

BAG INDEX

THE NEED FOR LABOR
RESOURCES



საქართველოს ბიზნეს ასოციაცია
BUSINESS ASSOCIATION OF GEORGIA

ifo INSTITUTE

Leibniz Institute for Economic Research
at the University of Munich



Research

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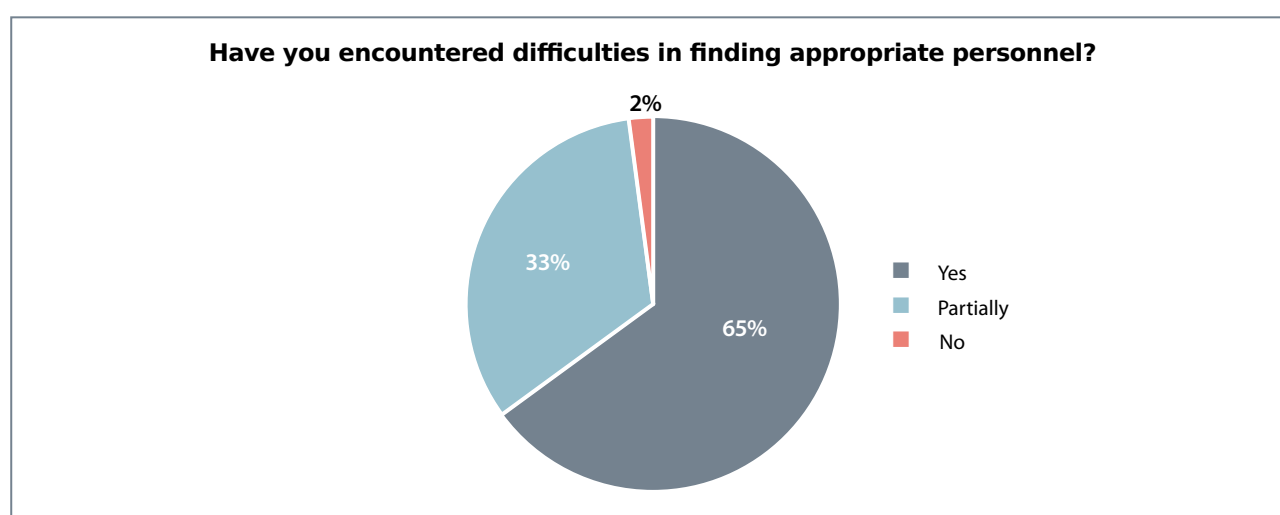
THE NEED FOR LABOR RESOURCES

In the report of the fourth quarter of 2023, to assess the need for labor resources and the difficulties in finding appropriate personnel, some additional questions were integrated into the BAG index survey. For the purposes of this research, BAG members are divided into the following four sectors: trade, service, manufacturing and construction. The detailed results of the need for labor resources survey are given in the appendix.

FINDING PERSONNEL

In the survey conducted in the fourth quarter of 2023, the majority of the surveyed companies (65%) said they encountered difficulties in finding appropriate personnel. The problem of finding appropriate personnel is similar to the fourth quarter of 2022 (66%).

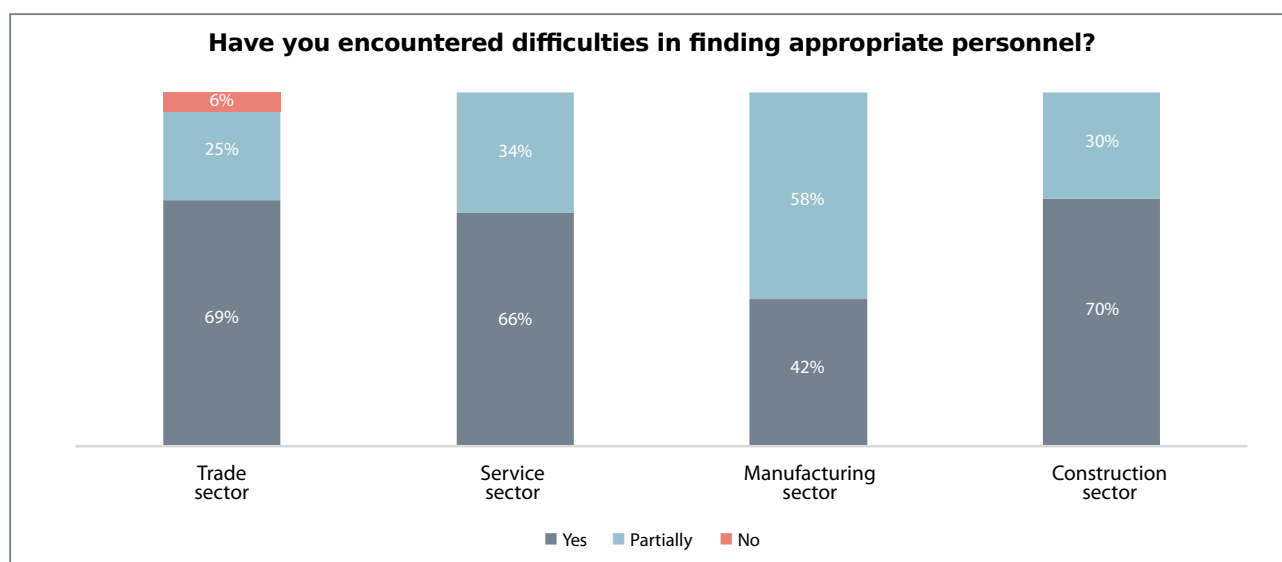
In Q4 of 2023, for 33% of the surveyed companies, this process had some partial complications. Of the surveyed companies, only 2% had not encountered any difficulties in finding appropriate personnel, which is lower compared to the survey results of Q4 2022 (8%).



Graph 1: The existence of difficulties in finding appropriate personnel¹

Notably, by sectors, the issue of finding appropriate personnel is most evident in the construction, trade, and service sectors - respectively, 70%, 69%, and 66% of the surveyed companies encountered difficulties in finding appropriate personnel (see Graph 2). This issue was relatively less intense for the manufacturing sector, where 42% of the surveyed companies had difficulties in finding appropriate personnel. However, it must be mentioned that this indicator is considerably higher compared to Q4 of 2022 (23%).

¹ Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

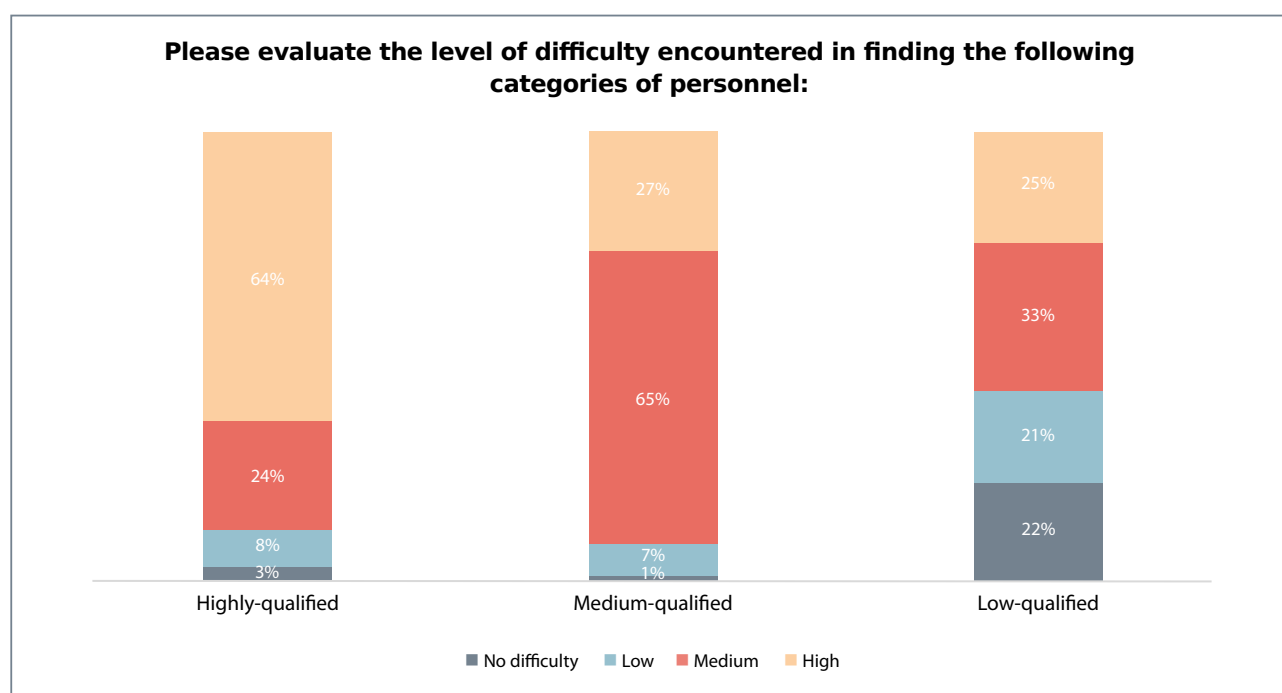


Graph 2: The existence of difficulties in finding appropriate personnel by sector

Of the different categories of personnel, surveyed companies found the process of finding highly-qualified personnel most difficult. Overall, 64% of surveyed companies assessed the level of difficulty encountered in finding highly-qualified personnel as high. This number is higher (by 8.1 percentage points) compared to the same indicator in Q4 of 2022.

The process of finding medium-qualified personnel was assessed as moderately hard by most of the companies (65%), while 27% of the companies stated that it is difficult to find such category of personnel. It must also be noted that, compared to the survey results of Q4 of 2022, finding of medium-qualified personnel became more difficult (the share of the companies stating that it is not difficult to find medium-qualified personnel decreased by 7pp).

Among the different categories of personnel, finding low-qualified personnel is assessed to be relatively less difficult. 22% of the surveyed companies state that they have no difficulty in finding low-qualified personnel, while for 21% the level of difficulty is low, which is similar to the survey results of Q4 of 2022.



Graph 3: Level of difficulty encountered in finding different categories of personnel in Q4 of 2023

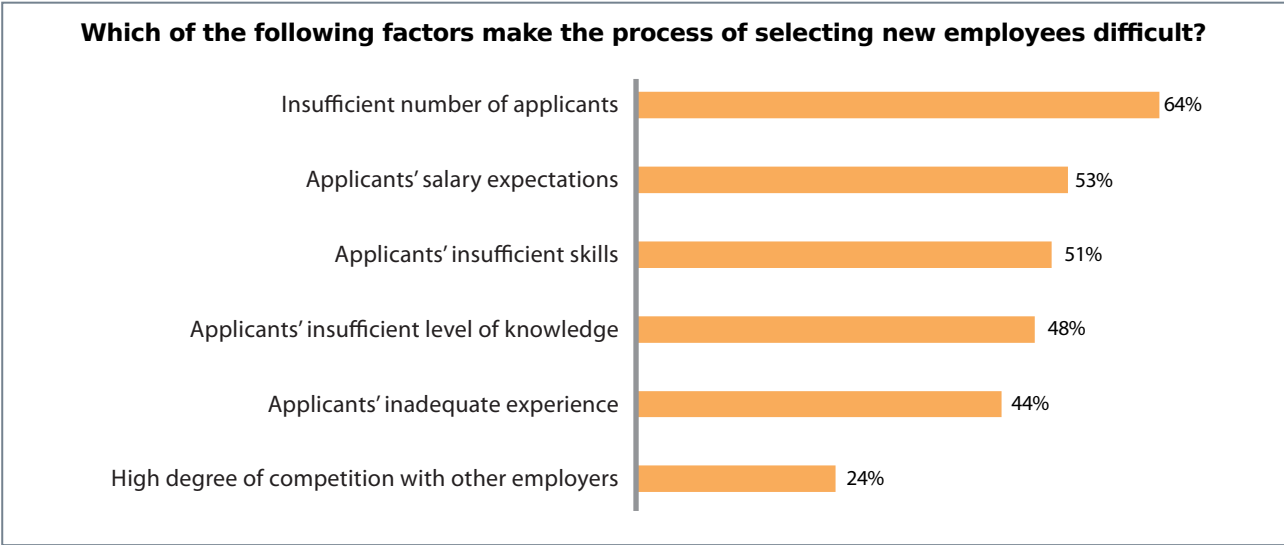
Among the sectors, finding high-qualified personnel is hardest for the manufacturing and service sectors (in both sectors significant share of the companies state that finding high-qualified personnel is very difficult: in the manufacturing sector - 75%, in the service sector - 73%).

Finding medium-qualified personnel is assessed as moderately difficult in all sectors. Meanwhile, finding low-qualified personnel is hardest for construction (30% of surveyed companies state that finding such personnel is very difficult), trade (29%), and service (25%) sectors (see Appendix, Graph 2).

FACTORS CONTRIBUTING TO DIFFICULTIES ASSOCIATED WITH THE SELECTION OF NEW EMPLOYEES

The companies surveyed in the fourth quarter of 2023, when asked which factors made it difficult to find appropriate personnel, most often named the following three factors: insufficient number of applicants (64%), applicants’ salary expectations (53%), and applicants’ insufficient skills (51%). In Q4 of 2023, high competition with other employers was least often stated as a hindering factor for selecting new employees, similar to Q4 of 2022 (See Appendix, Graph 3).

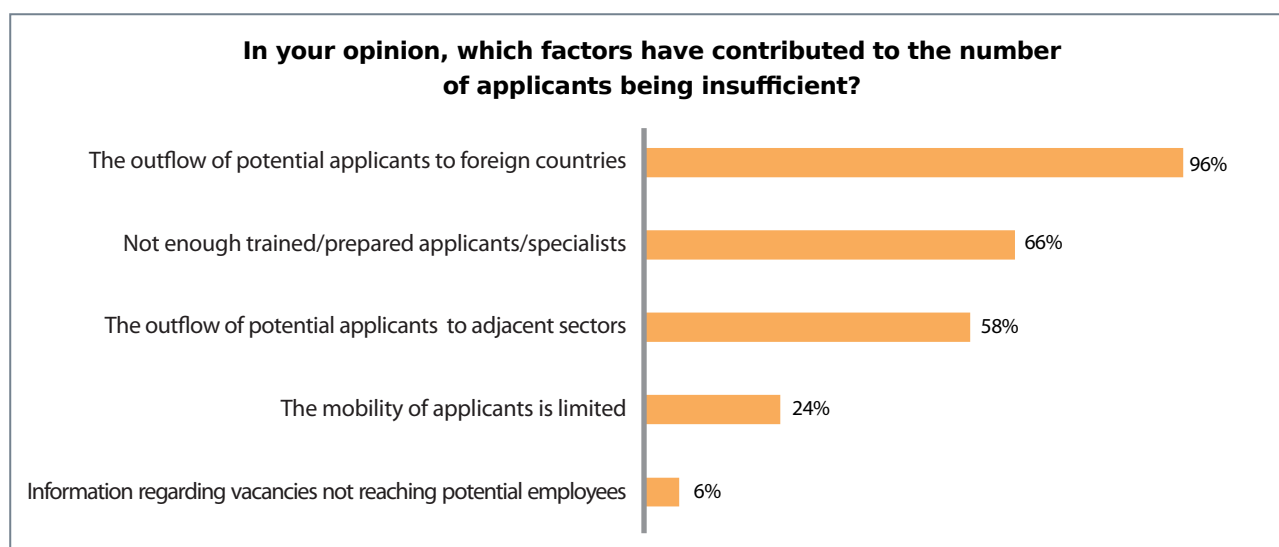
The distribution of factors contributing to difficulties associated with the selection of new employees was slightly different among the sectors. In the trade and service sectors, the insufficient number of applicants was most often stated as a hindering factor (by 67% and 61% of the companies, respectively). In the construction sector, along with the insufficient number of applicants, applicants’ insufficient level of knowledge and skills were also most often stated (70%). Meanwhile, in the manufacturing sector, the insufficient level of knowledge was stated most often (67%).



Graph 4: The factors contributing to difficulties associated with the selection of new employees in Q4 of 2023

In Q4 of 2023, overall, 96% of the surveyed companies that named the insufficient number of applicants as a problem believed that this was caused by the outflow of potential applicants to foreign countries. It must be noted that this indicator increased significantly compared to Q4 of 2022. Additionally, the share of companies that state the following factors: not enough trained/prepared applicants/specialists, the outflow of potential applicants to adjacent sectors, and limited applicant mobility among the hindering factors also increased considerably (see Appendix, Graph 4).

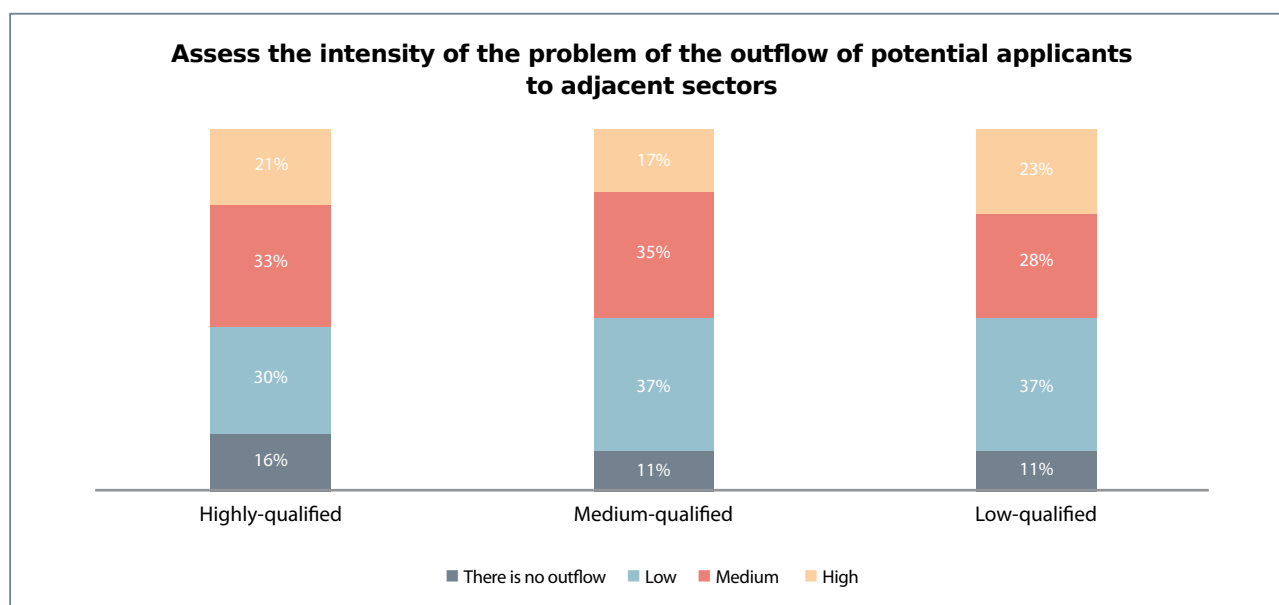
Notably, the absolute majority (100%) of surveyed companies in the manufacturing sector stated that one of the causes of an insufficient number of applicants is the outflow of potential applicants to foreign countries. In construction (86%), service (72%), and trade (71%) sectors majority of the companies also state the outflow of potential applicants to foreign countries as a reason for the insufficient number of applicants.



Graph 5: Factors contributing to the number of applicants being insufficient in Q4 of 2023

Within the survey, the companies also assessed the intensity of the problem of the outflow of potential applicants to other sectors. The problem of outflow was evaluated for highly-qualified, medium-qualified, and low-qualified applicants (see Graph 6).

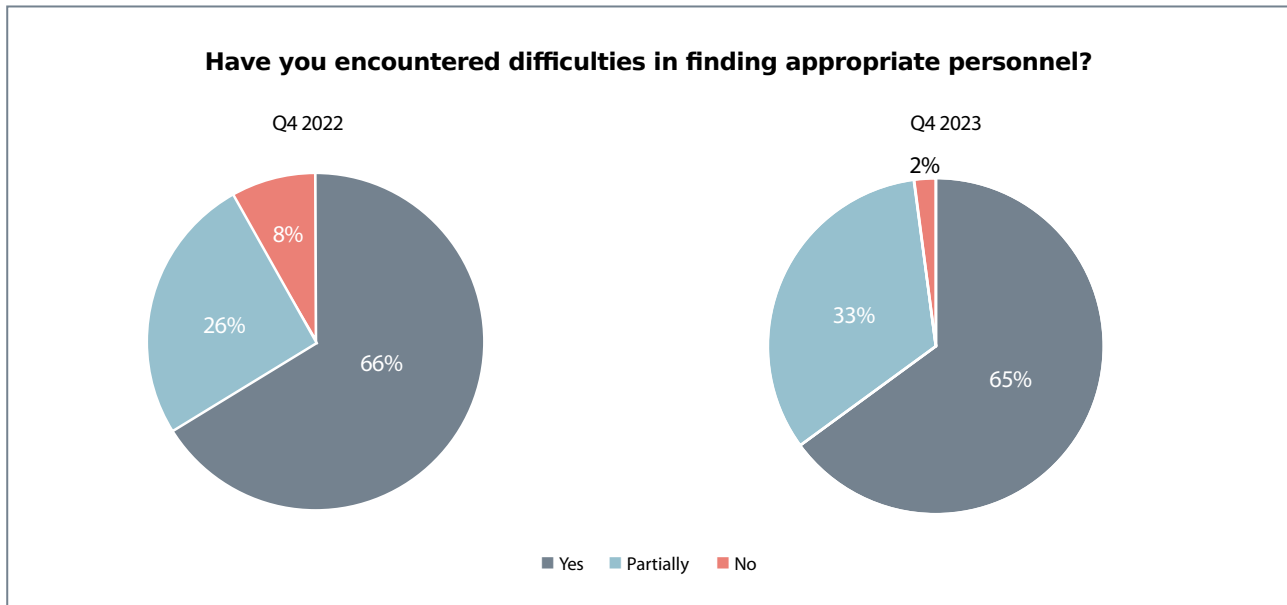
It must be noted that, in Q4 of 2023, compared to Q4 of 2022, the share of companies stating the high level of severity of the outflow of low-qualified personnel to adjacent sectors declined considerably.



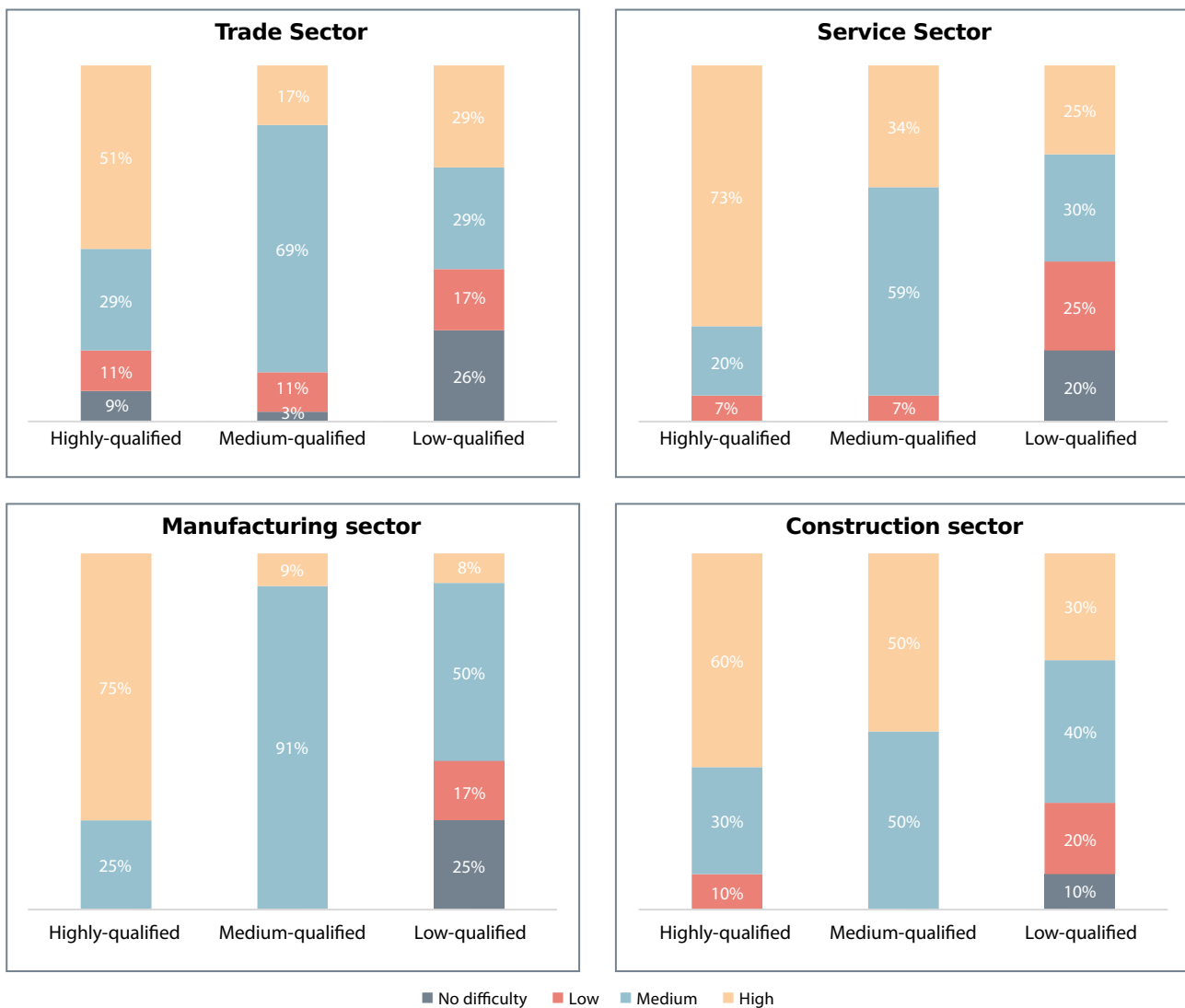
Graph 6: The scale of the outflow of potential applicants to adjacent sectors

Among sectors, the problem of the outflow of low-qualified applicants to other sectors is most evident in the trade sector, where this issue is very severe for 28% of surveyed companies. The problem of the outflow of highly-qualified personnel is most evident in the manufacturing sector, where 33% of the surveyed companies assess this issue as very acute. Meanwhile, the problem of the outflow of medium-qualified personnel to adjacent sectors is most acute in the service sector (this issue is very acute for 23% of surveyed companies).

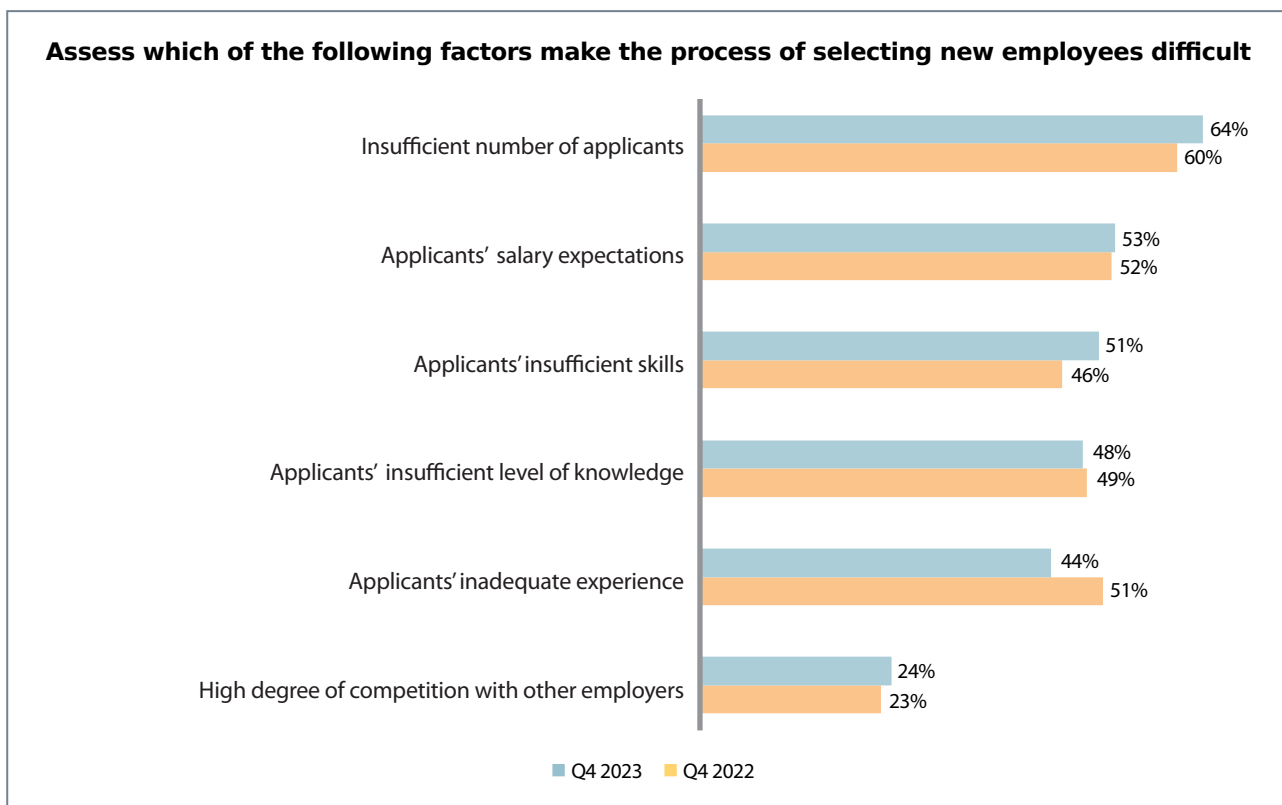
APPENDIX



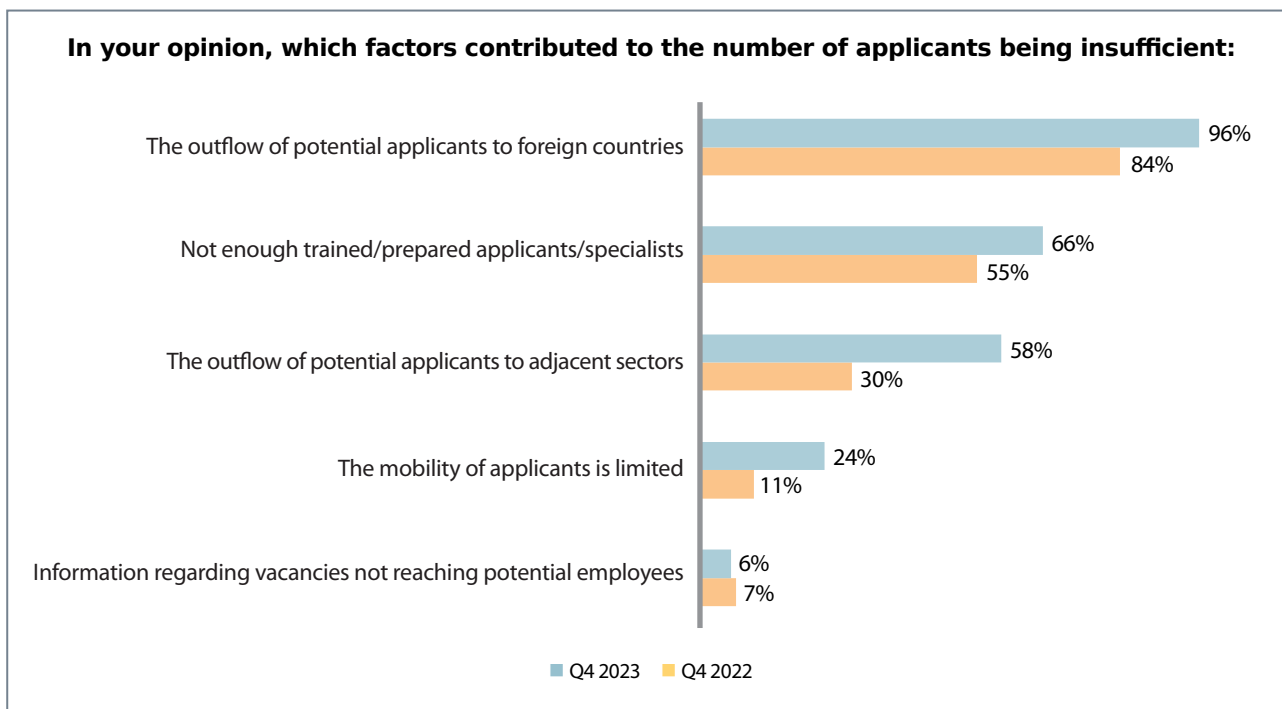
Graph 1: The existence of difficulties in finding appropriate personnel in Q4 2022 and Q4 2023



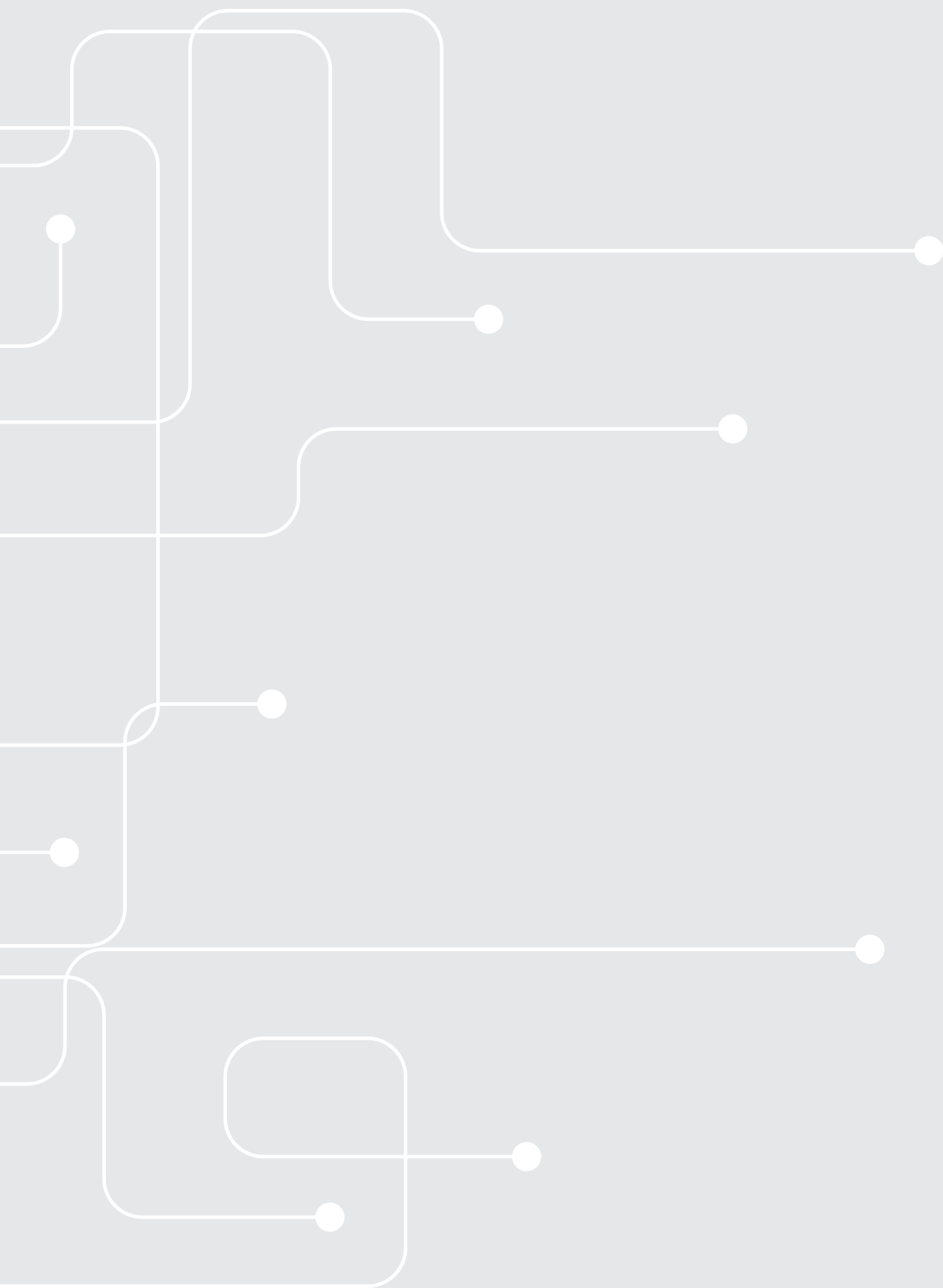
Graph 2: Level of difficulty encountered in finding different categories of personnel by sector in Q4 2023



Graph 3: The factors contributing to difficulties associated with the selection of new employees in Q4 of 2022 and Q4 of 2023



Graph 4: Factors contributing to the number of applicants being insufficient in Q4 of 2022 and Q4 of 2023



CONTACT:

2 Leonidze Street, Tbilisi, Georgia

 +995 32 2 202-215

 info@bag.ge

 Business Association of Georgia

www.bag.ge