

BAG INDEX

THE NEED FOR LABOR
RESOURCES



საქართველოს ბიზნეს ასოციაცია
BUSINESS ASSOCIATION OF GEORGIA

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Leibniz Institute for Economic Research
at the University of Munich



Research

IV QUARTER 2022

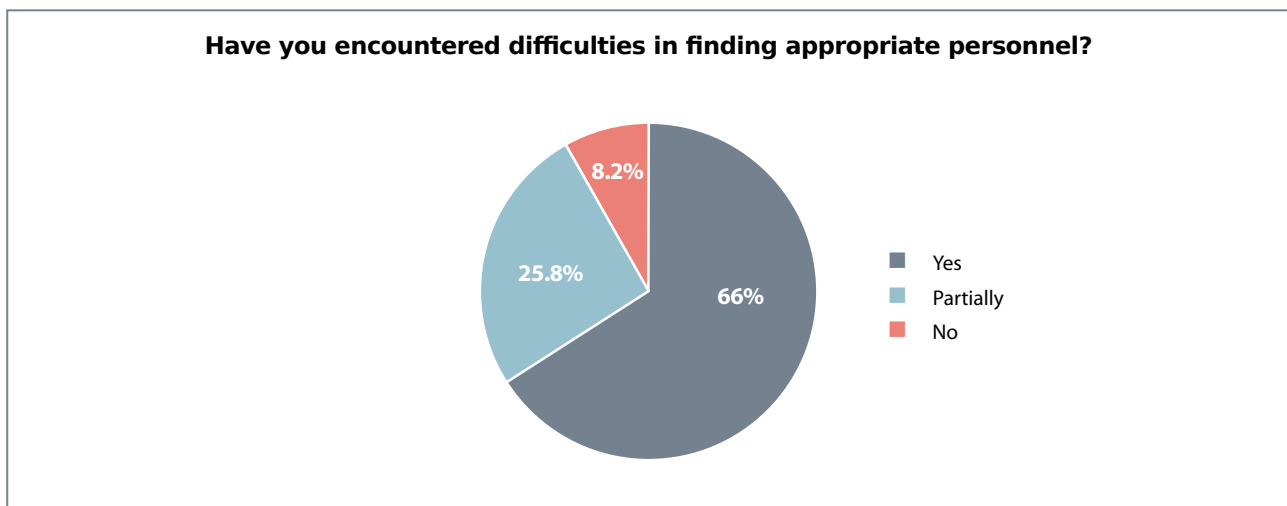
THE NEED FOR LABOR RESOURCES

In the BAG Index Survey report for the fourth quarter of 2022, to assess labor resource needs and the difficulties encountered in finding appropriate personnel, some additional questions were integrated into the BAG index survey. For the purposes of this research, BAG members have been divided into the following four sectors: trade, service, manufacturing, and construction.

FINDING PERSONNEL

In the survey conducted in the fourth quarter of 2022, most of the surveyed companies (66%) said they had encountered difficulties in finding appropriate personnel. This problem has worsened compared to the fourth quarter of 2021 (by 14.6 percentage points).

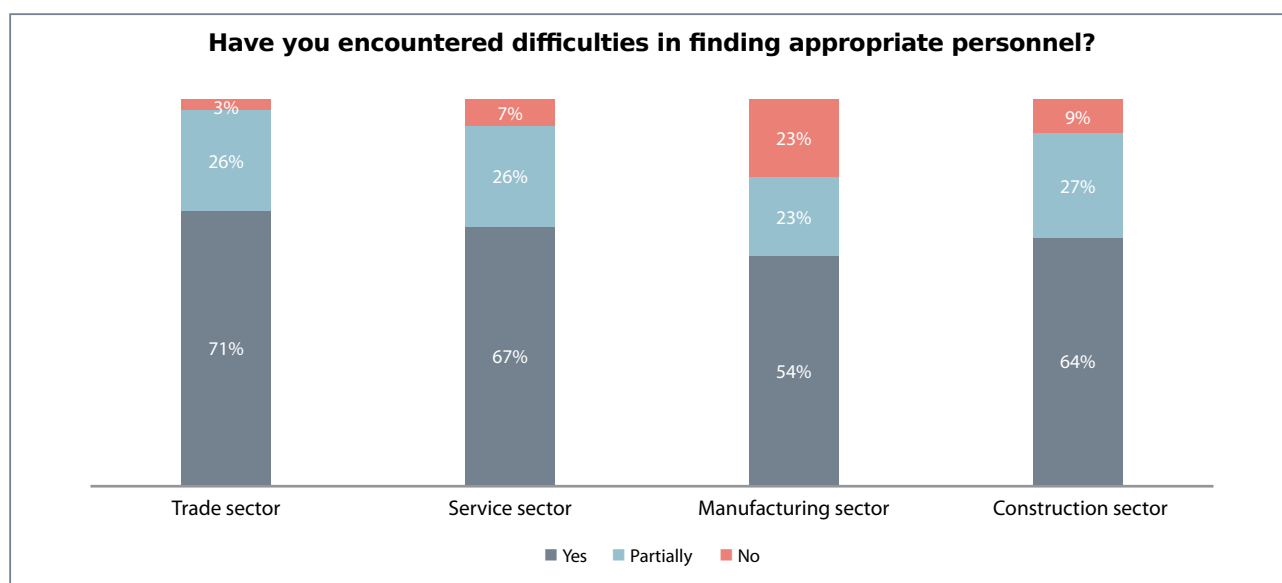
In Q4 2022, the process of finding appropriate personnel had some partial complications according to 25.8% of the surveyed companies. Meanwhile, of all surveyed companies, only 8.2% had not encountered any difficulties in finding appropriate personnel, which is similar to the survey results of Q4 2021 (see Appendix, and Graph 1).



Graph 1: The existence of difficulties in finding appropriate personnel¹

It must be noted that, by sector, problems with finding appropriate personnel are most evident in the trade sector (71% of the surveyed trade sector companies reported that they encountered difficulties in finding appropriate personnel), which is similar to the situation in Q4 2021. This issue was least intense for the manufacturing sector, as 23% of the surveyed companies claimed they had faced no difficulties in finding appropriate personnel. Elsewhere, 67% of surveyed companies in the service sector and 64% in the construction sector reported having encountered difficulties in finding appropriate personnel (see Graph 2).

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

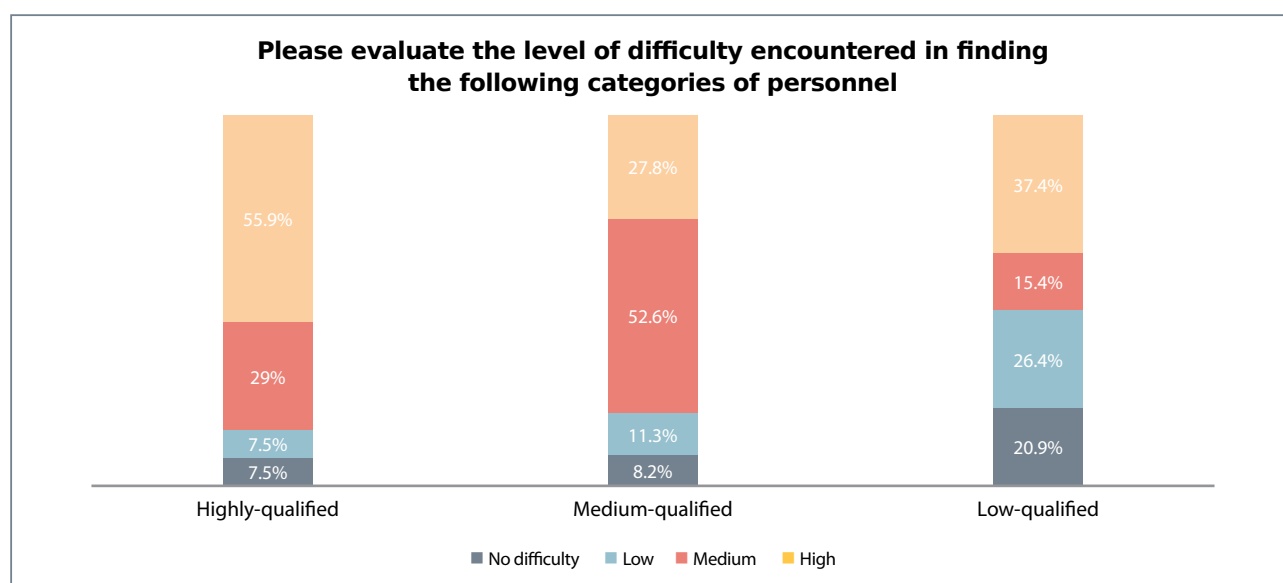


Graph 2: The existence of difficulties in finding appropriate personnel by sector

Looking at different categories of personnel, surveyed companies found the process of finding highly-qualified personnel most difficult. Overall, 55.9% of surveyed companies assessed the level of difficulty encountered in finding highly-qualified personnel as “high.” This is 8.3 percentage points higher compared to the same indicator for Q4 2021.

Most of the surveyed companies (52.6%) assessed the process of finding medium-qualified personnel as being of medium difficulty, while 27.8% thought that the level of difficulty in finding medium-qualified personnel was high. It must also be noted that, compared to the survey results of Q4 2021, finding medium-qualified personnel has become more difficult (in Q4 2021, only 19% of the companies stated that the level of difficulty in finding medium-qualified personnel was high).

Among the different categories of personnel, nearly half of the surveyed companies responded that finding low-qualified personnel was not difficult or of low difficulty. Overall, 20.9% of the surveyed companies stated that they had encountered no difficulty in finding low-qualified personnel, while 26.4% reported that the difficulty level is low. However, on the other hand, compared to Q4 2021, the share of companies to state that finding low-qualified personnel is of high difficulty has increased significantly (by 16.8 pp).



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

By sector, finding highly-qualified personnel was reported as being most difficult for the construction and manufacturing sectors (in both sectors, a significant proportion of surveyed companies evaluated the level of difficulty encountered in finding such personnel as high, while in the construction sector this stood at 67%, and in the manufacturing sector it was 58%).

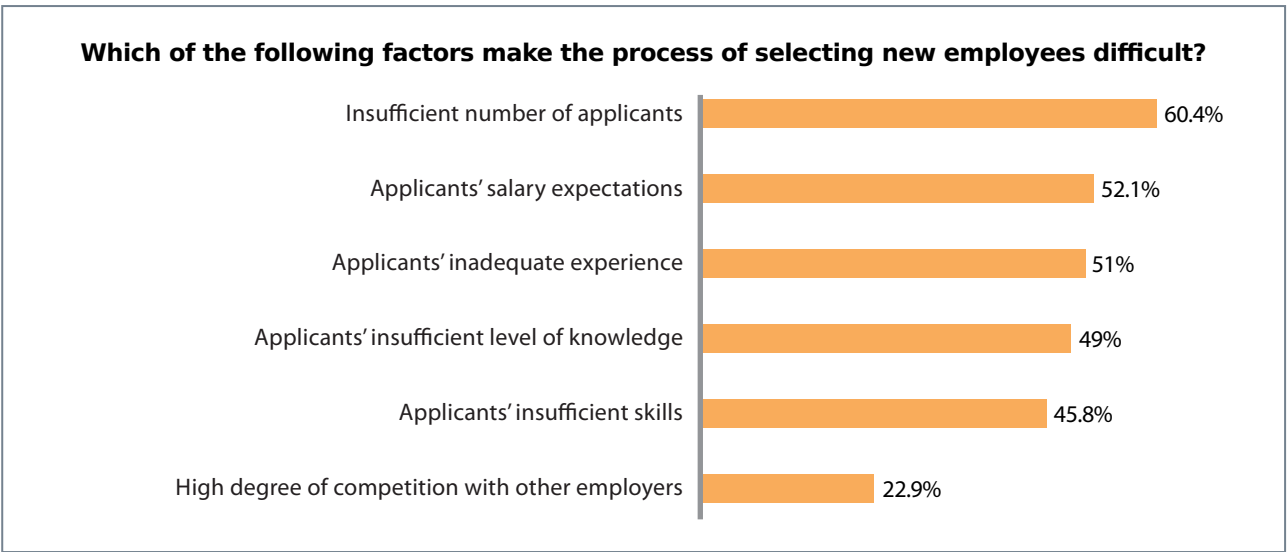
Finding medium-qualified personnel was assessed as moderately difficult across all four sectors. These results are similar to those of Q4 2021. Finding low-qualified personnel was assessed as the easiest process in the manufacturing sector, where 33% of the surveyed companies overall stated that they had no difficulties in finding such personnel.

Finding low-qualified personnel was reported as being most difficult in the construction and service sectors (50% of surveyed companies in the construction sector, and 38% in the service sector). Strikingly, in Q4 2022, compared to Q4 2021, the share of companies to assess the level of difficulty in finding low-qualified personnel to be high increased significantly in all four sectors (see Appendix, Graph 2).

FACTORS CONTRIBUTING TO DIFFICULTIES ASSOCIATED WITH THE SELECTION OF NEW EMPLOYEES

The companies surveyed in the fourth quarter of 2022 were asked which factors made it difficult to find appropriate personnel, and the following three factors were most often cited: insufficient number of applicants (60.4%); applicants' salary expectations (52.1%); and applicants' inadequate experience (51%). Notably, in Q4 2021, applicants' insufficient level of knowledge was the factor most often stated as making it difficult to find appropriate personnel. In Q4 2022, a high degree of competition with other employers was the hindering factor least often stated when selecting new employees, similar to Q4 2021 (see Appendix, and Graph 3).

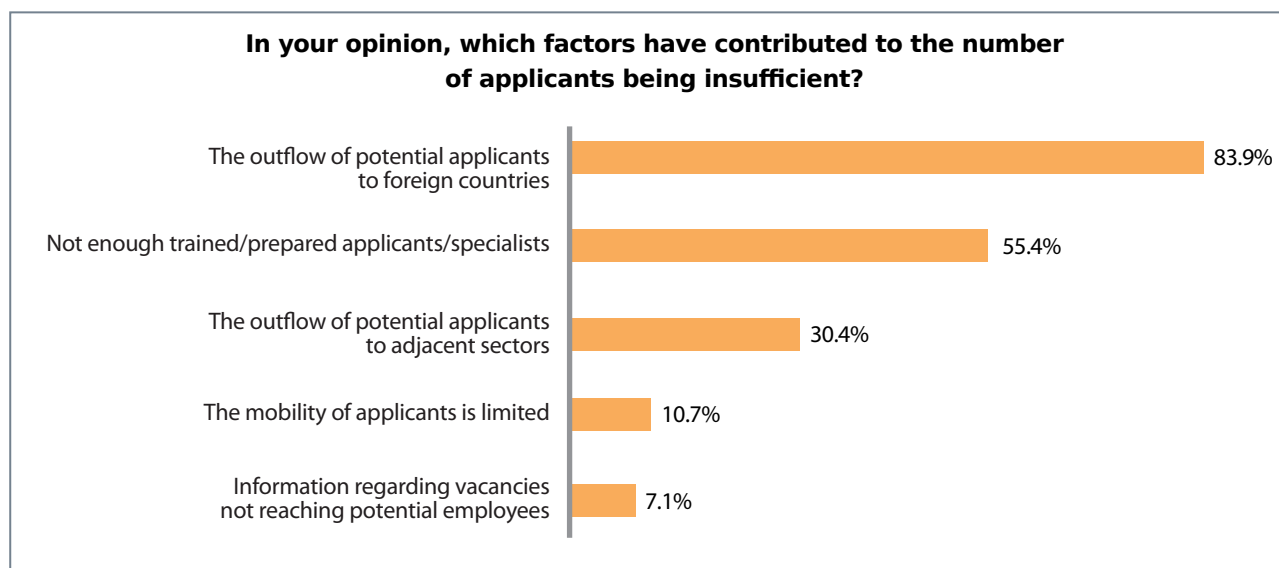
The distribution of factors contributing to difficulties in selecting new employees differed slightly from one sector to the next. In the service and manufacturing sectors, an insufficient number of applicants was most often stated as a hindering factor. Meanwhile, in the construction sector, along with the insufficient number of applicants (73%), applicants' inadequate experience (73%) was also most often stated. In the trade sector, applicants' salary expectations was the hindering factor most often stated (61%).



Graph 4: Factors contributing to difficulties in the selection of new employees

In Q4 2022, overall 83.9% of the surveyed companies to have named an insufficient number of applicants as a problem believed that this was caused by the outflow of potential applicants to foreign countries. This indicator has increased significantly compared to Q4 2021 (by 14.2 pp). On the other hand, the share of companies to state the following factors decreased considerably: not enough trained/prepared applicants/specialists; outflow of potential applicants to adjacent sectors; and limited applicant mobility (see Appendix, Graph 4).

Notably, all of the surveyed companies in the manufacturing sector stated that one of the causes behind an insufficient number of applicants is the outflow of potential applicants to foreign countries. In the service (77%), trade (76%), and construction (64%) sectors, the majority of surveyed companies also cited the outflow of potential applicants to foreign countries as a reason behind the insufficient number of applicants.

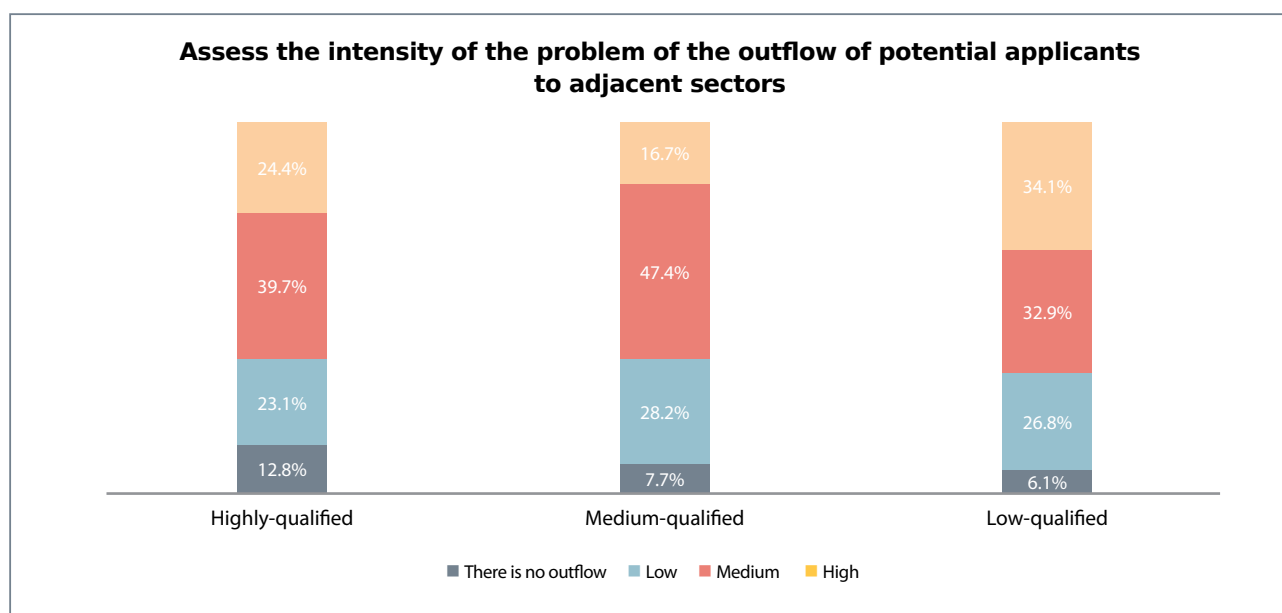


Graph 5: Factors contributing to the number of applicants being insufficient

The surveyed companies also assessed the intensity of the problem of the outflow of potential applicants to other sectors. According to respondents, this problem was especially acute in the case of low-skilled personnel (for 34.1% of the surveyed companies, the problem of outflow of low-qualified personnel to other sectors was very acute, while for 32.9% it was ranked as moderate). Notably, the share of companies stating that the outflow of potential applicants to other sectors was most acute for low-qualified personnel increased in Q4 2022, compared to Q4 2021.

Overall, 64.1% of the surveyed companies stated that there is a problem with regard to the outflow of highly-qualified personnel to adjacent sectors (24.4% stated that the severity of the problem is high, and 39.7% stated that it is moderate). This indicator is identical for medium-qualified personnel (16.7% stated that the severity of the problem is high, and 47.4% stated that it is moderate).

In Q4 2021, the outflow of potential applicants to adjacent sectors was least evident in the case of highly-qualified personnel. According to 24.4% of surveyed companies, there was no such outflow of highly-qualified staff.



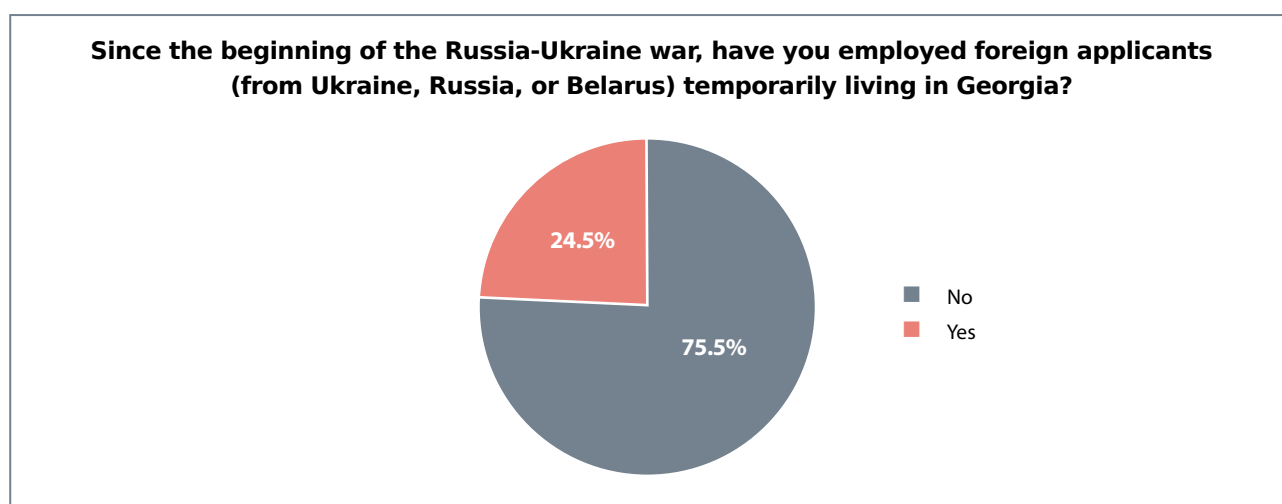
Graph 6: The scale of the outflow of potential applicants to adjacent sectors

By sector, the problem of the outflow of low-qualified applicants to other sectors is most evident in the construction sector, while the outflow of highly-qualified personnel is most evident as a problem in the trade sector. Ultimately, the problem of the outflow of medium-qualified personnel to adjacent sectors is most acute in the service sector.

EMPLOYMENT OF FOREIGN APPLICANTS (EXPATS)

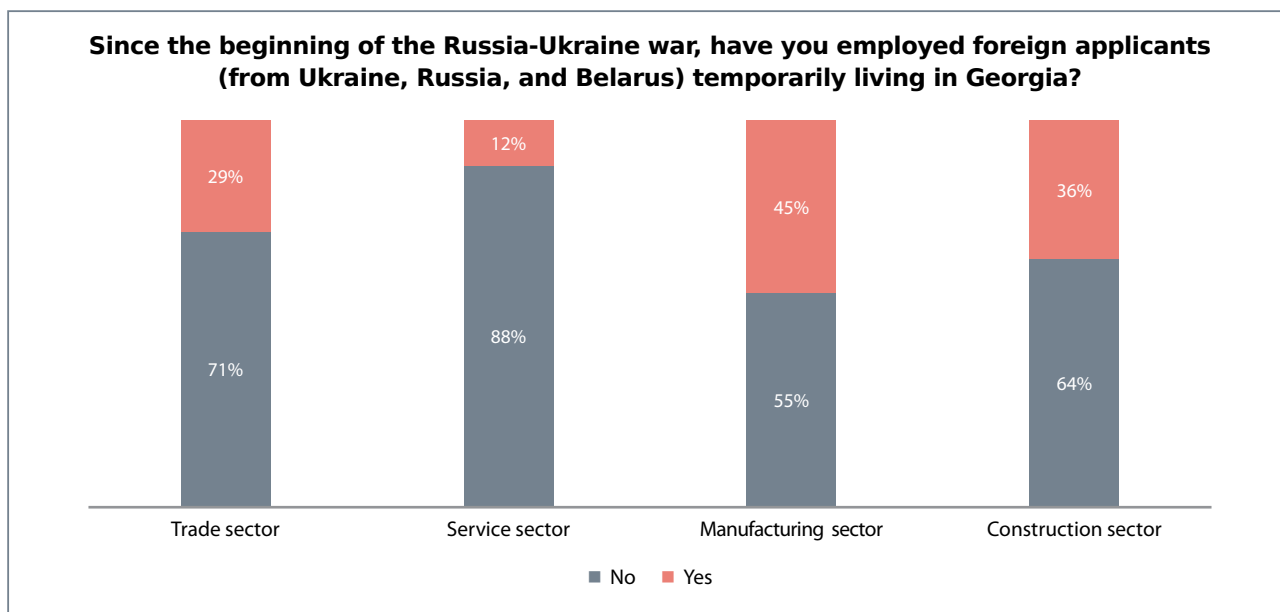
In Q4 2022, additional questions were integrated into the survey to assess the employment of foreign applicants (expats) temporarily living in Georgia following the outbreak of the Russia-Ukraine war.

In total, 75.5% of the surveyed companies stated that they had not employed foreign applicants temporarily living in Georgia since the start of the Russia-Ukraine war. Meanwhile, the other 24.5% stated that they had employed such applicants.



Graph 7: Employment of foreigners since the outbreak of the Russia-Ukraine war

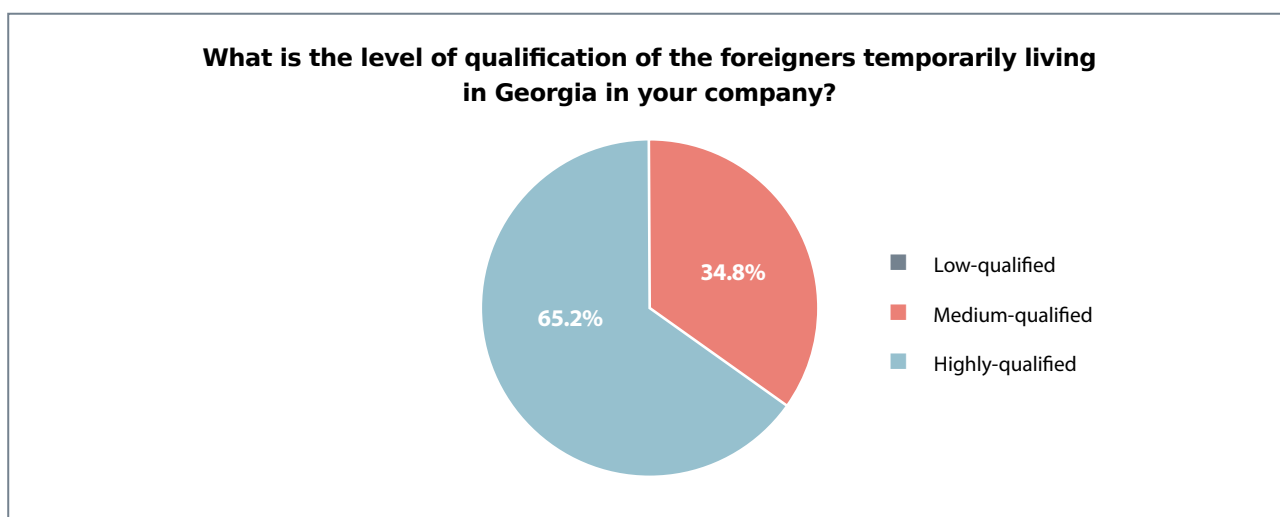
Among sectors, the highest share of surveyed companies to have employed foreign applicants temporarily living in Georgia since the beginning of the Russia-Ukraine war was in the manufacturing sector (45%), while in the service sector only 12% of the surveyed companies reported having employed such applicants.



Graph 8: Employment of foreign applicants temporarily living in Georgia after the Russia-Ukraine war by sector

Among the surveyed companies to have employed foreigners, 65.2% stated that most of those employed were highly-qualified, while 34.8% stated that they were medium-qualified. It must be noted that none of the companies had employed such applicants who were low-qualified.

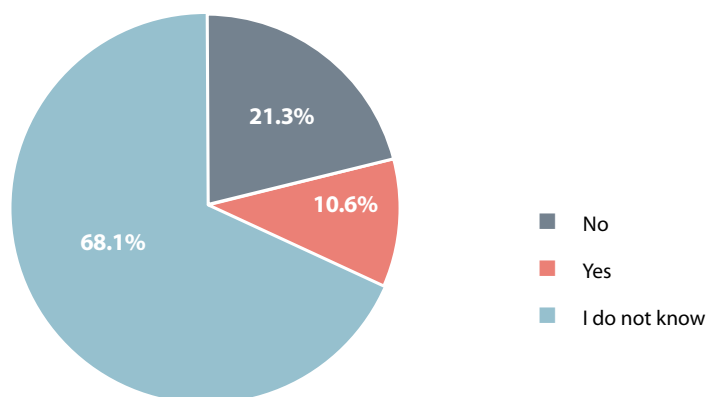
By sector, in the manufacturing sector, 80% of surveyed companies to have employed such foreign applicants stated that they were mainly highly-qualified. The majority (75%) of surveyed construction sector companies reported having employed medium-qualified foreign applicants temporarily living in Georgia.



Graph 9: Level of qualification of foreigners temporarily living in Georgia employed after the Russia-Ukraine war

Regarding future plans, the majority of the surveyed companies (68.1%) stated that they did not know if they would employ foreigners temporarily living in Georgia in the future, 21.3% stated they did not plan to do so, while 10.6% did plan to employ foreigners temporarily living in Georgia.

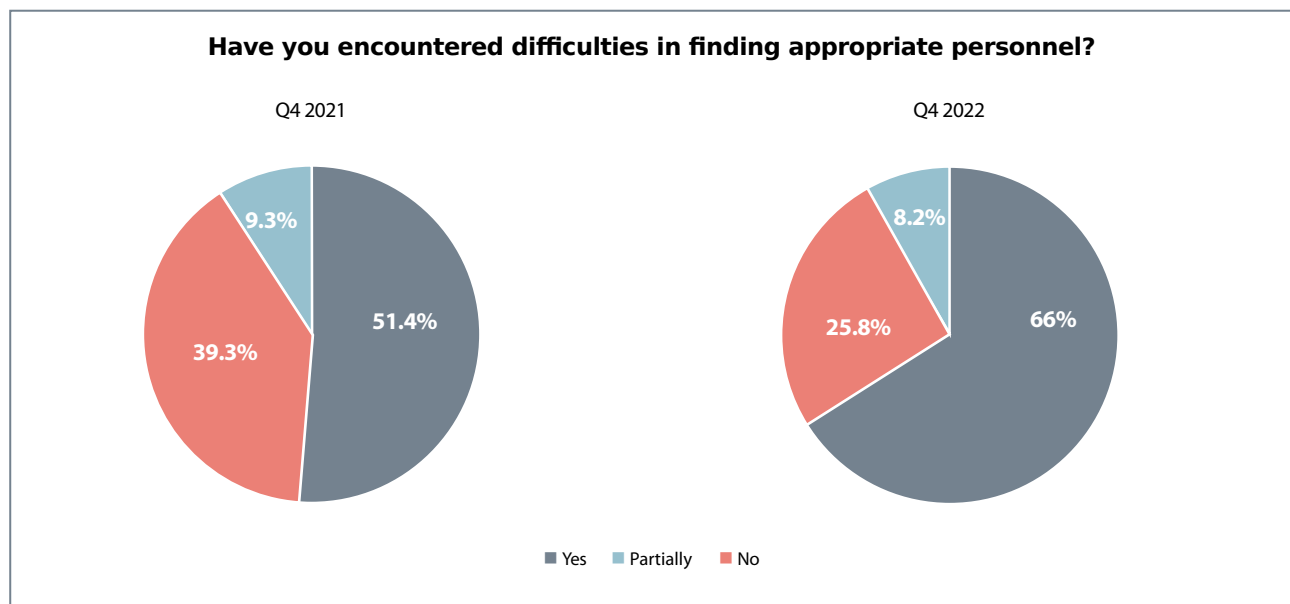
Are you planning to employ foreigners (from Ukraine, Russia, and Belarus) temporarily living in Georgia?



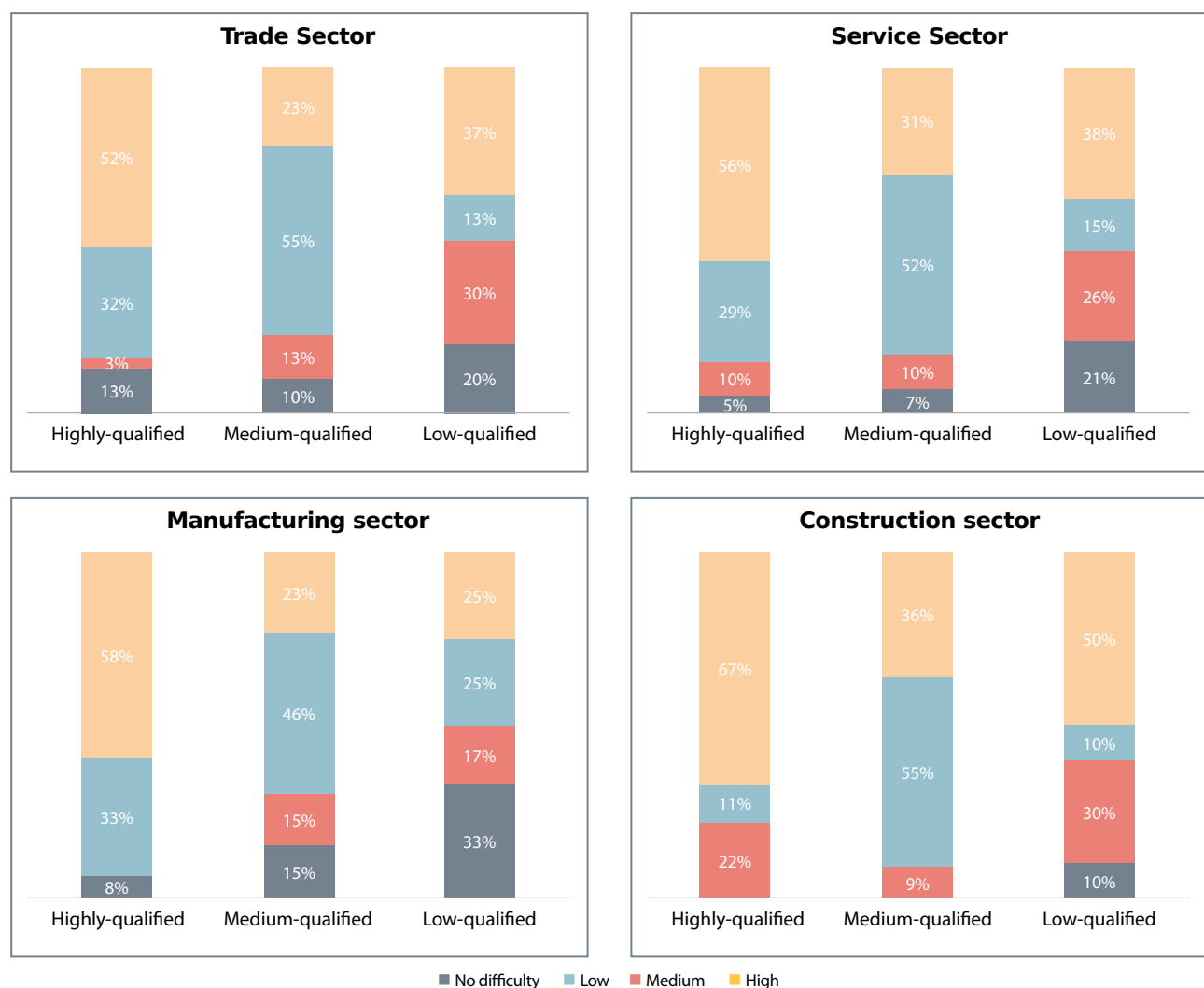
Graph 10: Future plans to employ foreigners temporarily living in Georgia

Among sectors, the highest share of the companies (36% of surveyed companies) in the construction sector state that they will employ foreigners living temporarily in Georgia in the future. The least positive expectations in this regard were noted in the service sector, where 20% of the companies stated that they were not planning to employ foreigners temporarily living in Georgia.

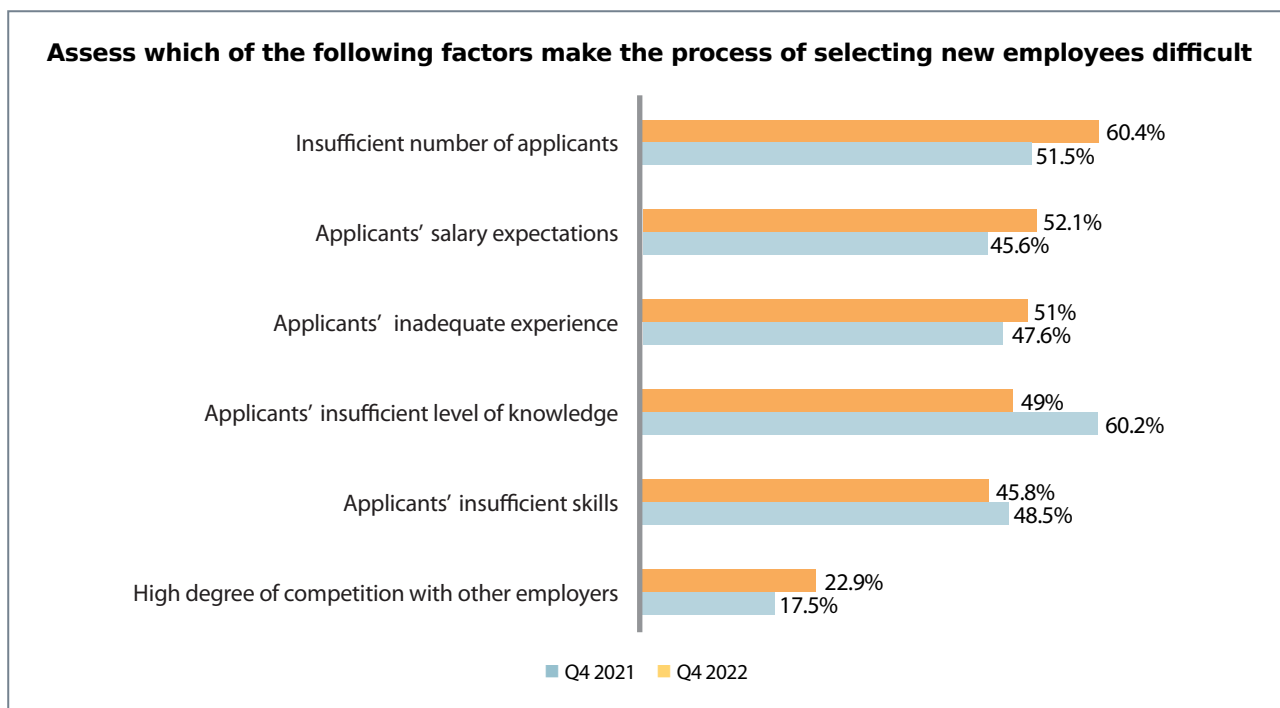
APPENDIX



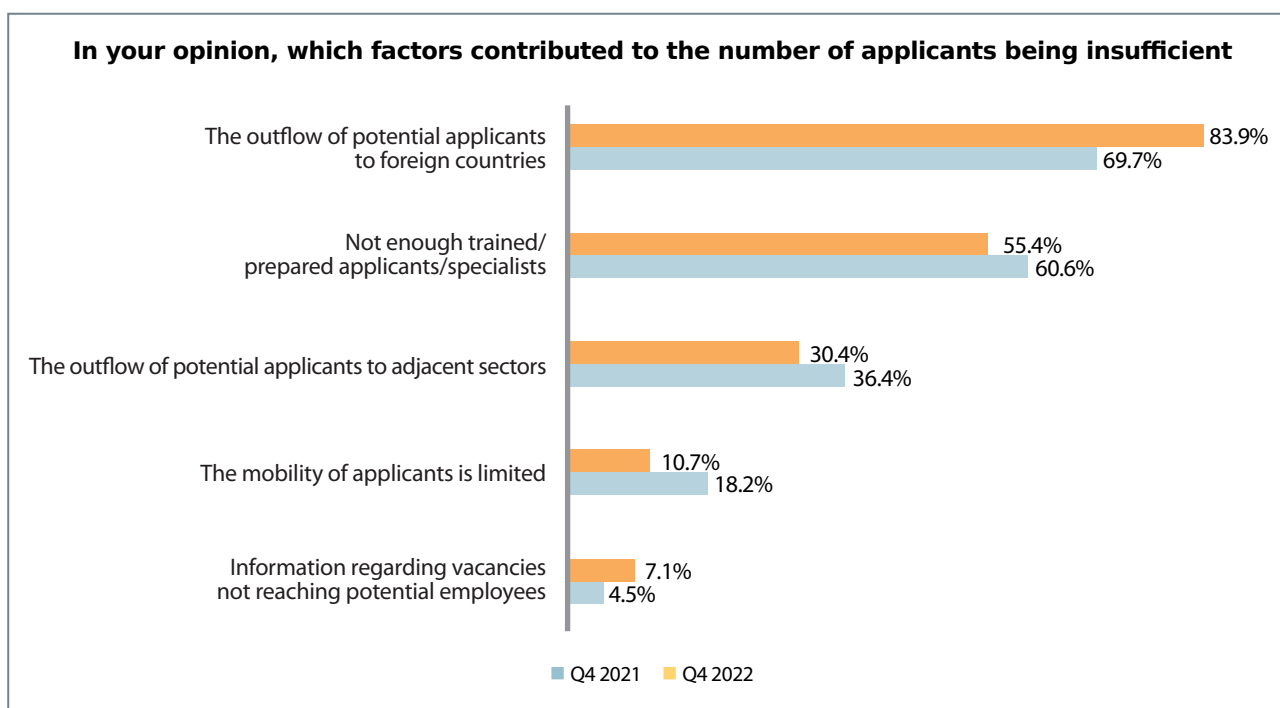
Graph 1: The existence of difficulties in finding appropriate personnel in Q4 2021 and Q4 2022



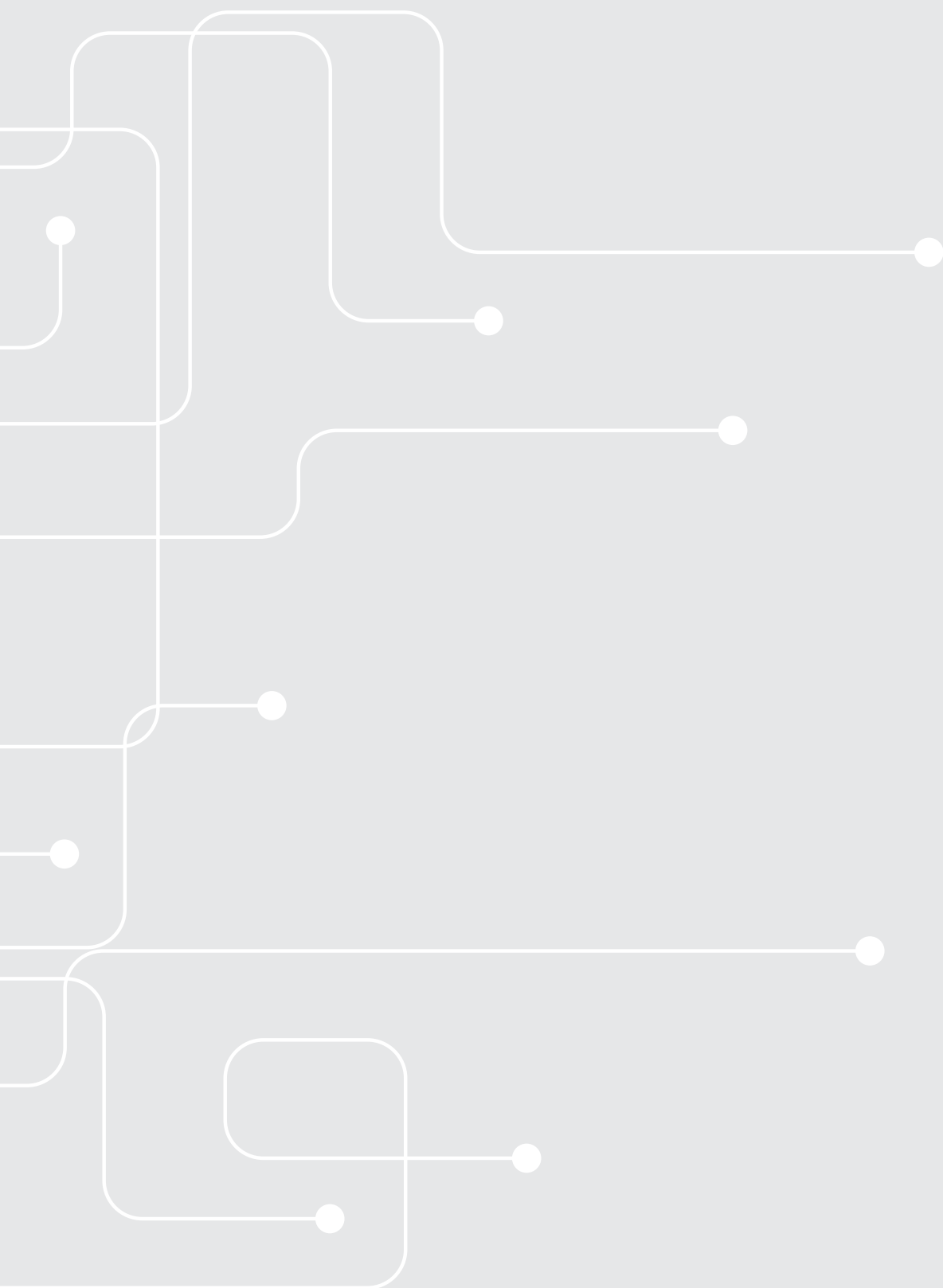
Graph 2: Level of difficulty encountered in finding different categories of personnel by sector in Q4 2022



Graph 3: The factors contributing to difficulties in the selection of new employees in Q4 2021 and Q4 2022



Graph 4: Factors contributing to the number of applicants being insufficient in Q4 2021 and Q4 2022



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