

Pilot Survey of Labour Market Needs in Georgia

Tourism, Apparel, ICT, Food Processing



This study of labour market needs in four pilot sectors was prepared by the Economic Analysis and Policy Department of the Ministry of Economy and Sustainable Development of Georgia with the support of GIZ Private Sector Development Programme Georgia and GeoWel Research.



Ministry of Economy and Sustainable Development
OF GEORGIA

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Federal Ministry
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Executive summary

Project background

For local and foreign direct investments (FDI) the private sector requires a sufficiently qualified work force. Considering that sector-specific labour market demand is changing, there is a need for its periodic assessment. Currently, sector-specific supply and demand of human capital is unclear in Georgia. This lack of precise information could hamper private sector investments and proper decision-making with regard to building up the human capital needed by the labour market.

The underlying purpose of the project is to support the Ministry of Economy and Sustainable Development of Georgia (MoESD) by building up their capacity to collect primary information, report on the current demands on the labour market and develop conclusions and recommendations together with other governmental stakeholders for the benefit of investors and future VET graduates.

To achieve this aim, the project consisted of the following key components:

- Investigating and analysing existing data that can inform the MoESD on labour market needs and provisions;
- Collecting and collating new labour market information;
- Combining existing and new information with an understanding of government economic development priorities in order to elaborate conclusions and recommendations, if needed, for addressing the job mismatch.

Four fast growing pilot sectors were selected for this project: tourism, apparel, Information and Communication Technology (ICT) and food processing. For each sector, MoESD designated an employee from its Economic Analysis and Policy Department to carry out research. The team of researchers also included representatives from the National Statistics Office of Georgia (Geostat) and the Ministry of Education and Science of Georgia (MoES). The research team was trained in qualitative and quantitative methods by GeoWel Research. After the training process, the team collected the information under the supervision of GeoWel Research.

In 2010, GIZ Private Sector Development Programme Georgia, in collaboration with GeoWel, carried out a labour market matching project which provided an aggregated overview of VET supply and processes for labour market matching¹. It also attempted to combine a range of existing sources to help identify sectors that the MoES could target for VET development. With the current project, particular attention was given to the sector-specific demand of human capital and to specific recommendations as to what could be done by the MoES and VET centres to better address the labour mismatch that currently exists in Georgia.

¹ Matching Vocational Education in Georgia with Labour Market Needs, Private Sector Development Program Georgia, Tbilisi, June 2010

Key findings and conclusions

Several important findings can be emphasized:

- Experience of potential employees is more in-demand from companies than formal education. This is true for all sectors, but particularly in apparel and food processing. Companies which prefer employees with higher educational qualifications are not necessarily looking for particular skill-sets but believe that university graduates have good general knowledge and are more capable of solving everyday issues by finding relevant information.
- Although many companies across all sectors have been trying to find new employees in the past 12 month, only about half of them have succeeded. Companies have difficulties in finding qualified employees. When they want to find new employees, they use either the Internet or personal acquaintances, depending on the sector. However, using educational institutions such as VET centres to find new employees is extremely rare.
- In all of the sectors, experience was usually more highly prized than training. However, when employers say they require experience they are generally suggesting that hands-on experience rather than theoretical knowledge is the key to success. This would massively privilege VET centres as bastions of practical training compared with the more theoretical inclinations of universities. If VET training was seen as offering good skills training or the equivalent of experience, then it would be hugely popular across all of the sectors considered here.
- One aspect which VET centres could take into consideration and apply in all sectors is the development of better professional skills. In all four sectors companies complained about lack of professional manners such as discipline, a sense of responsibility, seriousness and motivation. Such characteristics usually come with experience. Thus, VET centres should create simulations of real-life situation so that students can understand the need for a sense of responsibility.

Methodology

Four sectors were selected for a pilot survey under the framework of this project: tourism, apparel, ICT and food processing. To study these fields, several qualitative and quantitative methods were used. Key players were identified in each sector, such as large companies, regulatory bodies, and VET centres. Members of the research team then held in-depth interviews with some of the stakeholders to form an overview of a sector. These interviews were complemented with desk research and reports done by other organizations such as USAID Economic Prosperity Initiative (EPI) or the United Nations World Tourism Organization (UN WTO).

The quantitative part of the research included small surveys of 50 companies in each of the sectors. The sampling frame was taken from the Geostat Database of Active and Registered Businesses. The database classifies firms as large, medium or small,² so one of the early questions was whether to sample from the whole list or from any particular size group. The project was principally interested in focusing on sectors of interest to investors and since investors are mainly looking at large companies the sampling mainly focused on those. However, in some sectors, such as apparel, there is a limited number of large companies. In such instances, we also included small and medium sized companies.

Simple Random Sampling (SRS) of large companies was used for tourism and food processing sectors. There were only 59 registered large companies in the ICT sector, and given the non-response rate it would not have been possible to interview 50 companies, so SRS of medium and large companies was used. In apparel, the number of large and medium companies was ten and nine respectively, so this was complemented by SRS surveys of smaller companies as well.

In the tourism sector, the profile of the 61 selected companies included large dining places/restaurants, hotels and travel agencies. In the apparel sector, the profile of companies was quite uniform: there are 193 companies registered in Geostat's database. The ICT sector included companies with varying profiles: software or hardware companies, telecoms and computer retail companies. In the food processing sector, the profile of companies varied largely from the processing of alcohol to the processing of beef and dairy products. In total, there were 177 large food processing companies from which the sample was drawn.

The survey was carried out by MoESD staff members through telephone phone calls. If after three attempts the selected company did not answer the phone then the selected company was replaced with the next one from the sample until 50 companies were reached in each sector. The questionnaire with closed and open questions and multiple-choice questions was used as an instrument for phone interviews.

² Geostat uses the following definition of small, medium and large enterprises: small enterprises have 20 or fewer employees annually and GEL 0.5 million or less annual turnover; medium enterprises have between 20 and 100 employees annually and/or between 0.5 million and GEL 1.5 million of annual turnover; large enterprises are those with over 100 employees and/or an annual turnover of more than GEL 1.5 million.

Tourism

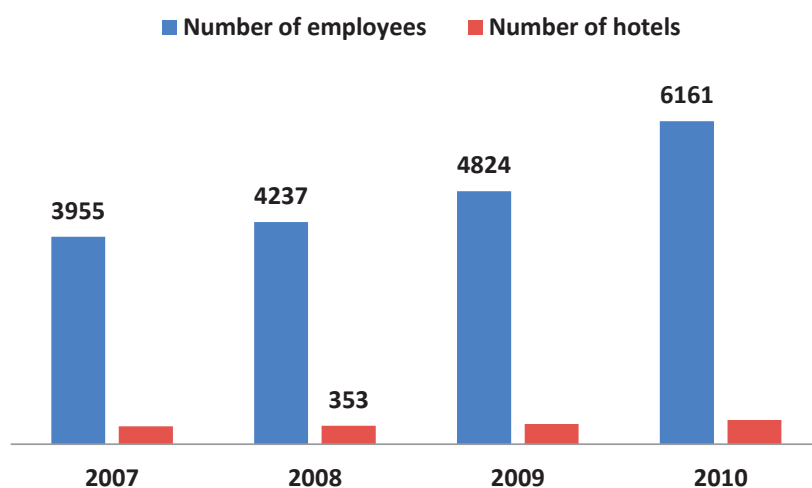
Key findings

- The labour force is generally young. Almost 70% of employees are below 40.
- In terms of labour there is a slight growth in the sector, at least among large companies. About 36% of the surveyed companies said that they have hired new employees in the last 12 months, while only 6% said they had fired an employee in the same period.
- About half of the companies who were looking for an employee did not succeed in finding one.
- The most in-demand job is that of operator, as 52% of companies indicated that they need operators.
- 42% are looking for higher education, whilst only 10% are looking for vocational education. Companies look for higher education because of general intellect and not because of particular skills taught at universities

Developments in Georgia

The tourism sector is on the rise in Georgia. The Government of Georgia has declared its intention to achieve a milestone of three million visitors in 2012. In 2011, the figure was more than 2.8 million, which is 39% more than in 2010. Usually, about half of all visitors come to Tbilisi and more than 30% travel to Batumi.

Figure 1: Number of hotels and employees 2007-2010



Source: Geostat

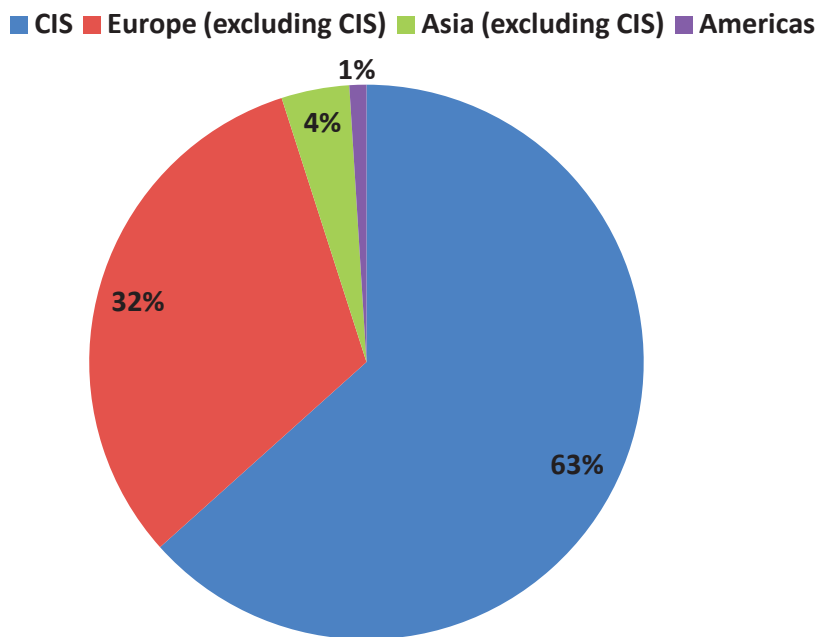
Further evidence that the tourism sector is on the rise in Georgia can be found in statistics about hotels. The graph above shows that the number of employees from 2007 to 2010 increased by 156% and the number of hotels by 136%. In parallel, the total output in tourism-related services increased from GEL 2.08 billion up to GEL 2.52 billion. Correspondingly, the share of the output in tourism-related services as a percentage of the total output of the economy in 2011 rose from 6.8% (in 2010) to 7.1%.

To attract more tourists, the Government works in two main ways. First, the government builds infrastructure and services that will satisfy the needs and requirements of tourists. Such activities include constructing new roads, renovating tourist destinations and developing new ones, simplifying visa requirements, attempting to bring in cheap air companies to the Georgian market to make it cheaper to travel to Georgia etc.

Another approach which the Georgian Government has taken is active advertising. Commercials about Georgia can be frequently seen in the world’s leading journals and TV channels. In 2011, the New York Times ranked Georgia 6th in its “41 Places to Go in 2011”.

The number of tourists in Georgia from its neighbours and countries of the Commonwealth of Independent States (CIS) has increased significantly. The number of visitors from neighbour countries is increasing systematically, with an average growth rate of about 43%. As shown in Figure 2, nearly 63% of visitors in 2011 came from CIS countries.

Figure 2: Share of visitors from different geographical locations



Source: Border Police of Georgia, 2011

Tourism can take various forms. USAID’s Economic Prosperity Initiative (EPI) has prepared a value chain assessment and identified three sub-sectors of tourism in which there is good potential for growth: adventure tourism, MICE (meetings, Incentives, Conferences, Exhibitions) and wine tourism.

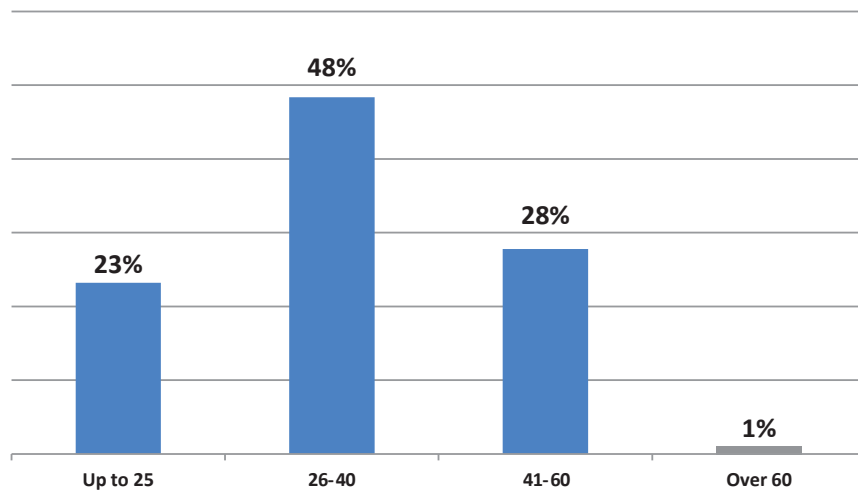
Of 61 large tourism companies in Georgia, as registered in Geostat’s database of registered and active enterprises, the vast majority are located in Tbilisi and a few are in Adjara. There are almost no large companies outside of Tbilisi and Adjara. The profile of selected companies included large dining places/restaurants, hotels and travel agencies.

Labour characteristics

The average number of employees in the tourism companies (ie. 50 large dining places/restaurants, hotels and travel agencies) was 72. More women than men are employed: on average, companies had 42 female and 30 male employees. The graph below shows the detailed breakdown of age groups and their share in the sector.

Almost half of all people employed in this sector belong to the 26-40 age group. People older than 60 are extremely rare in the tourism sector (Figure 3).

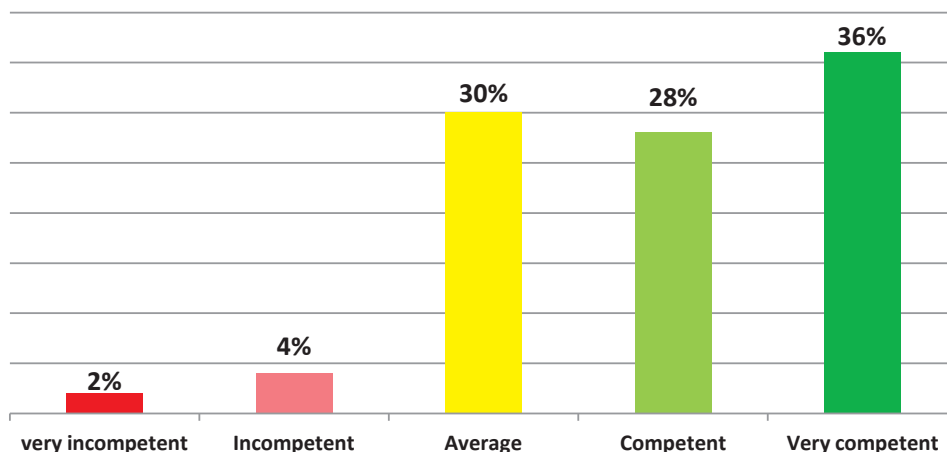
Figure 3: Breakdown of age groups in the tourism sector



Based on the answers provided, all employees in the tourism sector have graduated from high school. 83% of employees are university graduates and 17% have vocational education.

When assessing the competence of the current employees, responses were generally positive, especially compared to other sectors: only 6% of the respondents said that their employees were either ‘incompetent’ or ‘very incompetent’, with 64% assessing their employees as either ‘competent’ or ‘very competent’ (Figure 4).

Figure 4: Assessment of competence of current employees by tourism companies

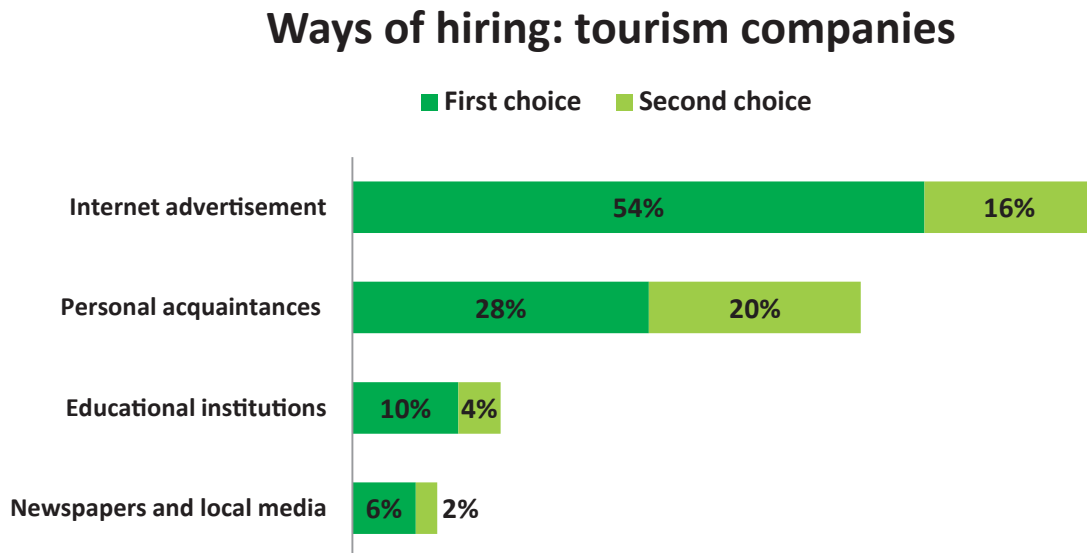


Hiring employees

36% of the companies have hired new employees in the last 12 months, whilst 6% fired employees. The average company increased their employment by 6 people. 66% of the tourism companies surveyed have looked for an employee in the last year. This is significant, as only slightly more than half of those who tried to hire new employees succeeded in doing so (18 out of 33).

The most popular method of finding employees is through internet advertising. For about 54% of the companies, their prime method was through internet advertising (websites such as jobs.ge and hr.com.ge) and for a further 16% this was the second most common recruitment method. 10% of the companies have used educational institutions such as VET centres and universities as their preferred method (Figure 5).

Figure 5: If you were seeking an employee for your company what advertising method would you use?

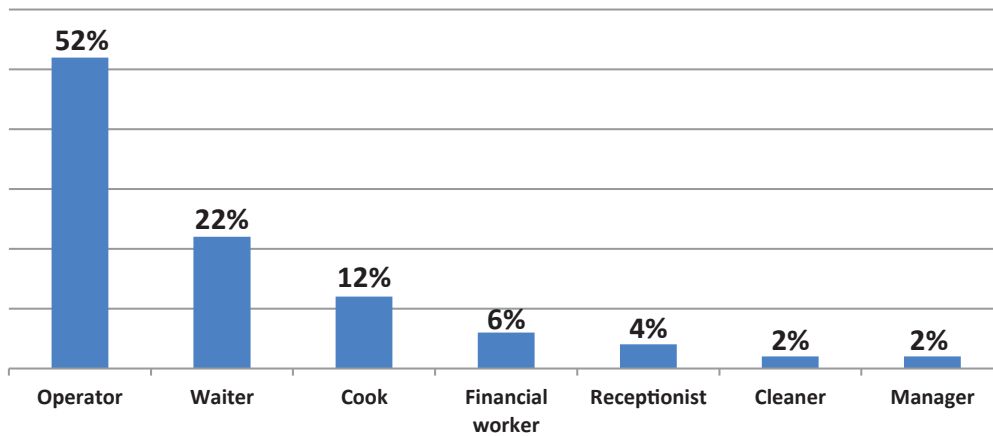


Demand for labour

Several questions were asked about the type of labour that tourism companies are looking for. The most straightforward approach was an open question about what specializations employers are primarily looking for. Respondents were asked to be as precise as possible. Similar answers were then grouped into larger categories. The graph below gives detailed information on the most in-demand specializations.

Since the profiles of the tourism companies were very different, the questionnaire resulted in a relatively long list of professions. In spite of these differences, one important thing to note is that almost all companies have demand for low-level staff such as operators for tourist agencies or waiters for restaurants. Only 2% of the surveyed companies said that they needed staff at managerial level (Figure 6).

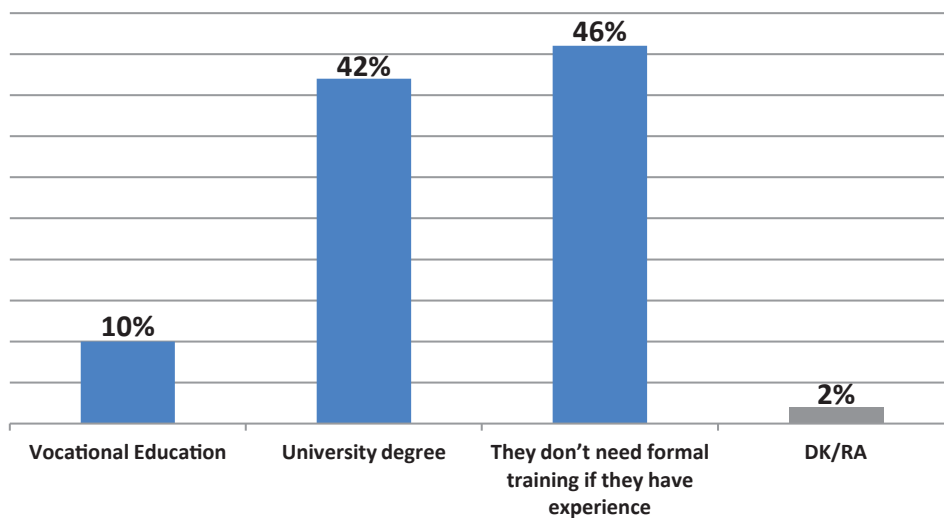
Figure 6: Most in-demand specializations for tourism companies



Tourism companies were also asked to say whether formal training or experience is more important when employing a new person. About half of those surveyed emphasized the importance of training and education while about half emphasized experience.

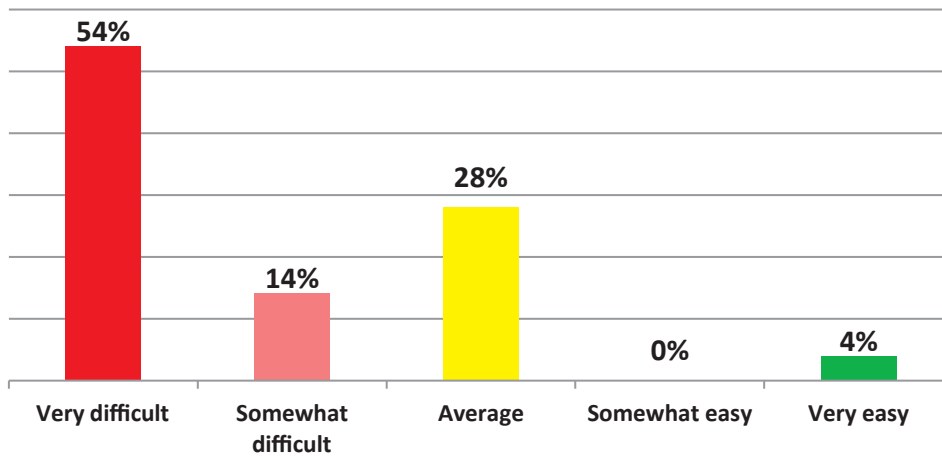
Compared to other sectors, vocational education is least important for tourism companies (10% demand) whilst demand for university education is quite high (42%). University education is preferred not because of the specific skills that might be learnt there but because employees are expected to have a good general knowledge and education, since they will frequently have to interact with clients.

Figure 7: What level of education of potential employees are you primarily looking for?



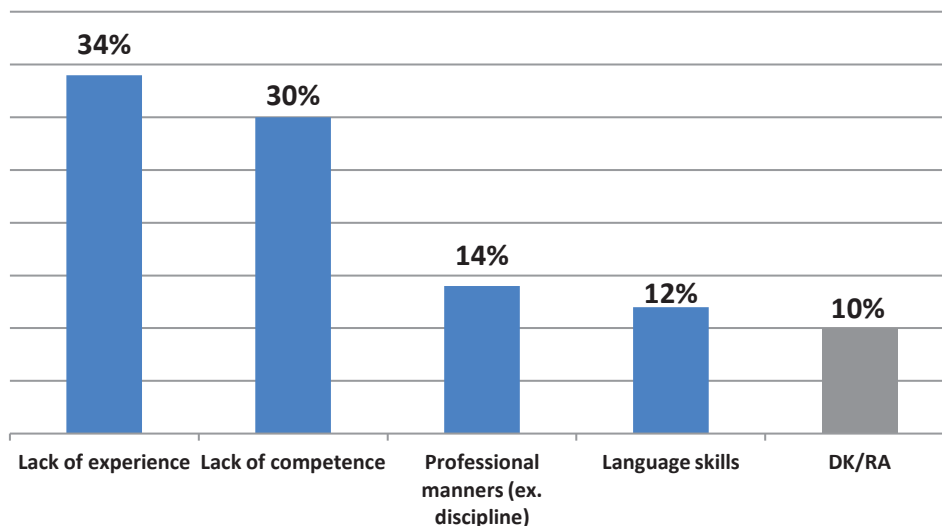
The graph below shows how difficult or easy it is for companies to find qualified employees (Figure 8).

Figure 8: How easy it is to find a qualified employee?



There are a number of problems which companies point out when asked about the weaknesses of job applicants. To quantify these problems the interviewees were asked an open question about the nature of their problem and then the answers were reclassified into larger groups. The graph below shows the breakdown:

Figure 9 : Weaknesses of applicants as assessed by tourism companies



As one can see in the graph, lack of experience and competence are the leading problems of potential employees. But it is interesting that quite a significant share of companies also complain about professional manners such as discipline, responsibility, and motivation. Compared to other sectors, tourism companies have a bigger emphasis on knowledge of a foreign language (most importantly English and Russian).

Satisfying labour demand from abroad

Some companies compensate for labour shortages on the Georgian market by employing people from outside the country: 18% of the tourism companies have at least one employee recruited from outside Georgia. People recruited from abroad can be found at all levels of management. In companies where at least one person has been recruited from abroad, foreigners working at low level positions (such as tourist operators and cooks) constitute 5% of the work force on average. Foreigners working at middle level positions, such as project coordinators, constitute 2% of the company's work force and those working at high level positions, such as top managers, constitute 2% of a company's workforce.

There are various reasons for bringing in employees from abroad. For tourism companies, the biggest reason is that the owner of a company is often a foreigner themselves and so they might also bring in somebody from their home country: 56% of the companies who have foreign staff members responded that the owners or founders are foreigners. Also, in some cases owners employed people from a neighbouring country because in their opinion this would attract more tourists from that particular country.

Conclusions

Several conclusions can be drawn from the data presented above.

- As the tourism sector is rapidly growing, it is very hard for companies to find reliable and qualified employees: only half of the employers who tried to find employees in the last 12 months managed to do so and half of those surveyed find it very difficult to find qualified staff.
- Most of the companies hire staff via web-based resources and there is far too little attention paid to dealing with educational institutions generally. Because employers are primarily looking for low-level staff, VET centres could play a greater role. Currently, only 10% of the companies are using educational institutions for recruitment purposes, thus companies need to be better informed about the institutions that produce labour of the kind they need. For outreach purposes, it is important to keep in mind that most of the large tourism companies (86%) are located in Tbilisi, so Tbilisi should be the primary focus of VET outreach. Also, some large companies are located in Adjara (8%) and VET programs could target them as well.
- The data also show that employers appreciate the general level of education provided by universities, since it helps to facilitate customer relations in the broadest sense. However, their other answers suggest that VET and on-the-job training would suit them better. Three main arguments make this case:
 - 1) Employers are primarily looking for junior positions, and such employees do not need four years of university. Instead, VET programs would be much more cost-effective;
 - 2) Experience is still highly valued: one-third of companies state 'lack of experience' as their biggest problem and two-thirds list it as their biggest priority. This suggests that VET training would be valuable, as it includes a more practical component than university programs;

- 3) Employers complain about lack of ‘professional manners’ such as punctuality and dedication. VET practical experience should nurture such characteristics in students, characteristics which come with experience. To this end, VET centres should create more real-life practical situations for their students, where they would have greater responsibility and ownership of the situation.

Apparel

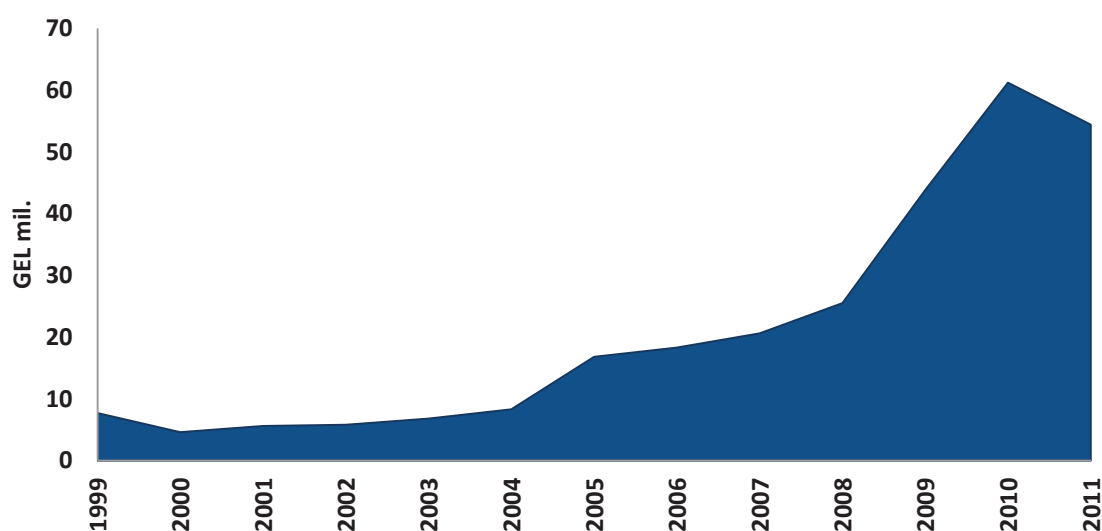
Key findings

- Almost half of the workforce in the sector has some kind of vocational education.
- In terms of labour there is growth in the sector, at least among large companies. About 44% of the companies have hired new employees in the last 12 months, while only 24% fired an employee in the same period. These numbers also indicate a high level of staff turnover.
- Hiring is very much dependent on personal connections. Apparel companies rarely use new technologies such as the Internet/job websites.
- A potential employee's experience is far more important to companies than their formal education.

Developments in Georgia

The apparel sector has been characterised by rapid growth in Georgia, especially in the last five years. Annual apparel and textile production used to be about GEL 5 million before 2004 but then investments were made and by 2010 annual production reached GEL 40 million. The graph below shows the trend of the last decade.

Figure 10: Annual apparel and textile production in Georgia



Source: Geostat

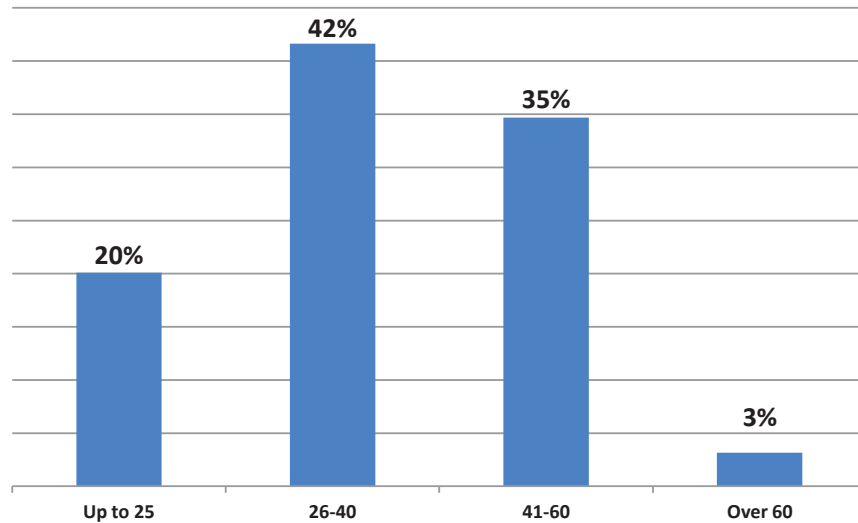
According to Geostat data there are about 200 apparel companies in Georgia, of which 10 are classified as 'large', 9 as 'medium' and the rest as 'small'. Tbilisi, naturally, has the largest overall concentration of apparel companies, but half of the largest companies are located in Adjara. Imereti has a large concentration of small apparel companies.

Labour characteristics

The average number of employees at the apparel companies was 99. There are many more women employed than men - on average companies had 90 female and 9 male employees.

Almost half of all people employed in the apparel sector are 26 to 40. People older than 60 are extremely rare in this sector. The graph below shows the detailed breakdown of age groups and their shares.

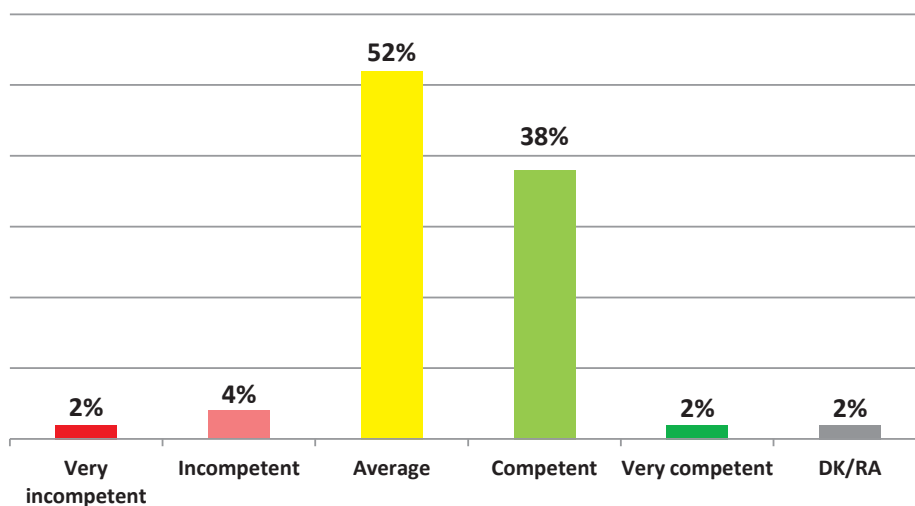
Figure 11: Breakdown of age groups in apparel sector



18% of the employees are university educated, 49% vocationally educated and 33% are neither. These figures are very different from other sectors. The fact that almost half of the workforce has some vocational education underlines the potential of new VET centres to fill labour gaps in the sector.

When assessing the competence of the current employees, respondents were fairly positive. Only 6% assess their employees as either ‘incompetent’ or ‘very incompetent’, 52% judge them as ‘average’ and 40% assess them as either ‘competent’ or ‘very competent’(Figure 12).

Figure 12: Assessment of competence of current employees by apparel companies



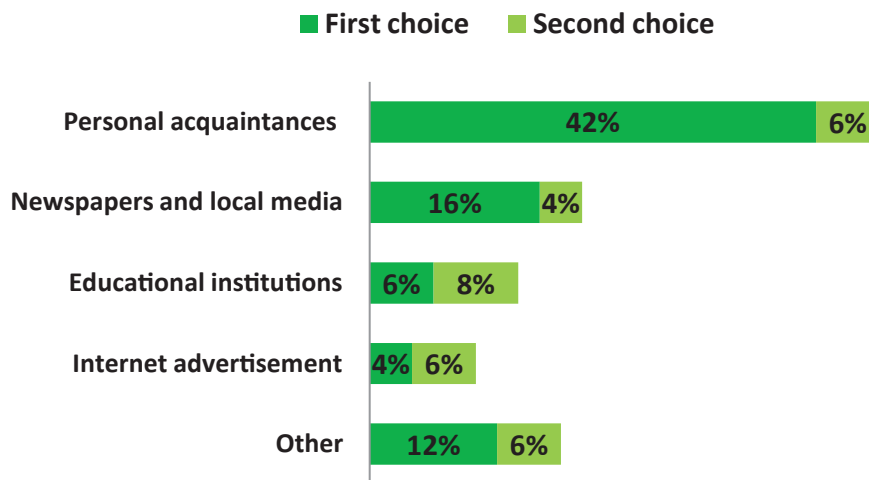
Hiring employees

In the last 12 months, 44% of the companies have hired new employees and 24% have fired employees. The average number of employees has grown by 20 people, which is a very high number compared to other sectors. 56% of the companies have looked for an employee in the past 12 months. Of the 28 who were looking for an employee, only 22 managed to increase the number of their employees. This demonstrates the difficulty of finding qualified employees in the apparel sector.

The most popular method of finding employees is through personal acquaintances. About 42% of the apparel companies said that their preferred method for hiring was through personal connections, resulting in employing people recommended by relatives or friends. For 6%, personal connections were the second most used method. 20% of the companies used newspaper advertisements (Figure 13).

Figure 13: If you were seeking an employee for your company, what advertising method would you use?

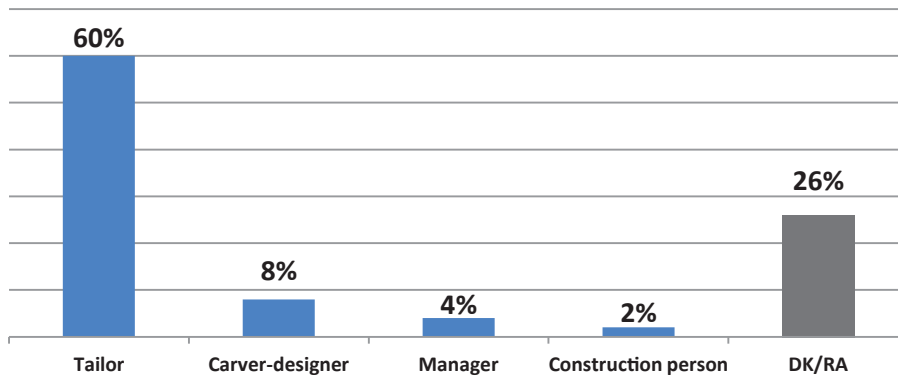
Ways of hiring: apparel companies



Demand for labour

Several questions were asked about the type of labour that apparel companies are looking for. The most straightforward one was an open question about what specializations they are primarily looking for. Respondents were asked to be as precise as possible. All answers were grouped into larger categories.

Figure 14: Most in-demand specializations for apparel companies



The vast majority of companies are looking for tailors or similar professions. Demand for supporting personnel is low, as one would expect (Figure 14).

Apparel companies were also asked whether formal training or experience is more important when employing a new person. Almost 75% of the respondents indicated that experience is more important. Formal training is more important for only 6%, while for 14% experience and formal training are equally important. This suggests that VET programs for apparel specialties should be heavily focused on a practical component (Figure 15).

Figure 15: What is more important to you when considering whether to hire: formal training or practical experience?

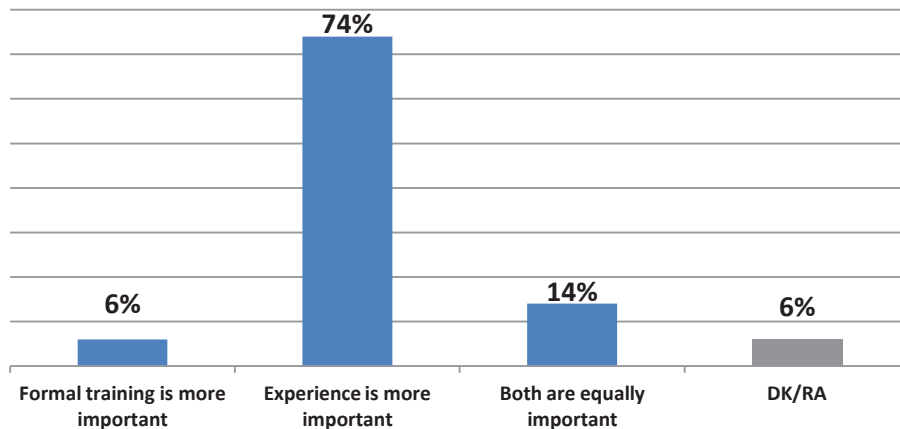
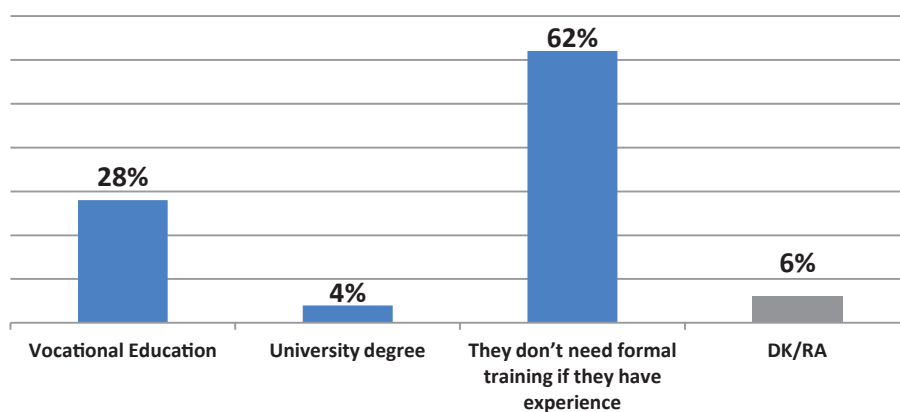
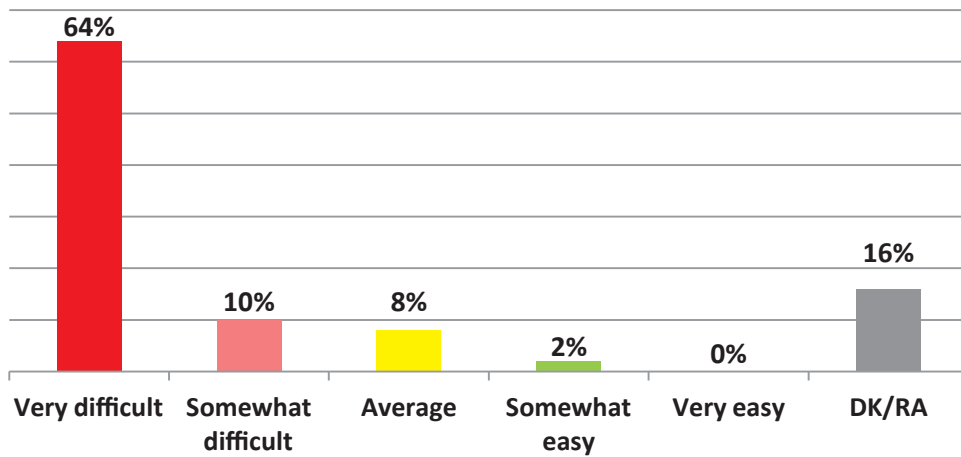


Figure 16: What level of education in potential employees are you primarily looking for?



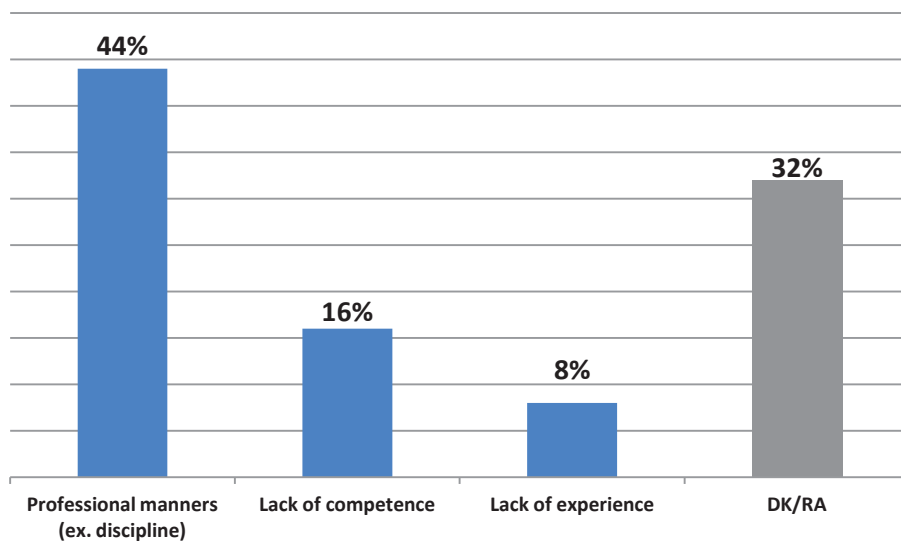
A large majority of the companies (74%), said that it's either 'somewhat difficult' or 'very difficult' to find a qualified employee. Only 2% said it's 'somewhat easy' or 'very easy' (Figure 17).

Figure 17: How easy it is to find a qualified employee?



Companies pointed out a number of problems when talking about applicants weaknesses. Companies were asked an open question about this and the answers were reclassified into larger groups (Figure 18).

Figure 18: Weaknesses of applicants as assessed by apparel companies



As shown in the graph above, the single largest weakness is professional manners such as discipline, motivation and a sense of responsibility.

Satisfying labour demand from abroad

Some companies compensate for labour shortages on the Georgian market by employing people from outside of the country. 16% of the apparel companies have at least one employee recruited from outside of Georgia and people recruited from abroad can be seen at all levels of company management. In companies where they have at least one person recruited from abroad, foreigners working on low level positions, such as tailors, constituted on average 3% of the work force. Foreigners working on middle level positions, such as supervisors, constitute 1% of the work force. Foreigners working on high level positions, such as top managers, constitute 1% of a company's workforce.

There are different reasons for bringing in employees from abroad. The biggest reason is that they could not find people with appropriate skills in Georgia (50% of the respondents cite this reason). 38% of companies with foreign staff members have foreigners as owners or founders.

Conclusions

Based on the data presented above, some conclusions can be made.

- Like the tourism sector the apparel sector is growing rapidly, but companies find it difficult to fill their labour demand.
- Companies are primarily looking for experienced workers and feel little trust for people who recently graduated. With VET centre graduates, some companies claim that 'they have to teach those children again' and said that this was rather time-consuming for them. Despite this claim, on average almost half of the apparel companies' employees have vocational education. Usually these are people who received vocational education many years ago and then managed to acquire experience and relevant professional skills. This suggests that there is room for VET centres to make more of a contribution to the apparel sector. In particular, VET centres should focus on practical training and assist trainees in developing professional skills.
- The demand for experienced workers explains why the young age group (up to 25 years old) is relatively underrepresented in the apparel sector. Also this explains why companies rely more on personal acquaintances rather than on the Internet or other sources for hiring.
- From all of this one can conclude that the biggest problem in the training of this sector is the quality of the work-force. There is clearly a demand for competent staff, evidenced by the alleged difficulty of employing new staff and the tendency to employ people from abroad. In addition, experience is clearly valued because training is not seen as an equivalent to competence.
- Currently, 74% of the companies find it difficult to attract qualified employees. Given the fast growth of the sector, demand for highly skilled employees will become even higher. Because of the geography and structure of the sector, three suggestions can be made:

- 1) Because experience is such a crucial issue for apparel companies, relevant VET centres would benefit from increasing the practical components in their programs. Most of the VET programs have such a component, but often it is not taken seriously by students and sometimes turned into a formality. There has to be a strict supervision mechanism in place and the level of preparation of students must be enough to satisfy the needs of a company who offers a ‘praktikum³’ opportunity. This is important because companies often complain that student ‘praktikums’ are more of a burden for them than an asset, as their employees have to use their time training and supervising students. Such experiences make companies less inclined to cooperate with VET centres.
 - 2) Most medium and large apparel companies are in Adjara, and unlike small companies in Kutaisi their primary mode of recruitment is not through acquaintances. Thus, VET programs for apparel specialties should be primarily focused in the Adjara region.
 - 3) This research particularly emphasized the need for training in ‘professional manners’ such as discipline, motivation and responsibility. VET centres should create an environment where students will be able to feel a high sense of responsibility and ownership. If the student is not prepared in this way, the other skills learnt will not be enough to find a place on the job market. This should be addressed even before students are sent off to ‘praktikums.’
- In addition, one problem with the workforce in the sector is that there is a high rate of turnover. Young, recent graduates of VET centres are often dissatisfied with the salaries in the sector and are often able to take other posts, usually not in this sector. Thus there is a risk of the money spent on their education being wasted, unlike in specialised jobs in the ICT or tourism sectors where the demand for young employees is higher and salaries are more competitive. Thus when considering applicants to VET centres, priority should be given to the ones who already have experience in working in apparel companies. The number of such students will be low in the beginning, as experienced people can be employed without any formal education. However, as competition among qualified staff increases in the sector, so will demand for VET education.
 - Another direction which VET centres could take is in focusing on retraining current employees of apparel companies. In the long run this would most benefit the companies, but VET centres should be able to offer something new and valuable to company employees, such as working with new technologies and methods.

³ In this document we deliberately avoided using the more general term, ‘internship’. To emphasize the practical component of VET study programs, we decided to use the term ‘praktikum’ throughout the document.

Information and Communications Technology (ICT)

Key findings

- The ICT sector is growing very fast in the country (number of subscribers to mobile networks has increased by 20% per year on average, subscribers of internet by 52%).
- In ICT companies, 65% are male and 35% are female employees.
- The vast majority of the workforce, 80%, has a university education.
- The vast majority of the workforce is young. 80% of employees are under the age of 40.

Developments in Georgia

ICT is an important sector in Georgia's development. The largest share of the ICT sector is in mobile telephone networks. In 2011, the number of active subscribers to mobile networks increased by 10.7% compared to 2010 and amounted to 4.4 million (Figure 19). In 2011 the number of internet users increased by 25% compared to 2010 and amounted to 1.5 million (Figure 20).

Figure 19: Subscribers to mobile networks 2005-2011 (mil.)

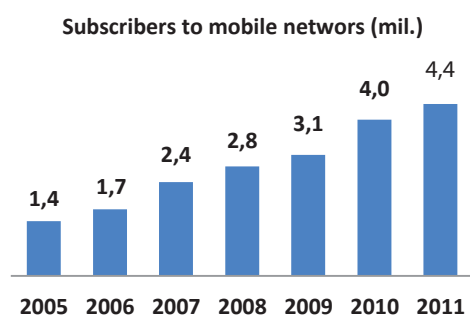
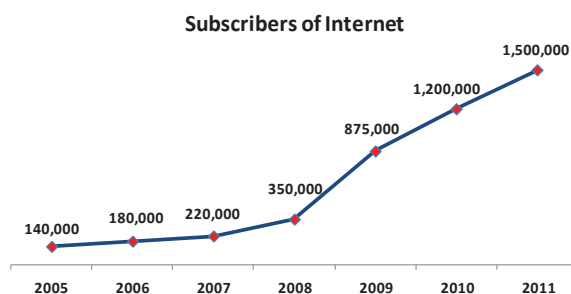


Figure 20: Subscribers to the Internet



Source: Ministry of Economy and Sustainable Development

The growth in the ICT sector was facilitated by the simplification of licensing procedures since 2004. According to the law of 'Electronic Communications', licensing procedures turned into authorization, which means that it is much more easier for firms to register. Licensing is needed only for the assignment of frequency and numeration resources, which has promoted competition.

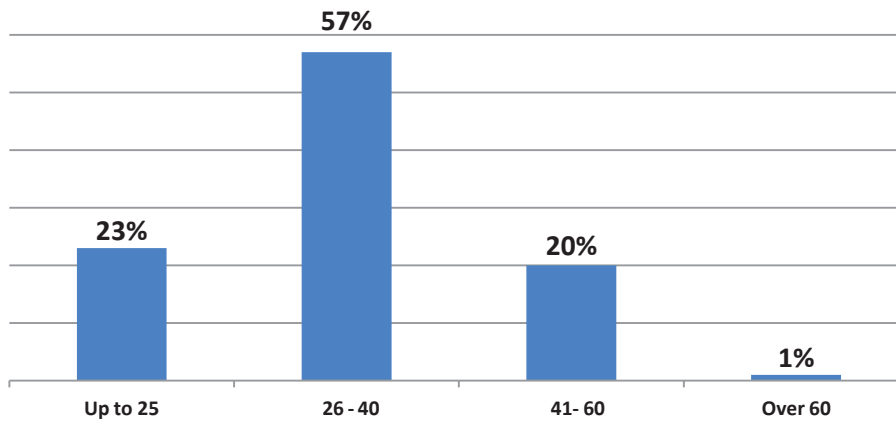
The ICT sector includes companies with varying profiles: software companies, hardware companies, telecoms and computer retail companies. In total, 910 such companies (October, 2011) are registered in Geostat's database of registered and active businesses. The sampling frame included large and medium companies, which total 130 across Georgia. The overwhelming majority of these companies are concentrated in Tbilisi.

Labour characteristics

The average number of employees of surveyed ICT companies was 66. There are more men employed than women: on average, companies had 43 male and 23 female employees.

More than half of all people employed in this sector belong to the 26 to 40 age group; people older than 60 years are extremely rare in the ICT sector. The graph below shows the detailed breakdown of age groups and their shares.

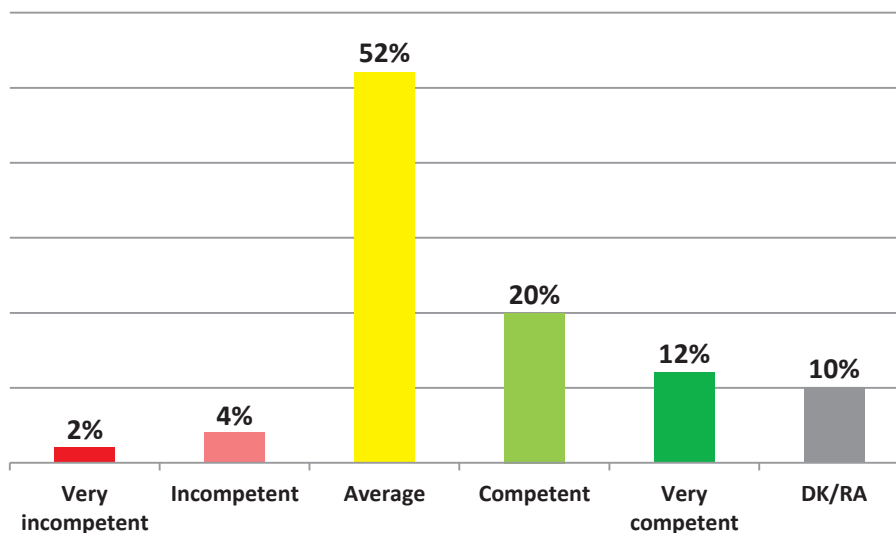
Figure 21: Breakdown of age groups in ICT sector



According to the survey, 80% of the employees in the ICT sector have a university degree and 20% have vocational education.

When assessing the competence of current employees, respondents were neutral or modestly positive. Only 6% of the respondents assessed their employees as either ‘incompetent’ or ‘very incompetent’. 32% of them assessed their employees as either ‘competent’ or ‘very competent’ and 52% said that their employees’ competence was ‘average’ (Figure 22).

Figure 22: Assessment of competence of current employees by ICT companies

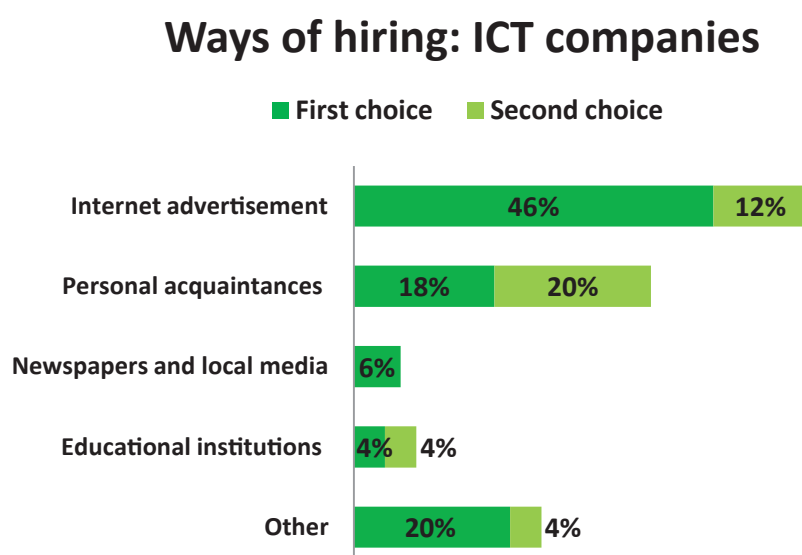


Hiring employees

In the past 12 months, 38% of companies have hired new employees and 22% have fired employees. 62% of the ICT companies have looked for an employee in this time. Out of the 31 companies who were looking for an employee, only 17 managed to increase the number of their employees (55%). This demonstrates the difficulty in finding qualified employees.

The most popular method for the ICT sector is finding employees through Internet advertising. For about 46% of the ICT companies the preferred method was through such websites as jobs.ge and hr.com.ge, for 12% Internet advertisement was the second choice and 38% named contacts acquired through personal acquaintances as either their first or second choice. Educational institutions, such as VET centres or universities, are less popular (Figure 23).

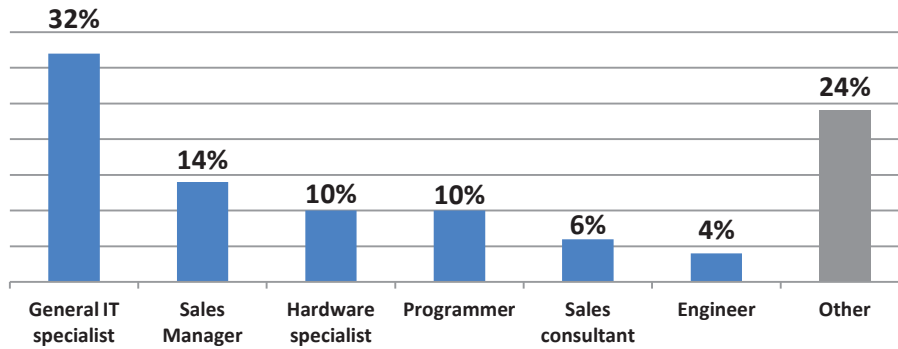
Figure 23: If you were seeking an employee for your company what advertising method would you use?



Demand for labour

Several questions were asked about the type of labour ICT companies are looking for. The most straightforward one was an open question about what specializations companies are primarily looking for. Respondents were asked to be as precise as possible and the answers they provided were grouped into larger categories. Since the profiles of the surveyed ICT companies were very different, the questionnaire resulted in a relatively long list of professions. The graph below gives detailed information on the most in-demand specializations:

Figure 24: Most in-demand specializations for ICT companies

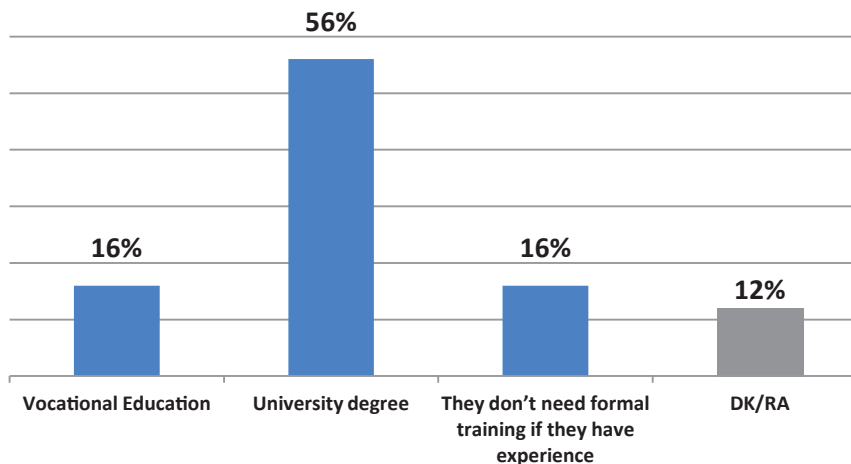


ICT companies were also asked whether formal training or experience is more important when employing a new person.

Almost half of the respondents indicated that experience is more important than formal training (46%). For 38% both are equally important and for only 12% formal training is more important than experience.

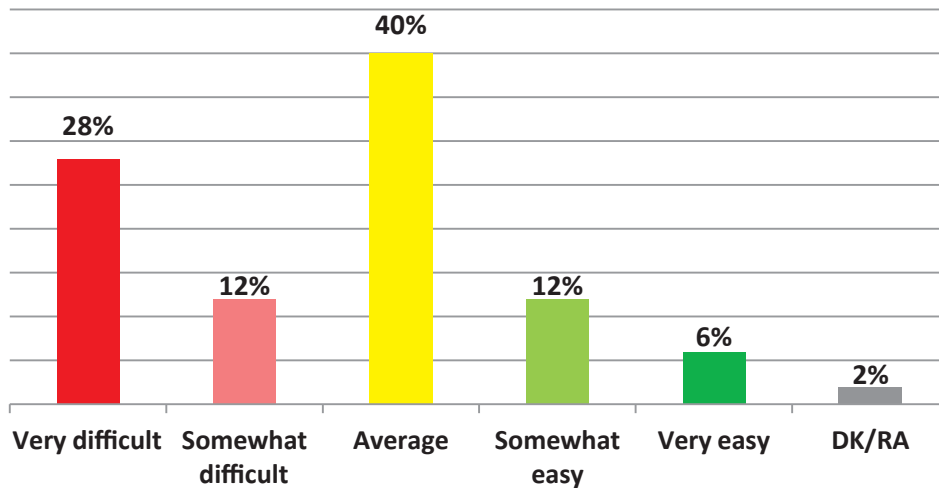
Only 16% of the ICT companies are primarily looking for potential employees with vocational education. Demand for university-educated employees is very high at 56%. This is explained by the need for employees with good general knowledge who are able to effectively and quickly look up, process, and analyze the relevant information. Demand for higher education is not about the content of the education that students receive at universities, but the perception that they will have a high level of intelligence with which to cope with everyday issues in the ICT sector. Unlike many other sectors, ICT is characterized by a complexity and variety of issues and not all solutions can be taught at universities or VET centres. Most of the time, employees have to be able to find solutions themselves (Figure 25).

Figure 25: What level of education of potential employees are you primarily looking for?



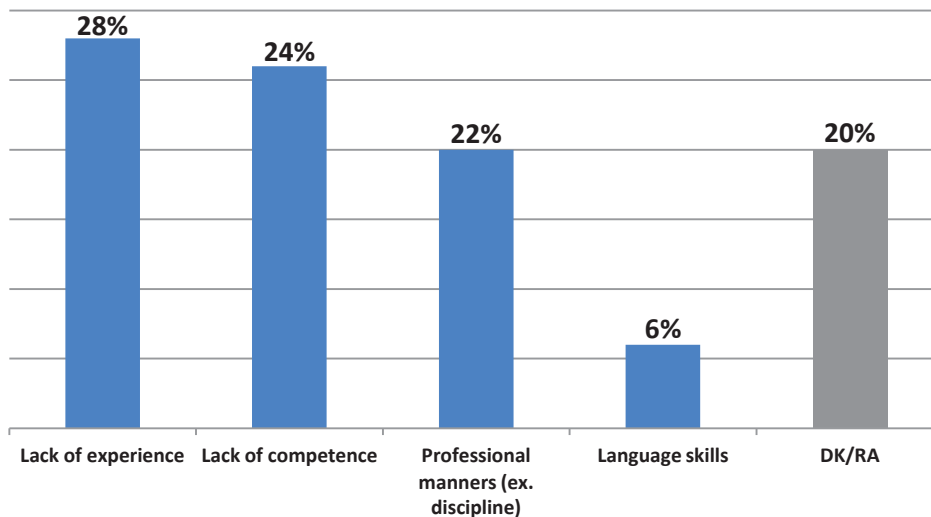
40% of the surveyed companies find it either ‘somewhat difficult’ or ‘very difficult’ to find a qualified employee whereas for 18% it is ‘somewhat easy’ or ‘very easy’, which is a significantly higher result compared to the other pilot sectors (Figure 26).

Figure 26: How easy it is to find a qualified employee?



There are a number of problems which companies point out when talking about applicants’ weaknesses. They were asked an open question about the weaknesses, the answers to which were then reclassified into larger groups. As seen in the graph below, lack of experience and competence are the leading problems when looking for potential employees.

Figure 27: Weaknesses of applicants assessed by ICT companies



It is interesting that quite a significant proportion of companies also complain about professional manners such as discipline, responsibility, and motivation. As in the tourism sector, ICT companies also have demand for knowledge of foreign languages, most importantly English and Russian.

Satisfying labour demand from abroad

Some companies compensate for labour shortage on the Georgian market by employing people from outside of the country. 8% of the ICT companies have at least one employee recruited from outside of Georgia. At those companies foreigners work at middle or high level positions. None work at low level positions.

There are different reasons for bringing in employees from abroad. Three reasons were equally important for ICT companies: 1) difficulty in finding employees with appropriate skill-sets in Georgia; 2) foreign owners/managers prefer to work with compatriots; 3) cheaper pay rates for foreigners. 60% of the respondents named one of the three reasons listed above, but 40% could not answer the question.

Conclusions

Several specific conclusions can be drawn regarding the ICT sector.

- There is a high demand from ICT companies for employees with a higher educational background. University education does not matter to an ICT company because companies expect more knowledge from university graduates because university graduates are perceived as being more capable and able to learn better.
- Another key issue for the ICT sector is knowledge of the English language. The nature of the sector is such that with some knowledge of English, employees can find answers to most if not all of their questions. This suggests that VET programs should somehow incorporate English language courses, or accept applicants who already know basic English.
- Demand for new employees is very high: 62% of the companies have looked for an employee in the past 12 months, but only about 8% used educational institutions for recruitment. This is an area where VET programs could make a significant contribution: better and more active outreach strategies need to be developed.
- For the sector, it would be especially important to raise awareness of VET programs and involve them in ‘praktikums’ and other VET processes. The most in-demand employee category for ICT companies is ‘General IT Specialist.’ Thus, because no specific highly technical skill-set is required for such positions, it is a good opportunity for VET programs to fill the gap with VET graduates.
- As with other sectors, particular attention has to be devoted to professional manners. Together with experience and competence, it is one of the most significant weaknesses of applicants that employers point out.

Food processing

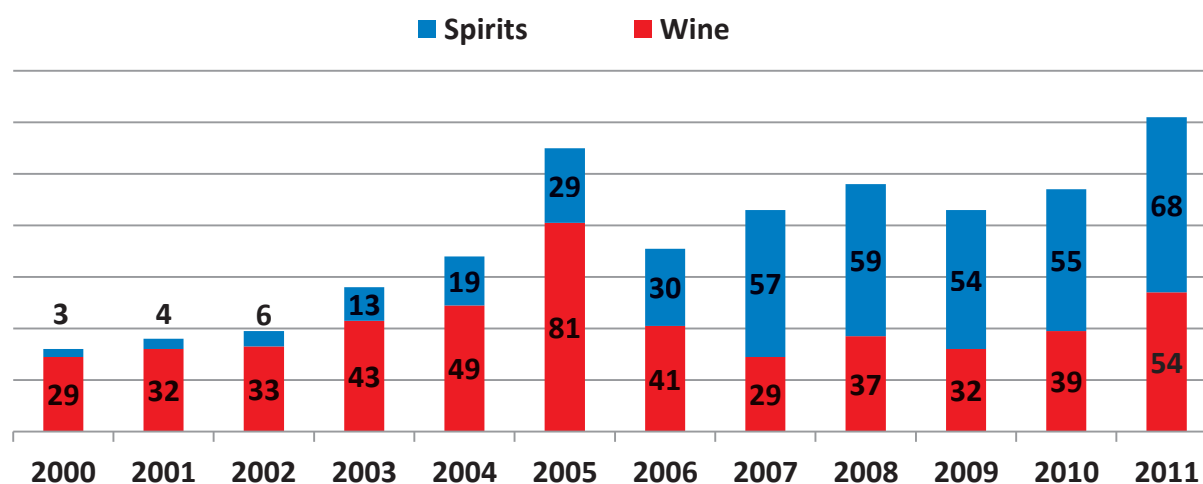
Key findings

- The food processing sector is strongly dominated by men. In large companies, there are 62 male and 31 female employees.
- The rate of hiring new employees is high in the sector, but companies often complain about the lack of qualified candidates.
- Demand for vocational education is significant, with 24% of respondents saying that they were looking for employees with vocational education.
- The range of in-demand specialties is very broad and VET centres will have difficulties matching exact qualifications.

Developments in Georgia

The food processing sector has been volatile in recent years. The largest share of the sector is the wine and spirit business: together, these exports amounted to almost 6% of total Georgian exports in 2011.

Figure 28: Exports of wines and spirits from Georgia, 2000-2011, million USD⁴



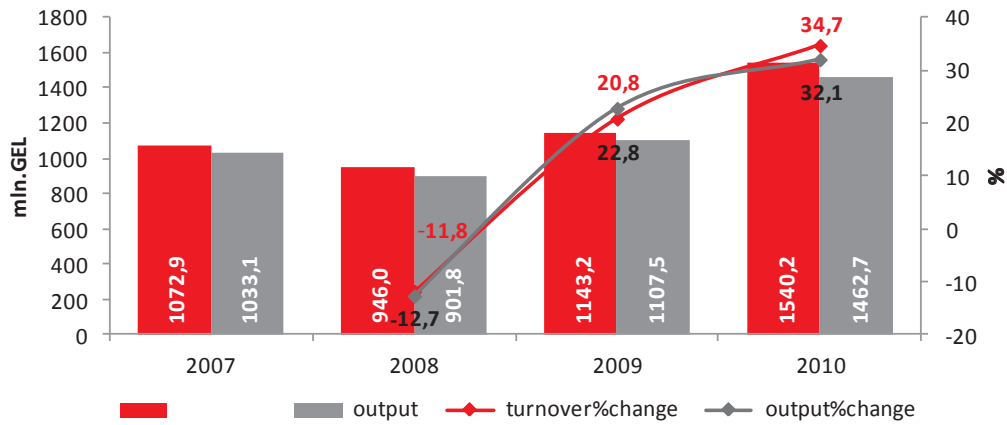
Source: Geostat

Because of the Russian wine ban in 2006, Georgia saw a sharp (nearly 50%) decline in its wine exports. However, the wine sector has recovered and reached USD 54 million in exports in 2011, which is the second all-time highest figure for Georgia's wine export. It is notable that the export of spirits has been steadily growing, even after the Russian ban in 2006 and the Russian-Georgian war in August 2008.

⁴ Excluding spirits with more than 80% alcohol

The government of Georgia is also making efforts to facilitate growth in agriculture, which will have a significant impact on the Georgian food processing sector. Since 2008, official figures on output and turnover in the food processing sector have grown, as can be seen below.

Figure 29: Total output and turnover in the food-processing sector, 2007-2010



Source: Ministry of Economy and Sustainable Development

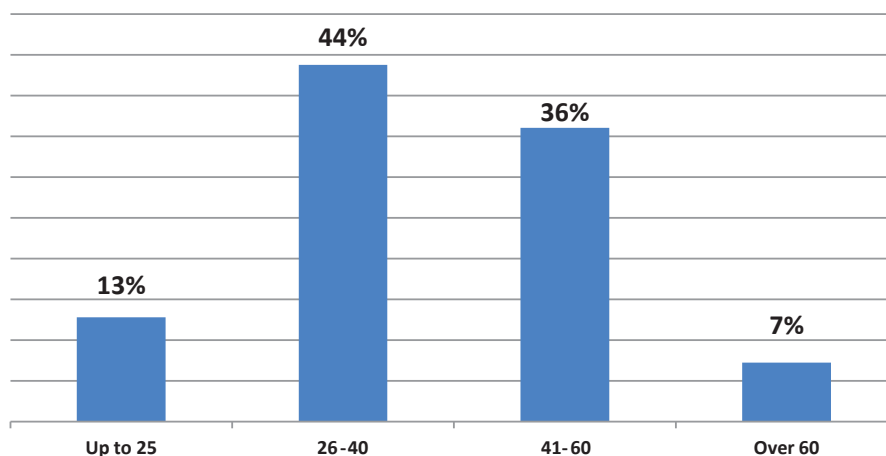
In the survey, the profile of companies varied largely from the processing of alcohol to the processing of fruits and vegetables, beef and dairy products. In total, there were 177 large food processing companies. The sample was drawn from these large companies, of which almost 40% are located in Tbilisi. Kakheti and Samegrelo have about 13-14% of the large food processing companies each.

Labour characteristics

The average number of employees at the food processing companies that were surveyed was 95. In the food processing sector, there are twice as many male employees as female employees. On average, food processing companies had 62 male employees and 31 female employees.

All age groups are represented in food processing companies. The age group which is rarely represented in other sectors, people over 60, represents 7% of employees in food processing (Figure 30).

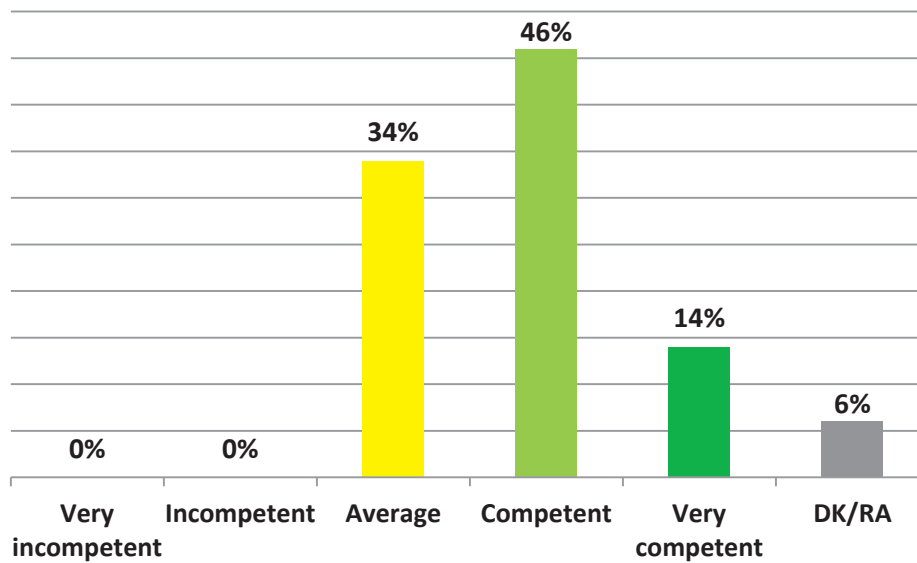
Figure 30: Breakdown of age groups in the food processing sector



Based on the answers, all employees in the food processing sector have graduated from high school. 61% have university degrees and 39% have vocational education.

When assessing the competence of current employees, respondents were generally positive, especially compared to other sectors. No respondents said that their employees were either ‘incompetent’ or ‘very incompetent.’ 60% assessed their employees as either ‘competent’ or ‘very competent’ (Figure 31).

Figure 31: Assessment of competence of current employees by food processing companies

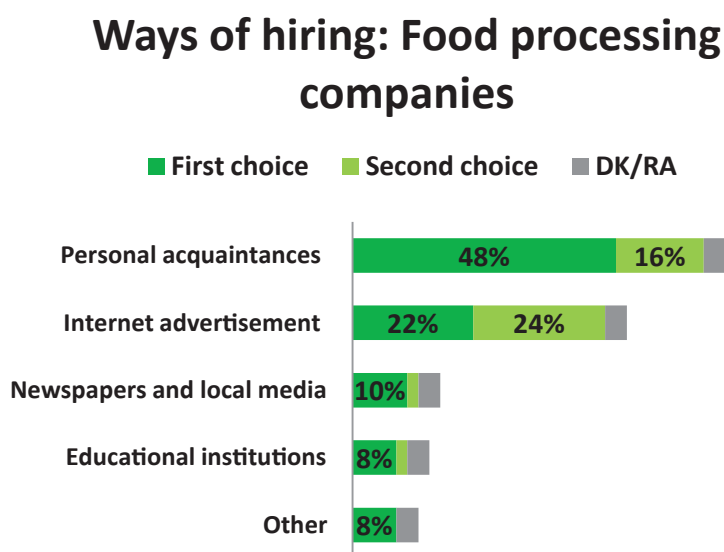


Hiring employees

40% of the companies said that they had hired new employees in the last 12 months, whereas 10% said they had fired employees. The average number of employees increased by 6 people. 56% of the companies have looked for an employee in the past 12 months, but just 46% managed to increase the number of their employees. This demonstrates the difficulty of finding qualified employees.

The most popular method of finding employees is through personal acquaintances; Internet advertising was the second most common method. Only 8% said that they would contact an institution, even though VET graduates are prevalent in their work-force and testing out employees through the ‘praktikum’ phase of their VET training would seem an obvious strategy (Figure 32).

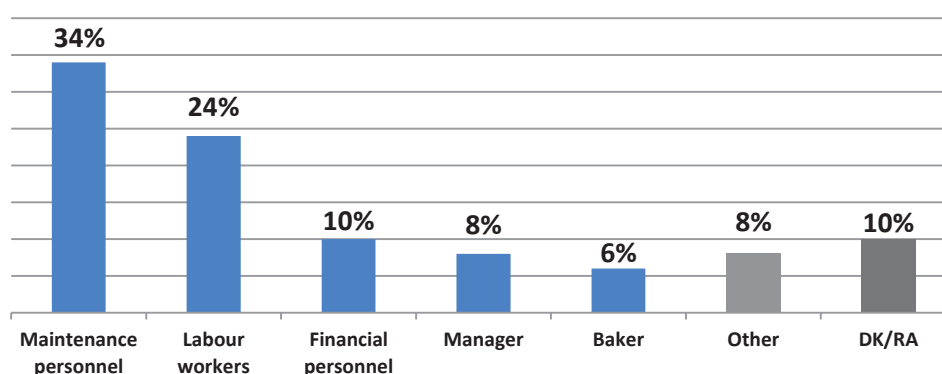
Figure 32: If you were seeking an employee for your company, what advertising method would you use?



Demand for labour

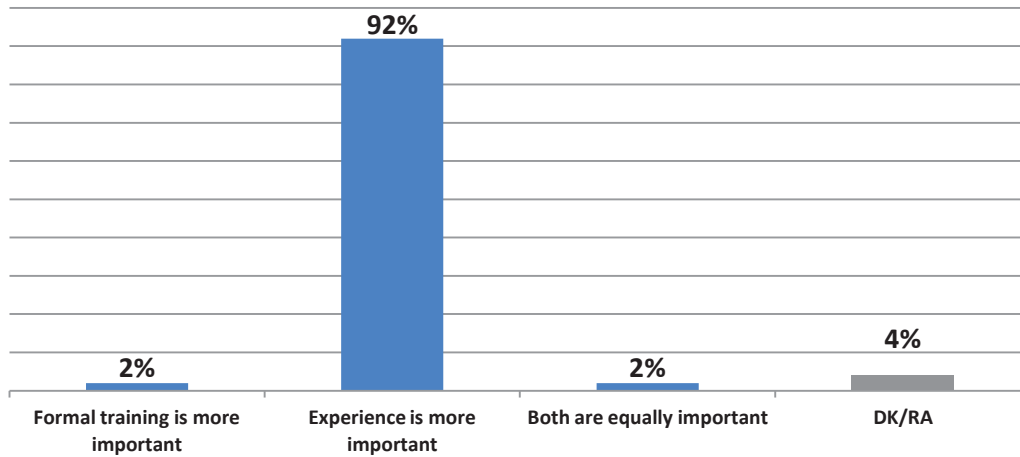
Several questions were asked about the type of labour food processing companies are looking for. The most straightforward one was an open question about what specializations they are primarily looking for. Respondents were asked to be as precise as possible and all the answers they provided were grouped into larger categories. The most in-demand category was classified as ‘maintenance personnel’ and included such professions as electricians and food technologists. The second largest category was the low-level position of manual labourers (Figure 33).

Figure 33: Most in-demand specializations for food processing companies



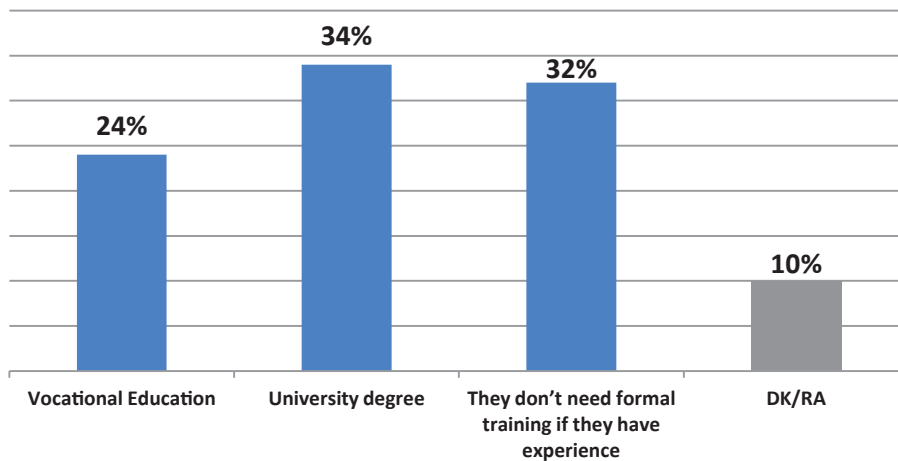
When asked whether formal training or experience is more important when employing a new person, the majority of respondents (92%) replied that experience outranks formal training. As with other sectors, the reason for this is that work within the sector can include many types of tasks which cannot be anticipated and taught at educational institutions (Figure 34). The need for experience is also apparent from the distribution of age groups in the sector. Almost 40% of the workforce is over 40 years old.

Figure 34: What is more important to you when considering whether to hire someone: formal training or practical experience?



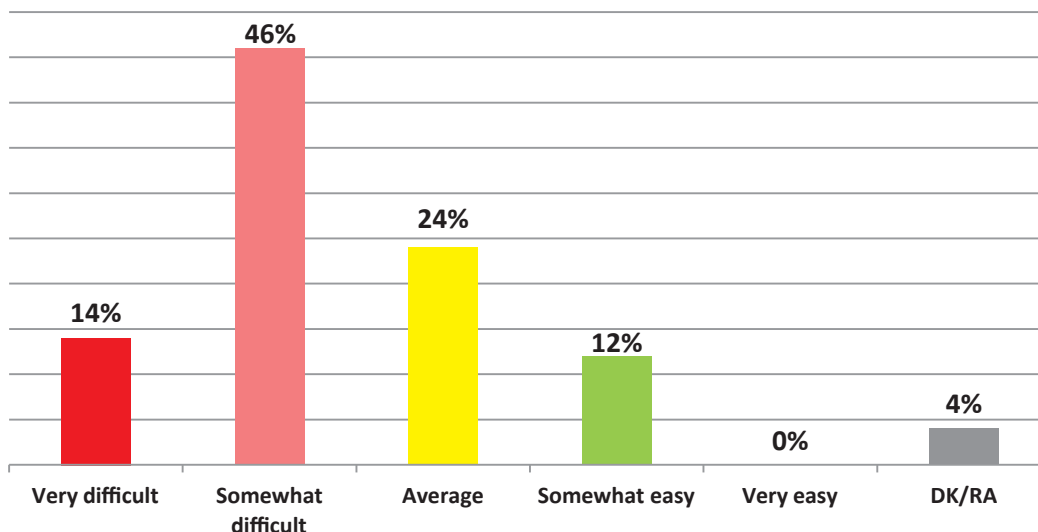
Considering the demanded level of education of potential employees, 24% of the companies are primarily looking for vocational education, 34% for university education, and for 32% of the companies education does not matter as long as employees have experience (Figure 35).

Figure 35: What level of education in potential employees are you primarily looking for?



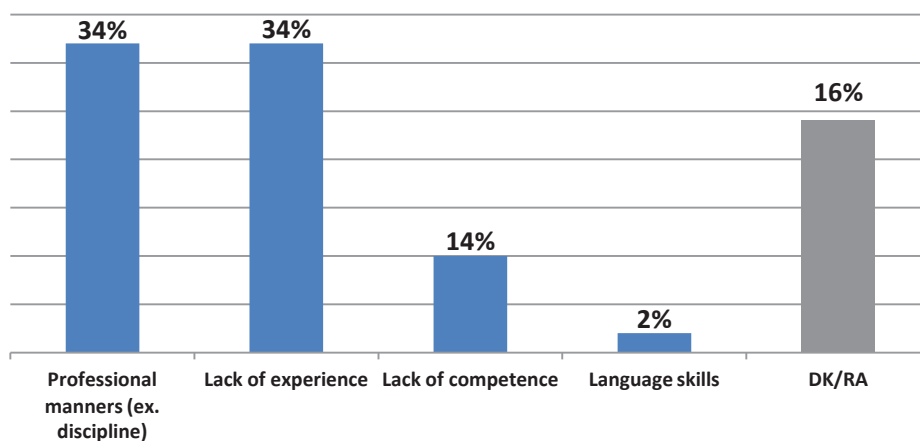
60% of the surveyed companies find it either 'somewhat difficult' or 'very difficult' to find a qualified employee, for 12% it is 'somewhat easy' and no company said that it is 'very easy' (Figure 36).

Figure 36: How easy it is to find a qualified employee?



There are a number of problems which companies point out when talking about applicants’ weaknesses. Respondents were asked an open question about this and then the answers were classified into larger groups. As shown in the graph below, a significant weakness (together with the lack of experience) is the inappropriate professional manner of potential employees with regards to discipline, motivation and a sense of responsibility (Figure 37).

Figure 37: Weaknesses of applicants assessed by food processing companies



Filling in labour demand from abroad

Some companies compensate for labour shortages on the Georgian market by employing people from outside of the country. 22% of the food processing companies have at least one employee recruited from outside of Georgia, and these employees can be found at all levels of company management. Foreigners working in low-level positions, such as assistants to food technologists, constitute 7% of the work force on average. Foreigners working in mid-level positions, such as supervisors, constitute 5% of a company’s work force and foreigners working in high-level positions, such as top managers, constitute 2% of a company’s workforce.

There are different reasons for bringing in employees from abroad. For food processing companies, there are two main reasons. 46% of them could not find people with the appropriate skills in Georgia, and another 46% have foreigners as owners/managers who find it easier to work with people from their own country.

Conclusions

- In the food processing sector, formal education is given the lowest priority compared to other sectors. When hiring new employees, nearly all respondents (92%) pay attention to the applicant's experience rather than his/her education, whatever that education may be. It is important to note that on average 39% of employees have vocational education according to top managers of the companies. Many of the employees received their vocational education many years ago, even during Soviet times, and have since managed to acquire experience in the field.

Given this, it is not surprising that food processing companies are rarely using educational institutions for recruitment. The main method is through personal acquaintances, as in the apparel sector. This suggests that VET centres should be more active in reaching out to relevant companies. The concentration of large food processing companies is in Tbilisi but a significant number of such companies are in Samegrelo and Kakheti, and the outreach strategy of VET centres should take this issue into consideration.

- Two major weaknesses which food processing companies find in applicants are lack of experience and lack of the professional manners that usually come with experience. It is important for VET centres to offer clear practical training. When employers say they want experience, they are generally suggesting that hands-on experience rather than theoretical knowledge is the key to success. This would massively privilege VET centres as bastions of practical training over theory.
- Another difficulty for VET centres is that there is a wide range of specialties and any particular specialty is not highly in-demand. For example, under 'maintenance personnel' there are distributors, technologists, electricians, and other professions. Thus, for VET centres it will be hard to identify specialties which will be desirable in this sector. Therefore the co-operation between VET centres and businesses should be strengthened. Businesses should be periodically consulted on requirements and standards that they set for particular professions. One of the problems that companies face with employees is that the employees might have very different experiences and levels of knowledge than what the company requires. This is an area where VET centres could play a very important role by contracting large employers and standardizing the skills of employees. From an employer's point of view, this would bring about efficiency and better management.

Final Summary

This study assessed the sector-specific demand of human capital in four key sectors in Georgia: tourism, apparel, ICT and food processing. In doing so, the existing labour mismatch in these sectors became evident: although most companies tried to find new employees in the past 12 months, only half succeeded - regardless of the specific sector. This stark gap between demand and supply of human capital needs to be addressed. The following general conclusions and recommendations can be derived from the findings of this study, as they reflect answers given by representatives of all four sectors:

- Almost all of the respondents felt applicants often lacked professional attitude: punctuality, discipline, motivation and responsibility should be fostered as vital attributes amongst VET students. As far as such characteristics usually come with experience, it could be suggested to VET centres to create simulations of real-life situation so that students can understand the need for a sense of responsibility.
- This study has shown the high demand of experience amongst companies' criteria when trying to find new employees. Practical components need to become an integral part of VET programs. When taken seriously, praktikums give students the chance to gain first important working experience, which is later on highly in demand.
- Companies in Georgia usually look for new employees either through the Internet (ICT & tourism) or personal acquaintances (apparel & food processing), whilst VET colleges are very rarely used for recruitment purposes. VET centres should therefore be more active in reaching out to relevant companies.

Sector-Specific Conclusions

In the tourism, ICT and apparel sectors, there are concrete steps which could make VET centres more effective in delivering the required labour supply to the market. In the food processing sector, experience is far more in demand than training and specializations vary.

- In the tourism sector, given the preference of tourism companies for educated people with language skills and a good professional manner, VET centres can tailor programs which focus on these priorities. Also, as a relatively small number of tourism companies have relationships with educational institutions, VET centres can fill this gap with an active outreach campaign.
- In the ICT sector it would be especially important to raise awareness of VET programs and involve companies in the VET process, via 'praktikums' and other means. The most in-demand employee category for ICT companies is 'General IT Specialist.' Thus, because no specific highly technical skill-set is required for such positions, there is a good opportunity for VET programs to fill the gap with VET graduates. As with the tourism sector, knowledge of English is also very important for the ICT sector. This consideration can be incorporated into the VET curriculum or admission process.

- In the apparel sector, VET programs should take into account the geography of companies. Most large and medium companies are located in Adjara. Thus, VET programs should be located in the Adjara region rather than in Kutaisi, where most apparel companies are small or micro businesses that usually employ their own family members. Given the rates of growth in the sector, the demand for qualified labour from apparel companies is likely to rise and the government can prepare for this by expanding VET programs in Adjara.
- As regards the food processing sector, specialisations vary and experience is far more in demand than training. It will thus be hard for VET programs to address the needs of the companies. However, VET centres can focus on training employees of large companies. This would be a fruitful niche since companies will benefit from employees with similar knowledge and a similar approach to problems.

Overall, VET centres in Georgia as well as their social partners have a wide array of opportunities at their disposal to better meet the demand on the labour market. This study points towards several important steps, which could be taken in some of the fastest-growing sectors of the country.

Annex 1: Questionnaire for telephone interviews

Ministry of Economy and Sustainable Development of Georgia
In cooperation with GIZ and GeoWel Research

Sector	
Company	
Respondent identification number	_ _ _ _ _ _ _ _ _
Village/town	
Municipality	
Region	
Respondent 1 and his/her position	
Respondent 2? and his/her position	

Hello, I am _____, employee of the Ministry of Economy and Sustainable Development. Together with GIZ, we are implementing a project, which aims at studying several sectors of the Georgian economy in order to better understand labour market needs and develop subsequent support programs. If it is ok, I would like to ask a few questions to the manager of your company. The interview will last for about 10-15 minutes. The results will be very valuable for the Ministry and GIZ and will help us to attract investments and increase employment in the country.

Contact results

	C1. Initial contact	C2. Final contact
Interview was conducted completely or incompletely	1	1
Nobody answered the phone/phone was beyond the reaching area	2	2
Telephone does not belong to the company	3	3
The respondent was not competent to answer questions	4	4
The person who picked up the phone refused to be interviewed	5	5
The respondent didn't know any language of the interview	6	6
It was agreed to call back later	7	7
The competent person will be beyond reaching area for the duration of the project	8	8
The competent person refused to be interviewed	9	9
DD.	_ _ _	_ _ _
MON.	_ _ _	_ _ _
HR.	_ _ _	_ _ _
MIN.	_ _ _	_ _ _

1. Excluding the owner of the business, approximately how many full-time employees does your business have? [TO INTERVIEWER! IF FAMILY MEMBERS ARE EMPLOYED FOR FULL TIME, THEN THEY ALSO SHOULD BE INCLUDED IN THE NUMBER]

|_|_|_|_|_|_|_|

-1	Don't Know (DK)
-2	Refuse to Answer (RA)

2. What's the break-down of male and female employees at your company?

	Gender	Number
1	Female	
2	Male	
-1	DK	
-2	RA	

3. What is the age break-down of employees at your company?

	Age group	Number
1	Up to 25	
2	26-40	
3	41-60	
4	Over 60	
-1	DK	
-2	RA	

4. Did the number of your employees in the last year increase, remained the same, or decreased, and by how many?

		Number
1	Increased	
2	Remained the same	
3	Decreased	
-1	DK	
-2	RA	

5. If you were seeking an employee for your company what advertising method would you use? [TO INTERVIEWER! DO NOT READ OUT THE QUESTIONS. ACCEPT MULTIPLE ANSWERS. RANK]

1	Through internet advertisement (jobs.ge, hr.com.ge)	
2	Through newspapers and local media	
3	Would contact to educational institutions (VET, technical university)	
4	Through personal acquaintances	
5	Other (please specify)	
-1	DK	
-2	RA	

6. Have you looked for an employee in the last 12 months?

1	Yes
2	No
-1	DK
-2	RA

7. Generally what specialization of employee are you mainly looking for? [TO INTERVIEWER! ACCEPT UP TO THREE ANSWERS. LIST THE MOST IMPORTANT SPECIALIZATIONS FIRST.]

1	
2	
3	
-1	DK
-2	RA

8. In the case of your most needed category of employee, what is more important to you when considering whether to hire; formal training or practical experience?

1	Formal training
2	Practical experience
-1	DK
-2	RA

9. In the case of your most needed category of employee, what level of education of potential employees are you primarily looking for?

1	Vocational Education
2	University degree
3	They don't need formal training if they have experience
-1	DK
-2	RA

10. What, if any, kind of post-high school education does your staff have?

	Education level	Number
1	Vocational education	
2	University education	
-1	DK	
-2	RA	

11. How would you assess skills of the people you employ in your most demanded category of employee when you first employ them? On the scale from 1 to 5, where “1” means “very incompetent” and “5” means “very competent?”

Very incompetent	Incompetent	Average	Competent	Very competent	DK	RA
1	2	3	4	5	-1	-2

12. How easy is it for you to find your most demanded category of employee? On the scale from 1 to 5, where “1” means very difficult and “5” means very easy?

Very difficult	Somewhat difficult	Average	Somewhat easy	Very easy	DK	RA
1	2	3	4	5	-1	-2

13. What is the biggest weakness of applicants in your most demanded category of employee?

1	
2	
3	
4	
5	
-1	DK
-2	RA

14. Particularly what skill sets and qualities do you think should be improved among your applicants in your most demanded category of employee? [TO AN INTERVIEWER! ACCEPT UP TO THREE ANSWERS]

1	
2	
3	
-1	DK
-2	RA

15. Do you have any specific activities to overcome the problem of lacking skills? [TO INTERVIEWER! ACCEPT MULTIPLE ANSWERS. RANK]

1	No	
2	In house training	
3	Training in Georgia paid for by the company	
4	Training outside Georgia paid for by the company	
-1	DK	
-2	RA	

16. Is any of your current staff recruited from outside of Georgia?

1	Yes	Survey completed
2	No	
-1	DK	
-2	RA	

17. At what level do employees from outside Georgia work at your company?

	Level of position	Percentage of total staff
1	Low level position (sewer, operator, etc)	
2	Mid-level position (programmer, specialist, project administrator)	
3	High-level position (program manager)	
-1	DK	
-2	RA	

18. What is a reason for employing a person from outside of Georgia at your company? [TO INTERVIEWER! MATCH THE ANSWERS. ACCEPT MULTIPLE ANSWERS]

1	I couldn't find an employee with appropriate skill-sets in Georgia
2	It was cheaper to hire somebody from abroad than somebody from Georgia
3	The owners/managers are from outside Georgia and find it better to work with people from their own country
4	Other (please specify)_____
-1	DK
-2	RA

Thank you!

