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Workers Are Big Issue for Businesses in the Regions

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While small and medium-sized businesses have gotten used to corruption and red tape, the main problem has become a shortage of qualified personnel, according to a recent survey.

Opora Russia, a nongovernmental small-business advocate, and company Strategy Partners questioned more than 6,000 entrepreneurs from 40 regions as part of a study on the economic climate in Russia. The survey focused on production-sector companies employing 250 people or less.

The findings painted a "sad picture," said Sergei Borisov, head of Opora Russia. The quality of the conditions for small businesses in the regions is not satisfactory.

The main obstacle to business is a lack of qualified personnel. More than 60 percent of small businesses have faced a deficit of suitable specialists in the past two years. In the European Union, the figure is 35 percent.

Small businesses account for about 20 percent of gross domestic product and employ a fifth of the work force. But even within another 10 years it would be impossible for them to reach the levels of developed countries: 40-50 percent of GDP and 60-70 percent of the work force.

"We are swimming against the current but not getting anywhere," Borisov admitted.

Availability of financing is one of the main problems. For some, it is easier to obtain short-term loans than long-term funding. Forty-two percent of respondents noted difficulties in obtaining a loan for up to one year, and half said it is practically impossible to get funding for longer than three years.

One-third of companies responding find it difficult to obtain land and find production facilities.

More than 60 percent of respondents cited the high cost of electricity as being a major problem. Almost a quarter complained about expensive Internet access. Yet, the majority of companies did not consider red tape a hindrance. Instead, they considered it "a feature of the environment to which it is possible to adapt," the study says.

The respondents had similar attitudes to corruption. The cost of additional payouts does not really impact the competitiveness of the domestic market, the study says. Only 13 percent of the respondents named corruption as the main barrier to business.

"They have gotten used to it," Borisov said.

In terms of supplying qualified personnel, the Moscow region is best because it is brimming with trained experts who have not found a job in the city. The region is considered the overall most favorable place for small businesses.

"Here everything is the same as in [the city of] Moscow, only cheaper," the study concludes.

The top five regions for overall small business climate include Krasnodar, Stavropol, Chelyabinsk and Samara. Moscow and St. Petersburg took 17th and 25th place, respectively. Their entrepreneurial atmosphere was described as "below average."

The cities of Chelyabinsk, Yekaterinburg and Samara were the best among cities with more than 1 million residents. Rostov-on-Don scored the lowest.

Forty-three percent of respondents named the lack of suitable personnel as the main barrier to developing their business. "Tax burden" was not an option for respondents to choose. More than half remarked that it is difficult or practically impossible to find engineers and technical specialists.

Non-production businesses are also not immune to these problems: More than one-third are facing difficulties.

This is not only a shortage of personnel but a lack of overall resources, said Vera Yeliseyeva, director of organizational development at Svyaznoi. The salaries at small businesses are low, and their future is often cloudy, she said.

The lack of personnel is also a serious issue for large businesses, said Igor Yurgens, vice president of the Russian Union of Industrialists and Entrepreneurs. The situation regarding qualified personnel is even more difficult, he said.

Young specialists join companies with very high expectations after finishing university. But in comparison with those who graduated 20 years ago, their education level is often closer to that of those who have merely completed a technical training institute, Yurgens said.

Read the original Vedomosti article here.

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