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LABOR MARKET ORIENTED PROFESSIONAL EDUCATION SYSTEM – THE SIGNIFICANT FACTOR FOR HUMAN CAPITAL DEVELOPMENT AND THE INCLUSIVE ECONOMIC GROWTH IN GEORGIA

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Abstract

In the work we have considered the role of professional education and its significance concerning the human capital development and the inclusive economic growth under the modern globalization conditions. We have underlined the role of education in general and the processional education in particular, having the special social-cultural phenomenon’s role. The main problems and challenges existing in the field in Georgia are also enlightened. We have documented that in the modern “century of education” right at the level of professional education system functioning, orientation towards the quality, labor market demands it depends on the human capital development, qualitative perfection of the working potential, use prospective and finally, the society’s development, perfection of the working life, improvement of living standards, economic and social progress.

Keywords: professional education, knowledge, human capital, economic growth, development.

Unfortunately, in the epoch of modern globalization, the key priorities of the country’s economic policy are still unemployment and poverty overcoming. Despite comparatively high rates of the reforms and economic growth, implemented in the country during the last years, the most part of the population has not improved its living conditions yet. Moreover, undeveloped labor market in the country, non-effective employment and high level of unemployment have significantly affected the poverty level and scope, have created many social-economic problems. “The poverty scale and acuteness still stay the serious challenges”. According to the UNDP research held in 2012, 70% of the population is socially and economically unprotected [17]. The analyses held during the last 10-15 years, prove this. In 2005 54.9% population lived under the poverty level [6-p.64]. In the next period, from 2006 to 2015 inclusive according to median consumption indexes 60% and 40% indexes 22,1% and 9,1% (comparative poverty) accordingly, based on the data from social service agency of the ministry of labor, health and social protection of Georgia, share (376 776 persons) of population being under in 2000-2015yy. The poverty level, i.e. those getting the gratuity (registered poverty), towards the average annual population number (3 713 700 pers.) increased from 10.1% (2015) to 12.4% (2016) [18]. True, “the results we got due to the economic growth could not significantly overcome the poverty. During the last decades, the poverty index stays almost unchangeable” [10-p.75]. Moreover, the labor market cannot provide: rational use and development of labor potential; optimal ratio for working power demand-supply; protection of social justice principles; creation of equal conditions for job-seekers; development of social partnership development; equal rights for labor; formation of social protection mechanisms. Proceeding from this we can conclude, that at the current stage of labor market formation the most significant feature is labor potential formation and human capital development. This is proved by the state bodies discuss at the moment the three main problems concerning the economic development of the country; low competitiveness of the private sector, undeveloped human
capital, limited financial recourses [10-p.25]. Right because of these problems in Georgia the investments are increased and this is the main impeding factor. Professional training system, oriented at labor market demands does not exist and its low level conditioned the low rating of Georgia when the world economic forum published the global competitive indexes (93-th place according to the educational quality, part of higher education and re-training).

The mentioned show clearly, that at the current, the significant factor for the country’s stable economic development, long-term inclusive economic growth and increase of the population’s well-being level is human resources development, which is impossible without formation of the civilized labor market and development of professional training system, oriented on its requirements. The latter should provide formation of physical, intellectual, moral skills of people, increase of their competitiveness in the local as well as in the foreign market, working life quality and finally, the significant improvement of living conditions. That’s why currently in Georgia the educational problems became subject of discussion not only among the branch specialists and the proper state bodies, but even the church: “we lack deep knowledge”, “we should seek for deep knowledge”, “it is not enough to have surificial knowledge”, “without knowledge and deep thinking Georgia will not survive”, “I reckon we should pay attention to the analytical thinking” [1-p. 3] and others. According to the government’s social-economic development strategy, “the education is the fundamental factor for development and without investment in human capital, it is impossible to achieve the economic development. Only strong and socially just educational system can provide the country’s social, cultural and economic challenges solving” [10-p.40]. The issue actuality is conditioned by the fact, that “based on the global competitiveness report in 2013-2014, Georgia was on 105 place according to the “educational system quality” and on 130 place according to “availability of research and training services” [10-p.43].

In Georgia great attention was always paid to the education in general, especially the professional education problems. The Georgian writer, poet, public person Ilia Chavchavadze studied the country’s challenges concerning the social, economic and political situation in the second half of the XIX century and he noted, that “the education, studies, knowledge is the only mean for our live improvement” [2-p.128]. Moreover, he thinks the main reason the country is backward, poor and undeveloped, is the deficit of knowledge, which becomes actual in the epoch of globalization. In the modern society totally new relationship system is being formed, where the educational field is the significant factor of drawing up the new principal approaches, new development ideas and intellectual potential development. Moreover, during the last period, current world social, economic, political events once more prove the necessity for the world population and the whole society - to study during the entire life period. This gives the country possibility to successfully react on global social-economic changes, events. That’s why from the year 2005 in Georgia we began the educational system reform and the new stage of development deemed the key priority. As a result, changed were its management, financing, quality management models and its structure as a whole. From 2013 for the economic development special role and significance was awarded to professional educational system. Today the Georgian state strategy for social-economic development recognizes the main factor working power oriented on labor market demands, human capital development, inclusive economic growth [10-p.40]. Accordingly, planned is further realization of “the concept of studying during the whole life”¹, giving a person possibility to use the new technologies, perfect the social relations, create equal conditions and significantly improve working live. From the human capital development standpoint very important is the professional education reform and the state strategy, worked out for it. There are “the priorities and goals, implementation of which

¹ The mentioned concept realization is mandatory and is implemented in Georgia together with the EU, according to jointly drawn up plan of November 14, 2006.
according to concrete plan should favor the human resources stable improvement (development of capabilities and potential, possibility to get employed or self-employed, profit and self-realization achievement) and satisfaction of current or future requirements of the labor market help to decrease the poverty and increase the social economic development of the country"[11-p.3].

Proceeding from this, the strategy concrete goals were defined as follows:

- formation of flexible professional educational network according to the proper to the labor market demands, which would provide high quality competences for the population economically active in future, training the competitive staff for the local and international labor market;
- for each level of the population the professional and personal development possibility provision, their training for employment and self-employment, or prospective of career stable development and self-realization;

Accordingly, the key priority of the strategy is "the professional educational system regulating improvement, strengthening the educational capabilities of the institution, based on the modern economic demands" [11-p.4]. Moreover, the Georgian government reckons it priority to form the quality and available educational system at all educational stages (general, professional, higher). Despite this, at the general, professional, higher educational stages in Georgia there are still important problems and challenges, requiring deep analysis and assessment. The proof is that according to the general educational level Georgia is on 40-th place among 187 world countries, having index 0.787 and according to the quality stays long behind the developed countries, including the post-soviet ones (see tab. 1)

<table>
<thead>
<tr>
<th>country</th>
<th>index</th>
<th>rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>0.874</td>
<td>11</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.868</td>
<td>12</td>
</tr>
<tr>
<td>Belarus</td>
<td>0.834</td>
<td>20</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.806</td>
<td>31</td>
</tr>
<tr>
<td>Russia</td>
<td>0.806</td>
<td>32</td>
</tr>
<tr>
<td>Ukraine</td>
<td>0.799</td>
<td>36</td>
</tr>
<tr>
<td>Georgia</td>
<td>0.787</td>
<td>40</td>
</tr>
</tbody>
</table>

As for the professional educational system itself and its modern situation, we think it would be purposeful to analyze separate indexes. In particular, in 2005-2006 in Georgia the number of professional educational institutions was 153 (among them 86 state and 67 private). In 2014-2015 the number decreased to 140, and in 2016 - to 120 entities (38 public, 82- private). In 2005-2006 academic year state and private secondary professional educational institutions has 28 395 students, in 2015-2016 academic year the number was 15 639 (see tab. 2).
Table 2

| General indexes of professional education in Georgia in 2013-2016 [18, 19] |
|--------------------------------------------------|-----|-----|-----|-----|
| educational institutions                         | 2013 | 2014 | 2015 | 2016 |
| total                                            | 104  | 140  | 140  | 120  |
| public                                           | 29   | 35   | 35   | 38   |
| private                                          | 75   | 105  | 105  | 82   |
| including                                       |      |      |      |      |
| general education institutions                   | 7    | 7    | 11   | 11   |
| professional colleges                            | 50   | 67   | 51   | 35   |
| public college                                   | 24   | 47   | 50   | 48   |
| higher education institutions                    | 23   | 19   | 28   | 26   |
| number of students enrolled                      | 21045| 16182| 16773| 15639|
| number of alumni                                 | 10790| 10810| 11728| 9943 |
| number of teachers                               | 2126 | 2808 | 3793 | 3642 |

As we can see, in the secondary professional educational institutions during the mentioned period the general number of students has significant decrease tendency. As for the higher educational institutions, who implement students enrollment for professional educational programs, their number during the last two decades has decreased significantly and for the year 2015 it was 28 (15 public and 13 private), and in 2016 – 26 entities (including 15 public and 11 private). Among the general educational institutions in 2016 professional trainings were held in 10 private and only 1 public institutions. During the last years the number of professional and public colleges was decreased too. In the end of 2016 in Georgia there were 25 private and 10 public professional colleges. Thus, 35 entities, which is 16 entities less compared to the previous year, and 32 entities less compared to the year 2014. As for the public colleges, their number in 2016 compared to the previous year was decreased only by 2 entities and was 48 (36 private and 12 public). As the analyses show, no significant development of the activities of professional educational institutions was shown. Separate researches show, that the mentioned study form is not yet actual in the society.

Generally, the research of the existing problems has shown us, that there are other serious challenges in the system of professional education:

- insufficient, low level of the professional educational institutions development, not oriented on the labor market demands;
- problems connected with the management effectiveness;
- low level of material-technical basis, equipment;
- non-existence of training for teachers in professional education, their qualification enhancement, further development;
- difficulties concerning recognition of the alumni qualification in the local as well as in the foreign level;
- less trust of the employers towards the professional qualifications;
- low prospective of employment for the alumni;
- low level of financing, problems with target and rational use of financial means;
- less attractive and prestigious professional education among the population, etc.

Significant effect on the general level and quality of professional education has the existing financing system, which mainly is being implemented using vouchers and grants [12, p.5].

Other additional financing sources are stipulates in the administrative expenditures, the financing can be implemented also within the infrastructure development or other concrete goals. Analyses of different aspects for the educational system's flexibility and effectiveness of financing show, that the mentioned system cannot provide optimal and rational use of financial
means. This is shown in the unjust allocation of financial means among the institutions, certain part of sums is spent non-effectively. Infrastructural development of the institutions cannot be implemented taking into the account their necessity. The institutions have no possibility to develop and offer quality studies and the main is that the educational institutions often have no sufficient sums to effectively manage the study processes, improve the study quality. This can be seen also in the fact, that in 2014-2015 Georgia had very low rating (119 place) among the world 153 countries according to the expenditures spent on education (see tab. 3).

Table 3
Rating of some world countries according to the expenditures for education
(in % to GDP) [13]

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
<th>Expenditures (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moldova</td>
<td>9.1</td>
<td>5</td>
</tr>
<tr>
<td>Kirgizia</td>
<td>6.2</td>
<td>25</td>
</tr>
<tr>
<td>Estonia</td>
<td>5.7</td>
<td>41</td>
</tr>
<tr>
<td>Latvia</td>
<td>5.7</td>
<td>42</td>
</tr>
<tr>
<td>Lithuania</td>
<td>5.6</td>
<td>46</td>
</tr>
<tr>
<td>Ukraine</td>
<td>5.3</td>
<td>57</td>
</tr>
<tr>
<td>Belarus</td>
<td>4.5</td>
<td>83</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.4</td>
<td>89</td>
</tr>
<tr>
<td>Romania</td>
<td>4.3</td>
<td>92</td>
</tr>
<tr>
<td>Russia</td>
<td>4.1</td>
<td>98</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>4.0</td>
<td>100</td>
</tr>
<tr>
<td>Georgia</td>
<td>3.2</td>
<td>119</td>
</tr>
</tbody>
</table>

During the last decade in the country for education out of Gross Domestic Product cost on average was spent 2.9-3.0% (3.2% in 2014, 2015), when the average European index is 5.0-6.0%. For comparison, in different countries of the world the index is as follows: Cuba 12.9%, Denmark 8.7%, Norway 7.3%, Belgium 6.4%, France 5.9%, Israel 5.8%, Great Britain 5.6%, USA 5.4%, Switzerland 5.4%, Hungary 5.1%, Poland 5.1%, Spain 5.0%, Canada 4.8%, Germany 4.6%. As for the budget assingnations, education, science and professional training, in total in 2016 from budget the sums was 9.08% (including professional education expenditures 3.04%) [20], the average European index is 11.0-12.0%. Despite the fact, that in the reforms period the financing mechanism was changed to some extent, it needs serious re-assessment, which is proven by modern scientific-research opinion. “Both parts of the problem (investments put in humans are useful and necessary for the economic growth and social achievements) are very actual for today’s Georgia, because during the last 3-4 decades the situation is worsened a lot: catastrophically declines the educational level, deficit of highly professional staff is almost in all the fields, so it is necessary to set the education and science financing principle” [3-p.40].

With purpose of human potential development assessment, we reckoned it purposeful to introduce the human development index trends (HDI) [14] and analyze it. As you know, it is combined index, characterizing human development for separate countries and regions of the world, the United Nations Organization (UN programs) (according to UNDP), its value from 2010 based on the new world practice methodology is calculated based on three main indexes. The indexes are: 1. life duration LEI, calculated taking into the account average life duration and minimal life duration; 2. education index EI (including 2.1 study average index) 3. incomes index – calculated – income per capita II, showing the GNP's actual value per capita, according to the buying ability parity. Then they find average value of the indexes (average geometric value HDI = (LEI*EI*II)1/3) which expresses the rating of the proper country in the world. Thus,
from the year 2011, Georgia according to the index (0.749 was the high level developed countries) and out of the 187 countries of the UN countries was at the 75 place (see table 4).

<table>
<thead>
<tr>
<th>Year</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2011 PPP$)</th>
<th>HDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>71.8</td>
<td>11.7</td>
<td>11.7</td>
<td>3407</td>
<td>0.673</td>
</tr>
<tr>
<td>2005</td>
<td>73.2</td>
<td>12.6</td>
<td>12.1</td>
<td>5027</td>
<td>0.714</td>
</tr>
<tr>
<td>2010</td>
<td>74.2</td>
<td>13.3</td>
<td>12.2</td>
<td>6530</td>
<td>0.742</td>
</tr>
<tr>
<td>2011</td>
<td>74.4</td>
<td>13.4</td>
<td>12.1</td>
<td>7101</td>
<td>0.749</td>
</tr>
<tr>
<td>2012</td>
<td>74.6</td>
<td>13.5</td>
<td>12.2</td>
<td>7810</td>
<td>0.755</td>
</tr>
<tr>
<td>2013</td>
<td>74.7</td>
<td>13.5</td>
<td>12.2</td>
<td>8098</td>
<td>0.759</td>
</tr>
<tr>
<td>2014</td>
<td>74.9</td>
<td>13.9</td>
<td>12.2</td>
<td>8670</td>
<td>0.768</td>
</tr>
<tr>
<td>2015</td>
<td>75.0</td>
<td>13.9</td>
<td>12.2</td>
<td>8856</td>
<td>0.769</td>
</tr>
</tbody>
</table>

According to our calculations held using the new methodology, based on the 2016 data, the value of the human potential development index in Georgia is 0.777 (see table 5). Compared to the level of 2010 (0.742) it was decreased by 4.72%, and compared to previous year – increased by 1.04%. Despite the mentioned tendency, one can say, that value of the human potential development index (HDI) in Georgia is rather low, compared to the developed countries and it is lower than that of several post-soviet countries. (For example, in 2015 Latvia HDI - 0.830, 44 place; Russian Federation HDI - 0.804, 49 place; Belarus HDI – 0.796, 52 place; Kazakhstan, – 0.784, 56 place) [16]. Low value of the index is mainly conditioned on the educational level index.

Generally, modern condition of the education and professional education system, specificity of its functioning, role and significance gives us the possibility to conclude, that the professional education itself is social-economic phenomenon with goals and tasks determined by the society and are expressed as the main factor of its development. It provides the development of responsibility sense in humans, deepening his capabilities, belief in his own and the future and
is accordingly the person’s main motive for action. The whole specter of the professional education should be presented as the united, integral, flexible, open and innovative target system of the educational programs, state standards, the educational institutions and the proper management bodies, which in the modern conditions provides the profound development of human resources, the civilized, progressive, reasonable public mentality formation.

Proceeding from the above mentioned, we can conclude that the education, knowledge, intellet, the development of analytic and creative thinking skills in the modern society is the significant factor for human capital development, its competitiveness enhancement and finally, the success of the state. The study process should also favor this as well as the educational system democratization, study process humanization and internationalization.

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