 2005 figures, while the population over 65 will have increased by almost 80%, making pension reforms and active aging inevitable. Over the past five years (based on statistics for 2013/2014-2018/2019) students in VET and higher education have fallen by 25% in the region in absolute numbers. With skilled workers leaving the countries, employers have started to complain of skills shortages.

Demography aside, the labour force is for a large part underutilised. Too many people are inactive, in vulnerable jobs or unemployed, while others are overqualified for the jobs they are performing. There is a lack of stable and fulfilling jobs. Self-employment in most cases is vulnerable employment. The

Improving the
quality,
efficiency and
attractiveness
of the VET system



Better links with
business and
the labour market



2010



Social
dialogue
and effective
social partner
participation



Enhancement of
public
employment
services

2012

Regular
involvement of
social
partners
in VET development



Design and
implementation of
national
qualifications
frameworks

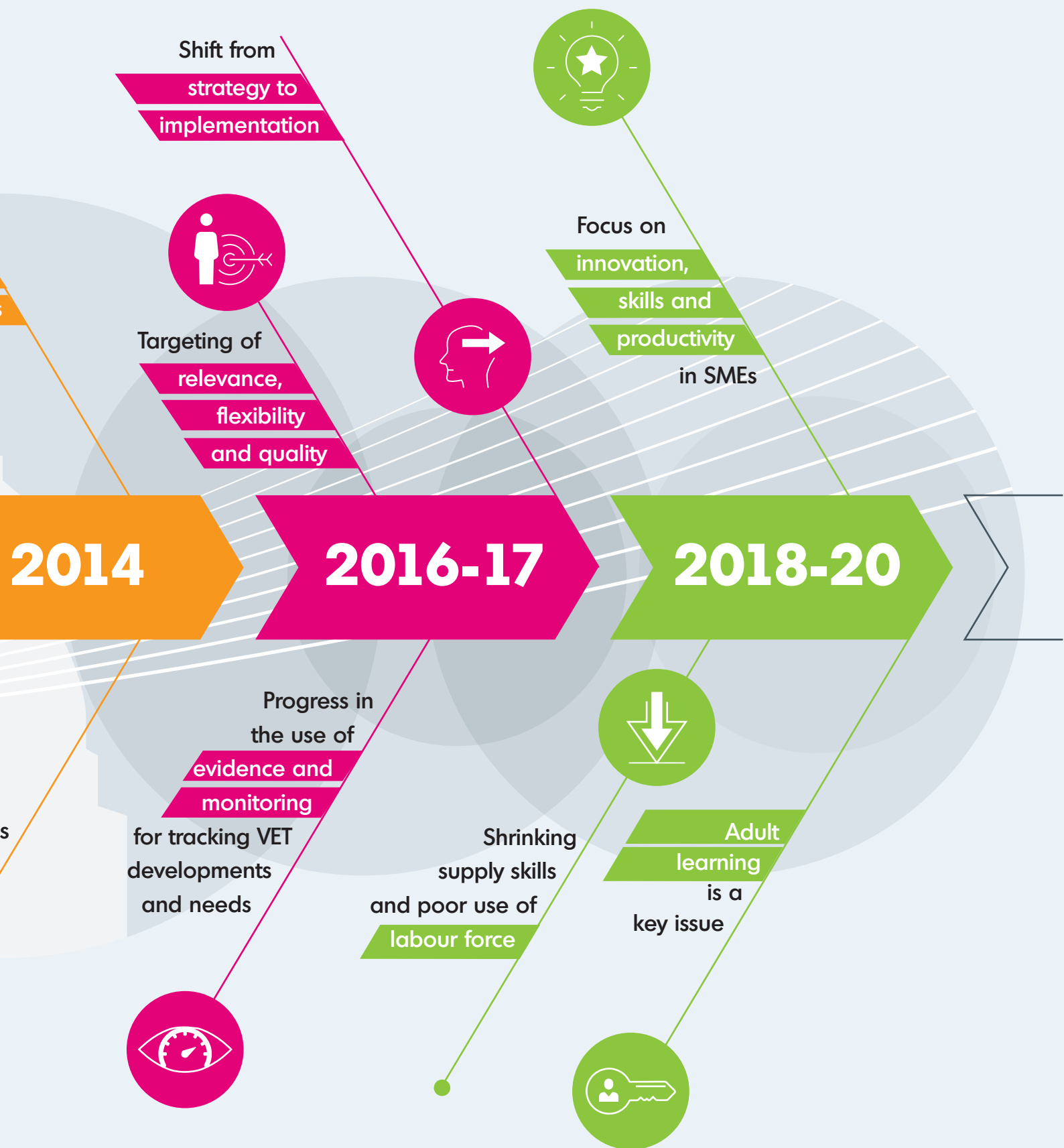


Quality
assurance
mechanisms



Issue
related to
social
inclusion





future for many people is uncertain and the problems are most serious for the young entering the labour force, as well as workers approaching retirement. Educational attainment is below EU benchmarks across the region. Those with less education and living in areas further away from the capitals have fewer employment and lifelong learning opportunities than those in the capitals. There are huge variations between the countries, but the general trend is that labour is getting scarcer and the countries need to make better use of the human capital they have.

The changing job market: from transition to transformation

The economies are witnessing profound changes. As elsewhere, agriculture and industry are losing importance while more jobs are created in services. However, this has not been reflected in the sector's contribution to GDP. Job growth in services is faster for low-skilled jobs that do not generate much income than for higher-skilled jobs. In Moldova, the only predominantly rural country, we have seen a similar development in agriculture in the past five years, where more jobs were created without resulting in growth.

Economic integration with the EU has increased through trade opportunities and global value chains, but there is not enough investment in added-value goods and services, which could bring better jobs. SMEs are often cut off from these new markets. The countries have adopted favourable legislation and credit conditions to stimulate SME growth.

The most promising development so far seems to be the growth of the ICT sector and online platform work, where some countries in the region are global leaders and earnings are often much higher than in other sectors. Online platform work can offer an alternative to migration. Clusters, such as the Hi-Tech Park in Belarus, stimulate SME growth in the sector. Further expansion, however, is at risk as the number of young people graduating from technical faculties reduces. Immediate expansion depends, therefore, on the ability to retrain adults working in other sectors. Private training providers have emerged that are supported by companies, in some cases offering free training (paid by the companies) to recruit people into their sector.

Education, training and skills development services no longer fit for purpose

Across the region, there is a mismatch between the education and training offer and skills demands. Initial VET in most of the countries was traditionally focused on training blue-collar workers, but jobs in industry are constantly decreasing. Underfunding and a lack of relevance have caused a decline in VET schools and a surplus of graduates in theoretical subjects who lack competences, though the number of students in higher education has also recently dropped due to demographic changes. There are few opportunities for lifelong learning. Equipping populations for 21st-century economic realities requires more capacity and flexibility from providers and a more learner-focused approach.

Lack of investment and lack of good management of human and financial resources inhibits the emergence of more versatile VET institutions that could better address a variety of training and education needs, although each of the countries now has a limited number of newly equipped Centres of Excellence. Mergers and network optimisation has started slowly but is not keeping up with the drop in students. The status and quality of teachers and trainers is cause for concern. Although countries are moving towards competence-based flexible and individualised learning, this is still in the early stages.

Adults have been integrated into VET in Belarus and Georgia, but the numbers are still low. As a result, year after year, fewer skilled workers come onto the labour market. Vacancies are often filled by

higher education graduates that are being trained on-the-job. There is no real cooperation between VET institutions and between VET and higher education sectors to find more integrated solutions, with the exception of the Resource Centres in Belarus. Adult learning is underreported and remains underdeveloped. The few indicators that are available show low levels of participation.

Summary of policy responses, achievements and remaining challenges

In 2017 the ETF noted that national policies were largely focused on initial VET and the youth demographic. It recommended paying greater attention to continuing VET and involving the private sector. Today, with new and emerging economic realities influenced by global challenges, VET and wider education, training and skills development systems are at a crossroads. 2020 marks the completion of policy cycles and the beginning of new strategies for individual countries and the region. In this context, the UN Sustainable Development Goals and the EU Eastern Partnership Strategy 2020 are influencing educational, lifelong learning and VET strategies with an emphasis on human capital development.

Of the main progress made, achievements and remaining challenges, we note the following:

- Acknowledgment of the need to shift from traditional to modern, student-centred, flexible VET systems is reflected in new VET concepts and laws, such as Azerbaijan's VET Road Map, the VET Law in Georgia, the New Ukrainian School and Modern VET Concept in Ukraine.
- The main challenges for these new policies are the implementation capacities at the grassroots level and the available resources.
- New quality-assurance systems are being established across the region.
- Improvements to content include new curricula, the introduction of modular programmes (especially in Georgia) and greater involvement of the private sector in devising occupational standards.
- Key competences, or 21st-century skills, have gained in importance, but there is a lack of systematic approaches to integrating them into education and training.
- Career guidance is being strengthened. Armenia has career guidance units in 95 VET schools. Azerbaijan, Armenia, Moldova and Ukraine all developed concepts for work-based learning. In Ukraine dual education is being piloted in 100 VET schools and many universities.
- Teachers are the focus of many donor projects and countries are planning more systematic approaches to continuing professional development, but this is an area for improvement.
- The countries are developing strategies, policies and mechanisms to improve employment opportunities. There is a developing focus on encouraging would-be migrants to stay in the country, e.g. through Belarus Hi-Tech Park cluster.
- Private-sector cooperation has been stimulated by innovations at a national, sectoral and local level. New entities have been created in which social partners play a leading role, supported by government.
- Countries are stimulating the growth of SMEs and entrepreneurial learning.
- A redistribution of policy and implementation responsibilities includes public administration reforms, and agencies playing a larger role.

Summary of EU and other donors' support

All countries benefit from EU support for vocational education and training and higher education. The EU is the most important donor in the region, and EU policies have informed national reforms. The cooperation between EU and bilateral donors is improving but there often isn't a joint-programming mechanism in place (only an example in Georgia), and sometimes donor projects have alternative

methodologies that complicate national reforms. The policy dialogue mechanisms (bilateral and regional) and EU interventions are not sufficiently linked.

Summary of recommended priorities for action

The ETF supports the priorities for 2021-2027 identified by the European Commission, which offer more opportunity for bottom-up initiatives, teacher and youth-centred initiatives including Erasmus+ and an emphasis on digital skills and the green economy. While reforms are ongoing and take time, we nevertheless would like to emphasise the urgent need to create more systemic capacities for lifelong learning, and in particular adult learning, to enable populations to contribute to sustainable growth in the context of global challenges.

The report therefore offers four recommendations for regional cooperation, exchange of experiences and peer learning based on the analysis of human capital challenges and policy progress so far:

- **Support the strengthening and optimisation of providers**, not only through merging them, but through making VET systems more flexible to respond to the changing needs of a diverse group of learners and companies. Countries can learn from each other on how to strengthen their networks and map and evaluate existing provision, about gradually extending institutional autonomy to manage their resources more efficiently and cooperating closer with local authorities and companies. This can include an active role of stakeholders and experiences with smart specialisation and clusters of SMEs.
- **Support the changing role of teachers and trainers** through bottom-up programmes such as targeted Erasmus+ projects, and also through addressing new roles including coaching, more individualised learning, more use of new technologies, teaching and learning in modules, experimenting with integration of roles, allowing teachers to mix theory and practice, and mentoring of students across different locations beyond the classroom. We also plead for a more structured regional cooperation initiative in this area, focused on defining new standards for teachers and the status and motivation of teachers.
- **Increase the stake of the private sector in lifelong learning**, not only through consultation, cooperation and sharing, but also by transferring responsibilities to the private sector. Although the vast majority of private companies are SMEs, there is a need for more intensive work with actors from the private sector to explore how their capacities to contribute to lifelong learning could be strengthened. This could be based on exchanging best practices in the countries.
- **Monitor and support increased opportunities for lifelong learning** through a Human Capital Development Review that will help to map provision, capacities, needs and demand, and funding for lifelong learning, considering formal, non-formal and informal learning. Beyond existing demand and supply it would look at the emerging needs considering the global challenges, how countries are integrating lifelong learning strategies into National Development Strategies, and could also be used to harvest best practices.

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.



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