School-to-Work Transition and Youth Inclusion in Georgia

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March 2006

Understanding Children's work is an inter-agency research project created in December 2000 by the International Labour Organization, UNICEF and the World Bank. It is financed by contributions by Finland, Italy, Norway, Sweden and the U.S. Department of Labor and based at the Centre for International Studies on Economic Growth at the University of Rome. Lorenzo Guarcello, Scott Lyon and Cristina Valdivia of UCW contributed to this report.

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CONTENTS

ACRONYMS

ECA	Europe and Central Asia, a region of the World Bank
ECSSD	Environmentally and Socially Sustainable Development Division (of the World Bank)
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ILO	International Labour Organization, Geneva
IMF	International Monetary Fund, Washington, DC
OECD	Organization for Economic Cooperation and Development
UCW	Understanding Children's Work, Rome
UNICEF	United Nations International Children's Emergency Fund, New York

EXECUTIVE SUMMARY

Youth are increasingly seen as potential assets for development. When armed with the right resources, young people are positioned to make important contributions to national economies, communities and a developing civil society. However, if young people miss opportunities for empowerment—particularly during the critical school-to-work transition—this potential diminishes and the likelihood increases that they will succumb to health risks such as HIV/AIDS and drug addiction, and to social risks such as unemployment, exploitation and extremist ideologies.

The lack of employment opportunities in Georgia and the resulting loss of positive motivation and hope for the future are critical challenges for the current generation of young people in the country, whether they live in towns and cities or rural areas. Overall, one in every four young people in the labor force is unable to find a job; on average, it takes six to eight years for youth to settle into work after leaving school.

Many of the problems faced by young people in Georgia, particularly those of employment, are rooted in the critical transition from education to working life. Yet the routes that young people take from education to employment are poorly understood and studies relating to this transition period are scarce. This paper represents a starting point for more detailed analysis of youth labor market status in Georgia. It analyzes the composition, timing and duration of the school-to-work transition and, based on this analysis, offers policy recommendations to address the challenges of this transition.

Background

Following independence in 1991, Georgia went through an economic collapse during which economic output fell by two-thirds in three years. Economic stabilization and structural reform measures led to growth rates of 10 percent in 1996 and 1997, but real GDP growth has since slowed to 3 percent per year. Today, real GDP in the country is still only 40 percent of that at the time of independence. Economic growth has, moreover, had only a modest impact on household welfare. Poverty levels have risen from some 14 percent in 1997 to 23 percent in 2000; it is currently estimated that over 50 percent of the Georgian population is vulnerable to poverty in any given year.

Official estimates of unemployment were close to 20–25 percent of the workforce in 2005.[1] To a large extent, this level of unemployment reflects labor shed by state enterprises, which the private sector has been unable to absorb. While the labor force participation rate (LFR) for adults aged 15 and older has remained fairly constant (65 percent from 1990 to 2001), the LFR for young people aged 15–24 fell significantly during the same period, from 47 to 36 percent.

[1] Website of the Parliament of Georgia, Tbilisi, Georgia, http://www.parliament.ge/index.php?lang_id=ENG&sec_id=327 (accessed August 2005).

The decrease in labor force participation has been particularly pronounced for young females, with only one in four actively engaged in the labor market.

Findings

Young people in the workforce in Georgia are more than twice as likely as their adult counterparts to be without a job, suggesting that there are specific barriers to youth employment that require a policy solution. At 24 percent, the youth unemployment rate in 2002 was higher than all but one of the Central Asian countries for which data were available. Among young people who were out of school in the country that year, one-third were inactive and one-half were jobless. Among young people who were employed, almost three out of every four worked without monetary wages for their families. Most of this group worked on family farms, a reflection of the continued importance of the agriculture sector in the Georgian economy.

Although enrollment rates for secondary school students in Georgia are relatively high, they decreased from 77 to 73 percent from 1993 to 2000.[2] The enrollment rate for upper secondary education declined more sharply over the same period to 54 percent.[3] Even though these levels are not currently alarming, dropping out of school is becoming increasingly common, particularly among poor youth living in rural regions and towns with high unemployment rates.[4] School absenteeism and hidden dropouts are reportedly widespread at both secondary and tertiary levels in rural and urban areas, although private tutoring accounts for a significant portion of these students. The recent closing of a number of vocational schools has also led many young men to drop out of school without enrolling in alternative programs. Many young women drop out of school after getting married at an early age.

The perception that a university diploma represents a way out of poverty currently remains strong in the country. The number of Georgian students in tertiary education actually increased significantly over the past decade. Although the returns to higher education have diminished in recent years due to the lower quality of education and a depressed labor market, young people continue to invest in it. For many young people, attending university has become a way to cope with unemployment. And while a university diploma can no longer guarantee employment, it may smooth the path to a job in another specialization.

A higher level of educational attainment does not, however, appear to reduce the risk of unemployment among young people. Indeed, the opposite appears to hold true. Those in the workforce with at least a specialized secondary education are more than twice as likely to be unemployed as their similarly aged counterparts with a secondary education or less. Even among 30–34-year-olds who have had ample job search time, more educated individuals face a greater risk of unemployment. This finding raises questions about the ability of the Georgian education

[2] International Labour Organization (ILO), 2005, *World Employment Report 2005* (Geneva: ILO); ILO, 2003, *Yearbook of Labour Statistics, 2002, 61st issue* (Geneva: ILO).
[3] World Bank, 2002, "Public Expenditure Review: Georgia," World Bank, Washington, DC, 25.
[4] World Bank, "Georgia Poverty Update,"Report No. 22350-GE, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, World Bank, Washington, DC, 2002.

system to equip young people with the requisite education and entry-level job skills demanded by the labor market.

Summary of Findings

Challenges of young people

- Young people take an average of over six years to settle into work and must deal with a drawn-out period of job search and/or inactivity. Their transition is much longer than that experienced by their OECD counterparts.
- The duration of the school-to-work transition for girls is almost twice as long as that of boys: 13.5 years versus 8.6 years, a finding largely attributable to young women's assumption of child-rearing responsibilities immediately after school.
- A low proportion of working youth in Georgia are in wage employment and a very high proportion are in informal work, particularly when compared with adult workers.
- The contrast between the educational opportunities of poor and non-poor young people is rather stark. While government expenditure per student per year is only about 20 lari, the richest 20 percent of households spend an average of 22 times more educating their children than do the poorest 20 percent.
- Youth from poor households are less likely to stay in school beyond compulsory education. The jobless rate of poor youth is almost twice that of youth from wealthy households.
- The education level of parents appears to positively influence their children's educational attainment and job prospects.
- Corruption permeates the higher education system, starting with entrance exams and continuing with semester exams, coursework, thesis papers and final state exams.
- Irregular attendance, poor-quality lectures and lack of updated teaching materials at the tertiary education level translate into university graduates who lack both a theoretical background and practical skills required by the labor market.
- Very few students benefit from hands-on work experience, such as internships, to help them better understand the world of work. Nor do they have access to career counseling or information about job market requirements.
- Young people from households headed by an unemployed person are much more likely themselves to be unemployed.
- Nationality appears to have a strong influence on the opportunities available to young people in the country. Overall, Georgian youth are more likely to be in school and less likely to be jobless than young people of minority nationalities.
- Nationality also influences transition routes. Young people of Armenian descent face a much longer period of settling into work after school than do young people of Georgian or Azeri descent.

Challenges of the government

- The education sector has been chronically underfunded in the last decade. Public expenditures on the sector dropped from 7 percent of GDP after independence in 1991 to 2.3 percent in 2005.[5]
- Current demographic trends suggest that the youth population of Georgia may decline by about one-third by 2030. Population attrition is attributed primarily to high rates of out-migration and a fertility rate of 1.4, which is below replacement levels.
- If not addressed, the potential demographic decline over the next two decades will result in lower numbers of schoolchildren, fewer young adults entering the labor market, a larger aging domestic work force and, ultimately, a shrinking native population.
- In an effort to reduce corruption and increase transparency in tertiary education, the government has taken the important step of introducing a universal entrance exam for university admission. The current challenge is to go further with such reforms and make them sustainable.
- National youth programming in Georgia does not identify youth participation in consultation and decision-making processes as a priority. Projects that aim to include youth in policy-making processes are, moreover, characterized by a persistent lack of sustainability.

Summary of Recommendations

Supporting young people as active participants in the evolving socioeconomic development of Georgia requires a multidimensional approach to youth inclusion, risk and conflict management and the transition from school to work. Such an approach necessitates the participation and full collaboration of national youth policy stakeholders, youth representatives and interested third parties.

Among the principal policy interventions recommended by this study to address the school-to-work transition and youth inclusion in Georgia are:

- A comprehensive approach that considers youth in Georgia an asset for development should guide investments in programming that meets young people's education, employment, social inclusion, well-being and safety needs.
- A Youth Policy Steering Committee should be established as an autonomous body responsible for developing youth policy and maintaining dialogue with government structures. The committee should be composed of youth representatives, civil servants and youth NGOs.
- A new legislative framework is needed to recognize the role of youth associations, as well as regional youth structures, as participants in youth dialogue and policy making.

[5] World Bank, 2002, *Making Transition Work for Everyone* (Washington, DC: World Bank); and World Bank, 2006, "Project Appraisal Document for Improving Learning Environment Project for Georgia," World Bank, Washington, DC, 26.

- More physical and financial resources need to be devoted to the country's educational base. Regional and national interventions should include the provision of necessary textbooks, learning materials, equipment and facilities.
- Educational reform that includes a redefinition of secondary school curricula, modernization of teaching techniques and efficient retraining of teachers is needed to increase the quality and relevance of this level of education, encourage young people to stay in school and increase their competitiveness on the labor market.
- Educational investments should be especially targeted at disadvantaged rural areas, areas with high unemployment and young people from ethnic minorities via targeted scholarships and loan programs.
- Additional efforts are needed to reduce corruption and increase transparency in tertiary education. Greater youth participation in decision-making processes—for example, in the form of student ombudsmen—could be a pillar of such efforts.
- Career centers within schools and/or community-based, multipurpose youth centers should be established to provide students with professional guidance, training and information on employment opportunities. There is a particular need for non-formal education that offers life and livelihood skills training, together with peace and tolerance programs.
- Active labor-market programs are needed to support the employability and employment opportunities of young people, with a particular focus on apprenticeship and first-employment programs.
- Capacity building of government bodies is needed at national and regional levels to strengthen the institutional development of youth programming. Regions, municipalities and local governments should designate focal points responsible for youth issues.
- An efficient monitoring and evaluation system of expenditures on and outcomes of youth programs and policies should be established.

CHAPTER 1. OVERVIEW OF SCHOOL-TO-WORK TRANSITION AND YOUTH INCLUSION IN GEORGIA

Youth unemployment and underemployment represent growing concerns worldwide. According to estimates of the International Labour Organization (ILO), youth in 2003 made up 47 percent of the world's unemployed, or 88 million people in absolute terms.[6] Young workers everywhere invariably have higher rates of joblessness and unemployment and much lower earnings than older workers. Young people also tend to be concentrated in low-skill, informal work or in hazardous forms of work ill-suited to their age and experience.

In Georgia, lack of employment opportunities and the loss of positive motivation and hope for a better future that accompanies this scarcity are among the critical challenges facing the current generation of young people. Youth living in towns and cities with traditional labor markets and in rural areas where jobs are few face the same challenges. In all, one of every four young persons in the labor force is unable to find a job and, on average, it takes six to eight years for young people in the country to settle into work after leaving school.

Unfortunately, there is limited empirical basis for formulating policies and programs to promote youth employment and successful school-to-work transitions in the country because this critical transition is poorly understood. This study aims to partially fill the gap in data relating to the school-to-work transition by analyzing the composition, timing and duration of the transition period. Based on this analysis, it offers policy recommendations to address the transition challenges faced by young people in the country.

Macroeconomic and Labor Market Trends**[*]**

Following independence in 1991, Georgia went through an economic collapse. By the end of 1994, the country's economic output had fallen by two-thirds. Economic stabilization and the structural reform measures that were launched in 1994 succeeded in restoring economic growth, which averaged 10 percent in the two years 1996 and 1997. However, subsequent economic performance has been weaker: real GDP growth has slowed to 3 percent per year since 1998, reflecting uneven progress of reforms, two major droughts (in 1998 and 2000), and the lingering effects of the 1998 Russian financial crisis. Today, real GDP in the country is still only 40 percent of that at the time of

[6] ILO, 2004, *Global Employment Trends For Youth* (Geneva: ILO).

[*] This section is drawn primarily from World Bank, 2004, "Child Welfare Note–Georgia," unpublished draft, World Bank, Washington, DC.

independence. In 2000, its annual per capita GDP (PPP) of US$2,664 made Georgia one of the poorest countries in Europe and Central Asia.[7]

Table 1. Georgia: Selected macro-economic indicators, 1995–2001

	1995	1996	1997	1998	1999	2000	2001
Annual real GDP growth (%)	2.6	10.5	10.6	2.9	3.0	1.9	4.5
GDP level (1990=100)	29.6	32.7	36.1	37.2	38.3	39.0	40.8
Average annual inflation, CPI (%)	162.7	39.3	7.0	3.6	19.1	4.0	4.7
FDI (million USD)	6.3	54.4	236.3	221.0	61.7	152.6	96.1
Exchange eate, GEL/US$ (average)	1.280	1.250	1.297	1.39	2.02	1.98	2.07

Sources: World Bank, 2002, *World Development Indicators* (Washington, DC: World Bank); World Bank, 2002, "Georgia Poverty Update;" UNICEF, 2002, Social Monitor 2002, UNICEF, Florence, Italy; UNICEF Innocenti Research Centre data for 2002.

Economic growth has had only a modest impact on household welfare, and in recent years, growth in incomes and private consumption has lagged behind that of GDP. Likewise, the employment content of GDP growth has been insufficient to generate enough new jobs to expand opportunities for the poor. This finding reflects the relatively narrow sectoral base of the economic recovery in Georgia, with gains concentrated in industries with only a moderate impact on employment: communications, financial intermediation and transport. While some 75 percent of the real value added in the economy are created by these industries, they collectively employ only 5 percent of the working force. Moreover, about half of the population that depends on agriculture for their livelihood have been adversely affected by declining agricultural production. Consequently, the gains of growth have not been shared equally. As a result, inequality has increased (the Gini coefficient of consumption was 0.39 in 2000).

Table 2. Dynamics of GDP, employment, productivity and wages, 1996—2000 (1995=100)

	1996	*1997*	*1998*	*1999*	*2000*
GDP growth	110.4	122.0	125.7	129.4	131.8
Employment growth	105.2	115.2	104.0	106.2	108.6
Productivity growth	105.2	106.8	121.7	123.2	123.2
Real wage	149.1	201.4	253.4	258.7	317.0

Sources: UNICEF, 2002, Social Monitor 2002; author calculations.

Growing inequality and falling consumption have increased vulnerability and pushed poverty levels up from some 14 percent in 1997 to 23 percent in 2000. At the same time, the depth and severity of poverty have steadily increased. While only some 20 percent of Georgians were chronically poor in 2002, many more were economically vulnerable: over 40 percent of the population experienced poverty at least once during that calendar year, reflecting a high degree of volatility in household consumption. It is estimated that over 50 percent of the Georgian population is vulnerable to poverty in any given year.[8]

[7] In 2000, the per capita GDP of Georgia in purchasing parity terms was higher than that of Moldova (US$2,109), similar to that of Armenia (US$2,559) and the Kyrgyz Republic (US$2,711), and lower than that of Azerbaijan (US$2,936) and the other European countries of the Europe and Central Asia (ECA) region. In comparison, the average per capita GDP for ECA amounted to PPP$6,794 (World Bank, 2002, *World Development Indicators 2002* (Washington, DC: World Bank)).

[8] World Bank, 2002, "Georgia Poverty Update;" World Bank, 2004, "Child Welfare Note—Georgia."

The capacity of the public sector to stimulate economic growth and provide quality services to citizens has been fragile. The bulk of budget expenditures (over 90 percent in 2000) is, for example, used to cover recurrent costs, particularly transfers (24 percent) such as pensions, poverty benefits and assistance to internally displaced people (IDPs), Only some 9 percent was allocated for capital expenditures in 2000. Altogether, expenditures on social insurance, welfare, health and education accounted for close to 45 percent of public spending that year.[9]

The education sector has been chronically underfunded in the last decade. Public expenditures on the sector dropped from 7 percent of GDP after independence to less than 1 percent in 1994[10] to an average of 2 percent between 1995 and 2002, then again to 1.6 percent in 2003.[11] This figure rose sharply to 2.9 percent of GDP in 2004 due to the payment of accumulated arrears on teacher salaries, but dropped to 2.3 percent in 2005, where it is projected to remain in 2006.[12] While public expenditures on education have been low, private expenditures (in the form of private tutoring and informal payments) have increased significantly in real numbers. By 2000, these private expenditures amounted to 2.7 percent of GDP and were higher than total government expenditures (2.2 percent of GDP).[13]

While employment has expanded since the mid-1990s and the employment rate is a respectable 65 percent, employment opportunities differ significantly between urban and rural areas. The employment rate among the urban population is a low 46 percent, and in rural areas, 73 percent. This finding reflects the low employment content of industrial growth and may reflect underemployment resulting from an overhang of labor in rural areas. Although registered unemployment was 17 percent in 2002, this figure may well underestimate the actual rate of unemployment, which official sources estimated at closer to 20–25 percent in 2005.[14]

To a large extent, high unemployment in the country reflects labor shed from state enterprises which the private sector has been unable to absorb. Migration abroad, especially to Russia, has served as a risk management strategy in many poor households and has to some extent eased pressure on the domestic labor market. Remittances are accordingly one of the largest sources of revenue for the country.

[9] Ibid.
[10] World Bank, 2002, *Making Transition Work for Everyone*.
[11] Department of State Statistics of Georgia, as cite in UNDP, 2004, "Millennium Development Goals in Georgia," UNDP, New York, 19.
[12] World Bank, 2006, "Project Appraisal Document," 26.
[13] World Bank, 2002, "Chapter 6: Expenditures in the Education Sector," in "Public Expenditure Review: Georgia," 125.
[14] Website of the Parliament of Georgia, n.d., http://www.parliament.ge/index.php?lang_id=ENG&sec_id=327 (accessed August 2005).

Table 3. Labor force in Georgia, 1995–2000

	1995	*1996*	*1997*	*1998*	*1999*	*2000*
Labor force participation rate (%)			70			65
Employment rate (%)	59.4	62.5	68.4	61.8	63.1	64.5
Annual registered unemployment rate (average percent of labor force)	2.6	2.4	5.0	5.0	5.5	5.9
Unemployment rate, ILO methodology	…	11.6	5.2	11.1	12.7	10.1

Sources: UNICEF, 2002, *Social Monitor 2002*; World Bank, 2002, "Georgia Poverty Update," World Bank, Washington, DC.

As Figure 1 shows, the labor force participation rate (LFR) of adults aged 15 and older has remained fairly constant between 1990 and 2001 **at** 65 percent, while the LFR for young people aged 15–24 fell significantly from 47 to 36 percent over the same period. The decrease in the labor force participation was particularly pronounced for young females, with only one in four actively engaged in the labor market. The decline for young males has been less pronounced, presumably due to the traditional expectation of men as primary breadwinners for the family.

Figure 1. Labor Force Participation

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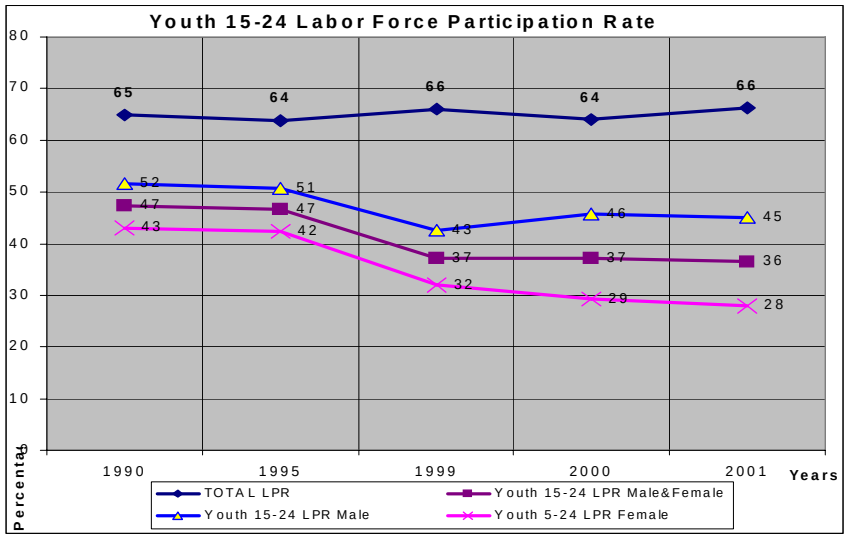


Sources: ILO, 2005, *World Employment Report 2005*; ILO, 2003, *Yearbook of Labour Statistics, 2002*.

Labor market status is the main determinant of household poverty in Georgia. While the unemployed and non-participants in the labor market are the most likely to be poor, the majority of the poor in the country are the working poor, whose earnings are insufficient to pull their families out of poverty. These people are often self-employed, underemployed in un-restructured enterprises or employed in the informal sector with insecure, temporary and low-productivity jobs.

Rural locations are at a significant disadvantage vis-á-vis employment opportunities, earnings inequalities are high (the typical "well-paid" worker receives ten times more than a "poorly paid" worker) and two groups find it particularly difficult to find work: women and internally displaced persons (IDPs). There is also a large and persistent gender gap in earnings between men and women with similar characteristics (ten percent on average, controlling for other factors). IDPs, on the other hand, face extensive barriers to entry into the labor market, lacking information about employment opportunities or the connections needed to get a job. The jobs they do get are routinely low paying and insecure.[15]

Demographic Trends

Current demographic trends in Georgia suggest that the youth population may decline by about one-third by 2030. Currently 15.8 percent of the total population, the youth population is projected to fall to 10.6 percent by 2020 and 10 percent thereafter. Total population growth rate is currently negative (estimated at –0.25 percent in 2005) and expected to decline further. Population attrition is attributed primarily to high rates of out-migration and a fertility rate of 1.4, which is now below replacement levels.[16] The number of marriages has also declined threefold (from 10 marriages/1,000 people in 1990 to 2.9 in 2004), with only 1.1 children born per family.[17]

These demographic trends have recently become visible. Between 1990–2003, for example, the number of preschool children decreased by 50 percent. A reduction in the number of secondary school students led to a downsizing of secondary schools from an average of 240 in 1990 to 200 in 2003; certain rural schools were left with only 120 students. The student/teacher ratio has also been halved, from 10 to 1 in 1990 to just 5 to 1 in 2003.[18] Beginning in 2005, Georgia will experience a downward demographic trend among young people aged 15–24. Unless this situation is addressed, a potential demographic decline within the next two decades will result in lower numbers of schoolchildren, fewer young adults entering the labor market, a larger aging domestic work force and, ultimately, a shrinking native population.[19]

[15] World Bank, 2002, "Georgia Poverty Update."
[16] By comparison, Azerbaijan has a fertility rate of 2.0 and Turkey, 1.7(UNDP, 2004, "Millenium Development Goals in Georgia," 8).
[17] Ministry of Economic Development, 2004, *Statistical Yearbook of Georgia*, Ministry of Economic Development, Department of State Statistics, Tbilisi, Georgia, http://www.statistics.ge/index_eng.htm (accessed July 2005).
[18] "Social Trends in Georgia," 2004, in *Statistical Yearbook of Georgia,* 53.
[19] U.S. Census Bureau, "Table 094. Mid-year Population, by Age and Sex for Georgia,"in *Demographic Trends for 1990–2005 and Estimates for 2005–2025* (Washington, DC: U.S. Census Bureau, 2005), http://www.census.gov/ipc/www/idbpyr.html (accessed July 2005**)**.

Time-Use Patterns of Young People

This section analyzes data relating to the time-use patterns of young people in Georgia between the ages of 16 and 24 years.[20] Table 4 breaks the youth population down into four unique activity categories: in education, employed, unemployed and inactive. Among the remaining youth population of non-students between 16 and 24 years old, those who are employed are matched by those who are jobless, suggesting that many young people encounter difficulties when transitioning to working life after school. About two-thirds of jobless youth are, in turn, inactive, while the remaining one-third is in the labor force but unable to find a job.[21] As Table 4 demonstrates, individual and household characteristics appear to have an important influence on young people's time-use patterns:

- **Age**. Most obviously, time use differs with age, as the 16–24 age range is a period of transition from adolescence to adulthood and from education to working life. Compared to young adults (20–24-year-olds), teenagers (16–19-year-olds) are more involved in education and less involved in the labor force (employed or unemployed). Teenagers are also less likely to be inactive. Education involvement begins to fall at age 17, however, roughly coinciding with the end of secondary education. Employment involvement rises from the age of 19 years. All but 15 percent of young people leave school by age 24, but 60 percent have not settled into permanent employment by this age.
- **Gender**. Young females' involvement in post-secondary and tertiary education is slightly higher than that of young males, but young females are much less likely than males to be in the labor force upon leaving education. Female labor force involvement is about half that of males, while female inactivity rates are more than double male rates. As discussed below, the "inactive" category captures not only discouraged workers, but also persons performing domestic duties and childrearing, activities typically assigned to females. While women in the labor force experience roughly the same risk of unemployment as their male counterparts, there are strong indications that they are disadvantaged in terms of remuneration and access to certain segments of the labor market.

[20] "Youth" or "young people" typically refers to the 15–24 age cohort. The narrower 16–24 age cohort is used in this report because data were unavailable for young people aged 15 years.
[21] UCW calculations based on World Bank, 2002, **"**Georgia Household Budget Survey," World Bank, Washington, DC.

Table 4. Time-use patterns of young people 16–24 years by background characteristics, 2002

Background characteristic		Distribution of youth by activity status					
		(1) In education[a]	(2) Employed[b]	(3) Unemployed[c]	(4) Inactive[d]	Total	Jobless (3)+(4)
Total		43.3	28.4	8.8	19.5	100	28.3
Age	16	66.1	21.4	3.6	8.9	100	12.5
	17	68.7	17.8	3.1	10.4	100	13.6
	18	56.1	22.1	3.7	18.2	100	21.9
	19	51.7	21.6	7.3	19.4	100	26.7
	20	47.5	27.9	7.9	16.8	100	24.7
	21	41.8	30.8	7.3	20.0	100	27.3
	22	40.0	31.7	12.8	15.6	100	28.4
	23	28.0	33.7	12.6	25.8	100	38.4
	24	15.3	40.7	15.5	28.5	100	44.0
Sex	Female	45.8	20.9	6.9	26.4	100	33.3
	Male	40.5	36.7	10.9	11.8	100	22.7
Nationality	Georgian	48.3	25.9	8.3	17.5	100	25.8
	Azeri	18.1	40.4	5.1	36.4	100	41.5
	Abkhazian	0.0	25.0	0.0	75.0	100	75
	Greek	25.0	37.5	12.5	25.0	100	37.5
	Ossetian	28.3	43.5	10.9	17.4	100	28.3
	Russian	44.8	8.6	27.6	19.0	100	46.6
	Armenian	24.1	47.0	12.9	16.0	100	28.9
	Ukrainian	20.0	0.0	0.0	80.0	100	80
	Other	14.6	16.4	25.5	43.6	100	69.1
Education of HH	Elementary or less[e]	36.1	31.6	11.0	21.3	100	32.3
	Not completed secondary[f]	26.8	37.3	10.0	25.9	100	35.9
	Secondary[g]	39.3	30.6	9.1	20.9	100	30
	Higher education	63.9	17.5	7.0	11.6	100	18.6
Employ-ment status of HH head	Employed	39.0	34.0	7.8	19.2	100	27
	Not employed	52.5	15.9	11.3	20.3	100	31.6
HH income quintile	1	31.8	31.0	10.1	27.2	100	37.2
	2	43.2	24.4	11.1	21.3	100	32.4
	3	41.3	28.5	8.4	21.8	100	30.2
	4	45.2	30.7	8.8	15.3	100	24.0
	5	54.2	27.7	5.6	12.5	100	18.1

Notes: [a] The data do not allow unambiguous identification of youth who both work and attend school.
[b] An employed person is one who fulfils any of the following criteria: (a) paid employment; (b) at work; (c) with a job but not at work at present. This includes persons waiting to rejoin employment. This category includes employers or persons who are self-employed and unpaid family members who hold a job in a market-oriented establishment, irrespective of the number of hours worked during a reference period. However, some countries prefer for special reasons to set a minimum time criterion on the inclusion of unpaid family labor among the employed. Usually, if a person works for more than 7+ hours a day, they are considered employed.
[c] An unemployed person is a person who fulfils either or all of the following criteria: (a) without work; (b) currently available for work or; (c) seeking work by taking such necessary steps as applying for jobs and registering with an agency.
[d] An "inactive" person is a person who is neither in the labor force (employed or unemployed) nor in education.
[e] Completed grades 4–5 or less.
[f] Completed grades 8–9.
[g] Secondary education includes general education, lyceum, gymnasium and vocational-technical schools.
Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

- **Nationality**. Nationality appears to have a strong influence on the opportunities available to young people. Overall, Georgian youth are more likely to be in school and less likely to be jobless than young people of minority nationalities. Russian and Azeri youth face the highest levels of joblessness, at 47 and 42 percent, respectively. However, these figures should be treated with caution due to the small sample size.[22]
- **Parental education**. The education level of parents appears to positively influence their children's educational attainment and job prospects. Young people with educated parents are more likely to be in school and less likely to be jobless than young people with less-educated parents. The differences in time use according to parental educational status, however, are not large, with the exception of parents with higher education.
- **Household income**. Household poverty appears to diminish opportunities available to young people in Georgia. While school enrollment at the compulsory level varies little by poverty status, youth from poor households are less likely to stay in school beyond compulsory education. Access to fee-based upper secondary and higher education remains strictly circumscribed for the poor.

  Sources suggest that youth from poor households also benefit less from private tutoring to compensate for deficient in-school teaching; private lessons are twice as frequent among the non-poor than the poor.[23] Poor youth, on the other hand, are much more likely to form part of the ranks of the jobless: the jobless rate of poor youth is almost twice that of youth from wealthy households.

Unfortunately, available data do not permit a breakdown of time-use patterns by residence. Certain information sources, however, point to substantial rural-urban disparities in terms of educational involvement (where urban youths are favored) and employment involvement (where rural dwellers are favored). While enrollment rates differ little by residence at the compulsory level, there is a dramatic drop in rural relative to urban enrollment at post-compulsory levels. As noted earlier, the overall employment rate was 46 percent in urban areas in 2000, against 73 percent in rural areas. The unemployment rate for the same year was 26 percent in urban areas against just 6 percent in rural areas.[24] Decisions concerning education involvement are, of course, affected by perceptions of job prospects; urban children may stay in school longer in response to poor immediate job prospects.

[22] UCW calculation based on World Bank, 2002, "Georgia Household Budget Survey."
[23] World Bank, 2004, "Child Welfare Note–Georgia."
[24] Ibid.

CHAPTER 2. THE EDUCATION SYSTEM

Georgia's education system is based on the former Soviet system and comprises: (i) preschools (ages 0–6); (ii) basic compulsory education (ages 7–14); and (iii) post-compulsory education (ages 15–24). In addition, there are a large number of other educational facilities, including boarding schools for disabled children and orphans, out-of-school facilities, as well as children and youth "palaces" for the arts, music, and sports.[25]

Secondary Education

In Georgia, enrollment rates for secondary school students are relatively high, but are showing signs of decline, particularly among rural and minority youth and youth from poor families. Secondary school enrollment rates decreased from 77 percent in 1993 to 73 percent in 2000,[26] while the rate for upper secondary education declined sharply to 54 percent.[27]

Declining enrollment rates for non-compulsory education are partially due to the increasing cost of both public and private education. [28] As a result, young people, especially young girls from poor families, are adversely affected. Even though female participation in post-compulsory education is slightly higher than that of male youth, among poor families, girls' enrollment rates are lower than boys. Family expenditures on the education of boys, as opposed to girls, also appears to have grown in recent years, particularly in remote mountainous areas, among large families and in non-Georgian families.[29]

Although current levels are not alarming, school dropouts are becoming increasingly common among poor youth living in rural areas and in towns where high unemployment rates are high.[30] Many young women drop out of school after getting married at an early age. In addition, the recent closing of a number of vocational schools has led many young men to drop out of school without enrolling in alternative programs. Changing funding patterns for non-compulsory education have also negatively impacted poor families. Education comes at a premium for these families, who struggle to pay for new school fees, informal payments and payments for private tutoring. The devaluation of a secondary school diploma—in terms of its ability to lead to stable employment—and the increased cost of education help explain the recent rise in school dropout rates.

[25] World Bank, 2002, "Public Expenditure Review: Georgia," 125.
[26] ILO, 2005, *World Employment Report 2005;* ILO, 2002, *Yearbook of Labor Statistics.*
[27] World Bank, 2002, "Public Expenditure Review: Georgia," 25.
[28] Ibid.
[29] UNDP, 2004, "Millenium Development Goals in Georgia," 34.
[30] World Bank, 2002, "Georgia Poverty Update."

School absenteeism and hidden dropouts (longer-term non-attendance in school) are reportedly widespread at both secondary and tertiary levels in rural and urban areas. The highest rate of irregular attendance is found among poor boys aged 7–14 living in urban areas: 15 percent of this group had missed class for more than 30 days during the 2000 school year. The hidden dropout rate increases significantly for youths aged 15–18. Among the most common reasons cited by young people for skipping school are teacher absenteeism; deterioration of physical facilities; lack of textbooks, basic equipment and materials; and excessive travel distance to schools. Attendance of rural youth diminishes around planting and harvesting seasons (e.g., spring and the month of September) and market days, when they take time off to help their families.

Private tutoring is a very important reason for hidden dropouts, particularly in upper secondary grades. The focus of many upper-grade students (X and XI grades) shifts almost completely from school attendance to preparation for university entrance exams. As a result, many stay at home to prepare for private lessons and consequently miss school. In 2000, for example, 34 percent of non-poor students aged 7–14 in urban areas received private lessons, whereas only 20 percent of poor students received such lessons. In rural areas, about 25 percent of female and 20 percent of male non-poor students received private lessons, while only 13 percent of female and 7 percent of male poor students received such tutoring.[31] Interviews with young people in 2005 revealed that the extent of hidden dropouts among urban non-poor youth is very high—estimated at more than half the class size. Some upper grade students reportedly came to school a couple of times a month, "just to show their face."

The formal education system has few incentives to discourage school absenteeism. Very low government expenditures on education have forced schools to depend heavily on formal and informal contributions from parents, whose donations help cover the cost of textbooks, school lunches, heating fuel and building repairs. School officials consequently do not want to antagonize parents by punishing their children for skipping classes. In addition, private tutoring has become the norm in formal education and, given that under-funding has depressed teacher wages almost to the poverty level, many teachers have become highly reliant on this additional stream of income. Students who were interviewed noted, "Teachers don't teach well in school, they focus on what pays them. They get a school job in order to get prestige and recognition, but their real job is tutoring, since this is what sustains them financially."[32] As a result, schoolteachers have very few levers with which to punish students for absenteeism.

Private tutoring also has important equity considerations because it places poor students at a considerable disadvantage. Poor students cannot afford good schoolbooks and materials, much less additional tutoring to help them qualify for a tuition-free university or placement in renowned universities. They are further disadvantaged because teachers may pay less attention to them in core curriculum classes. According to one interviewed student, "The teachers try to transfer knowledge to those students who take private

[31] Ibid., 40.
[32] Institute for Polling and Marketing (IPM), 2005, "School-to-Work Transition in Georgia," report for the World Bank, IPM, Tbilisi, Georgia..

lessons from them, they pay more attention to them. It is a kind of corruption." Another student stated, "Teachers are paid money and that's why they provide private lessons at home. If teachers teach the students in class the same way that they do during private lessons, then nobody would be taking private lessons from them. They do not transfer enough knowledge to students at school and so we have to prepare additionally [with tutors] to be able to pass the exams for university."[33]

The contrast between the educational opportunities of poor and non-poor young people is rather stark. While government expenditure per student per year is only about 20 lari (approximately US$11 in 2002), the richest 20 percent of households spend an average of 22 times more on educating their children than do the poorest 20 percent. In recent years, private expenditures have been the most unequally distributed expenditure item in education. The resulting inequality of opportunity is expected to become sharper over time.[34]

Tertiary Education

The number of students in tertiary education in Georgia has increased significantly over the past decade, from 104,000 in 1990 to 153,000 in 2003. The liberalization of the education market and the subsequent introduction of privately financed education institutions means that in 2005, 29,000 students were studying in one of 150 private universities, with another 124,000 in public universities. The number of public universities has also increased, from 19 to 26 in 2003, due in part to the introduction of fee-based education (as opposed to government-sponsored, tuition-free placements).[35]

The perception that a university diploma represents a way out of poverty remains strong in the country. Although the returns to education have diminished (due to both the lower quality of education and the depressed labor market), young people continue to invest in it. For many young people, attending university has become a coping mechanism for unemployment—they would rather attend university and "save face." Similarly, young students note that "it is better to be a student than to be idle."[36]

Although a university diploma no longer guarantees employment, it may smooth the path to a job in another specialization. Without a diploma, a young person is doomed to unemployment, work on a farm or in other low-remunerated and "un-prestigious" jobs such as a salesperson, waiter, cleaner, unskilled worker, etc. Since the fall of the Soviet Union, many young men have chosen to attend university to postpone compulsory military service. Rural youth see education as a way of escaping constrictive and outdated community traditions and norms. They seek entrance in universities in larger towns, particularly Tbilisi, which they perceive as a city that is more progressive and free from

[33] Ibid.
[34] World Bank, 2002, "Poverty Assessment Update: Georgia," 18–19.
[35] Ministry of Economic Development of Georgia, 2005, Department of State Statistics, "Chapter V: Education," in *Social Trends in Georgia*, Ministry of Economic Development, Tbilisi, Georgia, 57.
[36] IPM, 2005, "School-to-Work Transition in Georgia."

traditional gender expectations and one, moreover, that offers more cultural options and job opportunities.

In spite of high university enrollment rates, attendance is very low, with the exception of a few select public and private universities where attendance is required and enforced. Overall, students report that attendance is chronically low, ranging from a few students to half or all the students in a class. One student mentioned that, "[Typically,] the number of students who should be in the classroom but who hang out in the courtyard is double those attending the lecture."[37] Many students cite classroom overcrowding, low-quality education, an emphasis on theory over practical knowledge and the low qualifications of professors and their old age as the most important reasons for non-attendance. In addition, students cite corruption as a major explanation for why they have become disinterested in education and therefore stopped attending school.

Corruption permeates the higher education system, starting with entrance exams and continuing with semester exams, coursework, thesis papers and final state exams. Nepotism is also reportedly flourishing as well—good connections, most likely a former tutor or a professor who is related to a student—can help arrange for preferential admission to university. Students who have previously received private tutoring from a university teacher sometimes manage to obtain tuition-free seats. Certain government-sponsored, tuition-free university placements are even reportedly awarded to those who can "purchase" them. In the town of Telavi (Kakheti Region), for example, parents may opt not to pay for tutoring classes for their children and instead purchase a university placement for US$200–500 or higher. Contingent on a student's good grades, the government will subsidize tuition-free placements until graduation. In general, these scholarship degrees are more reputable than degrees from fee-based public university placements.

Educating students "on paper" deprives students of the necessary knowledge, skills, guidance and confidence needed for the labor market. The current system does not encourage excellence in education, since bright students are not rewarded for hard work and honesty; oftentimes, those who cheat obtain similar or better grades. Lack of transparency and positive role models, together with widespread corruption, create a disconnect from the educational process that undermines student morale and motivation. Irregular attendance, poor-quality lectures and lack of updated teaching materials translate into student cohorts who lack both a theoretical background and practical skills required by the labor market.

Very few students benefit from hands-on work experience, such as internships, to help them better understand the world of work. Career counseling is practically non-existent in both secondary schools and universities in Georgia. Students choose their majors without researching their true interests and skills or knowledge of the job market. Upon graduation, many find themselves in a vicious circle: they don't know where or how to look for jobs, lack both hard and soft skills and have no work experience. As one student

[37] Ibid.

lamented, “You are supposed to have work experience when you get a job, but at the same time, no one is willing to give you a chance to get that experience.”[38]

Overall, the current educational reform in Georgia is viewed positively by young people, although they do voice certain concerns. On one hand, students applaud the initiative to introduce standardized tests, as they believe these will reduce the corruption and nepotism associated with university entrance exams. The requirement that students be graded based on papers and class participation during the semester is also expected to increase transparency, provide more incentives for students to study and graduate as better-qualified professionals.

The reduction in the overall number of students is also seen as positive because it will increase the quality of the student population. However, the proposed increase in tuition fees for public universities (1,000–15,000 lari, or approximately US$560–8,000) and the reduction in government-sponsored university scholarships (up to 3,000 placements) is viewed with concern, since many families will not be able to afford the higher tuition fees. Young people also express negative feelings towards the new reform because of the accelerated pace at which changes are taking place. One student complains, “We have to go through a process that normally is phased in gradually, [but] for us, it will be like shock therapy.”[39] Last but not least, students note that drastically reducing the number of students will result in many unemployed young people and caution that youth idleness will therefore likely increase.

[38] Ibid.
[39] Ibid.

CHAPTER 3. STATUS OF YOUNG PEOPLE IN THE LABOR MARKET

Youth unemployment

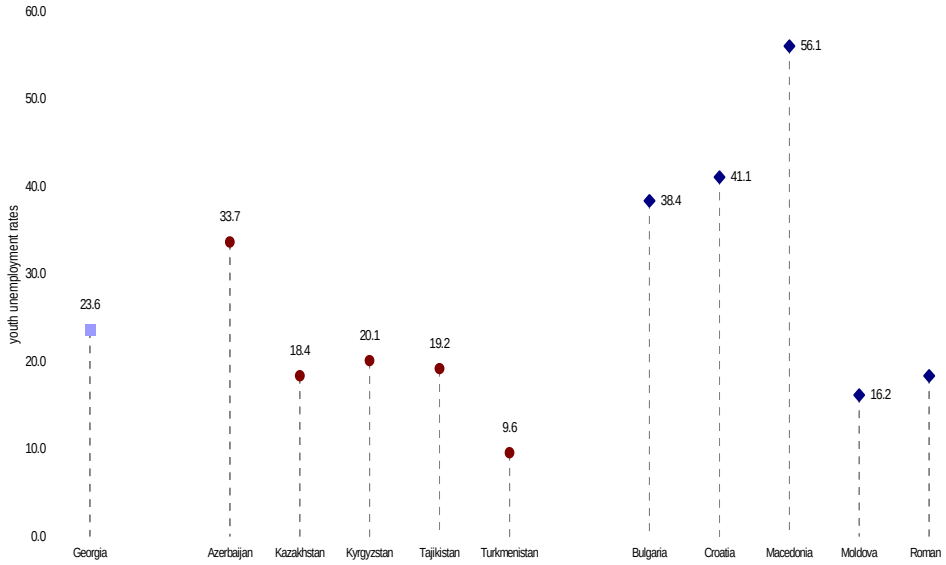
Youth unemployment is the most important and common measure of youth labor market status. The effects of prolonged unemployment early in a person's working life are well documented: it may permanently impair his or her productive potential and influence lifetime patterns of employment, pay and unemployment. In Georgia, research also points to links between youth unemployment and high-risk behaviors, such as substance abuse, youth crime and delinquency.[40] Youth unemployment is also used as an indicator for monitoring the U.N. Millennium Development Goal to "develop and implement strategies for decent and productive work for youth."[41]

Levels of unemployment are very high among Georgian young people, highlighting a difficult transition from education to working life. Almost one in four 16–24-year-olds (24 percent) who were in the labor force, and one in ten of all young people in this age group (9 percent), were affected by unemployment in 2002. This level of youth unemployment is not currently unusual in the Eastern Europe and Central Asia regions (see Figure 2). While youth unemployment in Georgia is not among the highest in the region, it is still higher than that of a large number of comparator countries.

[40] According to figures from the Department of State Statistics of Georgia, for example, just under half of all adolescents have used drugs. Some youths are resorting to commercial sex work as a means of escaping poverty and finding employment. Almost one-half (42 percent) of all commercial sex workers in Georgia are, for example, young females between the ages of 16 and 25 years. Department of State Statistics, Government of Georgia, Tbilisi, Georiga, http://www.statistics.ge (accessed July 2005).

[41] For a list of the indicators used to measure progress toward the MDGs, see the "Millenium Development Goals Indicator Database" web page of the United Nations, New York, April 2005, http://millenniumindicators.un.org/unsd/mi/mi_goals.asp (accessed August 2005).

Figure 2. Youth unemployment rates, Georgia versus selected Eastern European and Central Asian countries, around 2001



Note: Survey methodologies and reference years differ across the countries; comparisons are therefore indicative only.
Sources: UCW calculations, based on World Bank, 2002, "Georgia Household Budget Survey;" and UNICEF TransMONEE database, 2004.

Youth unemployment estimates need to be interpreted with caution, however, particularly when looked at in isolation from unemployment dynamics in the country as a whole. Low outflows from unemployment and long durations of unemployment likely indicate employment problems, but high outflows and short durations may merely reflect an active search for "preferred" work on the part of youth. The negative effects of unemployment are largely associated with prolonged (and/or repeated) spells of unemployment, rather than the incidence of unemployment *per se.* Unfortunately, data on unemployment duration were not available in the World Bank Georgian Household Budget Survey of 2002.

Table 5. Indicators of unemployment and joblessness for youth in Georgia, by background characteristic, 2002

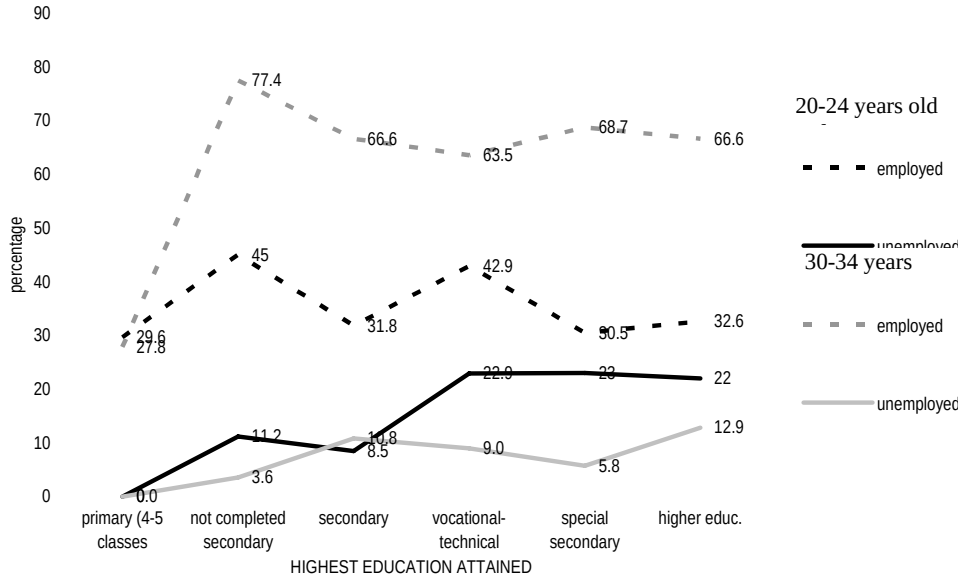
Background characteristic		*Unemployment ratio[a]*	*Unemployment rate[b]*	*Jobless ratio[c]*	*Jobless to non-student population ratio[d]*
Age	16-19	4.8	18.8	20.9	50.3
	20-24	11.1	25.2	32.5	49.7
	16-24	8.8	23.6	28.3	49.9
	25-55	9.1	11.45	28.4	28.7
Sex	Female	6.9	24.8	33.3	61.4
	Male	10.9	22.9	22.7	38.2
Nationality	Georgian	8.3	24.3	25.8	49.9
	Azeri	5.1	11.2	41.5	50.7
	Abkhazian	0.0	0.0	75	75.0
	Greek	12.5	25.0	37.5	50.0
	Ossetian	10.9	20.0	28.3	39.4
	Russian	27.6	76.2	46.6	84.4
	Armenian	12.9	21.5	28.9	38.1
	Ukrainian	0.0	-	80	100.0
	Other	25.5	60.9	69.1	80.8
Education of HH head	Elementary or less[e]	11.0	25.8	32.3	50.5
	Did not complete secondary[f]	10.0	21.1	35.9	49.0
	Secondary[g]	9.1	22.9	30	49.5
	Higher education	7.0	28.6	18.6	51.5
Employment status of HH head	Employed	7.8	34.3	27	62.0
	Not employed	11.3	29.0	31.6	53.6
HH income quintile	1	10.1	17.5	37.2	44.5
	2	11.1	19.5	32.4	45.1
	3	8.4	19.1	30.2	42.9
	4	8.8	18.7	24.0	44.3
	5	5.6	16.8	18.1	66.5

Notes: (a) unemployment ratio refers to total unemployed, expressed as a proportion of the *total population* in the same age range; (b) unemployment rate refers to total unemployed as a proportion of *total workforce* in the same age range; (c) jobless ratio refers to total jobless, expressed as a proportion of the total population in same age range; (d) refers to total jobless, expressed as a proportion of total non-student population in the same age group (e) completed grades 4–5 or less; (f) completed grades 8–9; (g) second school includes general education, lyceum, gymnasium, or vocational-technical school.
Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Not all young Georgians face the same risk of unemployment. As shown in Table 5, aggregate figures for the 16–24-year-old population as a whole mask large variations in unemployment by individual and household characteristics. Young adults, for instance, are more likely to experience difficulty in finding jobs than teenagers. Youth unemployment is also negatively correlated to household income level and the educational status of the household head. Young people from households headed by someone who is unemployed are much more likely themselves to be unemployed. Finally, female youth face a lower risk of unemployment than male youth, but the difference is not large.

A higher level of educational attainment does not appear to reduce the risk of unemployment faced by young people in the country. Indeed, the opposite appears to hold true. As shown in Figure 3, 20–24-year-olds in the workforce with at least a special secondary education are more than twice as likely to be unemployed as their similarly aged counterparts with a secondary education or less. This is partially due to the fact that less-educated young people by definition begin their transition to work at an earlier age and therefore have had more time to secure employment by ages 20–24. Even among 30–34-year-olds, however, all of whom have had ample time to search for jobs, more educated people face a greater risk of unemployment. This finding raises questions about the ability of the Georgian schooling system to equip young people with the requisite education and entry-level job skills demanded by the labor market.

Figure 3. Young adult employment status in Georgia by level of education and age cohort, 2002



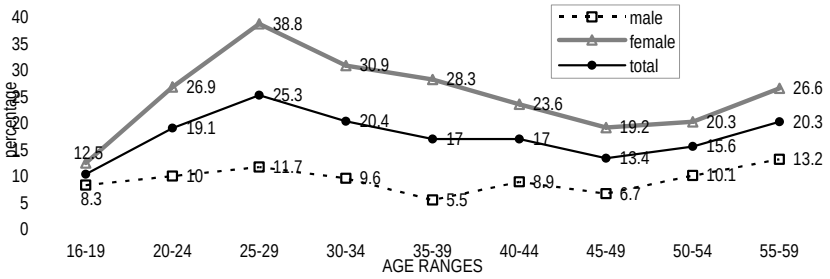
Source: UCW calculations, based on World Bank, 2002, "Georgia Household Budget Survey."

Youth inactivity

A very large proportion of Georgian youth is "inactive," i.e., neither in education nor the labor force. This group is also likely to encounter difficulties in finding and sustaining stable employment. One-fifth of all young people in Georgia, and over one-third of total non-students, is inactive, again with large variations by individual and household

characteristics (see Table 5).[42] Levels of inactivity are, for example, much higher among young adults (20–24-year-olds) than adolescents (as more of the latter are still in school), but actually peak for both males and females between the ages of 25 and 29 (see Figure 4). Inactivity appears to have a particularly important gender dimension: females are much more likely than males to be inactive at every age, with the greatest variation by sex occurring during women's child-bearing years.

Figure 4. Inactivity ratio of young people in Georgia, by age range and sex, 2002



Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

To what extent do inactive youth represent discouraged workers, as opposed to persons who have opted for involvement in activities outside the labor force? Unfortunately, available data do not permit drawing a clear line between the two possibilities, meaning that estimates of inactivity (and joblessness) must be interpreted with caution. While some inactive youth may have left or never entered the labor force because of poor job prospects, others may be involved in domestic duties and/or child rearing, and still others may be involved in non-formal education or similar activities that contribute to their future employability. It is plausible that inactivity is more a reflection of employment difficulties for male youth than female youth, as males are unlikely to stay out of the labor force in order to perform domestic duties or rear children.

Conditions of youth employment

Obtaining employment *per se* is an insufficient condition for a successful entry into the labor market in Georgia. The conditions of employment are also critical to assessing the labor market success of young people. This section examines key characteristics of youth employment. Data for a range of descriptive indicators relating to youth employment are analyzed in order to develop a statistical profile of the work that young people are actually doing in the country.

Table 6, which breaks down the employed youth population by broad occupational category, indicates that non-wage labor performed within the household is by far the most important form of youth work. Almost three out of every four employed young people work without monetary wages for their families. Most of this group works on family

[42] Combining inactive and unemployed youth yields total jobless youth, another important indicator of youth employment disadvantage. For example, 28 percent of total young people, and half of total non-students, are jobless.

farms, a reflection of the continued importance of the agriculture sector in the Georgian economy. Of the remaining working youth, 16 percent are in wage employment and 7 percent work on non-family farms.

Table 6. Youth employment characteristics by key background indicators, 16–24 years age group, 2002

Background characteristic			Occupational category: Employee - wage labor or self employed	Employer	Farmer working on private or rented land	Person working in non agric. sector or in professional activities	Non-wage labor in a HH enterprise	Non-wage labor for a friend	Other	Ave. weekly working hours
Total			16.44	0.47	7.2	3.99	70.79	0.94	0.16	41.3
Age group	16-19		2.9	0.0	8.2	3.2	85.1	0.6	0.0	48.2
	20-24		21.4	0.6	6.8	4.3	65.6	1.1	0.2	40.8
Sex and age group	16-19	Male	1.6	0.0	12.0	4.7	81.2	0.5	0.0	53.5
		Female	4.6	0.0	3.3	1.3	90.1	0.7	0.0	41.5
		Total	2.9	0.0	8.2	3.2	85.1	0.6	0.0	48.2
	20-24	Male	18.4	0.8	7.6	5.6	66.7	0.8	0.2	43.2
		Female	26.7	0.3	5.6	2.1	63.6	1.5	0.3	37.5
		Total	21.4	0.6	6.8	4.3	65.6	1.1	0.2	40.8
	25-29	Male	37.7	0.8	11.3	8.6	40.5	0.5	0.6	45.5
		Female	40.7	0.5	6.9	3.4	48.3	0.2	0.0	31.2
		Total	38.9	0.7	9.5	6.5	43.6	0.4	0.4	39.9
	30-35	Male	32.3	2.3	15.8	14.0	34.6	0.5	0.5	47.3
		Female	44.3	0.0	8.1	6.3	40.7	0.6	0.0	35.5
		Total	37.6	1.3	12.4	10.6	37.3	0.5	0.3	41.8
Nationality	Georgian		19.7	0.4	7.2	3.7	67.8	1.0	0.2	41.0
	Azeri		2.0	1.3	9.8	6.5	79.7	0.7	0.0	50.0
	Abkhazian		0.0	0.0	0.0	0.0	100.0	0.0	0.0	
	Greek		0.0	0.0	66.7	0.0	33.3	0.0	0.0	
	Ossetian		5.0	0.0	0.0	0.0	90.0	5.0	0.0	9.0
	Russian		80.0	0.0	0.0	20.0	0.0	0.0	0.0	34.0
	Armenian		8.7	0.0	5.3	1.3	84.0	0.7	0.0	32.2
	Other		55.6	0.0	0.0	33.3	11.1	0.0	0.0	61.9
Employ-ment status, HH head	Employed		12.8	0.5	6.5	3.7	75.7	0.8	0.1	41.0
	Not employed		34.4	0.5	10.4	5.7	46.7	1.9	0.5	41.5
Education attainmt of HH head	Elementary or less[a]		13.3	0.0	10.8	6.0	69.9	0.0	0.0	29.5
	Did not complete 2ndary[b]		4.6	0.0	7.8	5.9	79.7	1.3	0.7	40.6
	Secondary[c]		14.8	0.5	6.8	3.5	73.4	0.9	0.1	43.1
	Higher education		38.6	1.3	6.3	3.8	48.7	1.3	0.0	40.1
HH income quintile	1		10.8	0.4	9.6	4.4	73.2	1.2	0.4	10.8
	2		16.9	0.0	8.0	2.2	71.6	1.3	0.0	16.9
	3		11.8	0.4	4.4	2.2	79.8	1.5	0.0	11.8
	4		15.2	1.0	8.3	3.8	71.4	0.3	0.0	15.2
	5		28.8	0.4	5.8	7.5	56.7	0.4	0.4	28.8

Notes: (a) Completed grades 4–5 or less; (b) completed grades 8–9; (c) secondary education includes general education, lyceum, gymnasium, and vocational-technical schools.

Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Occupational category also varies considerably by individual and household characteristics:

- **Age.** As young people grow older, there is a shift away from family-based, non-wage work towards wage work outside the family. Non-wage family work, however, still accounts for two-thirds of total employment for the 20–24 age group.
- **Sex.** Female youth are more likely than male youth to be in wage work; differences by sex in other occupational categories are generally small. But other forms of gender bias in the labor market are reportedly significant and likely affect young female workers.[43]
- **Educational status of household head**. The education of the household head appears to improve the chances of young people of securing paid work outside the household. Almost 40 percent of working youth of educated parents are in wage work, compared to only 13 percent of working youth of uneducated parents.
- **Household income**. Poverty also appears to affect young people's chances of obtaining waged employment. Over one-quarter of working youth from rich households were in paid work, as opposed to only 9 percent of working youth from poor households in 2002. Working youth from rich households also put in considerably longer weekly working hours than their poorer counterparts (44 versus 32 hours).
- **Employment status of household head**. Working youth of unemployed parents are much more likely to be in paid work than working youth of employed parents, suggesting that these young people are more often relied on as family breadwinners.

What do the breakdowns by occupation say about employment quality? The generally low level of wage employment and high level of informal work is significant, given that wage employment is typically the most sought-after form of work among young people and the most likely to offer a measure of job stability and some form of benefits coverage. Informal farm work, on the other hand, is typically poorly paid and seasonal; studies indicate that this work does not constitute a reliable route out of poverty.[44] In urban settings, informal work frequently means insecure, non-family work in settings where labor and safety regulations do not apply, leaving workers susceptible to workplace exploitation. In both urban and rural settings, work in the informal economy is generally a poor alternative to formal sector employment.

[43] There is a large and persistent earnings gap between young men and women in Georgia with similar characteristics (roughly 10 percent, on average, controlling for other factors). Their distribution among occupations is also unequal, with women overrepresented in semi-skilled positions and underrepresented in senior positions (World Bank 2002, "Georgia Poverty Update").
[44] See, for example, World Bank, 2002, "Georgia Poverty Update."

Table 6. Characteristics of youth employment in Georgia by age group and sex, 2002

Age group	Sex	Contract type[a]		Job stability[b]			
		Written	Verbal	Regular	Temp.	Seasonal	Casual
16–19	Male	66.7	33.3	58.3	33.3	8.3	-
	Female	28.6	71.4	66.7	22.2	11.1	-
	Total	40.0	60.0	61.9	28.6	9.5	-
20–24	Male	86.1	13.9	76.4	8.1	12.2	3.4
	Female	64.8	35.2	84.0	9.0	3.0	4.0
	Total	76.4	23.6	79.4	8.5	8.5	3.6
16–24	Male	85.6	14.4	75.0	10.0	11.9	3.1
	Female	62.2	37.8	82.6	10.1	3.7	3.7
	Total	74.6	25.4	78.1	10.0	8.6	3.4

Notes: (a) Refers to people that are employees; (b) refers only to people that are employees, employers, in the non-agricultural sector or the professions.

Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

For the minority of youth aged 16–24 who are employed in formal-sector work, around 75 percent enjoy written contracts and describe their employment as "regular" rather than "seasonal," "temporary" or "casual" (see Table 6).

Youth labor market disadvantage

Comparing youth and adult unemployment rates provides some indication of the extent to which young workers are disadvantaged in securing jobs in relation to their adult counterparts. As shown in Table 7, young people and adults are more or less equally likely to find themselves unemployed, inactive or jobless. Young people *in the workforce*, however, are more than twice as likely as their adult counterparts to be without a job, suggesting that there are specific barriers to youth employment that need to be addressed by policymakers. And they are nearly three times as likely to be working in non-wage employment for a household enterprise than are adults (see Table 8). Young people in Eastern Europe and Central Asian countries also find themselves in a disadvantaged position in the labor market relative to adults (see Figure 5).

Table 7. Differences in youth and adult unemployment and jobless indicators, 2002

	Age group	Unemployment ratio	Unemployment rate	Inactivity ratio	Jobless ratio
Youth	16-19	4.8	18.8	16.1	20.9
	20-24	11.1	25.2	21.4	32.5
	16-24	8.8	23.6	19.5	28.3
Adult	25-55	9.1	11.45	19.3	28.4
Youth-to-adult ratio	16-19	0.53	1.64	0.83	0.74
	20-24	1.22	2.20	1.11	1.14
	16-24	0.97	2.06	1.01	1.00

Notes: (a) unemployment ratio refers to total unemployed, expressed as a proportion of the *total population* in the same age range; (b) unemployment rate refers to total unemployed as a proportion of *total workforce* in the same age range; (c) inactivity ratio refers to total inactive, expressed as a proportion of the total population in the same age range; (d) refers to total jobless, expressed as a proportion of the total population in the same age group.

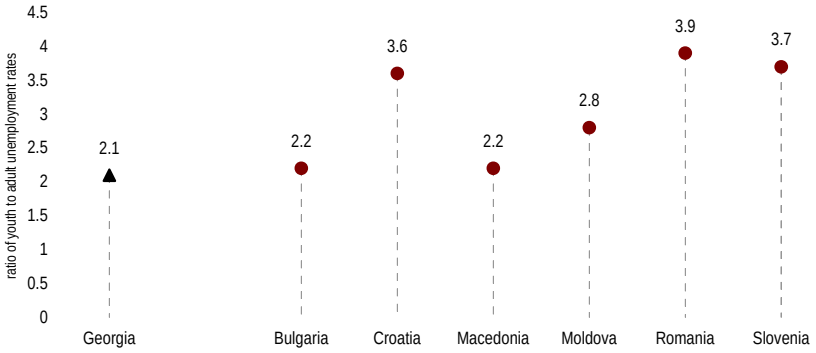
Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Table 8. Differences in youth and adult employment characteristics

Background characteristic	*Work modality*								*Ave. weekly working hours*
	Employee-wage labor or self-employed	*Em-ployer*	*Farmer working on private or rented land*	*Person working in non agric. sector or in the professions*	*Non-wage labor in a HH enterprise*	*Non-wage labor for a friend*	*Other*	*Employee-wage labor or self-employed*	
Youth (16–24 yrs)	16.4	0.5	7.2	4.0	70.8	0.9		0.2	41.3
Adults (25–54 ys)	36.7	1.6	21.6	11.2	28.4	0.2	0.2	0.2	41.6

Source: UCW calculations based on World Bank, 2002, Georgia Household Budget Survey.

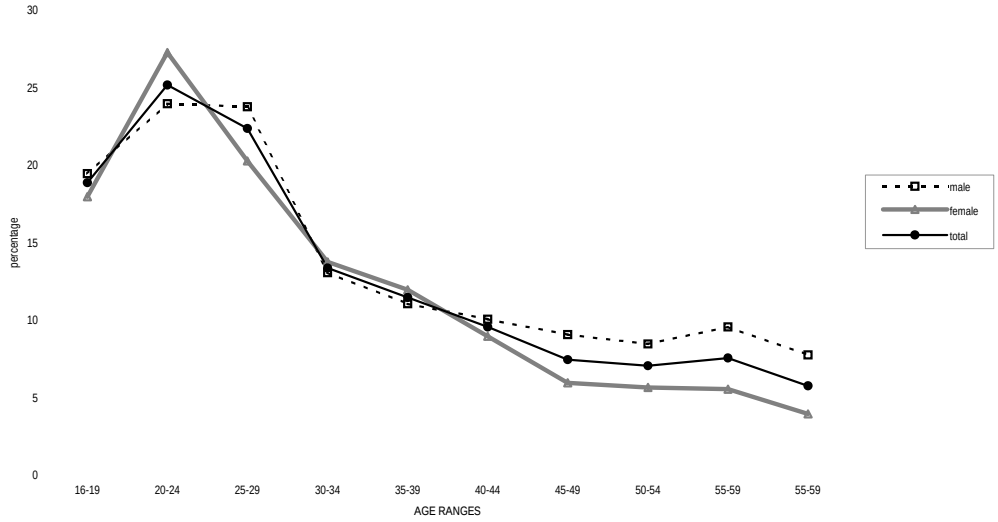
Figure 5. Ratio of youth-to-adult unemployment rates, Georgia versus selected Central Asian and South-East European countries, around 2001[(a)]



Notes: (a) Survey methodologies and reference years differ across countries; comparisons are therefore indicative only.
Sources: UCW calculations based on World Bank, 2002, "Household Budget Survey;" and UNICEF, TransMONEE database, 2004.

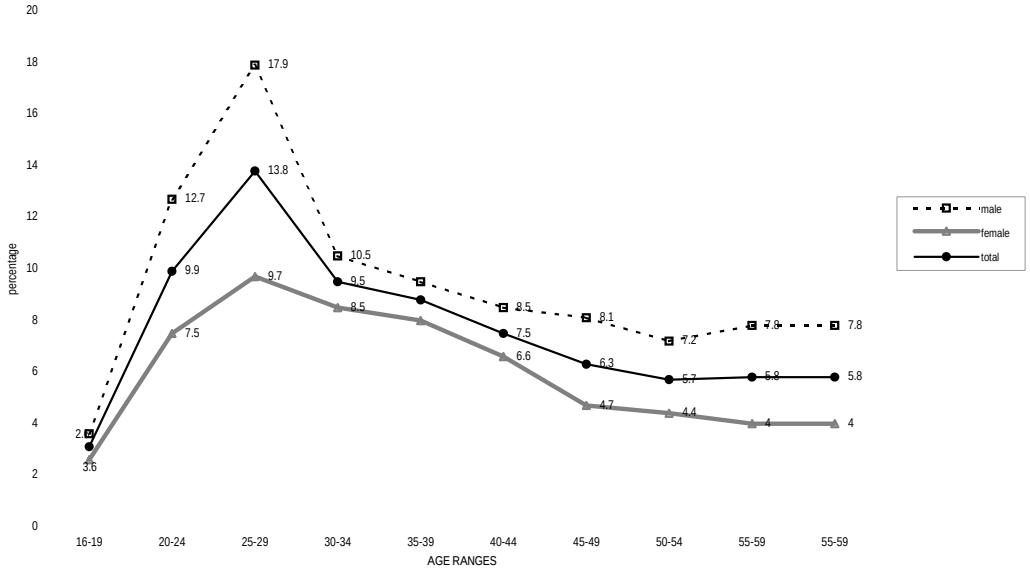
In 2002, the unemployment rate peaked among 20–24-year-olds, but remained very high among the next older age cohort (25–29 years), after which it fell sharply (see Figure 6). Although the rate varies slightly between male and female youth (see Figure 7), the overall trend is the same. These findings again illustrate that in many cases, the period required to settle into work extends well into adulthood. The labor market status of 25-29 year-olds thus constitutes an additional important policy concern.

Figure 6. Unemployment rate in Georgia by age range and sex, 2002



Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Figure 7. Unemployment ratio in Georgia by age range and sex, 2002



Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Differences between youth and adults in terms of work characteristics also provide an indication of youth labor market disadvantage. As shown in Table 9, the occupational profile of young workers differs dramatically from that of their adult counterparts. While youth work is concentrated overwhelmingly in non-wage family employment, adult work is distributed more evenly across wage work, farm work and family work. Young people are much less likely than adults to be involved in wage work and much more likely to be performing informal work. This finding suggests that adult workers in general enjoy a greater degree of job security and social protection and are less exposed to the instability and various risks associated with informal-sector work.

Table 9. Characteristics of youth and adult employment in Georgia, 2002 (percentages)

Age group	*Contract type*[a]		*Job stability*[b]			
	Written	*Verbal*	*Regular*	*Temporary*	*Seasonal*	*Casual*
Youth (16–24 yrs)	74.6	25.4	78.1	10.0	8.6	3.4
Adults (25–54 yrs)	81.2	18.8	83.9	6.1	6.5	3.5

Notes: (a) Refers to people that are employees; (b) refers only to people that are an employee, employer, in the non-agricultural sector or the professions.
Source: UCW calculations based on World Bank, 2002, Georgia Household Budget Survey.

Young people and adults differ little in terms of the intensity of work, however, each averaging around 41 working hours per week (see Table 8). Among those in formal-sector employment, adults are more likely than young people to benefit from a written contract and to enjoy “regular” rather than “temporary,” “seasonal” or “casual” employment (see Table 9).

CHAPTER 4.
ASSESSMENT OF THE TRANSITION TO WORKING LIFE

This section examines the routes that young people take from education to the workforce. Two methodologies are used to measure the school-to-work transition. The first employs a synthetic indicator of this using estimated probabilities to compute the average age of school leaving and job entry (see Annex 2). The second methodology follows the approach utilized by OECD and makes use of cohort indicators to identify school-leaving and job-entry ages. The school-leaving age is defined as the first age at which 50 percent of the cohort is not in school[45] and the job-entry age, as the age at which 50 percent of the cohort is employed, but not studying.[46]

Both methods are designed to measure the timing and duration of the school-to-work transition and should give similar results for Georgia. The paper also uses the OECD indicator job-entry age to enable comparisons with other countries. Neither method, however, permits conclusions regarding the "efficiency" or "success" of the transition in Georgia. A better understanding of efficiency would require integrating analysis of optimal school-leaving age with that of young people's employment search and labor force participation.

The beginning point of the transition for both methodologies is taken as the first age at which schooling is no longer compulsory.[47] This is the age at which youth can choose between continuing their education or exploring prospects in the job market. It is also the age at which those who stay in education must make a choice between standard education and training routes that lead to work or tertiary study, or both. The end of compulsory schooling is therefore of key concern to policy makers.

Assessment of the duration and timing of the transition—estimated probability methodology

Table 9 and Figure 7 present characteristics of the school-to-work transition using the synthetic indicator (based on estimated probabilities). The synthetic indicator reveals two noteworthy features of the transition in Georgia: the relatively late school-leaving age and the relatively long period of settling into work after leaving school. These two features together mean that the duration of the transition is almost 11 years.

[45] That is, the first age at which the population is not composed primarily of students.
[46] That is, the first age at which the population is composed primarily of workers.
[47] Other starting points are, of course, possible. The OECD, for example, has adopted the definition of starting age as the age at which fewer than 75 percent of the youth population are in school but not working (OECD, 2000, *From Initial Education to Working Life: Making Transitions Work* (Paris: OECD)). Eurostat has adopted the definition of starting age as the average age at which young people leave education (full or part-time) for the first time; this definition is used for supplementary Labor Force Surveys that examine the transition from school to work.

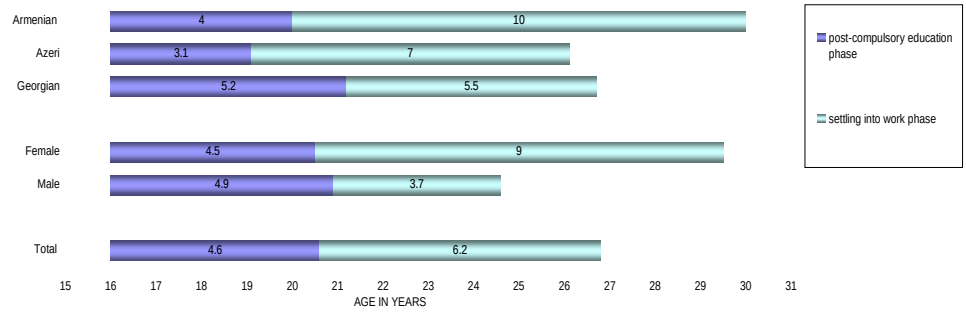
Young people do not leave school on average until the age of 20 years, four years after the end of compulsory schooling. This indicates that, despite serious quality concerns and the poor physical condition of the educational system, most young people choose to invest considerable time in upper secondary and tertiary education before entering the labor market full time. As shown in Figure 8, the estimated average school-leaving age in Georgia is largely not different from that of the OECD countries. However, given that the calculation of average school-leaving age is different for the two sets of data, comparisons are indicative only.

Table 9. Characteristics of the school-to-work transition in Georgia based on estimated probabilities, 2002

		Transition milestones			*Composition and duration of transition*		
Background characteristic		*(a) Beginning point of transition (1st age at which schooling is not compulsory)*	*(b) Age of leaving education (Ave. age of leaving education, based on estimated probability)*	*(c) Age of entering work (Ave. age of entering work, based on estimated probability)*	*Post-compulsory education period (b) – (a)*	*Period of settling into work (c) –(b)*	*Total (c) – (a)*
Total		16	20.6	26.8	4.6	6.2	10.6
Sex	Male	16	20.9	24.6	4.9	3.7	8.6
	Female	16	20.5	29.5	4.5	9	13.5
Nationality	Georgian	16	21.2	26.7	5.2	5.5	10.7
	Azeri	16	19.1	26.1	3.1	7	10.1
	Armenian	16	20.0	30.0	4	10	14

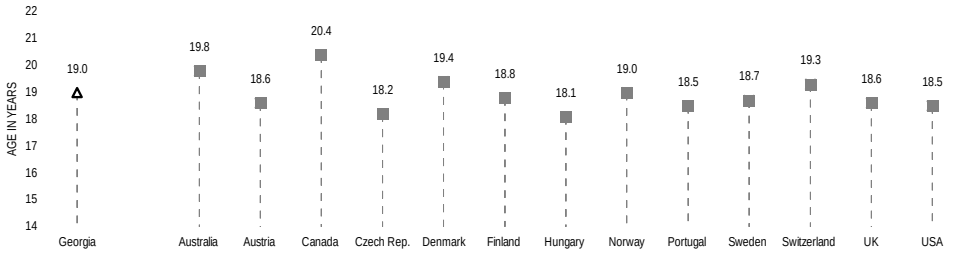
Note: Estimated probabilities calculated on the basis of the age at which work participation rate is at its maximum.
Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Figure 7. School-to-work transition characteristics based on estimated probabilities, 2002



Note: Estimated probabilities calculated on the basis of the age at which work participation rate is at its maximum.
Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Figure 8. Average school-leaving age, Georgia versus selected OECD countries, various years



Notes: The calculation method for average school-leaving age and reference year differ between Georgia and OECD countries; comparisons are therefore indicative only.
Sources: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey," and OECD, 2000, *From Initial Education to Working Life*.

The length of the second phase of the transition—settling into work—is a greater concern in terms of efficiency. Young people in Georgia take an average of almost six years to settle into work. An initial period of unemployment following schooling is not unusual, as young people generally spend time looking for the best job match, but the length of this period in Georgia extends well beyond what could plausibly be considered "wait" unemployment. As noted above, long periods of initial joblessness can lead to permanently reduced productive potential and job prospects, making the extended transition a particular policy concern. Youth are also broadly exposed to risky behavior during a long transition period.

The length and composition of the transition are very different for young men and women in Georgia. Females average the same number of years as males in post-compulsory education, plus four additional years of settling into work. The duration of the transition for girls is, therefore, almost as twice as long as that of boys. In total, the transition is 13.5 years for females against 8.6 years for males. While this discrepancy points to greater labor-market entry problems for females, it also likely reflects the different social roles played by males and females after education. While males are likely to enter the labor market immediately, many females stay out of the labor force for a period after education to take up domestic and child rearing responsibilities.

Nationality also appears to influence transition routes. Young people of Armenian descent face a much longer period of settling into work than young people of Georgian or Azeri descent.

Assessment of the duration and composition of the transition—OECD cohort indicator methodology

Table 10 presents characteristics of the school-to-work transition based on the cohort indicators defined in the introduction to this chapter. As expected, the results of the

second methodology are very similar to those of the first. The main use of this section is therefore to offer some preliminary international comparisons. Unfortunately, estimates of the school-to-work transition do not exist for other countries in the ECA sub-region using either methodology, so the analysis uses OECD countries to provide a rough comparison.

The first age at which a youth cohort ceases to be comprised of primarily of students is 20 years, therefore the post-compulsory schooling period is four years in duration. The cohort indicators also point to a very long period of settling into work, particularly for girls. Only at age 30.5 years are one-half of females employed and not in school, while males reach this milestone at just 23.5 years. Accordingly, the total length of the transition is 7.5 years for boys and 14.5 years for girls.

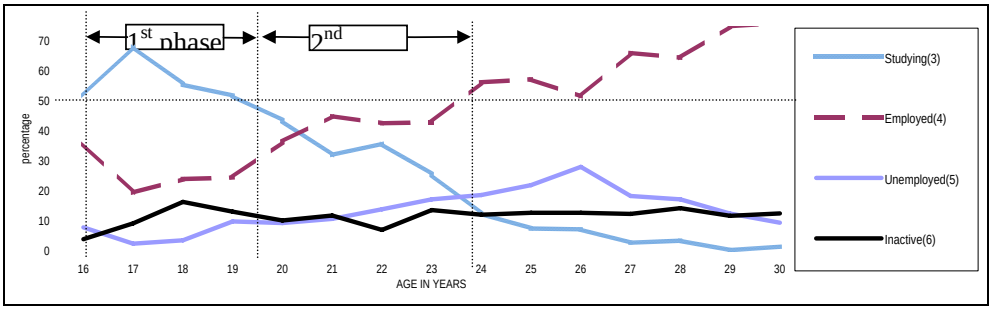
Table 10. Characteristics of school-to-work transition in Georgia based on cohort indicators, 2002

		Transition milestones			*Composition and duration of transition*		
Background characteristic		*(a) Beginning point of transition (1st age at which schooling is not compulsory)*	*(b) Age of leaving education (1st age at which 50% of cohort is not in education)*	*(c) Age of entering work (1st age at which 50% of cohort is employed, but not in education)*	*Post compulsory education period (b) – (a)*	*Period of settling into work period (c) – (b)*	*Total (c) – (a)*
Total		16	19	27	3	8	11
Sex	Male	16	20	23.5	4	3.5	7.5
	Female	16	20	30.5	4	10.5	14.5
Household income quintile	1-3	16	18.5	27	2.5	8.5	11
	4-5	16	21.5	25	5.5	3.5	9

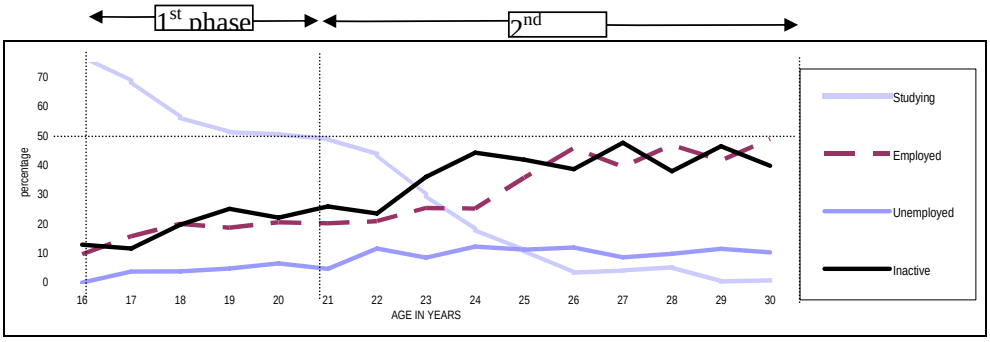
Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

Figure 9. School-to-work transition in Georgia, first and second phase by sex, 2002

(a) Male



(b) Female

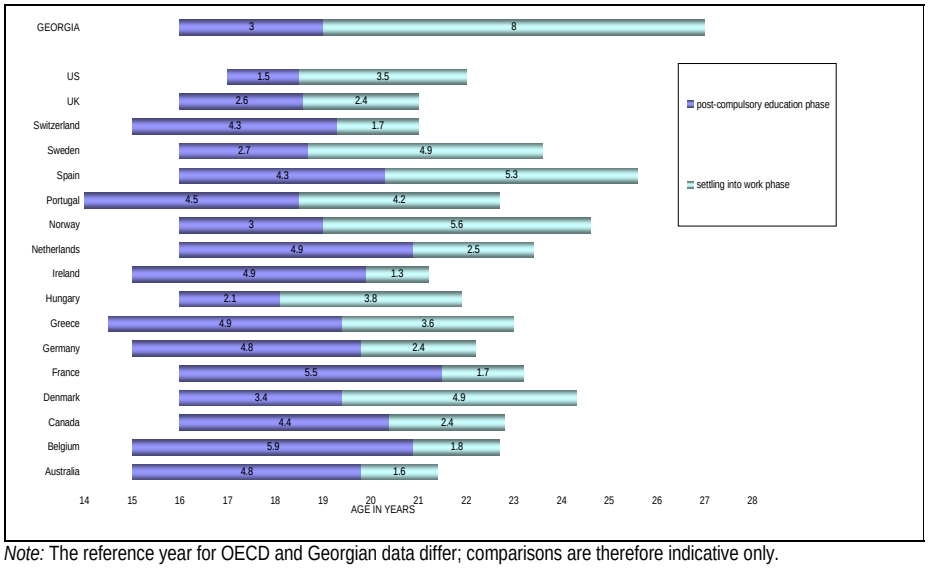


Notes: (1) The first phase, post-compulsory education, is the difference between compulsory schooling age and the age at which 50 percent of cohort is not in education; (2) the second phase, settling into work, is the difference between the age at which 50 percent of the cohort is not in education and 50 percent of the cohort is working; (3) studying means studying exclusively (i.e., not working); (4) employed means employed exclusively (i.e., not studying); (5) not employed means not employed, but actively seeking work; and (6) not studying/not employed means not actively seeking employment.

Source: UCW calculations based on World Bank, 2002, "Georgia Household Budget Survey."

When applying the cohort indicators, the age of leaving education and entering work varies considerably by household income. Young people from wealthier households invest a greater period of time in post-compulsory education and much less time settling into work. When applied to OECD countries, similar cohort-based indicators highlight the long relative duration of the settling into work in Georgia (see Figure 10). This finding suggests that young people in Georgia face much greater labor-market entry problems than young people in developed economies. Policies designed to facilitate their transition to work should thus be a particular priority.

Figure 10. Duration and composition of the transition from school to work, Georgia and selected OECD countries, various years



Note: The reference year for OECD and Georgian data differ; comparisons are therefore indicative only.

Source: UCW calculations based on World Bank, 2002, Georgia Household Budget Survey, and OECD, 2002, *From Initial Education to Working Life*.

Factors influencing schooling and employment decisions

The available data for Georgia are insufficient to satisfactorily identify the determinants of youth unemployment and the duration of the school-to-work transition. The analysis here uses the information at hand and indicates additional in-depth analytical work that could be carried out when more suitable data become available.

Two simultaneous, reduced-form equations were used to calculate the probability of being in school and that of working. As the two decisions are clearly correlated, a bivariate probit model was used for the estimates.[48] The probability of being in school and that of being employed are hence modeled as a function of a set of explanatory variables, including the age of the young person, household income, educational attainment of the parents, employment status (employed or unemployed) of the household head and ethnicity.

In order to avoid modeling issues relative to the separation of youth from the household of origin, individuals who were head of a household were excluded from the sample. The

[48] A simultaneous hazard rate model could also have been employed. Preliminary explorations, however, showed similar results to those discussed here. Given the paucity of available data, the authors deemed the more complex analytical instrument not worth the cost.

number of youth aged from 16 to 35 years who were household heads was only roughly 5 per cent of the individuals in the age range considered. (See Annex 3, Table A3.1 for the regression results.) The results indicated that, as expected, the two decisions are not independent, but strongly negatively correlated.

The marginal effects of the estimates (see Annex 3, Table A3.2) showed that household income was positively correlated both with youth work and school outcomes. This result should, however, be taken with care because of the endogeneity of household income. Given the nature of youth employment, which occurs mainly in informal and family businesses, it is not possible to exclude the contribution of working youth to household income. This contribution can accordingly create or accentuate a spurious correlation.

Youth from more educated parents tended to stay in school longer and enter the labor market later. However, later entry does not imply a longer transition period. If anything, the transition for youth with more educated parents tended to be shorter. Ethnicity also had an effect on employment and schooling decisions, as discussed earlier.

The estimated model was used to simulate the duration of the school-to-work transition phase as measured by the difference between the average age of beginning work and the average age of leaving school. The model predicts this duration reasonably well and so appears a useful instrument for policy simulation. A few experiments were attempted by considering the effects of changes in household income and/or in the education level of the household head, but their effects on the duration of the school-to-work transition were almost negligible.[49] Other factors are thus at play in determining the duration of the transition. Unfortunately, given the limited data available, the relative importance of individual and household characteristics cannot be identified with respect to the effects of such factors as labor-market institutions, structure of production, etc.

[49] The effects on age of leaving school and/or starting work are not necessarily negligible, but these effects appear to compensate for one another with respect to average age.

CHAPTER 5. SCHOOL-TO-WORK TRANSITION AND YOUTH INCLUSION: INSTITUTIONAL FRAMEWORK AND POLICY RECOMMENDATIONS

Supporting young people as active participants in the evolving socioeconomic development of their countries requires a multidimensional approach to youth inclusion, risk, conflict management and the transition from school to employment. Such an approach necessitates the participation and full collaboration of national youth policy stakeholders, youth representatives and interested third parties. Drawing from the analysis of the preceding sections, this chapter introduces major policy interventions that could facilitate the school-to-work transition in Georgia, improve the institutional framework for supporting youth empowerment and citizenship, and promote youth inclusion.

Education and Life-long Learning

As previously mentioned, the public education sector in Georgia has been critically underfunded (education represented 1.6 percent of public expenditures in 2002), making educational spending in the country lower than that of the Central Asian states. Insufficient financing, combined with obsolete teaching methods, corruption in the tertiary education system and a weak link between higher education and the labor market, has created negative outcomes for youth in the country, including school absenteeism, dropping out of school, idleness, an extended transition to working life and youth labor market disadvantages.

Given these negative trends, there is an urgent need to optimize physical and financial resources to develop the country's educational base. Regional and national interventions should include the provision of necessary textbooks, learning materials, equipment and facilities. For this purpose, it is recommended that improved legislative provisions enhance the economic and organizational conditions of the educational system.

Given low upper secondary enrollment rates, there is also a need to increase the relevance of the skills obtained through secondary education for the purposes of encouraging young people to stay in school and thereby increase their competitiveness on the labor market. An educational reform that includes a redefinition of school curricula, modernization of teaching techniques and efficient retraining of teachers would increase the quality and relevance of this level of education. According to a World Bank study, decreasing enrollment rates can be addressed by reducing the scope of vocational education,

establishing stronger linkages between general and vocational education and developing combined school- and work-based learning.[50]

Interestingly, the Policy and Strategy Department of the Ministry of Education in Georgia has envisioned the establishment of youth resource centers within secondary schools for the purpose of providing students with non-formal education that would complement the skills they obtain through formal education. However, implementation of this program has not yet commenced.[51] Box 1 below illustrates some of the successful strategies that have been adopted by countries of the European Union (EU) to increase the quality and relevance of their respective education systems—strategies that help facilitate the school-to-work transition process.

Box 1. European Union policies in support of the school-to-work transition

The overall improvement of the quality of the educational system has been a major strategy pursued by all countries of the European Union, especially at times when the youth population has been at high risk of failing to complete the transition from school to labor market. Various instruments have been adopted including the redefinition of curricula, new recruitment and on the job-training of school instructors, modernization of teaching techniques and styles, introduction of information technologies and other innovative approaches. By early 2000, the percentage of youth who were simultaneously engaged in both education/training and work experiences was higher (i.e. 20-35 percent of older teen-agers) in countries with apprenticeship programs, a dual system or widespread part-time employment (Austria, Denmark, Germany, the Netherlands and the United Kingdom), than elsewhere (10 percent of older teen-agers). In addition, cross-country assessments indicate that school systems which incorporate local decision making—involving employers, political authorities and school officials—are more efficient and egalitarian than those directly ruled only by central governments.

Source: Antonio Schizzerotto and Giancarlo Gasperoni, 2001, "Study on the State of Young People and Youth Policy in Europe," Milan: Fondazione IARD.

Given that the groups most affected by a decline in upper-secondary schools are rural youth, minority youth and young people from poor families, educational investments should be especially targeted at disadvantaged rural areas, areas with high unemployment, and young people from ethnic minorities. Targeted scholarships and loan programs could provide these young people with additional incentives to remain in education.

Given that specialized educational institutions for students in need of special care (e.g., list them: the disabled, mentally challenged, etc.) are either non-existent or perceived as extremely outdated and inefficient, investments should improve these facilities and their teaching methods. Investments should also target the training and retraining of qualified professionals who work with disabled students. Scholarships can provide an incentive for enrollment in relevant educational programs and thus increase the number and qualification of such professionals.

[50] Gloria La Cava and Sarah Michael, "Youth in the Northern Caucasus: From Risk to Opportunity," Environmentally and Socially Sustainable Development (ECSSD), Europe and Central Asia (ECA) Region, World Bank, Washington, DC, 2006.
[51] Institute for Polling & Marketing (IPM), "*School-to-Work Transition in Georgia: Qualitative and Desk Research Report*," report for the World Bank, Institute for Polling & Marketing, Tbilisi, Georgia, 2006.

As highlighted in this report, widespread corruption presents a major challenge to the education system in Georgia. Further efforts to reduce corruption and increase transparency are crucial to improving both the perception and the state of education in the country. Anti-corruption efforts in tertiary education should ensure equal access to education, prevent the marginalization of poor students, increase student and employer confidence in the system, reinstate the value of educational qualifications and enhance students' motivation for learning. For example, student ombudsmen have been instituted at different universities in South East Europe for the purposes of addressing corruption and introducing governance changes via dialogue with parliaments, ministries, university administrators and faculty. Box 2 gives a more detailed explanation of this student-led initiative.

In Georgia, the government recently embarked on a national plan for the reform of the education system that is intended to increase the transparency and accountability of higher education institutions. Introduction of a Unified National Exam for university admission has been an important step in this reform, sparking enthusiasm among both young people and youth stakeholders. This step has been perceived as an indication of Georgia's fundamental commitment to addressing corruption in tertiary education. At the same time, greater youth participation in addressing accountability issues in tertiary education could become an indispensable pillar of anti-corruption efforts, as demonstrated by Box 2.

Box 2. Youth initiative to combat corruption in tertiary education

In 2003, a regional network of student NGOs from Macedonia, Croatia, Bulgaria, Serbia and Montenegro, Moldova and Albania was formed with the aim of decreasing the level of corruption in higher education. In particular, the student NGO network has focused on (i) changes in present regulations for tertiary education through assessments conducted by legal experts and respected research institutes; (ii) introduction of student rights and mechanisms for their protection; and (iii) drastically decreasing the high level of corruption in tertiary education, which is common in all participating countries. As a result of this initiative, more effective student ombudsmen are being instituted in several universities, the monopoly of old-time student unions is coming to an end and dialogue to introduce governance changes have been initiated with parliaments, education ministries, university administrators and faculties. Similar initiatives, especially at the regional and/or okrug level, could be supported by the Ministry of Education of the Russian Federation through a competitive grant scheme to which student and youth organizations could apply.

Source: Todor Arsovski, 2005, "Studentite za sebe," mimeo, website of *Studentite za sebe*, Macedonia, www.studentitezasebe.org.mk (accessed November 15, 2005).

Given the fact that career counseling is non-existent in secondary schools and universities, and that students choose their majors without having a clear idea of their interests or proper knowledge of the job market,[52] educational investments should help establish career centers within schools and/or community-based, multipurpose youth centers to support educational achievement and prepare young people more adequately for the labor market. Career centers would provide students with professional guidance

[52] IPM, 2006, "School-to-Work Transition in Georgia."

and information on employment opportunities, as well as the skills needed to actively participate in the labor market.

Non-formal learning opportunities are important for developing skills that complement those gained through formal education. Multipurpose youth-friendly centers in South East Europe, for example, offer life and livelihood skills programs and have proven effective in helping school dropouts return to formal education.[53]

In Georgia, a number of life-skills training programs have been undertaken by various international and non-governmental organizations. For instance, UNICEF has implemented a five-year program on preventing risky behaviors associated with substance abuse and HIV transmission. The organization has also developed sport tournaments programs and supported various youth media initiatives that encourage adolescents to make documentaries and present them to international film festivals.[54] Scaling up and complementing such existing non-formal education programs to incorporate life skills training, cultural and sports activities would promote healthy lifestyles, engage young people in social life and provide them with a sense of belonging and hope.

Peace and tolerance programs should be included as key interventions in youth programming within a non-formal education framework. Such programs should aim to enhance the role of youth stakeholders as assets in social cohesion, conflict management and conflict prevention. In Macedonia, the Babylon Youth Centers have been successful in fostering social cohesion through the use of peace and tolerance programs.[55] In this respect, integrating peace programs into education in Georgia would raise young people's awareness of peace-making and conflict-prevention mechanisms, as well as contribute to increased social cohesion among young people from different ethnic groups and disadvantaged communities.

Active Labor Market Programs

The data presented in this study point to a pronounced need to support employability and employment opportunities for young job seekers in Georgia. As noted in the previous section, investments should specifically target the development of employment programs that would provide young people with more relevant information and career guidance. Such programs should aim to develop efficient employment services, including enhancement of staff qualifications for implementing this work.

Particular attention should also be paid to developing apprenticeship and first-employment programs. First-employment programs for young people, launched in

[53] Gloria La Cava, Paula Lytle, Alexandre Kolev, and Carine Clert, 2004, "Young People in South Eastern Europe: From Risk to Empowerment," Environmentally and Socially Sustainable Development (ECSSD), Europe and Central Asia (ECA) Region, World Bank, Washington, DC, World Bank.
[54] Interview with Maya Kurtsikidze, UNICEF, February 2006.
[55] La Cava and Michael, 2005, *School to Work Transition and Youth Inclusion in Southern Russia*.

cooperation with local employers by providing adequate incentives for both sides, could help alleviate the severity of the imbalance between labor market demand and supply. Development of apprenticeship and employment programs that target youth with disabilities and young people deprived of parental care should also complement any existing projects. The development of internship and short-term employment opportunities for young people would not only increase their professional skills, but give them a means of earning an income.

The *Chile Joven* program represents an excellent example of programming for the school-to-work transition. The program gives young people who are otherwise unemployed or underemployed, particularly those from low-income families, the opportunity to integrate into labor markets through skills-training programs, on-the-job experience and training for self-run businesses. Box 3 presents several models and best practices for such programs from Latin America.

Box 3. School-to-work transition in Latin America: Success factors

Experience from Latin America suggests that several factors enhance the success and impact of school-to-work transition programs:

- Focus on long-term employability and productivity. Effective school-to-work transition programs address all aspects of the transition. Programs that put high priority on long-term employability and productivity of youth are more successful than those that target short-term job placement.
- Develop effective targeting for different groups. Targeting specific youth groups is critical to policy and program success. In most cases, completely different designs are needed for different age and income groups. Targeted programs should also reflect gender sensitivities.
- Use community-based outreach models. Programs targeting low-income unemployed youth are more effective if they are integrated into community-based outreach models.
- Differentiate between programs for the competitive skilled labor force and low-income unemployed youth. The success potential of school-to-work transition programs is increased by distinguishing between policies and programs that address economic growth and competitive skilled labor force issues and those that address the social inclusion of low-income unemployed youth.
- Extend education to non-formal programs that grant certification. Non-formal education provided at community and youth-friendly centers encourage young people to go back to school without the stigma of failure associated with the formal education system.
- Rethink expensive unemployment training programs for youth. In designing training programs, emphasis should be put on generic and basic business skills, rather than expensive training that excludes low-income youth. Remedial education emphasizing the basic skills that are used in the informal sector, which is the main point of entry into the labor market, should also be incorporated into training curricula.

Source: Caroline Fawcett, 2003, "Building a Bridge for the Road Too Far: Policy Analysis for the School-to-Work Transition in Latin America," in Blair Ruble, Joseph Tulchin, Diana Varat and Lisa Hanley, eds. *Youth Explosion in Developing World Cities*. (Washington, DC: Woodrow Wilson International Center for Scholars).

In addition to the programs mentioned above, supporting small business development opportunities for youth, together with proper business training for young entrepreneurs, could support the economic potential of youth, as well as their contribution to the development of the labor market. Pilot programs that extend small business loans and grants to fund innovative ideas should be supported in this area.

Youth Participation in Decision Making and Citizenship

National youth programming does not identify youth participation in consultation and decision-making processes in Georgia as a priority. Overall, there seems to be a lack of prioritization of government work in the youth field. Moreover, projects for including youth in policy-making processes developed by the government are characterized by a persistent lack of sustainability. There is a widespread perception that young people in the country are not interested in participating in such processes. Yet, on the other hand, there is a high degree of idleness and hopelessness among youth, who have low expectations that their involvement in policy making will change youth policies and programming.[56]

The establishment of an autonomous body responsible for developing youth policy and maintaining dialogue with government structures is a core element of efficient youth policies. Currently, there are two institutions responsible for youth policy and programming in Georgia: the Department of Sport and Youth Affairs of the Ministry of Culture, Monument Care and Sport, and the Policy and Strategy Department of the Ministry of Education. Introduction of a Youth Policy Steering Committee with an advisory role in youth programming and funding and composed of youth representatives, civil servants and NGOs could facilitate the development of youth policy by bringing stakeholder views to the discussion.

UNICEF has recently supported the development of a Youth Parliament in the country, which aims to involve young people in policy-making processes. In cooperation with UNICEF and the National Council of Youth Organizations of Georgia, the Department of Sport and Youth Affairs has also been involved in plans for establishing a youth policy working group. Implementation of this plan, however, was brought to a halt as a result of the reorganization of the Youth Department.[57]

Active participation of youth in decision-making and consultation processes at all levels of government in Georgia is essential for developing an efficient youth agenda in the country. The government should recognize the role of young people as active citizens of society and involve them in the processes of developing and implementing successful youth policies. Youth organizations, including the National Council of Youth Organizations of Georgia and relevant associations at municipal, regional and national

[56] IPM, 2006, "School to Work Transition in Georgia."
[57] Interview with Maya Kurtsikidze, UNICEF, February 2006.

levels, should be formally recognized as civic partners in the process of developing youth policies. This means including youth in consultation and decision-making processes at all levels of government. Encouraging and facilitating the active participation of young people in non-governmental youth organizations should also become a central element of youth policy. (See box 4 for an example of youth engagement in youth policy development.)

Box 4. Youth engage in Macedonian youth policy development process

A baseline study on youth trends in Macedonia in 2003 highlighted the needs and the interests of young people in the country. It was developed with the participation of local youth stakeholders, such as municipal officials, schools, parents, formal and non-formal youth services, youth NGOs and young people themselves. The results of the study were then integrated in the 2004 nationwide youth consultation process to develop the National Youth Policy. The consultation process involved "Youth Fora" in which some 100 youth organizations and youth wings of political parties representing over 100,000 young people discussed national youth policy with governmental officials and donors. The final draft of the strategy and a Youth NGO Declaration were subsequently presented to the Macedonian Government for adoption and implementation.

In parallel, several major youth NGOs conducted additional consultation processes in more than 30 municipalities across the country. The National Youth Action Plan developed by the youth NGO coalition SEGA raised the voice of young people to the central and local governments. An important challenge in developing the National Youth Strategy was the inclusion of young people who were not members of youth NGOs. These youth were directly involved in the process through the Babylon Children and Youth Centers, Internet forums developed by different youth NGOs (e.g., Youth Education Forum, Young European Federalists, etc.), an Internet-based NGO resource center (MANGO-NET), interactive radio programs (e.g., Radio Ravel) and direct participation in local discussion groups.

Source: World Bank, "Macedonia Children and Youth Project Aide Memoire—Mid-term Review," mimeo, World Bank, Washington DC, 2005.

Both the active involvement of youth in decision making and the growth of youth organizations require the establishment of clear legal, administrative and financial mechanisms. The development of a legislative framework that recognizes the role of youth associations, as well as regional youth structures, as participants in youth dialogue and policymaking, would be a positive step in this direction. Such a framework would allow young people in Georgia to fully participate in youth policy discussions and thus influence the policy process. Making funding available to youth organizations is also needed and could be used to support innovative and creative approaches to youth involvement in the social, political and economic life of the country. A monitoring and evaluation system of current youth programming and the expenditures and outcomes related to program investments should also be established for the purposes of monitoring the progress and effectiveness of youth policies and programs.

The successful development of youth participation also requires efficient state structures and capacity building. Capacity building at national and regional levels will strengthen the institutional development of government bodies at all levels and support efficient amendments to current legislation pertaining to youth. Moreover, it will promote the creation of an efficient monitoring and evaluation system of expenditures and outcomes, as well as increase the transparency of budget allocations and regional targeting.

Designation of focal points responsible for youth issues at regional levels and by municipalities and local governments will contribute to strengthening the institutional structure. In addition, small-scale initiatives could be made more locally sustainable, with nationwide youth programming complemented by community-level interventions to ensure inclusion.

Due to the high degree of hopelessness among young people in Georgia and their lack of expectations that youth involvement will change their situation,[58] particular attention should be given to encouraging youth to take an active role as initiators and implementers of youth programs. A culture of youth participation in decision making should accordingly be introduced to young people in Georgia from an early age. One of the approaches adopted by the European Union in this direction involves the introduction of citizenship education in the school curricula and support for developing youth leaders through non-formal education programs provided by youth organizations. Citizenship education and volunteer work focusing on youth participation in public life are also key elements of the life-skills curricula at the Children and Youth Babylon Centers of Macedonia.

Finally, successful cooperation among young people, youth organizations and government in the field of youth policies requires the establishment of efficient communication channels. A constant flow of information within and between municipalities and the central government will ensure effective dialogue and coordination among the main stakeholders in youth policy development and implementation. Communication channels should include consultation sessions, open youth forums and dialogue between youth representatives and government bodies.

An Integrated Policy Roadmap

If social, political and economic efforts are to succeed in alleviating poverty, empowering young people, managing risky behaviors and preventing conflict, action to address the critical challenges facing young people in Georgia must be an urgent priority. However, a comprehensive approach that considers youth in Georgia as an asset for development is needed to guide investments in programming that meets young people's education, employment, social inclusion, well-being and safety needs. Successful implementation of such an approach will depend on the availability and efficiency of communication channels among young people, non-governmental organizations, donor communities and government authorities at all levels.

Political commitment, backed by resources and sustained over time, is essential for the success of programs that target young people. The process of recognizing the constructive role of young people and their organizations needs to develop coherent policies and practices. Youth need to be involved in the decision-making that guides these processes, as well as in youth programming at all levels, from design to implementation to monitoring and evaluation.

[58] IPM, 2006, "School to Work Transition in Georgia."

In sum, the process of developing and implementing a successful national youth strategy in Georgia requires a multidimensional, cross-sectoral approach to youth transition to adulthood and participation in policy making. The key challenges that need to be addressed include strengthening the legislative and institutional framework for youth organizations in the country, transparent targeting and budgeting, capacity building for government bodies and youth organizations alike and the adoption of programs that address young people's needs at regional and national levels.

ANNEX 1.
METHODOLOGY OF THE STUDY

This study was carried out in two phases. Phase I, in fiscal year 2005, consisted of analysis of secondary data, quantitative analysis and qualitative fieldwork. Phase II, in fiscal year 2006, involved rapid institutional analysis of policy responses and policy gaps in the school-to-work transition.

The quantitative research phase was conducted by a team led by Furio Rosati at Understanding Children's Work (UCW)[59] and compiled data from the Integrated Household Survey and other datasets. The research attempted to identify the main correlates of school dropout rates, idleness and employment status. Specifically, the research analyzed (i) patterns of time use among youth aged 15–24 in Georgia and (ii) the dynamics of the school-to-work transition. Correlates with a number of key individual and household background variables were also assessed (e.g., age, gender, residence, parental educational attainment, household income, employment status of household head.)

Qualitative fieldwork was conducted in two phases: the first phase involved key informant interviews, focus group discussions and semi-structured interviews with young people to validate the results of the quantitative analysis and to formulate an hypothesis for the causes of idleness, school dropouts and hidden dropouts beyond those identified on the basis of available data. The fieldwork was conducted by the Institute for Polling and Marketing (IPM) in cooperation with the World Bank Youth Voices Group.[60] Fieldwork was conducted in the capital city of Tbilisi and in the Kakheti and Imereti regions of Georgia. The town of Kutaisi, Tchognari village (Imereti region) and the town of Telavi and Kondoli village (Kakheti region) were selected to provide a contrast between rural and urban locations, the capital and other towns, and relative degrees of poverty and wealth among towns and villages.

The rapid institutional analysis of policy responses and policy gaps was conducted by IPM in fiscal year 2006 with a focus on youth idleness.[61]

[59] UCW is an inter-agency research project created in December 2000 by the International Labour Organization, UNICEF and the World Bank.

[60] The Youth Voices Group seeks to establish a mutual learning process between young people aged 15–25 and the World Bank. The initiative provides a platform for young people to bring fresh ideas and recommendations to the Bank based on their experience, perspectives and priorities, which can become inputs to World Bank operational, analytical and advisory activities. The World Bank also seeks to support leadership and professional skills development of Youth Voices members, empowering them to become agents of change in Georgia.

[61] Elisaveta Stanimirova Kokotanova of ECSSD, World Bank, contributed significantly to an earlier draft of this section.

ANNEX 2.
MEASURING THE DURATION OF THE TRANSITION FROM SCHOOL TO WORK[**]

The majority of youth, in both developed and developing countries, transits through school before entering the work world. Often a certain period of a time elapses between the end of the school cycle and the start of the productive cycle. The transition from school to work serves different purposes and its length and nature are arguably the result of a variety of forces.

In the simplest human capital model, individuals acquire education up to the point where the marginal return to one additional year of education is higher than its marginal cost, the latter largely being the opportunity cost of being out of work. In this stylized model, there is no transition from school to work, as individuals start working immediately after leaving school, nor is there room for either voluntary or involuntary unemployment, as the model implicitly assumes zero utility of leisure and zero excess labor demand.

In reality, the transition from school to work is unlikely to be immediate because young people generally spend time looking for the best job match. "Wait" unemployment can hence arise if there are returns to a job search. In addition, young workers might well experience consecutive spells of employment in different jobs as they search (on the job) for better opportunities than the one currently at hand. They might also alternate periods of employment with periods of unemployment if their on-the-job search is ineffective.

Even in a world when there is no return to a job search, and hence, no efficiency gains associated with the search process, (voluntary or involuntary) youth unemployment will arise if the demand for labor is low relative to the supply (and wages do not adjust), or if market wages are below workers' reservation wages. Young individuals who are looking for their first job risk falling into involuntary unemployment, particularly if they are poor substitutes for adult workers or there are rigidities in the labor market (such as hiring and firing costs[62]) that make the substitution between adult and young workers costly for a firm.

Eventually young individuals may end up being absorbed into the labor market as older cohorts retire, but this process can be lengthy and hampered by the arrival of new cohorts of school leavers on the job market. Again, in a world with unemployment and/or

[**] For a more detailed discussion of school-to-work transition issues and indicators used to analyze them, see UCW, "Transition from Education to the Labor Market in Sub-Saharan Africa: An Analysis for 13 Countries," UCW, Rome, Italy, 2005.

[62] Bentolila and Bertola, 1990, "Firing Costs and Labour Demand: How Bad is Eurosclerosis?" *Review of Economic Studies* 57, no. 3 (July):381–402**;** Barbara Petrongolo and P. Canziani, 2001, "Firing Costs and Stigma: A Theoretical Analysis and Empirical Evidence on Micro Data," *European Economic Review* 45, no. 10: 1877–1906.

inactivity, workers may alternate between spells of employment and unemployment or change jobs as labor demand or reservation wages change over a worker's life cycle. The process is made even more complex by the fact that the time of school leaving is endogenous and most likely influenced by expectations about the transition to work and the kind of job obtained at the end of the transition. This paper focuses on measuring the transition in a way that is suitable for cross country comparison and as a basis for further analysis.

It should be clear that the transition from school to work is by no means linear or well defined. Individuals do not necessarily leave school once and for all, possibly search over a certain period of time and then land in their first job (which is the definite port of entry into employment for life). The starting point of this transition is well defined if, perhaps, individuals never re-enter school and school attendance is universal. The greatest difficulty is defining the end point of the transition.

Individuals may alternate periods of employment with periods of unemployment, change jobs or possibly even stay out of work for the rest of their life. Young individuals may take up temporary jobs, work on the household farm, work in a family enterprise or devote time to household chores. Such employment may substitute for lack of better work opportunities or provide initial work experience with a potential return in terms of future employment and income prospects. These problems are particularly relevant in developed countries and in urban areas of developing countries, where the labor force participation of women (at least those in the labor market) is low, individuals often associate work with schooling, and, most importantly, underemployment, self-employment, home production and causal employment are widespread.

Although in principle very important, the issues highlighted above make relatively little sense when one is confronted with data from developing countries. In most cases, the data provides only information on whether an individual is in school and/or in employment (perhaps distinguishing between market and non-market work). The next section thus develops a simple indicator that, in view of data limitations, does not do justice to these issues.

A Synthetic Indicator

A simple indicator of transition from school to work was developed that would be comparable across countries. In order to describe the transition process, the distribution of age at school leaving and age of entry into the first job was derived. As a synthetic indicator of this transition, the difference between the average school-leaving age and the average age of first entry into work was computed.

This paper is not the first attempt to describe the school-to-work transition process. For example, the OECD[63] uses the age at which 50 percent of individuals are in employment to determine the end point of the transition. Measures of transition based on such definitions implicitly assume that the overall portion of individuals who are employed is above 50 percent (otherwise no transition would ever be completed) and that the overall proportion of individuals who enter employment in any given country is roughly comparable (otherwise the indicator would be biased by overall differences in participation across countries). However, none of these assumptions is likely to be true, especially in developing countries. Similar problems occur when estimating the starting point of the transition. For example, OECD indicators implicitly assume that all children do transit through the school system and that the vast majority of them remain in school, at least until the end of compulsory schooling—an assumption that can hardly be maintained in most developing countries.

While the assumptions behind the OECD indicator arguably do not represent much of a problem in developed countries, they can prove to be a serious source of bias when comparing data from developing countries that have different levels of school attendance and overall labor market participation in adulthood, especially among women. The authors attempted to circumvent these problems by standardizing the measures of school-to-work transition relative to the population at risk, that is, relative to those young people who indeed eventually transit through school and participate in the labor force.

Ideally, one would need longitudinal data with detailed job history information that followed individuals from childhood into adulthood or, alternatively, cross-sectional data with retrospective information that permitted the reconstruction of work histories in order to model the school-to-work transition process. In the absence of such data—generally the case in developed countries—one can use cross-sectional data to measure the length of the transition. Given appropriate assumptions, available cross-sectional data allow for a consistent identification of the parameters of interest.

Because indicators and their interpretation depend on the underlying assumptions of a model, the following text describes these assumptions in order to permit comparison with other indicators. Suppose, for example, there exists an age a_{min}, such that for $a>a_{min}$, individuals never transit into school and such that for $a<=a_{min}$, individuals never transit out of school.

In this case, at age_{min}, those who ever transit through school all happen to be in school. In this case, it is easy to show that if S denotes the event of being in school, the probability of leaving school at age a, denoted by SL_a is nothing but:

(1) $SL_a=-[P(S_{a+1})-P(S_a)]$ $a>a_{min}$

[63] OECD, 1998, *Education at a Glance: OECD Indicators* (Paris: OECD); OECD, 1999, "Preparing Youth for the 21st Century: The Policy Lessons from the Past Two Decades," in *Preparing Youth for the 21st Century* (Paris: OECD); and OECD, 2000, *From Initial Education to Working Life.*

That is, the change in enrollment occurs across two consecutive ages. Equation (1) simply states that, if, say, 90 percent of children are in school at age 10 and 80 percent are in school at age 11, then 10 percent of children must have dropped out between age 10 and age 11.

In addition, it is assumed that for any age $a<a_{max}$, individuals never transit out of work and for $a>=a_{max}$, individuals never transit into work. Again, this implies that at a_{max} , all who ever work are simultaneously employed. This assumption, admittedly more unrealistic than the previous one, rules exit from employment. In this case, if W denotes work and EW_a, the probability of entry into work at age a, we have the equation:

(2) $EW_a = P(W_{a+1}) - P(W_a)$ $a<a_{max}$

That is, the equation shows the increase in labor participation from one year to the next. Similar to equation 1, equation 2 simply states that, if, say, 10 percent of children are working at age 14 and 15 percent are working at age 15, then 5 percent of children must have started working between the ages of 14 and 15.

One major difficulty with these indicators is that not all individuals make a transition through school (a relevant problem in developing countries). Most importantly, not all individuals transition into work. This is particularly true for women, especially if work is defined as participation in a market-oriented economic activity. As a result, the following indexes were derived conditional on individuals ever transiting into the relevant state m, as there is no transition to be defined for those who do not make the transition.

Given the assumptions above, the average school-leaving age conditional on ever having been in school is:

(3) $E(SL)=\Sigma_{a>amin}\ a\ [SL_a/P(S_{amin})]$

and the distribution of age of entry into work is:

(4) $E(EW)=\Sigma_{a<amax}\ a\ [EW_a/P(W_{amax})]$

Notice that $P(W_{amax})= \Sigma_{a<amax}\ EW_a$ and hence, $\Sigma_{a<amax}[EW_a/P(W_{amax})]=1$. Similar reasoning applies to the weights in equation 3.

The synthetic index is thus computed as:

(5) $I= E(SL)-E(EW)$

This index is the average gap between age of entry into work, conditional on ever entering into work and an average exit from school, conditional on ever being in school. Obviously, this is the average age gap for those who ever enter into work (hence the true school-to-work transition age gap) only under the assumption that the age of exit from

school is uncorrelated with the probability of entering into work later in the life cycle, an assumption that is perhaps not compelling.

Empirical implementation

This section describes the empirical implementation of the indicator when, as in the case of Georgia, only one data cross-section is available. As a first step, a probit model on the probability of being in school is applied to all individuals in the sample, as well as separately for males and females. Regression of this outcome is then conducted on a polynomial in age. Applying a probit model is useful for smoothing out the age participation profiles in the presence of measurement errors and small sample sizes. It also allows, if required, sample predictions. Thus a_{min} is identified as the turning point in the estimated age participation profile. The same applies to the probability of work. These estimated probabilities are then used to compute the indicators in equations 3 and 4 and, ultimately, 5.

Limitations

One drawback of this methodology is that, when applied to a single data cross-section, the index is derived from a comparison of individuals of different ages at a given point in time and, hence, from different birth cohorts. The bias is difficult to determine. If there is a secular increase in school-leaving age without relevant changes in the age of first employment across cohorts, the index could underestimate the length of the transition period from school to work. If the age of first employment shows a secular increase, the bias could go in either direction. However, if one is ready to assume that this bias is similar across countries, one can still make a sensible inference concerning differences among them.

ANNEX 3.
REGRESSION RESULTS

Table A3.1 Results of bivariate probit estimates

Bivariate probit regression					Number of obs =	9508
					Wald chi2(20) =	2818.25
Log likelihood = -8028.8661					Prob > chi2 =	0.0000
	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
employ						
age	.1977374	.0270205	7.32	0.000	.1447781	.2506966
age2	-.0021165	.0005189	-4.08	0.000	-.0031335	-.0010995
heduc_less then primary	.3793297	.0601866	6.30	0.000	.2613661	.4972933
heduc_not completedsecondary	.4449103	.0558481	7.97	0.000	.33545	.5543707
Heduc completed secondary	.2179895	.0359004	6.07	0.000	.147626	.288353
lnexp	.0653893	.0209874	3.12	0.002	.0242548	.1065238
head_employ	.4374573	.0305932	14.30	0.000	.3774958	.4974188
other_nat	-.2438819	.0787608	-3.10	0.002	-.3982503	-.0895135
azeri	.2416752	.0534447	4.52	0.000	.1369256	.3464248
armenian	.3395504	.0559401	6.07	0.000	.2299098	.4491911
_cons	-4.572693	.3513511	-13.01	0.000	-5.261328	-3.884057
studyonly						
age	-.1658323	.0486134	-3.41	0.001	-.2611128	-.0705518
age2	-.0011166	.0010508	-1.06	0.288	-.0031761	.000943
heduc_less then primary	-.4867256	.0804871	-6.05	0.000	-.6444775	-.3289737
heduc_not completedsecondary	-.7062101	.0757419	-9.32	0.000	-.8546616	-.5577587
Heduc completed secondary	-.4127048	.0408251	-10.11	0.000	-.4927204	-.3326891
lnexp	.1781838	.0271796	6.56	0.000	.1249128	.2314548
head_employ	-.3303492	.0370218	-8.92	0.000	-.4029106	-.2577879
other_nat	-.4432154	.0999988	-4.43	0.000	-.6392095	-.2472213
azeri	-.8321161	.0821988	-10.12	0.000	-.9932227	-.6710094
armenian	-.3894794	.0749609	-5.20	0.000	-.5364	-.2425588
_cons	3.607967	.5632495	6.41	0.000	2.504019	4.711916
/athrho	-2.419896	.3745597	-6.46	0.000	-3.15402	-1.685773
rho	-.9843067	.0116639			-.9963634	-.9336067
Likelihood-ratio test of rho=0: chi2(1) = 1706.77 Prob > chi2 = 0.0000						

Table A3.2 Marginal effects on the probability of being employed

```
Marginal effects after biprobit
      y  = Pr(employ=1,studyonly=0) (predict, p10)
         =  .43780473
------------------------------------------------------------------------------
variable |      dy/dx    Std. Err.     z    P>|z|  [    95% C.I.   ]      X
---------+--------------------------------------------------------------------
     age |   .0779252      .01064    7.33   0.000   .057076  .098775   25.5215
    age2 |  -.0008341       .0002   -4.08   0.000  -.001235 -.000434   680.329
heduca~1*|   .1504265      .02356    6.38   0.000   .104242  .196611   .074674
heduca~2*|   .1759908      .02164    8.13   0.000   .133584  .218397   .094342
heduca~3*|   .0853137      .01392    6.13   0.000   .058036  .112592   .634308
   lnexp |   .0257689      .00827    3.12   0.002   .009557   .04198   4.07408
head_e~y*|   .1682286      .01134   14.83   0.000   .145995  .190462   .694889
other_~t*|  -.0935884      .02916   -3.21   0.001  -.150738 -.036439    .03334
   azeri*|   .0960462      .02125    4.52   0.000   .054392    .1377   .071414
armenian*|   .1348086      .02202    6.12   0.000   .091644  .177973   .063105
------------------------------------------------------------------------------
(*) dy/dx is for discrete change of dummy variable from 0 to 1
```

Table A3.3 Marginal effects on the probability of being in school

```
Marginal effects after biprobit
      y  = Pr(employ=0,studyonly=1) (predict, p01)
         =  .08833069
------------------------------------------------------------------------------
variable |      dy/dx    Std. Err.     z    P>|z|  [    95% C.I.   ]      X
---------+--------------------------------------------------------------------
     age |   -.026557      .00858   -3.10   0.002  -.043368 -.009746   25.5215
    age2 |  -.0001788      .00016   -1.10   0.273  -.000498  .000141   680.329
heduca~1*|  -.0584821      .00734   -7.97   0.000  -.072868 -.044096   .074674
heduca~2*|  -.0762294      .00623  -12.23   0.000  -.088444 -.064015   .094342
heduca~3*|  -.0714606      .00806   -8.86   0.000  -.087265 -.055656   .634308
   lnexp |    .028535      .00449    6.35   0.000    .01973   .03734   4.07408
head_e~y*|  -.0577621      .00738   -7.83   0.000  -.072219 -.043305   .694889
other_~t*|  -.0531456      .00883   -6.02   0.000  -.070449 -.035842    .03334
   azeri*|  -.0813901      .00592  -13.74   0.000  -.093001 -.069779   .071414
armenian*|  -.0492521      .00756   -6.51   0.000  -.064078 -.034426   .063105
------------------------------------------------------------------------------
(*) dy/dx is for discrete change of dummy variable from 0 to 1
```