

# **The Role of the Republican Union of Employers of Armenia (RUEA) in Promoting Youth Employment and Strengthening Professional Education Institutions.**

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## **1. Background**

The common problems of economies in transition are low competitiveness and productivity resulting in high unemployment, particularly among the youth. The typical reasons for that are:

- Undeveloped and unfavourable business environment;
- Slow pace of economic reforms;
- The mismatch between job seekers professional structure provided by VET institutions and labour market demands;
- The lack of well educated and trained job applicants; and
- The outdated VET institutions and governance system.

The time lag between labour market signals and the actual employers' needs requires stronger intervention from different labour market players, particularly, from employers' organisations, and better communications and cooperation among all social partners as well as the government agencies concerned.

The role of employers' organisations has become of critical importance to speed up the process of youth development and linking closely VET institutions outcomes to enterprise needs. These needs are very dynamic and are changing much faster than existing VET system reacts in adjusting their curricula, training facilities and equipment, teaching methods and techniques.

## **2. The Project**

The purpose of this research was to identify the status, problems and the needs of RUEA in strengthening its role in advancing the youth employment through partnership and impact on education and training institutions, and contribute to improving the fit between professional qualification demand and supply.

## **3. Research method**

The main research methods were desk study of publications, official documents, and research papers of various national and international organizations as well as the project documents.

Most revealing were information and opinions obtained from almost thirty top-administrators and managers, officials and experts from international organizations, government agencies and ministries, employers' organizations, educational and training institutions and enterprise owners and managers as well as RUEA professional staffs and a few focus group discussions.

## **4. The Country Profile**

In 1920 Armenia was incorporated into the USSR and later on has become a centre of technological and light industry.

A referendum to secede from the USSR took place in September 1991 with more than 99% of voters supported independence. Now, Armenia, with the area of 29,800 sq km and population of about 3 millions, is market-oriented, democratic republic.

The government has made considerable progress in setting up the basic democratic and market institutions, decentralizing some government decisions; increase emphasis on regional development and strengthening regional and local administration, reducing corruption. The policy decisions have become more transparent with increasing the involvement of social partners and civil institutions.

Among the government priorities are a sound foundation for eradicating mass poverty and improving living standards by 2015, laying the foundation for sustainable socially-oriented growth; promoting accountable, transparent and effective governing institutions; and supporting sound management of natural resources.

### **5. The economic framework and trends**

Armenia's economy expanded at a double-digit rate for the sixth consecutive year in 2007, when it posted real GDP growth of 13.7%. However, a strong period of accelerated inflation has resulted in a slowdown in year-on-year real GDP growth in the first quarter of 2008 to 8.8%. Year-on-year inflation accelerated to its highest rate in a decade in April 2008, to 10.8%.

In 2007 an official unemployment rate was 7.2%, and in the first quarter of 2008 it was 6.4%. However, the actual unemployment rate is much higher (exceed 20%). More than 80% of unemployed have been without job more than a year.

Armenia has a large informal economy, represented about 50 - 60% of GDP and about 30% - 40% of total employment. Too many illegal and legal workers received their salary in the envelopes to avoid social and income taxes. It is one of the major reasons for declining formal incomes. About 80% of employees in services work without labour contracts.

*The Armenian economic structure (main origin of GDP, 2007, % of total)*

Agriculture	17.5
Industry	15.7
Trade & catering	17.3
Construction	25.6
Financial services & real estate	5.2

To improve economic performance and business competitiveness, Armenia needs to speed up the implementation of its economic and social reforms. New President has pledged to strengthen the rule of law, reduce corruption, particularly within the notoriously corrupt tax and custom administrations, and ensure fair competition.

## **6. The Situation for Youth**

The analyses of the numerous documents, research papers, foreign and local expert opinions and employers' interviews enable to summarize the following reasons for large number of unemployed youth:

- The lack of regularly updated economic strategy that would provide reliable data on the present and future labour market demands as well as efficient state policy and programmes for youth employment promotion and mechanisms for their implementation.
- The conditions for entrepreneurship and SMEs development do not motivate the growth of youth self-employment. Bureaucratic system, lack of financial resources and access to credits create obstacles for youth entrepreneurship development.
- Disproportionate development between cities and regions where the youth faces three most important problems: unemployment, lack of access to cultural facilities and sport and access to good education (85% of surveyed youth stated these problems).
- Mismatch between the VET system supplies and the labour market demands. 56% of the employed youth have jobs that do not match their professional education.
- There is over reliance on the labour market mechanism which function in Armenia extremely poorly. There is no easily and timely updated accessible database on labour market needs as well as where to obtain the occupation and skills required.
- The social partnership institutes have just started its development and do not have sufficient influence on youth employment issues.

## **7. Vocational education: system, problems and challenges**

The competitiveness of Armenian economy will depend on continuing availability of personnel with modern technical skills and core competencies; with sound industry-relevant qualifications; with business management competence; and effective innovation and research linkages between business and education and training institutions. This requires VET modernization reforms which success would depend on the consistency of its financial, institutional and human resources capacities; the contribution of social partners, particularly employers; and donor community readiness to provide technical assistance.

There are now 82 state colleges, 30 private colleges, 29 state VET schools. By 2010 from 82 colleges only 50 would survive. The structure of educational programmes is as follows:

- Basic Professional (craft);
- Secondary professional;
- Higher Professional;
- Post graduate professional.

The need for VET modernization and its new institutions is conditioned by several factors:

- Growing demand for specialists in areas of construction, metallurgy, agriculture, food processing, tourism and recreation management, light industry, commerce and services;
- The post-school professional education in colleges and universities is not available for all school graduates: more than 40% of them (especially in the small towns and villages) enter the life without any profession; and
- Substantive programmes and support for the development of craft education system, which have been suggested by foreign donors.
- International donors have already provided significant support for the professional education reforms.

Despite some positive changes in the VET system development, there are a lot of complaints from the employers, almost all ministries and government agencies, international donors as well as from students themselves about the low quality of professional education and its governance. Liquidation of more than 60 professional – technical schools during transition period has not been accompanied with proper transfer of initial (craftsmanship) training to secondary schools and colleges or enterprises. As a result, a vacuum was created in training for workers professional qualifications.

The most typical problems of the VET system are as follows:

- Mismatch between occupations and qualifications provided and the labour market demands. The educational institutions “produce” graduates of different fashionable professions (teachers, doctors, lawyers, economists, etc) without taking into account the labour market needs, thus producing educated unemployed.
- Theoretical teaching still prevails; practices and internships are either formal or incomplete, due to the lack of cooperation with employers.
- There is a gap between the university systems outcomes and the market demands. As a result, unemployment rate among youth with higher education is 18%. The culturally imbedded appeal to higher education, irrespective of the area of choice, still remains the key criterion for students’ choices.
- Despite of the on-going VET reform, the system does not have mechanisms to monitor quality of outcomes, the transition of VET graduates into the labour market. Coherent policies on VET provision, norms and measures for quality assurance are not developed yet.
- National qualification framework has not been established; of 400 occupations standards only 50 have been developed.
- The quality of teachers and trainers in VET system is low;

- they do not have sufficient experience in teaching, particularly, in occupational areas.
  - Many of them worked at the enterprise 30-40 years ago and are not aware of modern reality.
  - Their average age is about 57 year, most of them older than 60.
  - The salary of VET teachers is very low and young talented specialists do not want to work in these positions, many of them have second job
- The VET material base (equipment and facilities, laboratories and libraries, textbooks and methodological materials), teaching methods, and curricula are extremely poor.
  - The VET poor management and governance might be among the main reasons for the above problems. Responsibilities for managing VET are scattered among different ministries and agencies. Functions on policy and strategy development, approval and implementation, monitoring the outcomes, quality assurance and technical support services are not clearly identified.
  - The reduction of real public spending in education is also the reason for deterioration of the quality of VET services.
  - Though importance of partnerships of VET institutions and employers is widely recognized, practical examples of such effective collaboration are very rare.

## **8. The RUEA role in the youth employment promotion**

The role and authority of RUEA in promoting youth employment and strengthening the vocational education has been increased during the last several years. The Ministry of Economy, the Ministry of Education and Science and the Ministry of Labour and Social Affairs as well as the Ministry of Youth and Sport regularly consult the RUEA on the most important economic and social decisions. For example, jointly with the relevant ministries, the RUEA is now working on the Strategy on Youth Development to be finalized by the end of 2008.

RUEA is quite active in the area of analyses of youth employment and business competitiveness. The employers also see their role in the upgrading government institutions with more modern concept of management and organization. They take part in assisting government in economic policy development to raise business competitiveness and reduce unemployment, contribute to implementation of education reforms, youth career counselling. Providing stimulus to employers to invest into professional training directly and through improving legislation are also an important concerns of the RUEA.

However, the links between employers and education system are not satisfactory. There were proposals to involve employers into education quality

assessment as well as to take part in teaching process as lecturers. There were also proposals to improve the training and retraining of the teaching staff of the VET system. Employers also should invest more in vocational education for both internal and external staff development.

The RUEA should be more insistent and convincing in promotion social dialogue and its mechanisms. It should focus its activities on increasing co-operation between business community, enterprises, education sector (VET, Higher Education) and government agencies.

## **9. Policy proposals**

### **i) Macro Economic Policy**

The most important factor of youth employment promotion is the speed and quality of economic reforms and creation of favorable conditions for doing business, economic growth and new job creation, fostering the development of the private sector, promoting business-mindedness and entrepreneurial initiatives of the youth.

The existing strategy for economic and social development (second phase of PRSP) should be adapted to the priority of moving the Armenia's economy into knowledge-based innovation pattern. That is the best approach for the country with traditionally good university education, small population and lack of natural resources. This strategy would provide decent jobs for highly educated young people who otherwise migrate abroad.

The existing barriers to SMEs development should be eliminated and the legal system should protect small entrepreneurs from corruption and excessive administrative control

### **ii) Labour Market Mechanisms**

The labour market mechanisms and its institutions should be upgraded. The state employment programmes should be directed to reducing the misbalance in socio-economic development between regions, providing strong stimulus for youth employment particularly in agricultural regions.

Introduce an effective and nationally integrated system for providing timely and high quality information to employers and job seekers, their professional orientation, and accessibility to such services to all.

### **iii) Reform of the VET System**

The Armenian VET system is in urgent need in speeding up the reform process. It should be more deregulated and decentralized to move educational and training institutions to closer to their markets – regions, sectors, employers and students. Raising VET system quality and effectiveness should remain the main strategic objectives of VET modernisation with the following priorities: introduction of competency - based standards; modernizing the quality monitoring mechanisms; creating technical support and quality assurance infrastructure; improving cost

efficiency and educational outcome; optimizing VET financing; and building up the national capacity for VET modernisation and monitoring.

#### **iv) Higher Education Strategy**

The number of universities in Armenia should be reduced from more than 100 to only 10-12 with strong material base, high-level professors and modern facilities. For example, the Ministry of Economy rightly believes that this country needs only one strong economic university that would focus on preparing top-level economists, business leaders, managers and public administrators. The best-experienced cadres of economic and management faculties of other universities should be concentrated in one.

#### **v) National Qualifications Framework**

The occupations and qualification systems should be revised and update, the quality assessment of VET institutions should be done by the body independent from training providers with solid representation from the funding agencies and clients. There is an urgent need for updating National Qualification Framework (NQF). The development of occupation classification and description of occupations should be an important part of the VET reform. The qualification standards should be harmonised with the international ones.

Within the framework of VET modernisation it would be necessary to improve educational curriculum, introduce more short-term training programmes for skills upgrading on the demands from employers, allocate more time for developing practical skills, using modern teaching methods and techniques including the ILO modular approach.

#### **vi) System Management**

The overall management of VET system should be upgraded. The VET institutions strategic management and business planning with the strong orientation on the clients markets should be introduced. The management and governing bodies (counsels) of VET schools should include all social partners and be active in VET institutions strategy development. The VET managers require extensive training in business and management skills, including the fund raising, recourse allocation and effective spending. For all these the necessary legal provisions should be adopted, including taxation. There should be more autonomy and competitions between VET institutions.

#### **vii) Employer Organisation Policy**

i) For the RUEA it is important to develop concrete measures to support partnership with education and training institutions aimed at providing labour market information and vocational and career guidance as well as institutional and inter-sectoral dialogue.

ii) The RUEA should develop an action plan on improving its role in influencing the state agencies in promoting youth employment and vocational education and its reform at the national level, take the lead in improving cooperation with SESA and relevant ministries dealing with this issue, conduct more active policy in this regards.

iii) RUEA should capitalize on its decentralization drive and use it as an instrument to strengthen the capacities its sectoral employers associations and local offices in their impact on youth employment promotion and reforms of VET system, improving cooperation with social partners both at the central and local levels.

**viii) Demand Driven System**

The role of enterprises in assisting to VET institutions in financing, providing facilities for apprentices and students practice, developing occupational and qualifications standards, curriculum and programmes design, the quality monitoring and control should be dramatically improved.

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