

# BAG INDEX

THE NEED FOR  
LABOR RESOURCES



საქართველოს ბიზნეს ასოციაცია  
BUSINESS ASSOCIATION OF GEORGIA



Leibniz Institute for Economic Research  
at the University of Munich



Research

IV QUARTER 2021

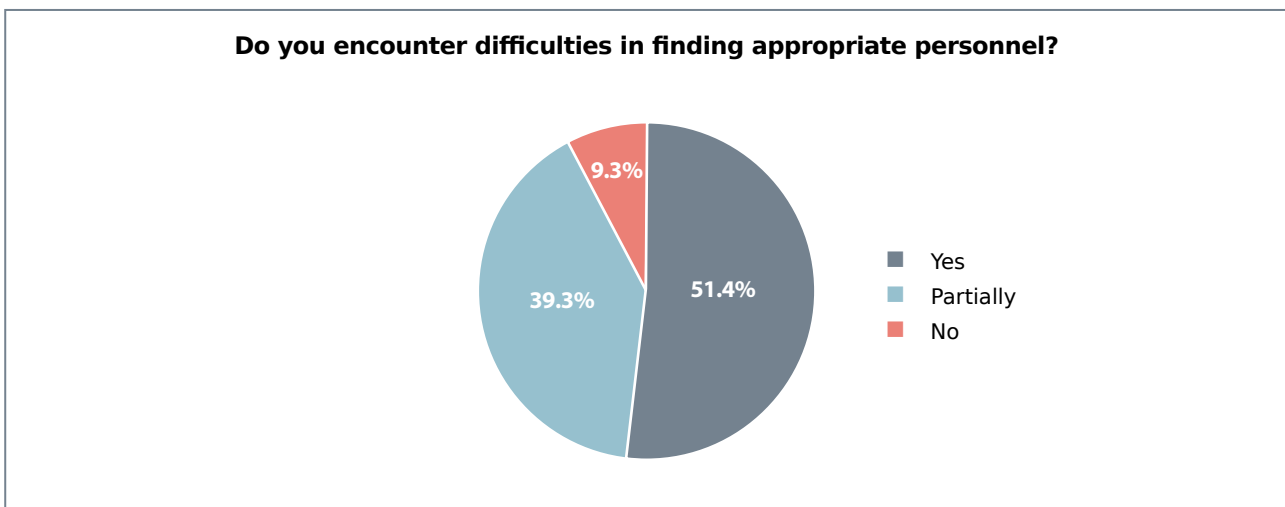
## THE NEED FOR LABOR RESOURCES

In the report of the fourth quarter of 2021, 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 by sectors are given in the appendix.

### FINDING PERSONNEL

In the survey conducted in the fourth quarter of 2021, the majority of the surveyed companies (51.4%) said they encountered difficulties in finding appropriate personnel, while for 39.3% this process had some partial complications. Of the surveyed companies, only 9.3% had not encountered any difficulties in finding appropriate personnel.

It must be noted that, by sectors, the issue of finding appropriate personnel is most evident in the trade sector (65% of the surveyed trade sector companies encountered difficulties in finding appropriate personnel), while for the service sector this issue was less intense, as just 42.2% of the surveyed service sector companies had difficulties in finding appropriate personnel. Regarding other sectors, in the construction sector 50%, and in the manufacturing sector 43% of the surveyed companies encountered difficulties in finding appropriate personnel.



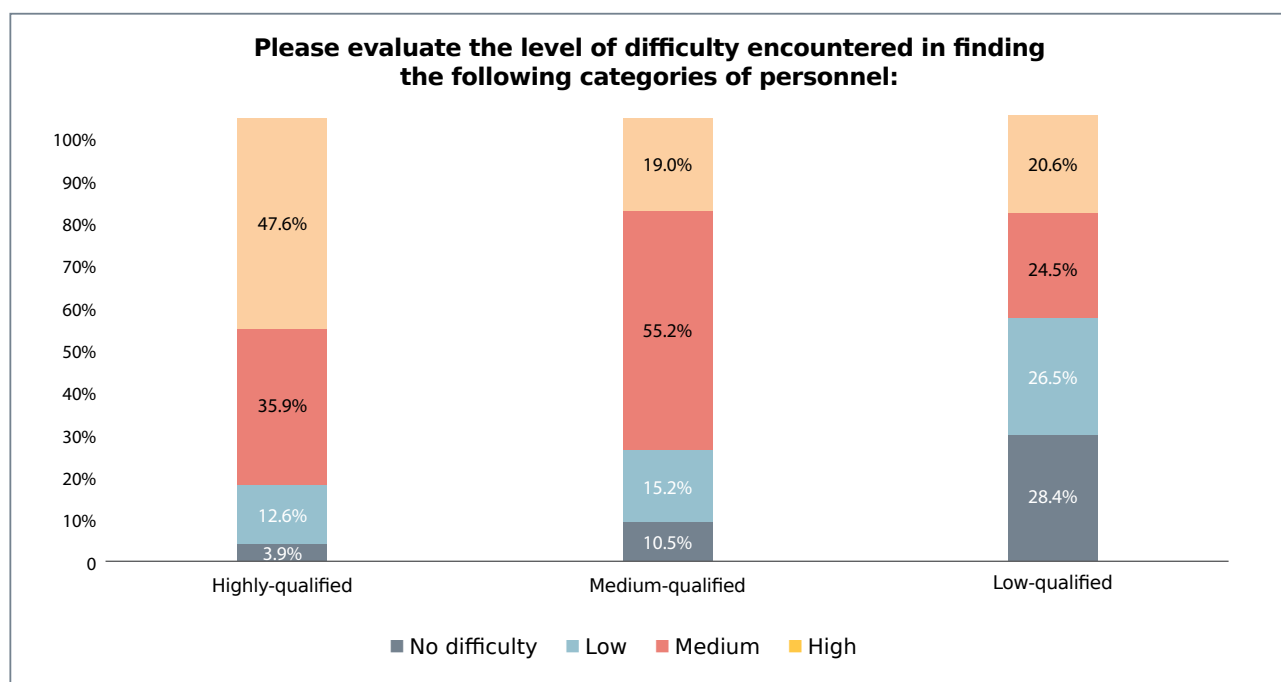
**Graph 1:** The existence of difficulties in finding appropriate personnel<sup>1</sup>

Of the different categories of personnel, surveyed companies found the process of finding highly-qualified personnel most difficult. Overall, 47.6% of surveyed companies assessed the level of difficulty encountered in finding highly-qualified personnel as high, while only 3.9% of the companies stated that they had had no difficulty in finding highly-qualified personnel.

The majority of the surveyed companies (55.2%) assessed the process of finding medium-qualified personnel as moderately difficult, while 19% thought that finding medium-qualified personnel was very difficult. Meanwhile, finding low-qualified personnel was assessed as the easiest process by the surveyed companies. In total, 54.9% of the surveyed businesses thought that finding low-qualified personnel either posed no difficulty (28.4%) or a low level of difficulty (26.5%).

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

It must be noted, that the process of finding highly-qualified personnel is most difficult for service and construction sectors (in both sectors, a significant part of the surveyed companies evaluated the level of difficulty encountered in finding such personnel as high: in the manufacturing sector – 62.8% and in the construction sector - 43%). The process of finding medium-qualified personnel is assessed as moderately difficult in all four sectors. Finding low-qualified personnel was assessed as the easiest process in manufacturing and service sectors (in the manufacturing sector 40% and in the service sector 38% of the surveyed companies stated that they had no difficulty in finding low-qualified personnel), while for the trade sector this process was assessed as the most difficult (31.6% of the surveyed companies stated that finding low-qualified personnel is very difficult).



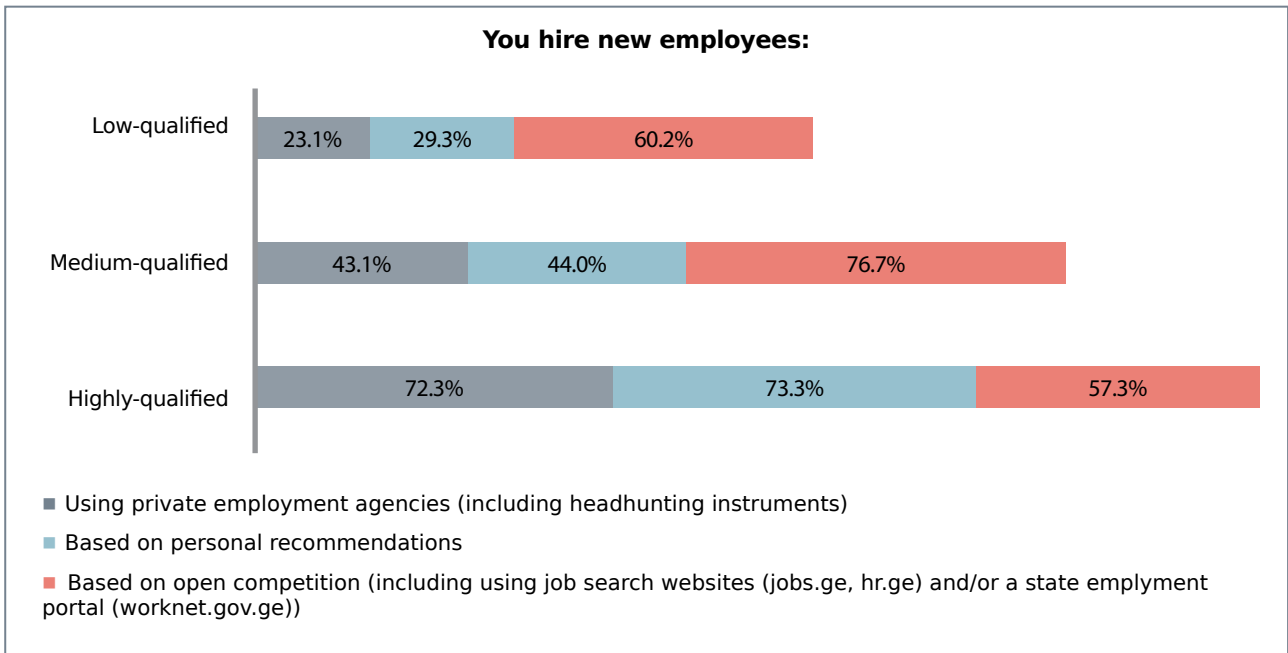
**Graph 2:** Level of difficulty encountered in finding different categories of personnel

For the companies surveyed in the fourth quarter of 2021, the most common practice for hiring new employees was open competition, while the services of private employment agencies are the least used.

The majority of the surveyed companies hire highly-qualified personnel based on personal recommendations (73.3%) and use private employment agencies (72.3%). Recruitment of medium-qualified employees was mainly based on open competition (76.7%) but when hiring low-skilled employees, private employment agencies were least used (23.1%) along with personal recommendations (29.3%). In most cases (60.2%), low-skilled employees were hired based on open competition.

Apart from that, it must be noted, that open competition is the most commonly used practice to hire new employees for all sectors. Considerably, the trade sector is the only one among all sectors, for which the utilization of private employment agencies is the second most used practice after open competition.

It must be noted, that in construction and service sectors hiring highly-qualified personnel is based on personnel recommendations (in the construction sector 80% and in the service sector 81% of the surveyed companies). In manufacturing (83%) and trade (68%) sectors, the services of private employment agencies are most commonly used to hire highly-qualified personnel. Recruitment of Medium and low-qualified personnel is mainly based on open competition in all four sectors.

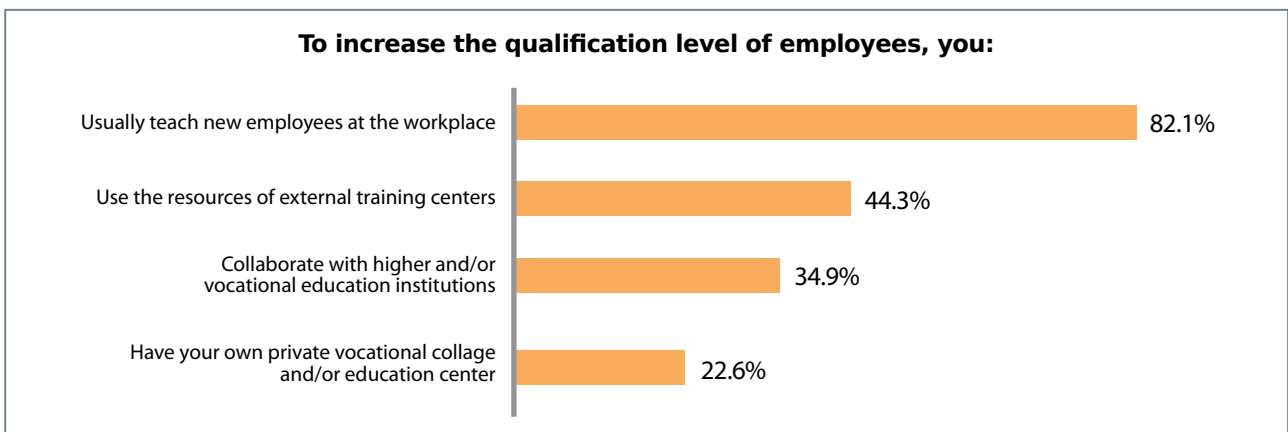


**Graph 3:** Practices of hiring different categories of personnel

### INCREASING THE QUALIFICATION LEVEL OF EMPLOYEES

Of the companies surveyed in the fourth quarter of 2021, 82.1% said they usually increased new employees' qualification level by teaching them at the workplace. At the same time, a significant portion of the surveyed companies claimed to use the resources of external training centers (44.3%) to improve their employees' qualification levels and collaborated with higher and/or vocational education institutions (34.9%). Meanwhile, 22.6% of the surveyed companies have their own private vocational college and/or education center.

Among sectors, to increase the qualification level of employees the practice of teaching them at the workplace is most commonly used in the manufacturing sector (92.9% of the surveyed companies), while this practice is least used in the construction sector (75%). Resources of external training centers are most commonly used in the trade sector (51.3%), while it is least used in the manufacturing sector (14.3%). The practice of collaboration with higher and/or vocational education institutions is most often used in the service sector (42.2%) and least used in the trade sector (28.2%). Apart from that, 35.6% of the surveyed service sector companies state that they have their own private vocational college and/or education center, while none of the surveyed construction sector companies have it.

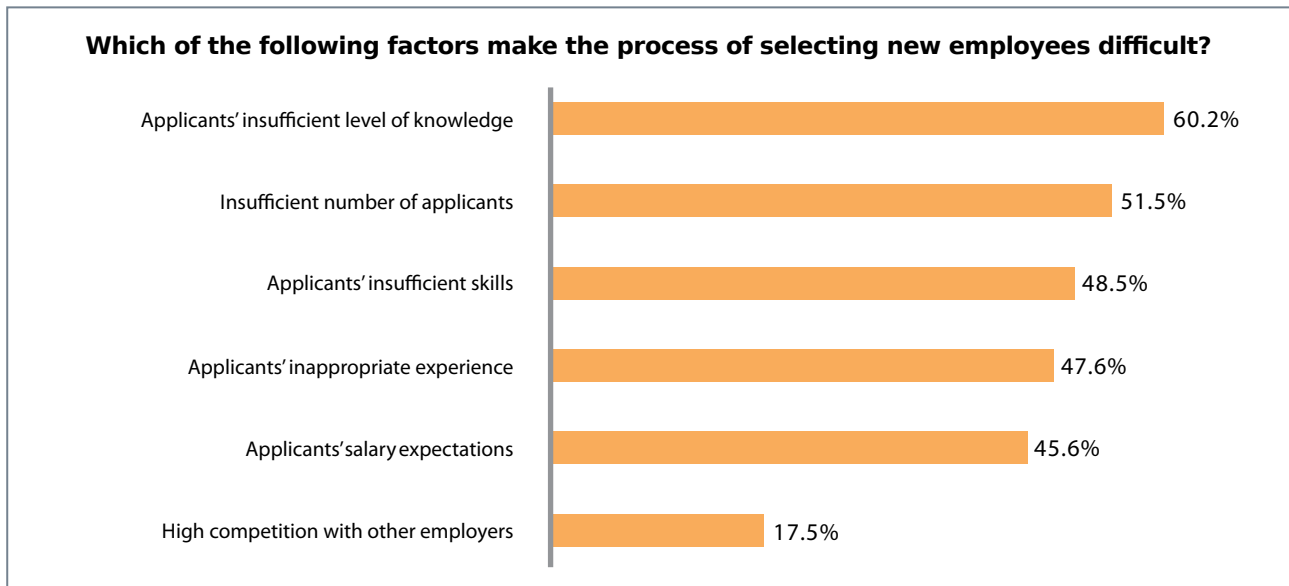


**Graph 4:** The methods used to increase the qualification level of employees

## FACTORS CONTRIBUTING TO DIFFICULTIES ASSOCIATED WITH THE SELECTION OF NEW EMPLOYEES

The companies surveyed in the fourth quarter of 2021, when asked which factors made it difficult to find appropriate personnel, most often named the following factors: applicants' insufficient level of knowledge (60.2%); insufficient number of applicants (51.5%); applicants' insufficient skills (48.5%); and inappropriate experience (47.6%). For 45.6% of the surveyed companies, selecting new employees was made more difficult by applicants' high salary expectations, while only 17.5% of the companies believed that high competition with other employers made it difficult to find appropriate personnel.

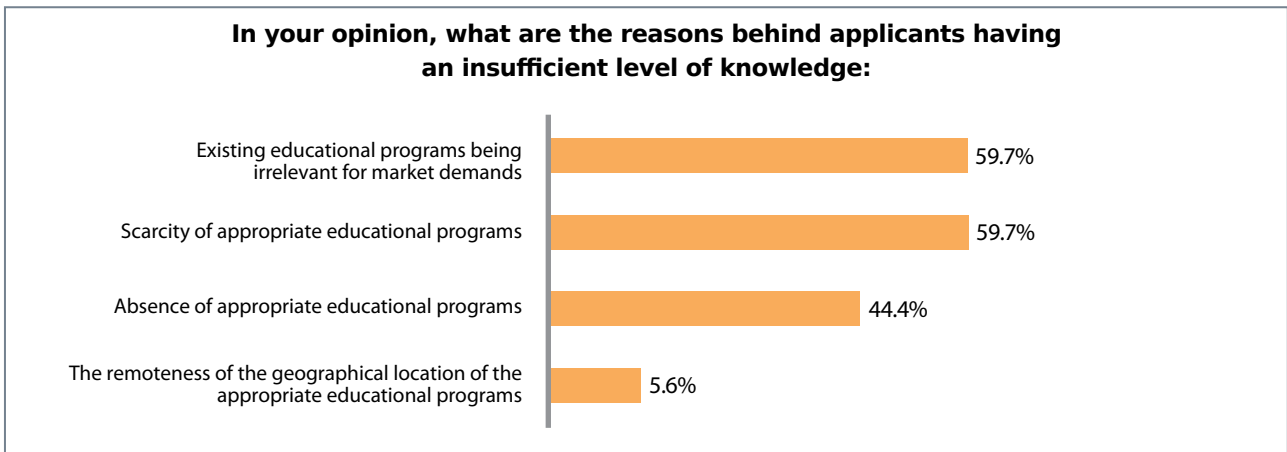
The main factors making the process of selecting new employees difficult slightly differ among sectors. In the service and manufacturing sectors, the most commonly stated factor is applicants' insufficient level of knowledge. In the construction sector, the most commonly stated factor was the applicant's insufficient skills (75%). While, for the trade sector, an insufficient number of applicants was stated most often (58%).



**Graph 5:** The factors contributing to difficulties associated with the selection of new employees

The majority of the surveyed companies to have named insufficient knowledge of applicants as a problem believed that this lack of knowledge was mainly due to both the existing educational programs being irrelevant to market demands (59.7%) and the scarcity of appropriate educational programs (59.7%). Moreover, a significant proportion of these companies (44.4%) believed that the problem stemmed from the absence (rather than scarcity) of appropriate educational programs. The remoteness of the geographical location of appropriate educational programs was cited by only 5.6% of these companies as a reason behind applicants having an insufficient level of knowledge.

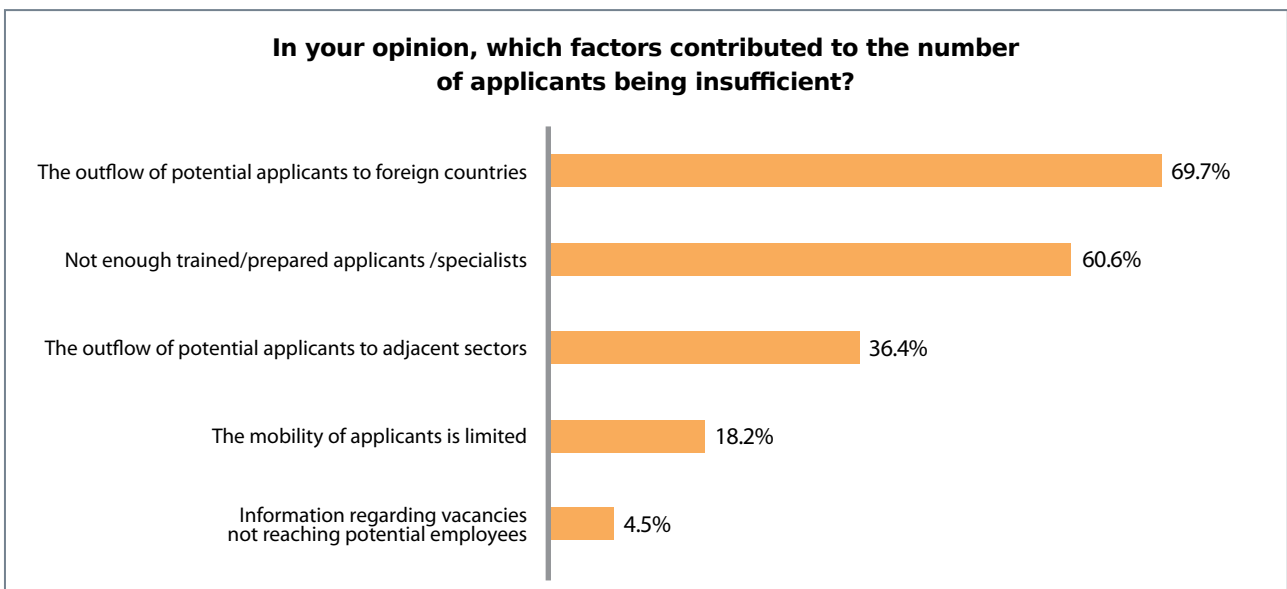
The majority of the surveyed companies in service, trade, and construction sectors stated that the lack of knowledge of applicants was mainly due to existing educational programs being irrelevant for market needs, while in the manufacturing sector, the majority of surveyed companies (88%) stated that the insufficient level of knowledge of applicants is caused by scarcity of appropriate educational programs.



**Graph 6:** Reasons behind applicants having an insufficient level of knowledge

Overall, 69.7% of the surveyed companies to have named the insufficient number of applicants as a problem believed that this was caused by the outflow of potential applicants to foreign countries, while 60.6% thought that applicants were insufficiently trained/prepared. Only 18.2% of these companies believed that the problem lay with the limited mobility of applicants, while only 4.5% claimed that problems concerning the provision of information about vacancies to potential employees led to a shortage of applicants.

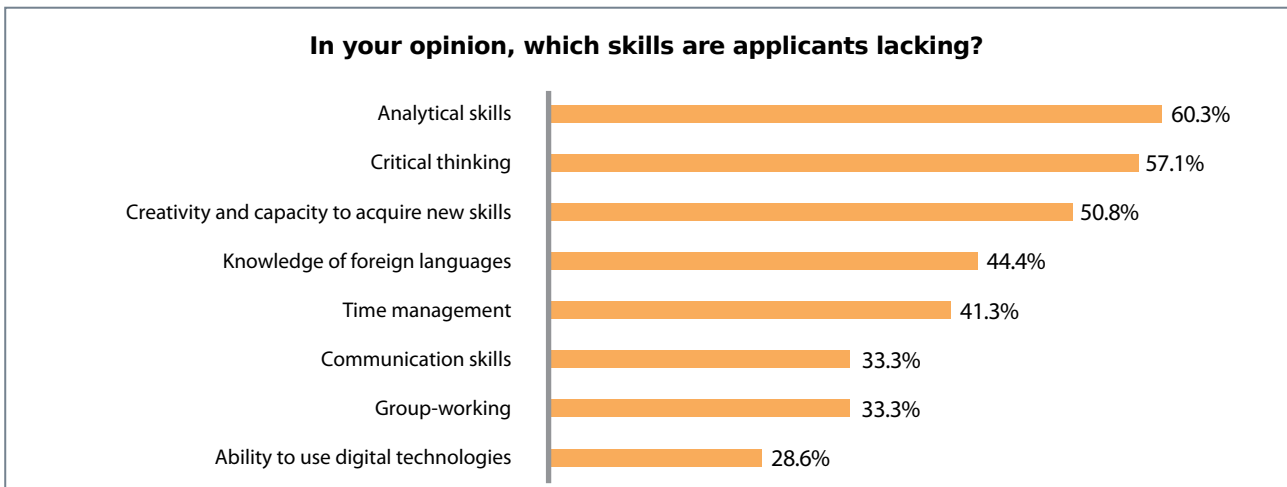
It must be noted, that majority of the surveyed companies in the trade sector (85%) state that an insufficient number of applicants is caused by the outflow of potential applicants to foreign countries. In construction (75%) and service (64%) sectors, the most commonly stated factor was an insufficient number of trained/prepared applicants, while for the manufacturing sector the shortage of applicants was both due to outflow to foreign countries and the insufficient number of trained applicants (64%).



**Graph 7:** Factors contributing to the number of applicants being insufficient

According to the companies surveyed in the fourth quarter of 2021 who named applicants' insufficient skills as a problem, applicants lack the following skills the most: analytical skills (named by 60.3% of these companies), critical thinking (57.1%), and creativity/capacity to acquire new skills (50.8%). Interestingly, only 28.6% of these companies believed that applicants lacked skills related to the use of digital technologies.

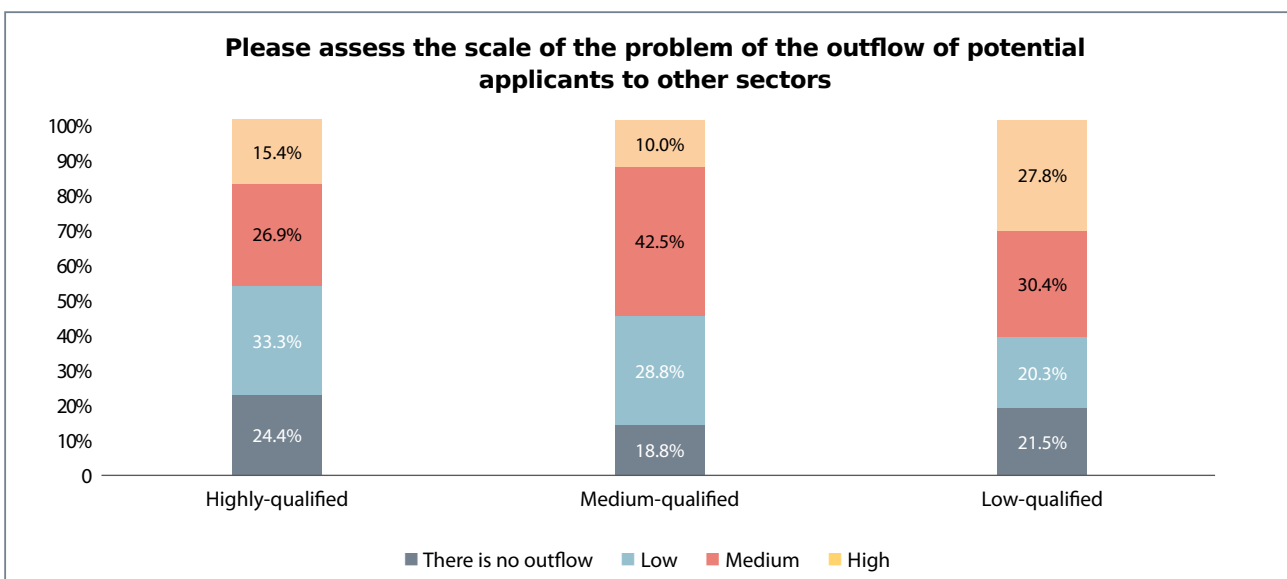
For service (64%), trade (58%), and construction (60%) sectors, the most commonly stated skill applicants are lacking was analytical skills, while 71% of surveyed companies in the manufacturing sector state that most often applicants lack critical thinking.



**Graph 8:** Skills in which applicants are insufficient

Finally, the surveyed companies assessed the intensity of the problem of the outflow of potential applicants to other sectors. According to the respondents, this problem was especially acute in the case of low-skilled personnel (for 27.8% of the surveyed companies, the problem of outflow of low-skilled personnel to other sectors was very acute, while for 30.4% it was ranked as moderate). The problem of 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, while for 33.3% the problem was only ranked as low. Meanwhile, the scale of the problem of the outflow of medium-qualified personnel to other sectors was mainly assessed as moderate (42.5%) and low (28.8%).

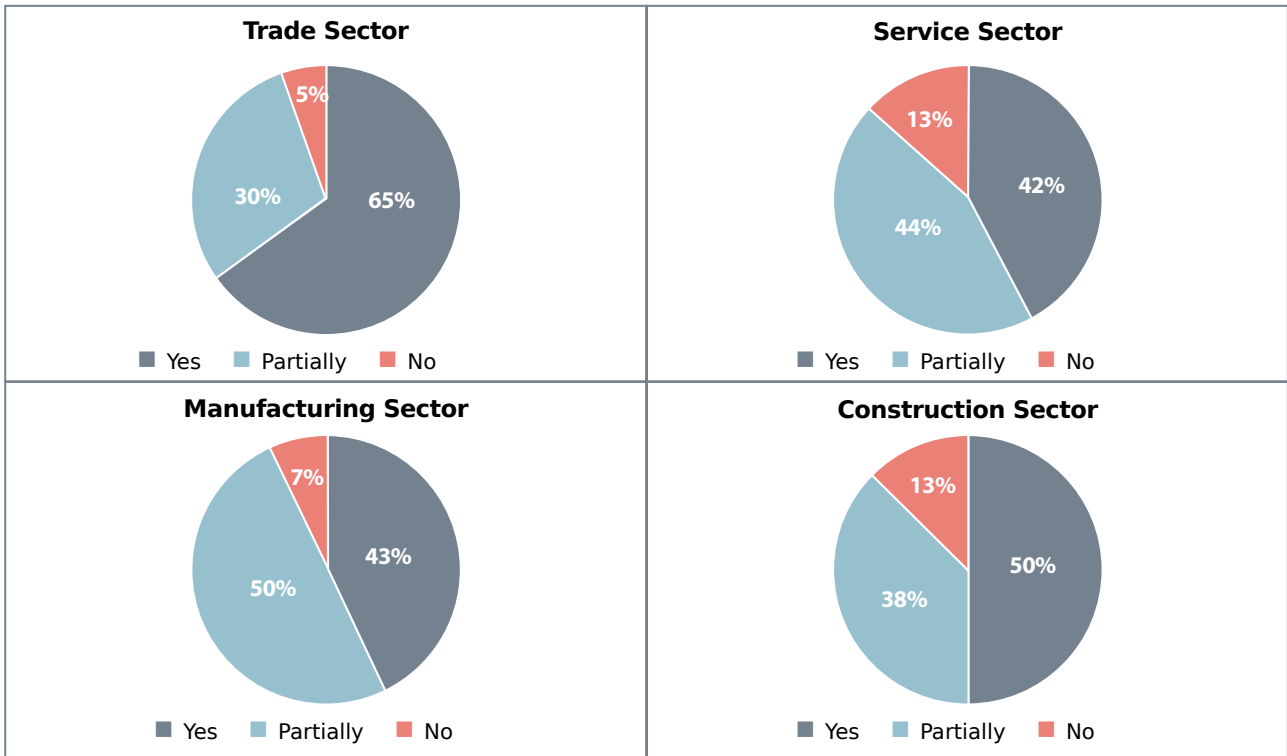
Among sectors, the problem of the outflow of low-qualified applicants to other sectors is most evident in the trade sector (42.3% of the surveyed companies the problem is very acute), while the problem of the outflow of highly-qualified and medium-qualified applicants is most acute in the service sector.



**Graph 9:** The scale of the outflow of potential applicants to adjacent sectors

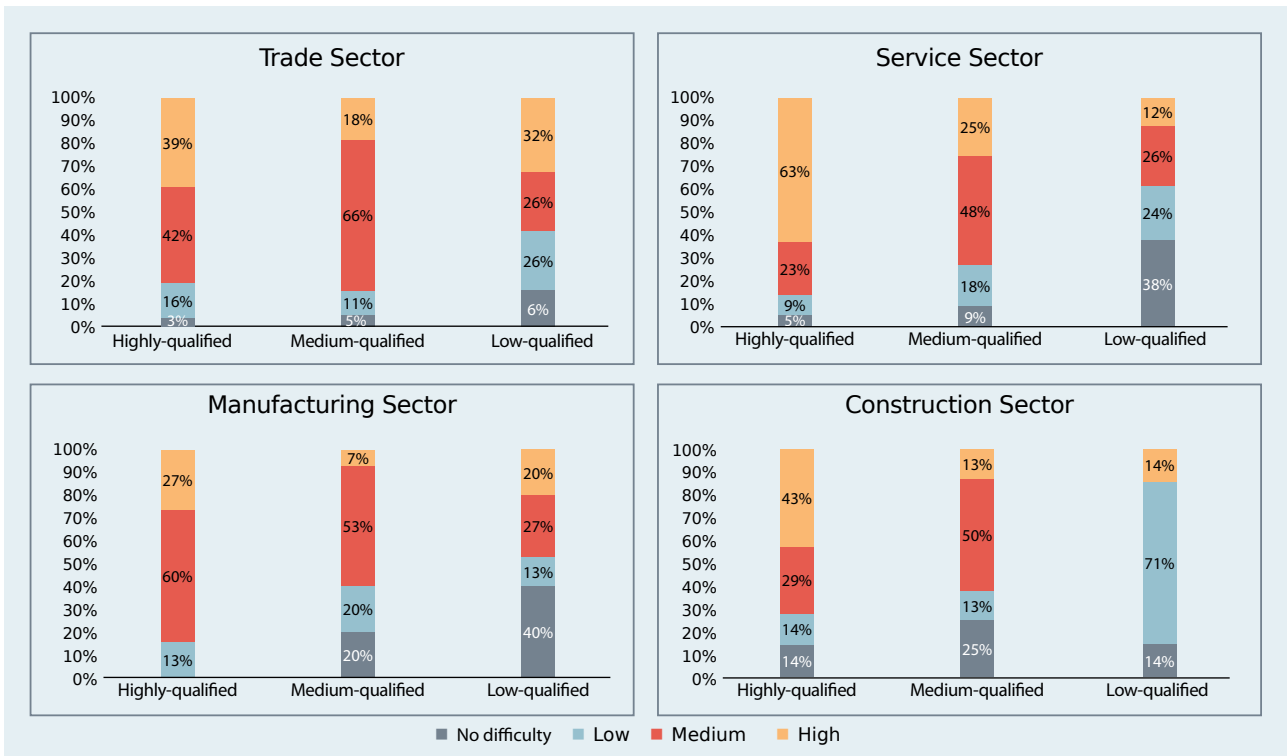
# APPENDIX

## Do you encounter difficulties in finding appropriate personnel?



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

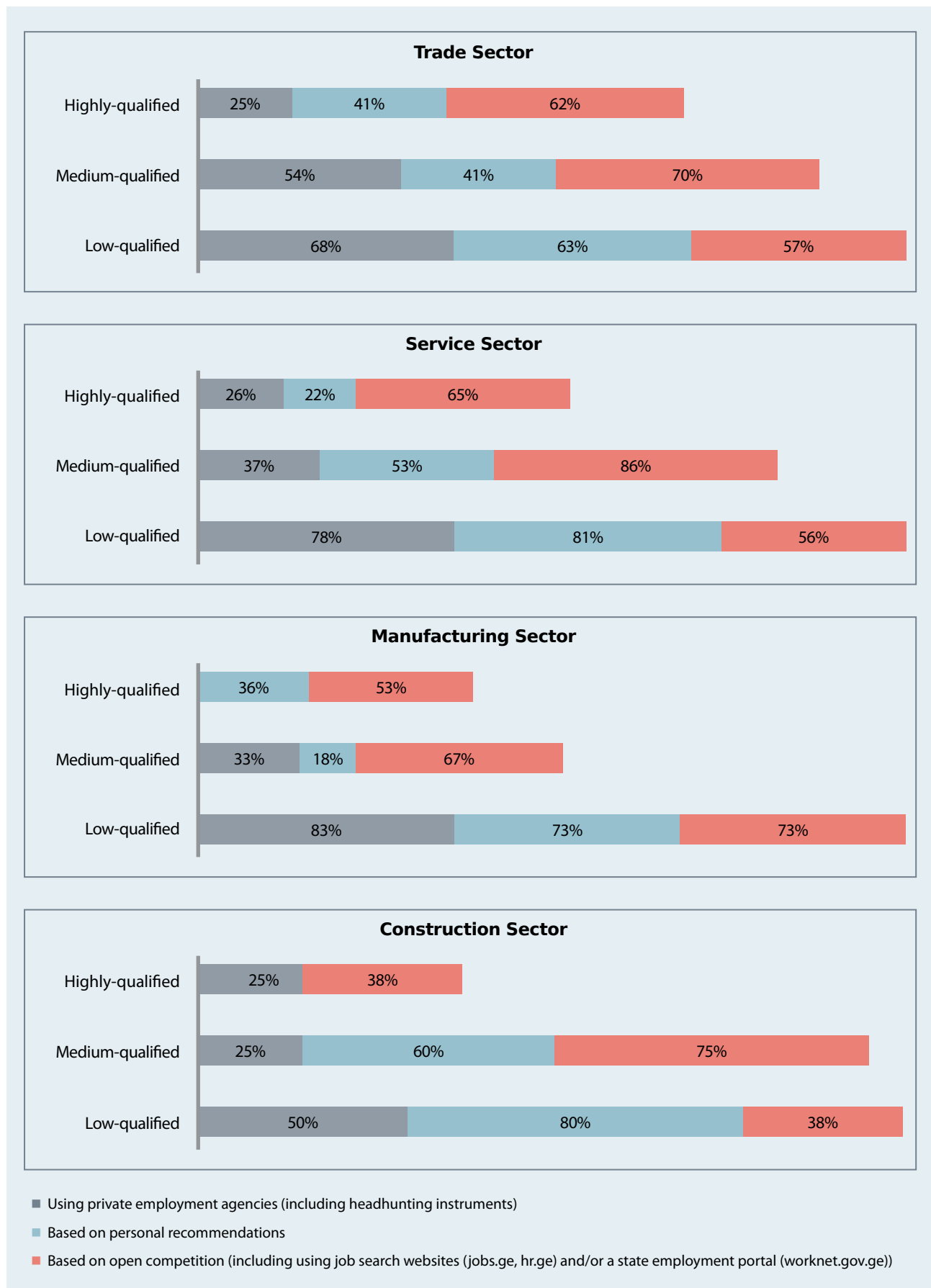
## Please evaluate the level of difficulty encountered in finding the following categories of personnel:



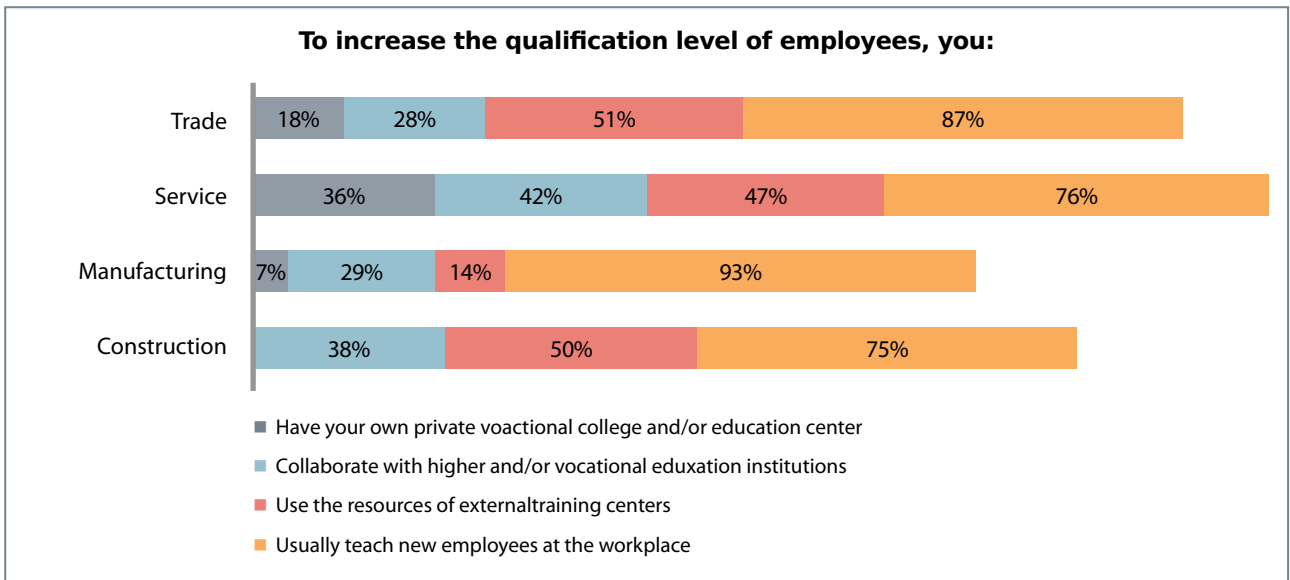
Graph II: Level of difficulty encountered in finding different categories of personnel by sector



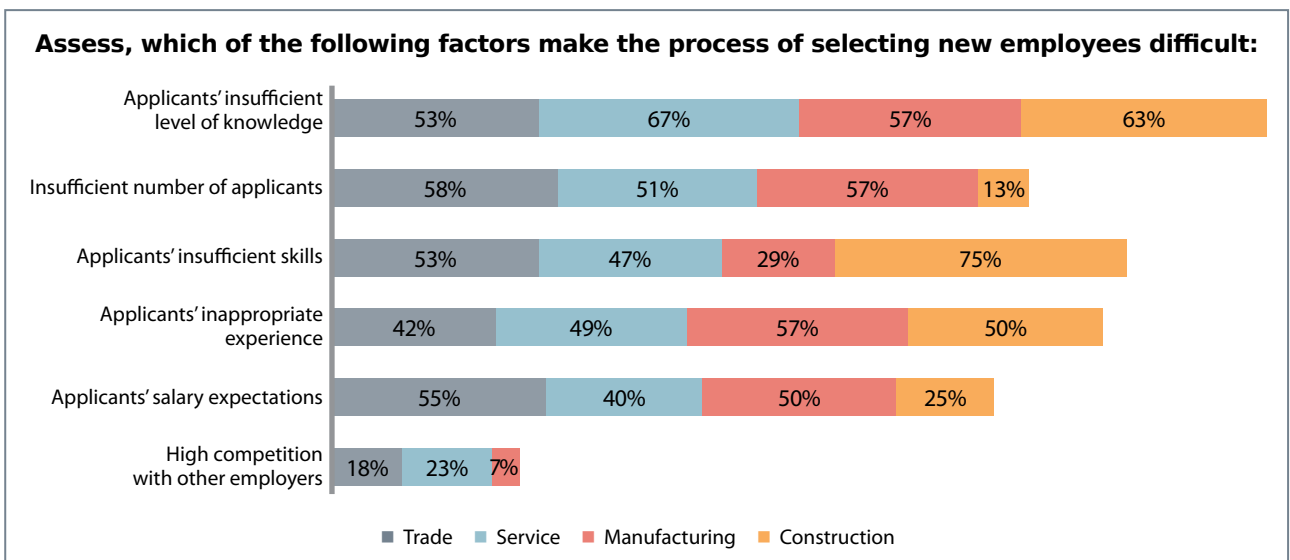
## You hire new employees:



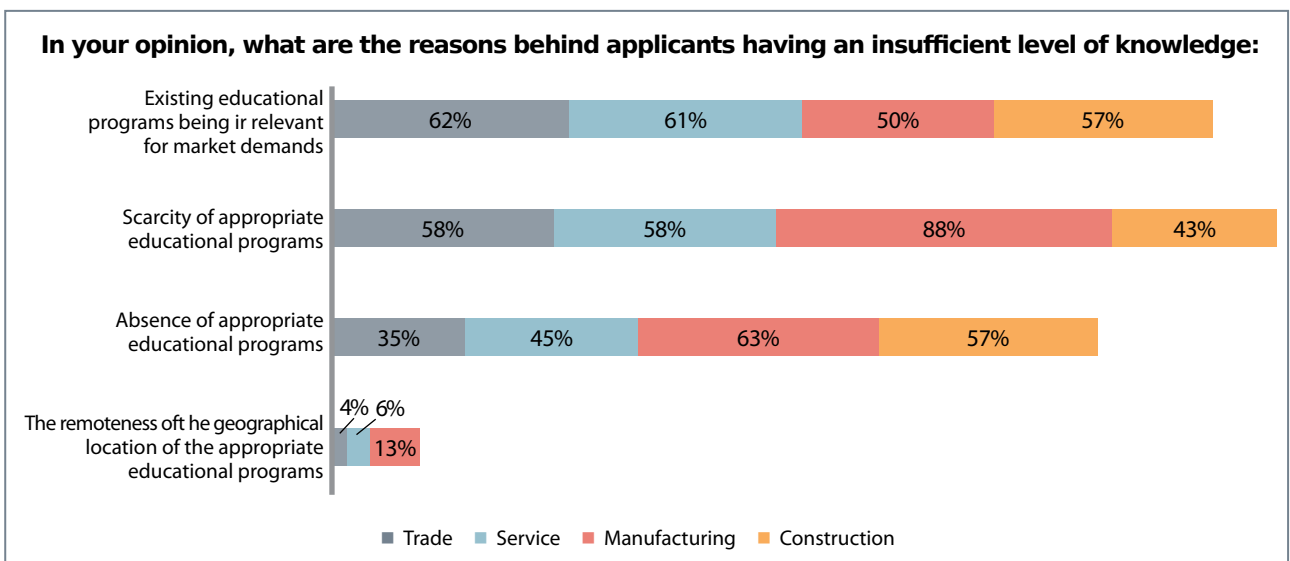
Graph III: Practices of hiring different categories of personnel by sector



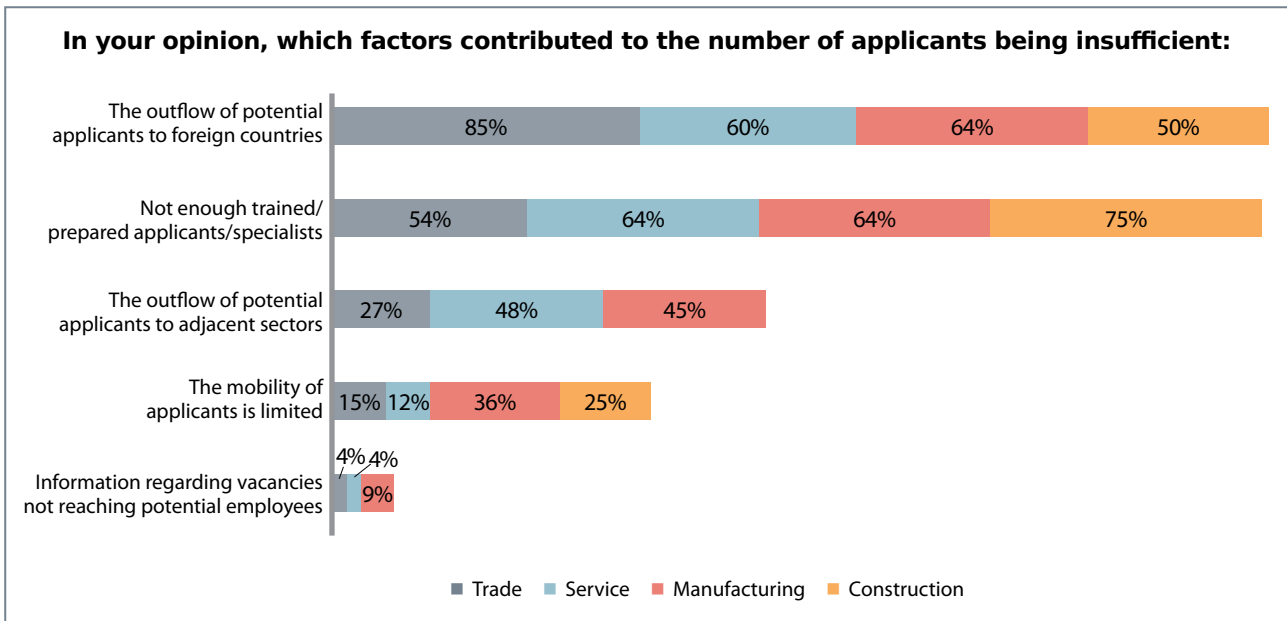
**Graph IV:** The methods used to increase the qualification level of employees by sector



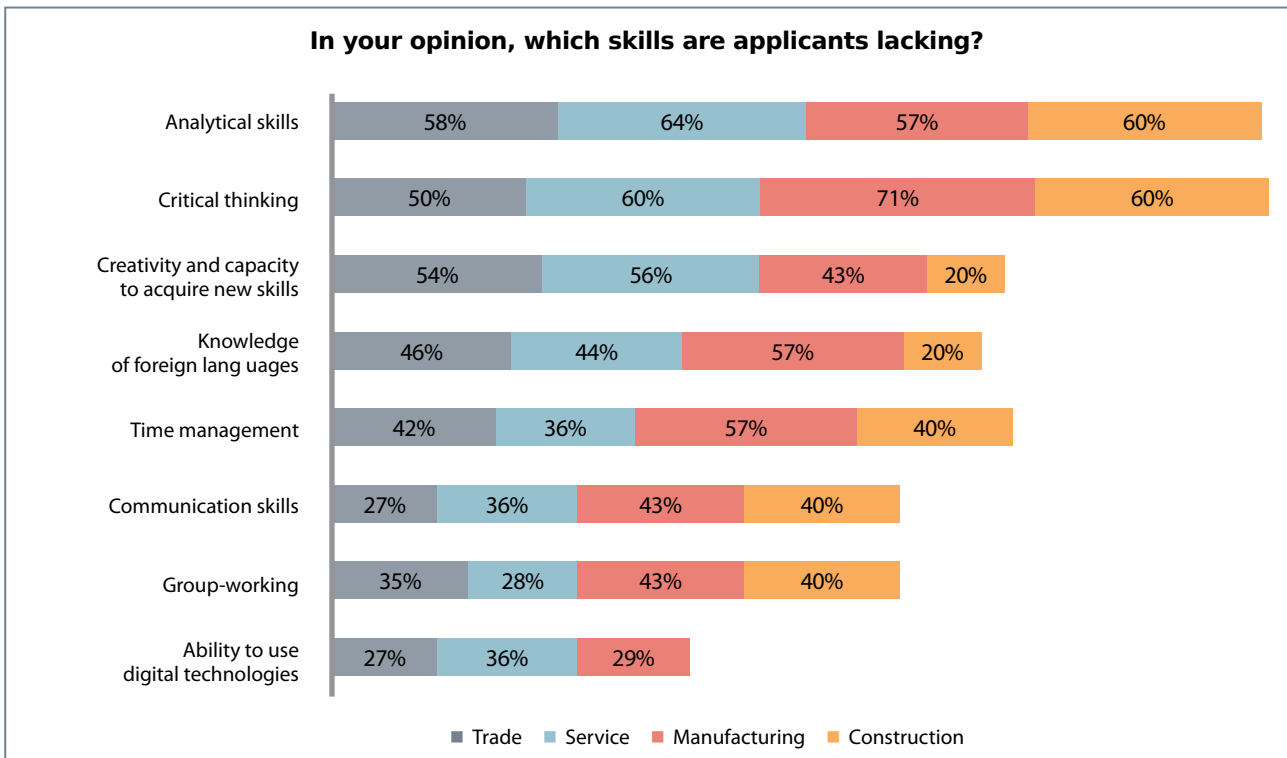
**Graph V:** The factors contributing to difficulties associated with the selection of new employees by sector



**Graph VI:** Reasons behind applicants having an insufficient level of knowledge by sector

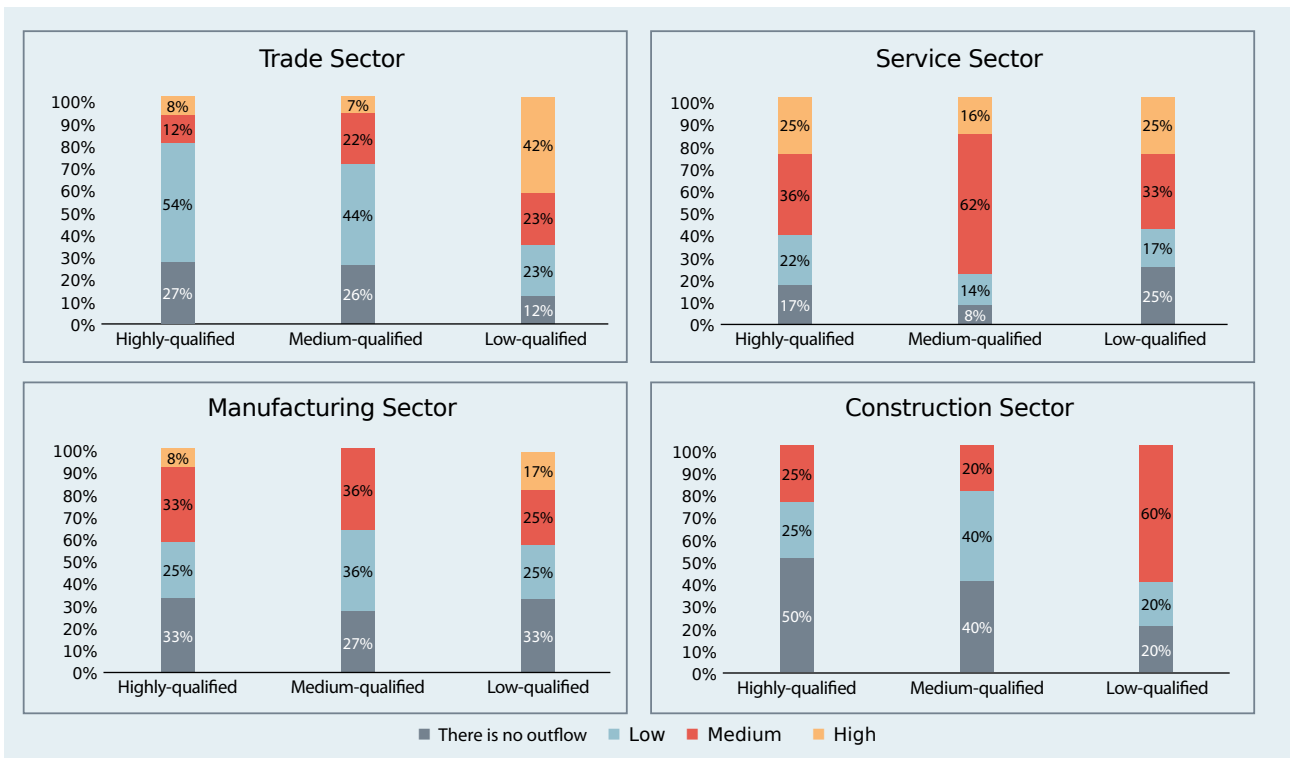


**Graph VII:** Factors contributing to the number of applicants being insufficient by sector

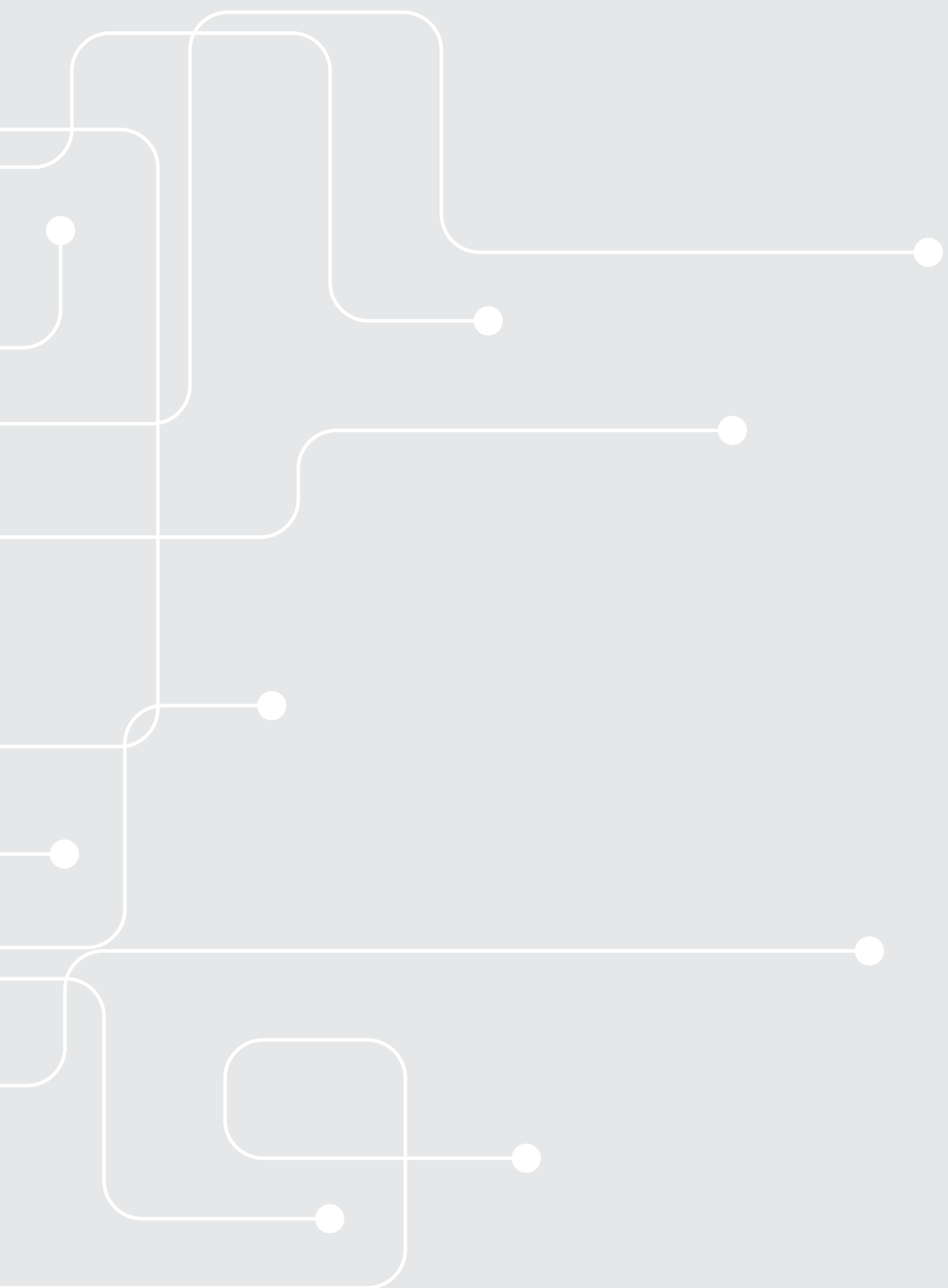


**Graph VIII:** Skills in which applicants are insufficient by sector

**Please assess the scale of the problem of the outflow of potential applicants to other sectors:**



**Graph IX:** The scale of the outflow of potential applicants to adjacent sectors by sectors



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