CBRE Baltics

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Evolving Workforces

Baltic Tech Talent Guidebook

GUIDEBOOK

As tech competencies grow, the Baltic countries continue to position themselves as a regional tech hub, resilient to challenges that most Western markets face.

CBRE BALTICS RESEARCH
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Introduction

Tech industry development has long been on the Baltic countries' agenda. From millions of funds allocated to tech competencies development to the establishment of business-friendly conditions, local governments have greatly contributed to the region's development as a tech hub. All three countries—Lithuania, Latvia, and Estonia—rank high on multiple tech and startup ecosystems' rankings, further fostering the community.

Tech companies that have chosen the Baltics as their home praise the region's quality of labor and well-developed infrastructure. Nonetheless, employment in GBS and ICT centers has recently begun to follow a more suppressed growth pattern. Continue to read the Guidebook to see what limits and opportunities exist in the Baltic tech labor market and how it compares to other regions.

Number of founded start-ups in 2023 / in the period of 2013-2023, Baltics

Estonia
88 / 2,860

Latvia
12 / 776

Lithuania
33 / 1,437

Source: Dealroom, 2024

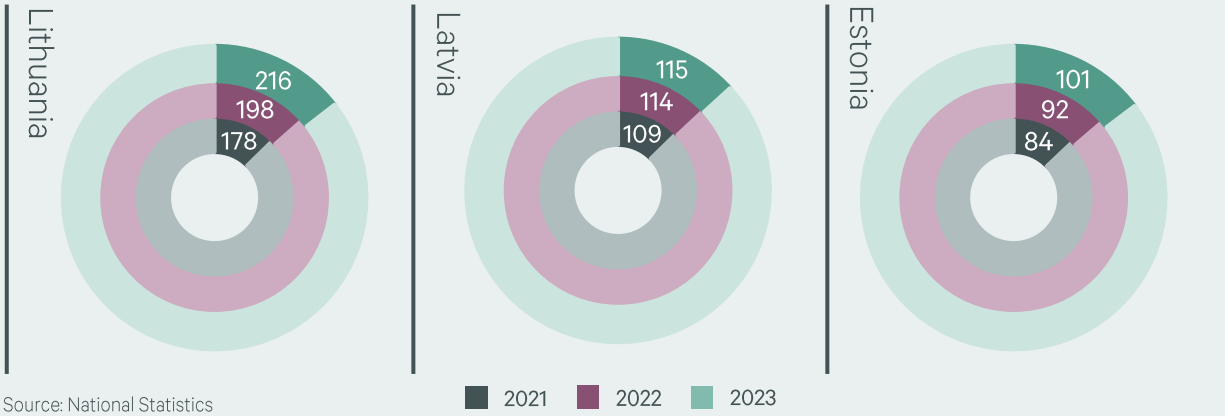
Tech in the Baltics

ICT employment accounts for around 15% of all employment in all three Baltic markets, contributing around 4-7% to the local GDP. For many years, the local authorities have spent a lot of effort to attract foreign tech giants to the Baltics. Success cases include Adform, Wargaming, Oracle, and Accenture in Lithuania; EPAM Systems, Fixar, and Roche in Latvia; Microsoft, Ericsson, and ABB in Estonia; and multiple others.

The main benefits* for tech companies to establish their operations in the Baltics include:

- ✓ High rankings in the IMD Digital Competitiveness Ranking by Digital/Technological skills
- ✓ High rankings in the EU for young specialists joining the ICT sector
- ✓ Fast internet network development & interoperability
- ✓ High degree of education in tech-related fields
- ✓ Competitive price-quality ratio of the region's labor force and real estate stock

Number of people in thousands employed in ICT and other professional, science, and tech sectors VS. employed in other sectors



Source: National Statistics

*Based on Investment Attraction Organizations in the Baltics

Employment Environment

The labor market in the Baltics displays resilience, and even if recent unemployment rates have slightly increased, they remain single-digit and relatively healthy. In other global markets, low unemployment rates are explained by reduced working-age populations, which is also applicable to the Baltics. At the same time, in the Baltics, they are also associated with solid business fundamentals leading to unchanged hiring practices and growth strategies, which often lead certain industries, IT particularly, to seek employees abroad (even if the labor force in the Baltics has recently expanded due to returned migrants and refugees).

According to CBRE Global Tech Talent Guidebook 2024, Tech talent works in all industries but is most concentrated in the high-tech services and manufacturing sector, which includes software, cloud services, social media, and computer hardware. In the Baltics, almost a fifth of the operating companies employ ICT professionals, a number that has increased by 2-3% compared to 2019.

Share of enterprises with more than 10 employees that employ ICT specialists, 2022

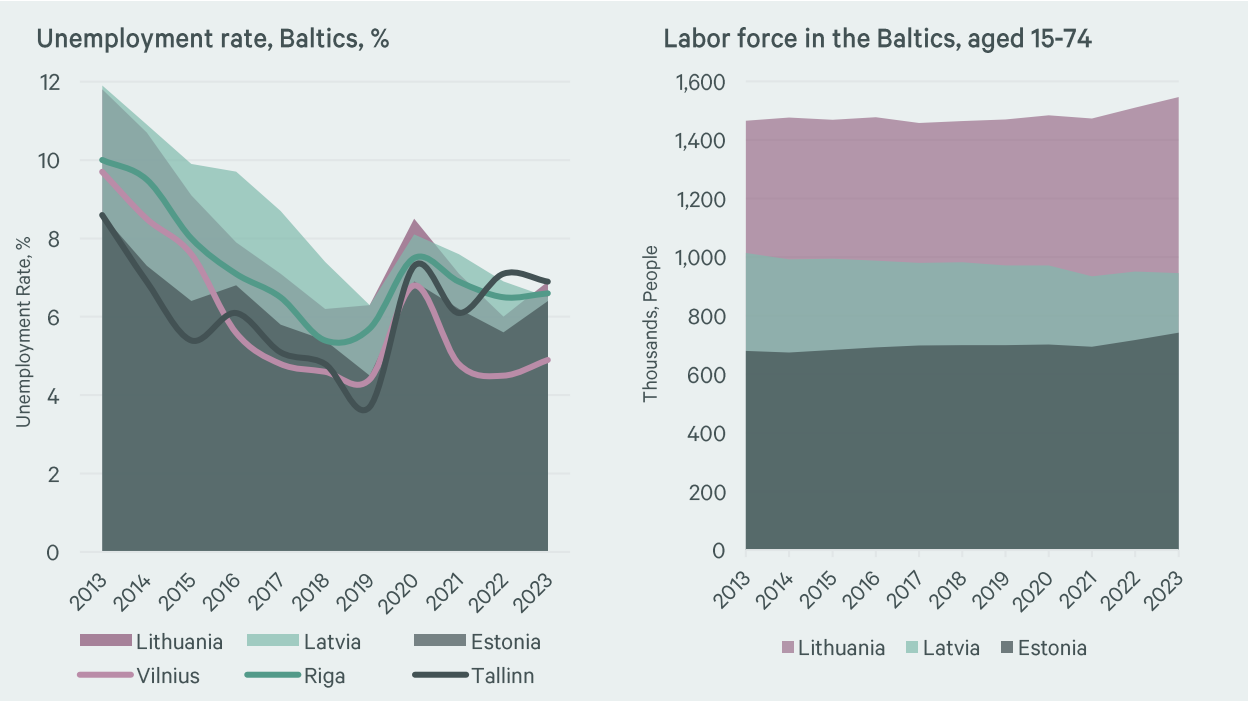
Estonia
17.2%

Latvia
18.7%

Lithuania
17.2%

Source: Eurostat

Nonetheless, the situation might change, as large Western markets, especially the US, have already experienced significant layoffs in the tech industry starting mid-2022. The Baltic countries have not seen considerable layoff efforts by tech companies and are unlikely to experience them in the short term. On the other hand, in the last couple of years, the Baltics have witnessed several global tech giants leaving the local markets, e.g., Uber or Genius Sports, due to restructuring efforts and changes in regional clustering, releasing hundreds of tech talents back into the market. However, according to National Statistics Portals, at the end of Q4 2023, Lithuanian ICT firms reported having more than 1,100 job vacancies (4.5% of all vacancies), Latvian firms - 945 vacancies (4.2%), and Estonian firms - 923 vacancies (10%), signaling that competition for talent attraction remains fierce.



Source: Eurostat, National Statistics, CBRE Baltics Research

Labor Supply

Recently, the mood of some of the largest tech employers has been dim regarding the Baltic labor pool, as now they must compete not only with local companies, but with those abroad. Remote employment options have blurred borders, leading to Baltic tech talent finding opportunities in other European tech hubs. While, also, some begin worrying about the limits of the local labour environment. However, unemployment in the sector persists, and ca. 10,000 students graduate from tech-related programs annually, suggesting that the pool will continue expanding.

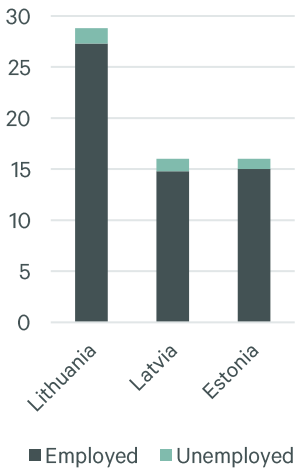
Education plays a crucial role in shaping the tech talent landscape. The Baltics are home to several tech universities that attract both local and foreign students, offering forward-thinking programs.

Tech-focused universities in the Baltics

Location	University	Selective tech programs
Vilnius, Lithuania	Vilnius Tech	• Artificial Intelligence Systems • Computer Engineering • Information and Communication Technologies
Kaunas, Lithuania	Kaunas University of Technology	• Artificial intelligence • Intelligent Robotics Systems • Nanotechnologies
Riga, Latvia	Riga Technical University	• Smart Electronic Systems • Cybersecurity Engineering • Telecommunication Technologies and Data Transmission Engineering
Tallinn, Estonia	Tallinn University of Technology	• Cybersecurity Engineering • E-Governance Technologies • Software Technologies

Source: Official university websites

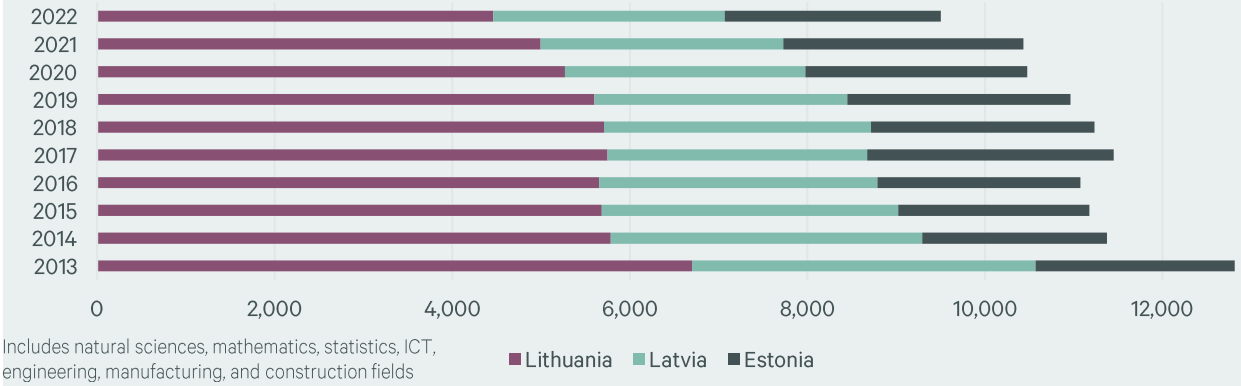
Number of people with ICT education, thousands, 2022



Source: Eurostat

As for the pool's competencies, they ought to improve, too. Both potential employees and employers can make use of various programs designed to grow talents skills across multiple tech fields. In Lithuania[1], the government provides monetary support for various training initiatives and has allocated millions towards digitization development; the Latvian[1] government has allocated €79 million of EU funds for digital skills development, including for the use of developing digital skills in the labor market; while Estonia[1] has allocated €58 million of the same funds towards digital transformation of businesses, which also include digital training of their employees.

Graduates in tech-related fields*, 2013-2022 (2023 not yet available)



*Includes natural sciences, mathematics, statistics, ICT, engineering, manufacturing, and construction fields
Source: National Statistics

[1]Source: Official EU's Digital Skills and Jobs Platform

Costs

Vilnius, Lithuania

Gross salaries in the ICT sector, on average, range between €1,250 and €3,800 a month in Lithuania, depending on the position. Average gross labor costs per hour worked currently stand the highest in the ICT sector - at €26.57/hour. Even though hourly wages in Lithuania tend to be around 30% cheaper than the European average, compared to CEE countries, wages are ca. 20% higher.

In addition to labor costs, office rent expenses also play a role in determining a firm's decision to establish its presence in a country. Currently, in Vilnius, A-class office rent levels range from 16.00 to 19.50 €/sqm/month, while rents for B-class stand at 13.00-15.00 €/sqm/month.

Riga, Latvia

In Latvia, gross salaries in the ICT sector stand similar to those in Lithuania, at 1,150-3,200 €/month. Average gross hourly costs for ICT professionals also rank at the top, standing at €18.97/hour. That is almost 50% less than the European average, and 11% less than the CEE average.

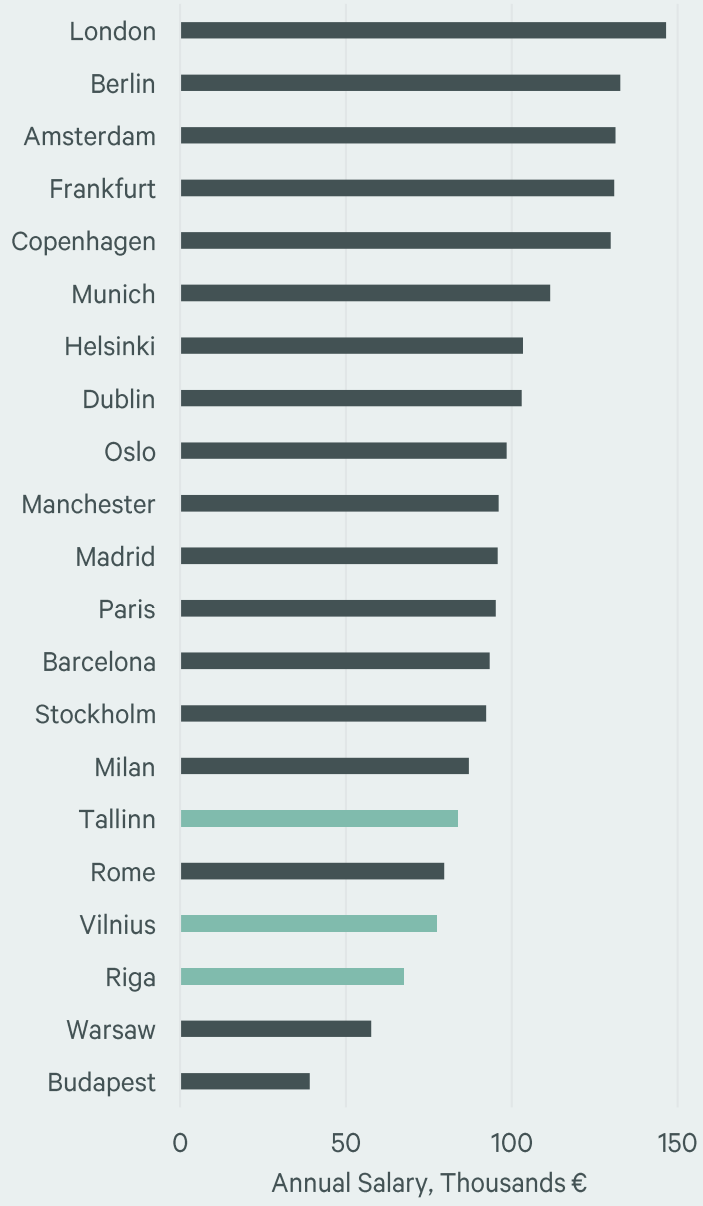
As for office costs, A-class offices demand higher rents, about 14.00-18.00 €/sqm/month, and B-class rents range at 8.50-15.00 €/sqm/month.

Tallinn, Estonia

Estonia often ranks among the most expensive Baltic countries in terms of its labor. On average, IT specialists earn between 1,650 and 4,000 €/month (gross). Again, ICT specialists earn the highest gross hourly wages compared to other industries - 19.32 €/hour. In the European context, ICT wages in Estonia usually are ~35% cheaper, while compared to CEE countries, 11% more expensive.

Office rents are also elevated in Tallinn, and for A-class offices vary between 17.00 and 21.00 €/sqm/month, while for B-class – between 11.00-16.50 €/month.

Average annual base salary for software engineers in major European cities and the Baltic capitals

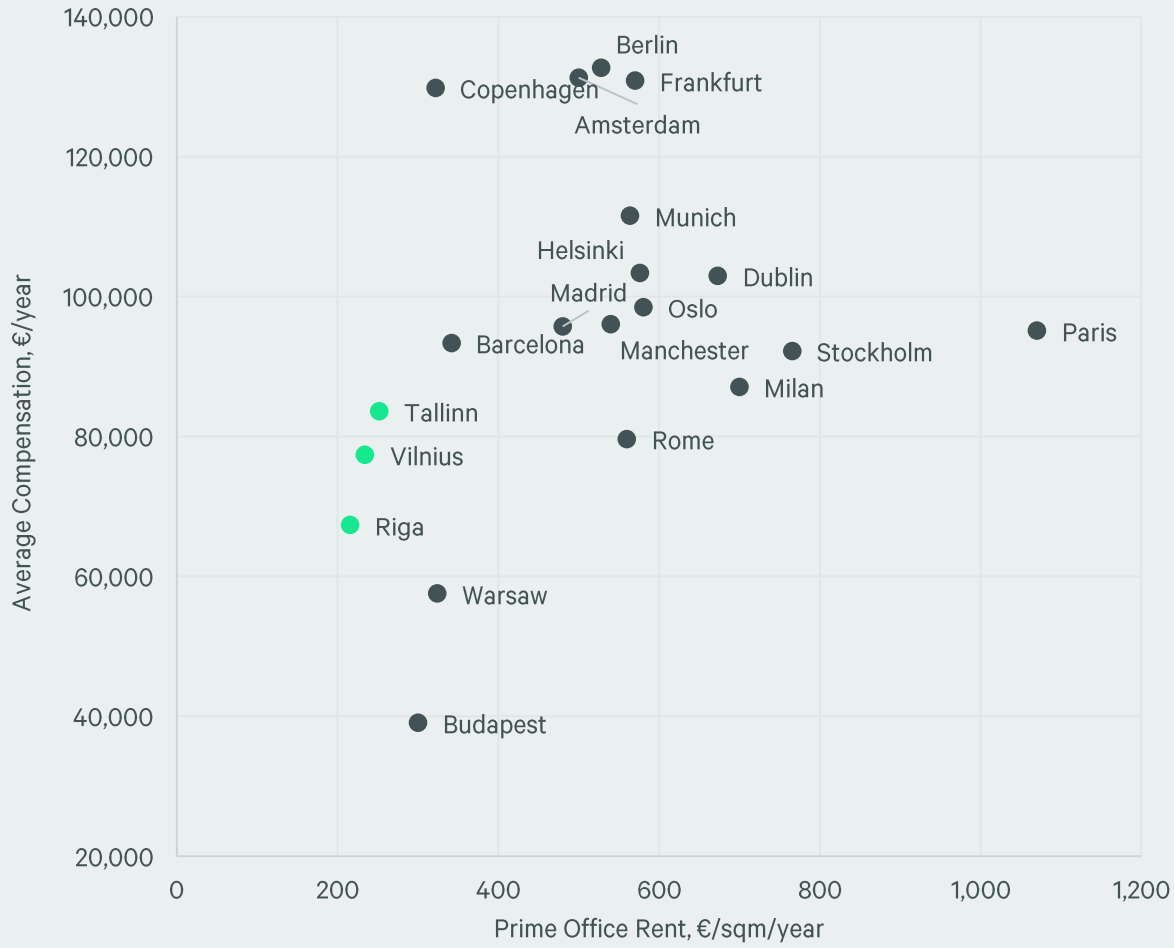


Source: CBRE Research, Glassdoor

The Baltic Advantage

Not only is the Baltic population highly educated in tech-related fields, but its labor force, compared to other European cities and major tech hubs, comes (almost) the cheapest. Additionally, office rent levels in the Baltic capitals appear incredibly competitive in the European context, where rents range from 14.5-27.50 €/sqm/month in CEE to 45-200 €/sqm/month in some Western European markets.

Average prime rent vs. Average annual software engineer compensation in selective European cities



Source: CBRE Research, Glassdoor

Hottest Tech Talent Skills in 2024

According to CBRE Global Tech Talent Guidebook 2024, there is growing demand for qualified candidates with programming skills, such as C++, Java, Python, SQL, R, data science skills (e.g., data processing, extraction, analysis and visualization) and cloud computing skills, like SaaS, AWS, Microsoft Azure, and machine learning. Additionally, skills in development, operations, administration and project management dealing with regulation, compliance, risk management and integration of technology into companies are also in high demand.

The Baltic region, thanks to multiple competence development programs and strong education in tech fields, hosts a large pool of talents with such skills which is enjoyed by some of the biggest tech companies globally.

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