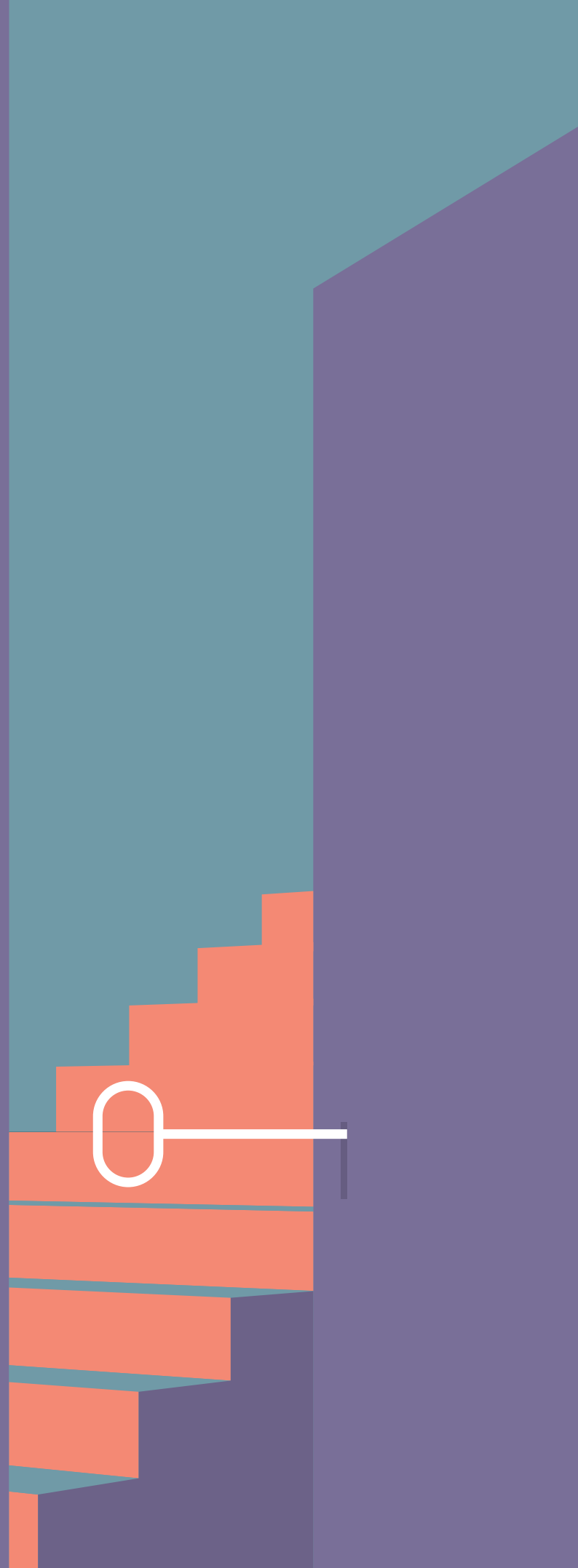


THE NATIONAL **EMPLOYMENT** POLICY
2021-2030



GOVERNMENT OF MALTA
MINISTRY FOR FINANCE
AND EMPLOYMENT



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October 2021



GOVERNMENT OF MALTA
MINISTRY FOR FINANCE
AND EMPLOYMENT

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Foreword

One of the most profound changes in the global economic hierarchy is the immense progress achieved by developing economies.

China has been the most successful story as it achieved vast social mobility progress and turned millions from poverty into an affluent middle-class. Today they are world leaders in infrastructure, engineering and digital services.

Many other countries are on the same pathway.

The International Monetary Fund forecasts that the emerging and developing economies will have a considerably larger gross domestic product growth than industrialised economies in the coming year.

If one takes the largest proportion of the global gross domestic product based on purchasing power parity, we find China leading the pack, but India, Russia, Indonesia and Turkey also feature in the top ten.

The world has become more competitive. While this will create more dynamism and innovation, it also means the complacent countries - those who'd rather stand still than move forward - will find it even more challenging to sustain their standard of living. We can see this struggle already, across many parts of Europe.

That is why this policy document professes change.

Change in the way we look at work and productivity in Malta. As local figures verge close to full employment, it is time that we raise the bar and raise the value of what we produce. It is no easy task. Innovation demands that we constantly upskill and change our businesses and workforce. Failure to do so has consequences.



In 2014, many thought that the uphill battle in front of us was too big to overcome. That we were too ambitious to move structured customs. That the culture of living off benefits and not working was too ingrained in the system.

But through reforms and good policy-making, a lot has been achieved and we are seeing the fruits of that work today. We have strong indicators of female participation rate, thousands moved from benefits to employment, persons with disabilities are working in record numbers and the activity rate has increased exponentially.

But resting still is not an option.

We must continue to be drivers of change.

Others are not standing still - they are studying more, they are learning more skills, they are innovating more and they are building better. So we cannot not take these steps.

We must do the same, and just as this country has beaten difficult odds in the past, it must continue to do so today and tomorrow.

Clyde Caruana
Minister for Finance and Employment





01

Introduction

Over the past decades, Malta has overcome many disadvantages and reconstructed itself into a modern economy through a mix of innovation, application of modern technology, education, and adaptability.

Malta's economy has grown into such a success story by employing solid regulatory frameworks and standard retention, especially in critical sectors such as finance, logistics, shipping and tourism. In addition, a high level of entrepreneurial flair and hard work transformed relatively small industries in their infancies into ones that employ thousands of high-paying jobs.

There are no shortcuts to success. The way forward for economic growth is to continue emphasising the importance of credible rules of play, a stable economic environment and diminishing needless bureaucracy.

This is what investors look at, especially foreign ones.

The Government's role is to make sure the employment and personal development opportunities that arise from this investment are not only met by the local workforce but provide a win-win solution both for investors and for the workers in terms of value.

Qualified and well-trained individuals bring value and allow enterprise to grow. The only constant in tomorrow's world is going to be change. Change will be the order of the day. People's behaviours are changing drastically with Covid-19 pandemic accelerating the process of change. This will lead to new businesses employing new models to satisfy the changing behaviour of the consumer. This is what brings about positive disruption.

Malta's inherent versatility enables a quicker adaptation however, people must be geared towards change and continuous personal development. Countries that will manage this constant adaptation, both from the entrepreneurial side and the supply of skills side, will be tomorrow's most successful economies.

1.1 Seizing the moment

The world today is going through a momentous period of disruption and change.

Recovery from the worst global pandemic witnessed in over a century is still ongoing and the landscape remains fragile.

Deep technological change is accelerating people's behaviours and is bringing about rapid change in enterprise.

The climate emergency is forcing countries to act aggressively towards the greening of firms, industries, and entire economies. Those who persist in pollutive behaviours do so at their own peril.

An ever more interconnected and interdependent global economy makes economic shocks travel fast.

There is no doubt that the economic environment is challenging, however the period of change being witnessed is also abundant with opportunities for countries to exploit.

Malta is not new to such challenges and opportunities.

The island has successfully weathered economic challenges and has seized new avenues for growth across several sectors and industries.

Today, on the back of this ability to carve out its own space in the regional and European economy, Malta has developed into a successful economy that is resilient, diverse and based on a number of strong fundamentals.

During the past decade, Malta has performed strongly on the economic and employment fronts, making it one of the best performers in the European Union. Fast economic growth, a buoyant labour market, improved public finances and higher spending power have supported Malta's economic and social development.

The Covid-19 pandemic has highlighted Malta's economic resilience as, contrary to many others, the Government had the capacity and ability to support the economy through targeted supportive measures that helped to stabilise the economy while preparing for the eventual rebound.

Malta's economic recovery and future attractiveness, especially in the face of the changes happening at a global level, demand a workforce that is skilled and equipped, a business sector that is empowered to grow and invest, and an institutional framework that is responsive and robust.

It is against this backdrop that the Government is reviewing its National Employment Policy. The 2014 Employment Policy played a key role in Malta's success story. Its active labour market policies have allowed thousands of workers to actively participate in the labour market and improve their standard of living. The economy grew much faster than expected and migrant workers alleviated the stresses of resulting labour shortages.

Today, seven years later, the economic context as well as the challenges and opportunities the country is facing, have changed.

To be better prepared and to support the economy and labour market in its next stage of development, the Government is launching an updated National Employment Policy covering the period from 2021 to 2030.

The National Employment Policy is a holistic policy, based on the vision of improving the quality of labour for the Maltese workforce. Whilst equipping workers with the needed tools and skills for the future, the Government is focused on making the labour market a means to enjoy a higher standard of living and an improved quality of life.

1.2 Malta's population and labour market dynamics

In 2020, the total Maltese population stood at 514,564 of which 350,356 were aged between 15 – 64, making up the working aged population. Half of the total Maltese population, or 260,109, were registered employed, including 5,263 who were 65+. The total labour force in 2020 stood at 272,109 or 52.9 per cent of the total population. Figure 1.1 illustrates Malta's population and labour market components.

Of the remaining population, 4.6 per cent (23,926) were outside the labour force due to education, 30.9 per cent (158,945) were inactive due to retirement and another 10.8 per cent (55,584) were inactive despite them falling within the working age population. The remaining 0.8 per cent, or 4,000 individuals, were part of the potential additional labour force which comprises people who are available for work, but do not seek it¹ or persons who seek work but are not immediately available to start working².

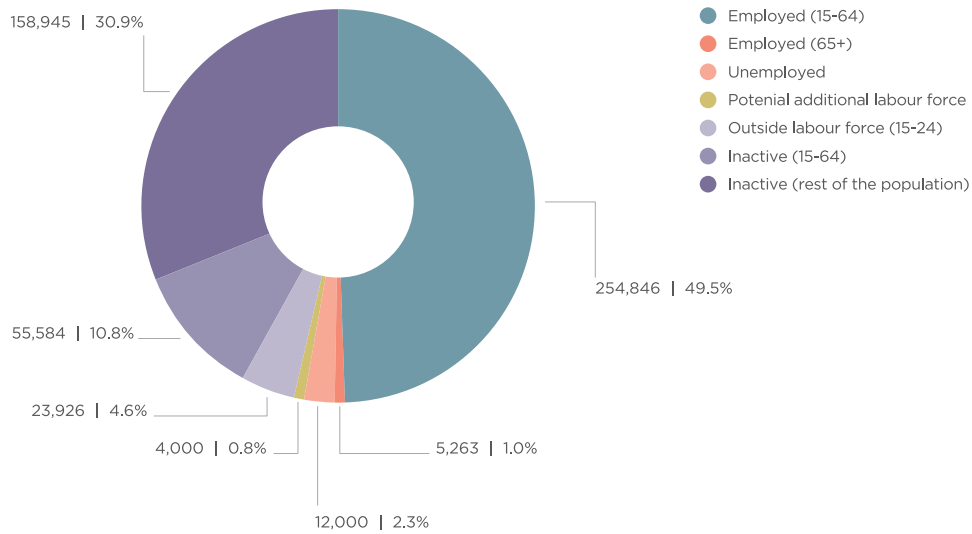
¹ Persons neither employed nor unemployed who want to work, who were available for work in the 2 weeks following the date of the survey but are not actively seeking work.

² Sum of persons neither employed nor unemployed who: (a) were actively seeking work during the 4 weeks previous to the date of the survey, but not available for work in the 2 weeks following; or (b) found a job to start in 3 months or less from the date of the survey and were not available for work in the 2 weeks following; or (c) found a job to start in more than 3 months from the date of the survey; or (d) were passively seeking work during the 4 weeks previous to the date of the survey and were available for work in the 2 weeks following.

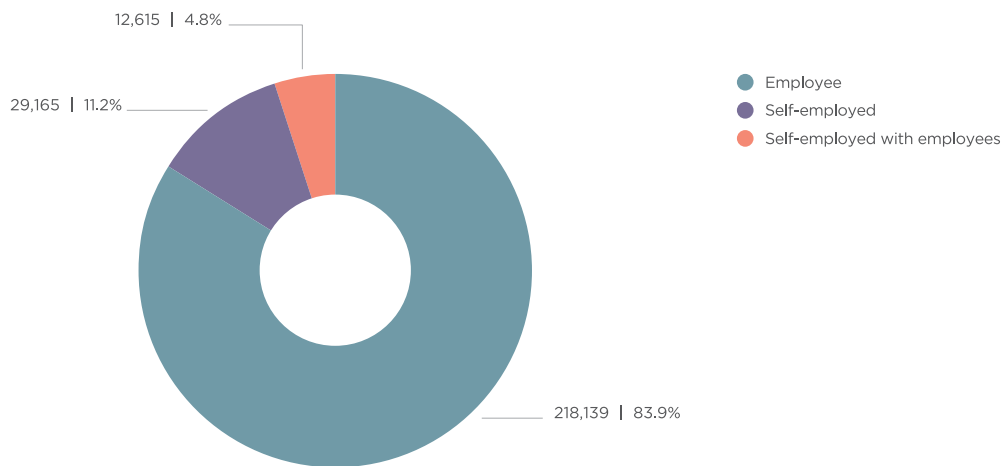
Figure 1.1 Malta's population and labour market dynamics

Source: Eurostat, 2021

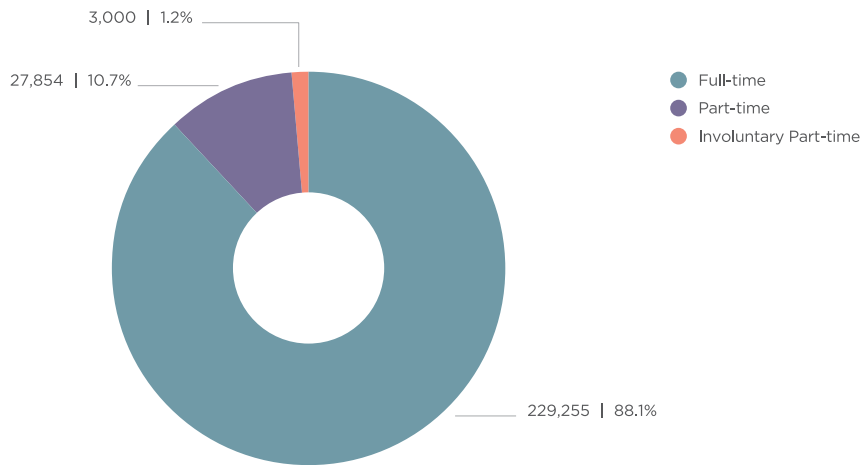
Total population: 514,564
Working age population (15-64): 350,356



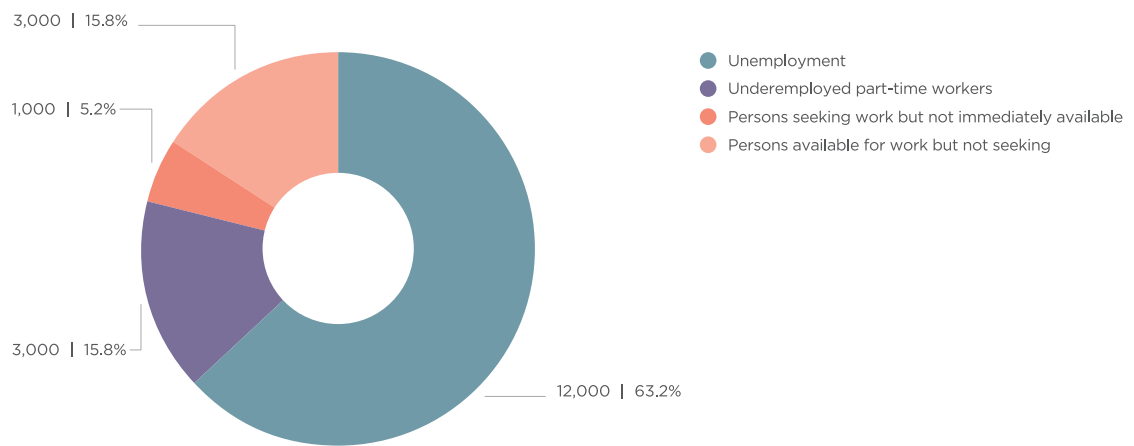
In employment: 260,109



In employment: 260,109



Labour market slack: 19,000



The unemployed, the potential additional labour force, and the underemployed part-timers³, which in 2020 amounted to 3,000, collectively made up the labour market slack (unmet employment needs). At 19,000, or 5.7 per cent of people aged between 15-74 in 2020, Malta's labour market slack was the second lowest in the EU, further confirming a strong labour market.

Of those in employment, the majority (83.9 per cent) were employees, with the remaining 16.0 per cent registered as self-employed. 88.1 per cent were registered as full-time, while the rest were registered part-timers, including 3,000 who were willing to work more hours if they had the opportunity to do so.

From the data, it is apparent that Malta's labour market is robust and strong, as it is close to full employment. As a result, the focus of this National Employment Policy is more geared towards improving the quality of jobs and preparing the workforce for tomorrow's challenge rather than on activation policies, as was the case in the 2014 National Employment Policy.

1.3 Guiding principles

The Government's vision for employment is based on the premise that work gives not just dignity, but personal enrichment and life satisfaction. It allows individuals to achieve their full potential and to aspire to achieve a higher standard of living through work. As Malta starts a new phase in its economic development, Government is taking a human-centric approach to work and the future of work to ensure that it truly supports individuals and society at large.

The Employment Policy is tailored around Malta's particular circumstances, potential, challenges, and opportunities and is built on four guiding principles, these being:

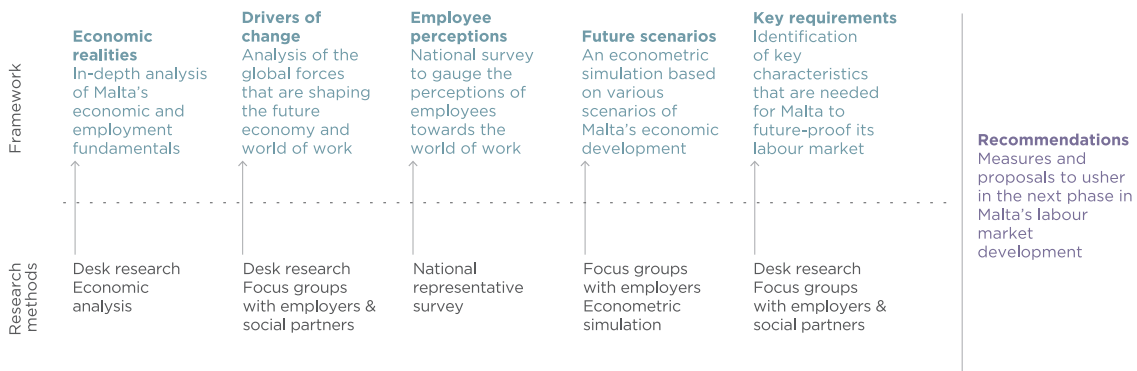
- Supporting individuals in acquiring the needed and industry-demanded skillsets for tomorrow's world.
- Empowering all workers to actively participate in Malta's labour market and to ensure that they can achieve a higher standard of living through employment.
- Enabling employers to continue investing in business growth and employment.
- Designing institutions of work that are responsive and that level the playing field for all workers to work with dignity.

³ Persons working part-time who wish to work additional hours and are available to do so.

1.4 Framework

In designing the National Employment Policy, a holistic approach was taken to not only take stock of the current situation, but more importantly to understand the forces of change that are happening in the global and local operating environments. Given the centrality of work and the Government’s human-centric approach to employment, the perceptions of employees and employers also formed a critical part of the process. The framework adopted to draw-up this Employment Policy is shown in Figure 1.2.

Figure 1.2
 Framework of Malta’s
 National Employment Policy 2021-2030



The logical framework underpinning the National Employment Policy is based both on a macro-economic analysis as well as the micro-foundational analysis of the employment relationship, by gauging the perceptions of both employees and employers.

Several research methods, both quantitative and qualitative, were utilised to ensure a robust analysis and policy recommendation exercise.

1.5 Consultation

The Government believes that stakeholder consultation is critical in policymaking, especially for such a central and critical policy as employment. To this end, a broad consultation exercise was held with a number of key stakeholders.

Overall, 30 focus groups were held across various industry sectors. The focus groups comprised of industry leaders, the social partners within the Malta Council for Economic and Social Development (MCESD), and one-to-one discussions with members within each social partner entity. There were also academic sectoral experts who were invited to participate. This extensive consultation exercise therefore provided not only a bird's eye view of the situation but also provided an opportunity to map areas of similar concern and aspects that require addressing within this new National Employment Policy. In total 268 participants took part in these discussions. In addition, industry leaders were also asked to fill-in a questionnaire on their perceptions and expectations of the economy which was used to conduct the econometric simulations that were carried out by the Economic Policy Department.

To gauge the perceptions of individual workers, a representative survey of 4,000 individuals was conducted by the National Statistics Office (NSO), the replies were analysed accordingly, and such contributions were incorporated in the recommendations.

1.6 The National Employment Policy

The Policy is built around the framework illustrated in Figure 1.2.

Chapter 2 highlights the economic realities of Malta's economy. Charting the developments over the past few years, the analysis outlines key highlights underpinning Malta's economic and employment performance.

Chapter 3 identifies the key drivers of change that are expected to drive the global economy and impact the world of work. Global and local policy contexts are also given, as well as insights from the various focus groups are presented to highlight any threats and opportunities that Malta's labour market may face in the coming years.

Chapter 4 presents the results and analysis of the national representative survey which gauges the perceptions of the Maltese workforce towards the world of work. The analysis is based on four dimensions that work delivers to the employee: income, well-being, career, and skills.

Chapter 5 presents several economic scenarios and simulations that were developed on Malta's labour demand econometric model. The main input for these simulations was the questionnaire collected from business leaders on their perception of the future developments of the Maltese economy.

Chapter 6 focuses on an identified key set of requirements that are needed for Malta's labour market to build its resilience and thrive into the future. The insights from the focus groups were used to highlight strengths and weaknesses of Malta's economy and labour market in relation to each identified requirement.

Chapter 7 presents forty recommendations that were designed based on the preceding analysis. The Government's recommendations are based on three main strategic pillars, each with two enabling factors. The recommendations will be critical for Malta to achieve its full potential, and for Maltese families to enjoy better quality employment and a higher standard of living.





02

Economic Realities

Prior to the Covid-19 pandemic, Malta registered a very strong economic performance on a European level. The employment market was also one of the strongest in Europe achieving record employment rates, the lowest unemployment rates, and strong increases in labour force participation, especially female. This period also saw a rapid increase in migrant workers that helped boost Malta's labour supply and consumer demand. However, there is no room for complacency. The global environment is changing rapidly, on account of the pandemic but also as the green and digital revolutions pick up pace. Malta's economy needs to adapt accordingly and address any current or upcoming challenges whilst building further its own resilience. To do so, understanding the structural economic and employment performance, the underpinnings of the labour market, and outlining the key challenges of the country is necessary.

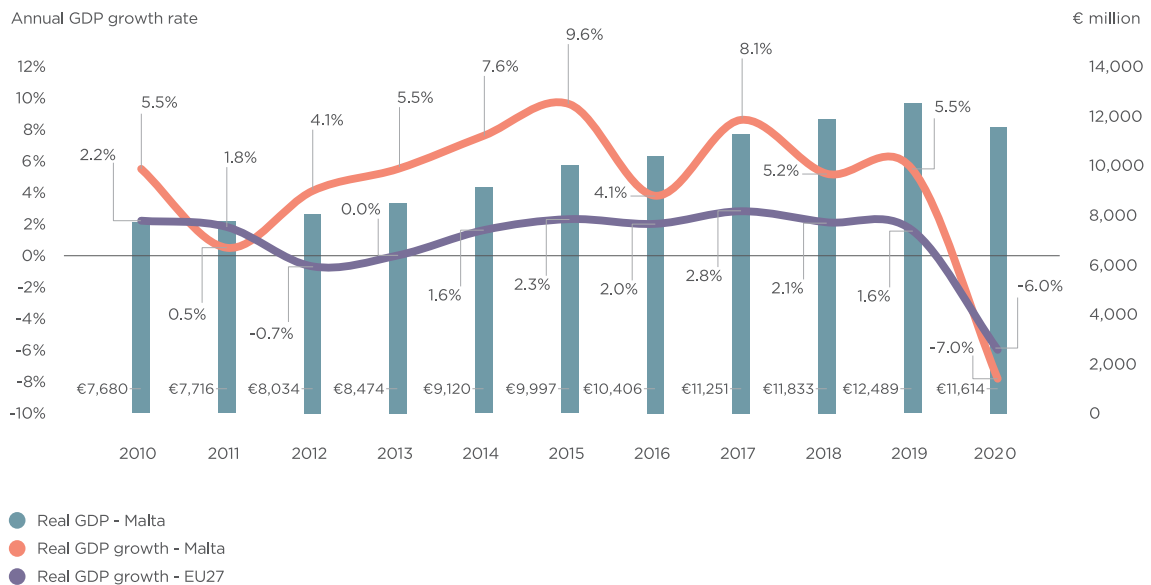
2.1 Malta experienced an economic boom in recent years

The Maltese economy and its labour market have rebounded and indeed flourished since the 2009 economic crisis. Local performance has consistently outperformed the rest of the European Union (EU) and Euro Area (EA) averages with record labour force participation rates and lowest unemployment rates being registered.

Malta has sustained several years of strong economic performance. Its average real Gross Domestic Product (GDP) growth was 4.4 per cent between 2010 and 2020 as opposed to an average rate of 0.9 per cent for the EU27. Growth in Malta peaked in 2015 at 9.6 per cent before stabilising in subsequent years. However, as a result of Covid-19 pandemic, given Malta's open economy and strong reliance on the tourism sector, the economy shrunk by 7.0 per cent in 2020 as opposed to an average contraction of 6.0 per cent in the EU27 countries.

Figure 2.1
Real economy performance

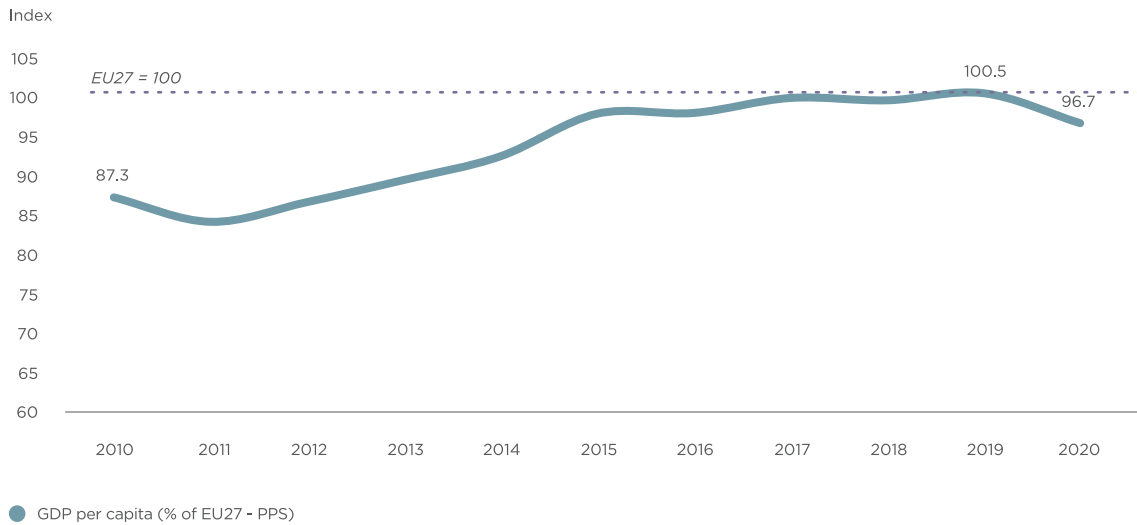
Source: Eurostat, 2021



On the back of these developments, Malta managed to steadily close its per capita income gap with the EU average. Starting at a per-capita income of 87.3 per cent in 2010 when compared to the EU27, Malta closed the gap and converged to EU27 average in 2019 where its income per-capita stood at 100.5 per cent when compared to the EU27 average (see Figure 2.2). In 2020, Malta's per capita income fell by 3.8 percentage points below the EU average, in line with a sharper drop in real economic activity as opposed to the EU27 average.

Figure 2.2
GDP per capita

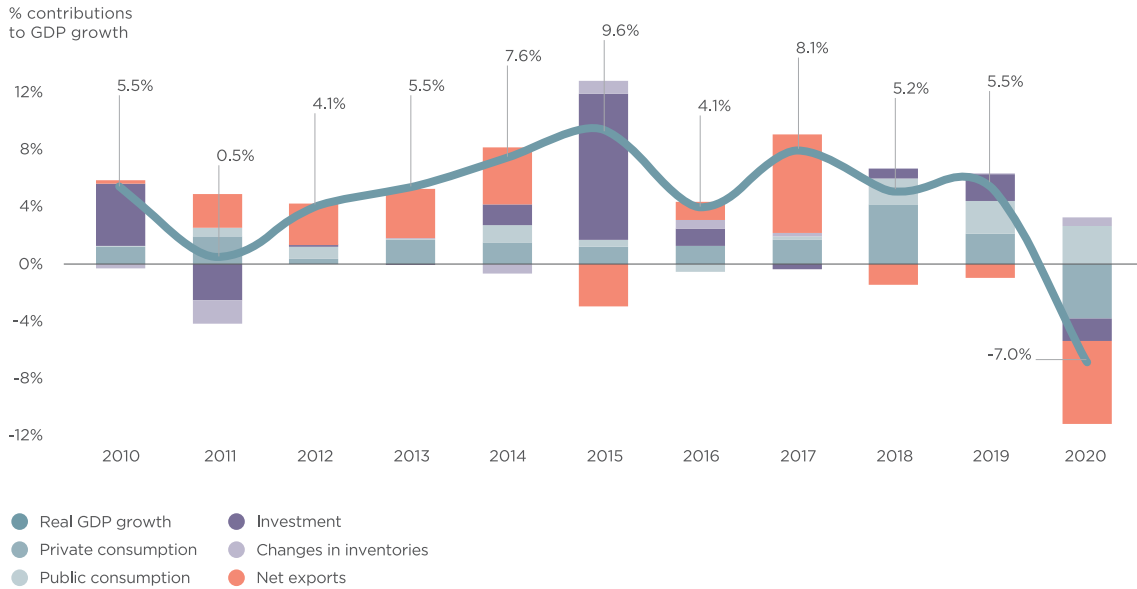
Source: Eurostat, 2021



Prior to 2020, domestic demand had become a critically important growth contributor, mainly driven by private consumption which increased on the back of high employment growth and higher disposable income. A further factor was a growing population due to the influx of non-Maltese nationals, which increased the size of the domestic market (see Figure 2.3). In 2020, following an average growth of 6.8 per cent in the previous two years, private consumption contracted by 8.3 per cent largely due to the pandemic-related restrictions. The fall in private consumption was broad-based across almost all expenditure categories except for utilities. The sharpest decline in absolute terms was recorded in spending on restaurants and accommodation services. This was followed by spending on recreations and culture, as well as transport.

Figure 2.3
Real GDP and its components

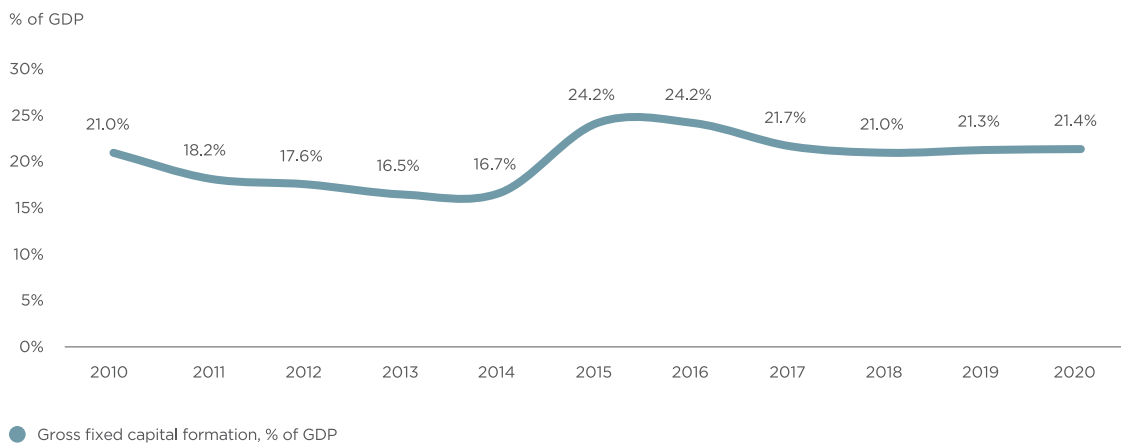
Source: NSO, 2021, Author's calculations



Investment has also been a key contributor to Malta's economic success. Apart from generating value added, it is an important driver of new employment opportunities, making an analysis of gross fixed capital formation (GFCF) pertinent. Malta's GFCF as a proportion of GDP has grown over the past ten years, peaking at 24.2 per cent in 2015 and 2016 before stabilising at 21.4 per cent in 2020 (see Figure 2.4). Generally, it has fluctuated around the 20.0 per cent mark over the period under review.

Figure 2.4
Gross fixed capital formation, percentage of GDP

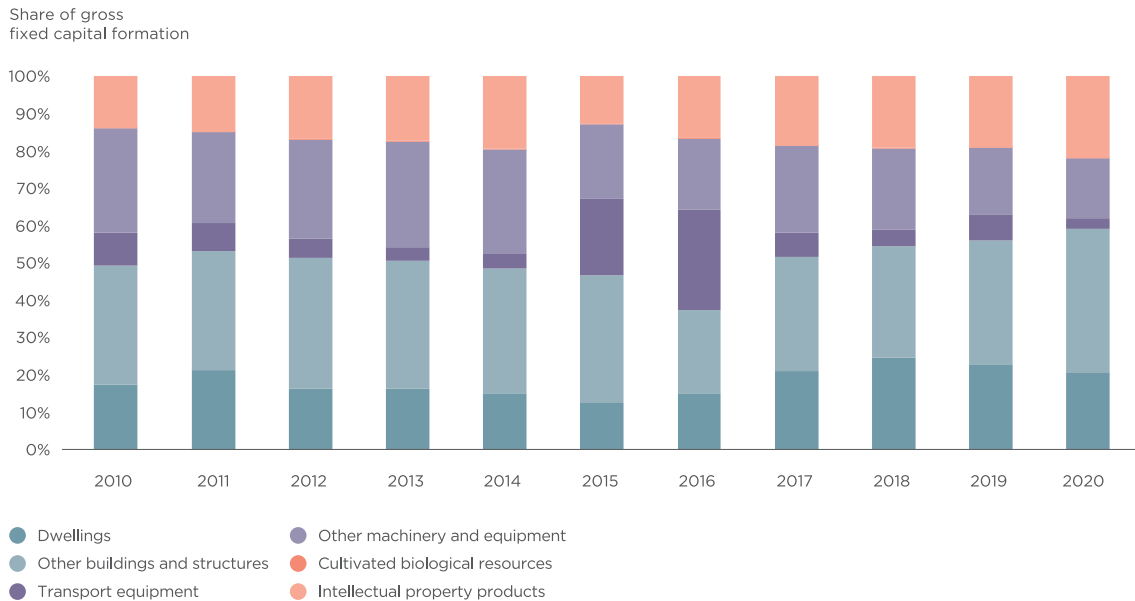
Source: Eurostat, 2021



A breakdown of the key components of GFCF shows that dwellings and other buildings collectively account for around 60.0 per cent of annual GFCF in Malta in 2020. This is consistent with the general trend in previous years and reflects the importance of the domestic property market (see Figure 2.5). Machinery and equipment accounted for 19.0 per cent whilst intellectual property products have also emerged as an important component of annual investment in Malta, comprising 21.8 per cent of GFCF in 2020. This type of capital is highly dependent on skilled labour and incentives, and Malta needs to continue creating the right ecosystem for this type of capital to be developed and accumulated in Malta.

Figure 2.5
Components of gross fixed capital formation

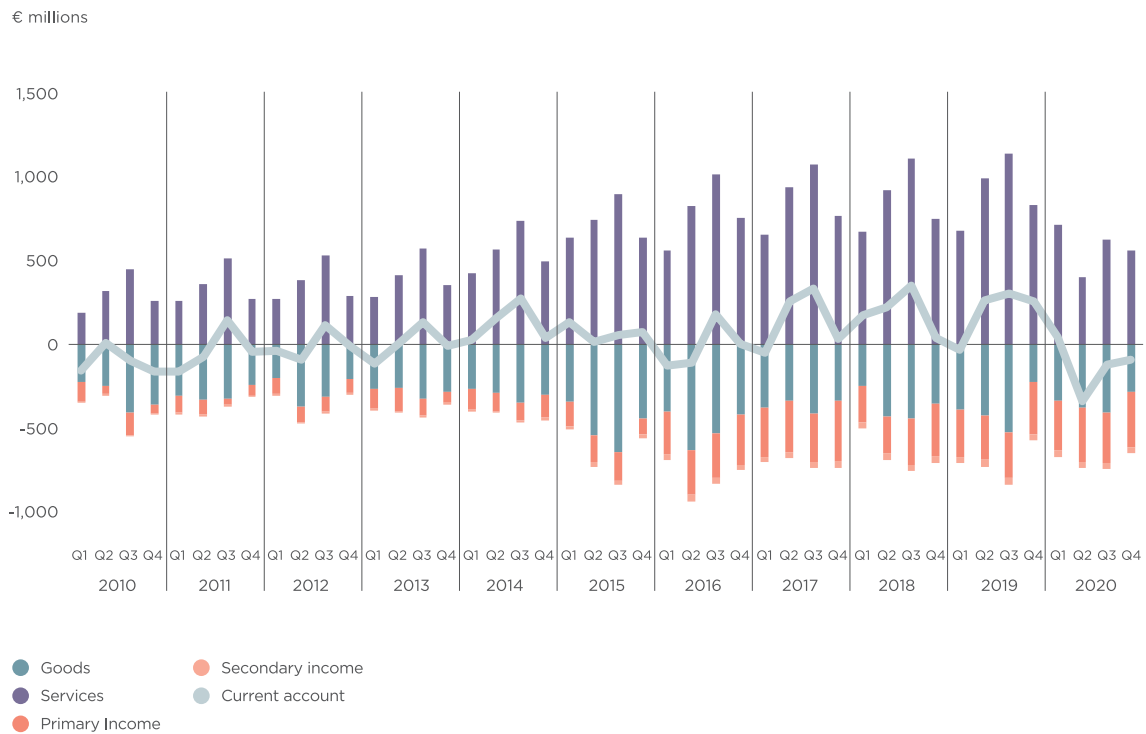
Source: Eurostat, 2021



As an open economy, international trade is not only an important contributor to economic performance but also to employment. Malta’s ability to export goods and services, and its relative competitiveness, are critical in sustaining the labour market and the broader economy. Figure 2.6 presents the developments in the main components of Malta’s current account within the Balance of Payments.

Figure 2.6
Current account balance
and components

Source: Eurostat, 2021



Although the current account balance has occasionally dipped into negative territory, Malta has recorded current account surpluses in recent years, largely stemming from the fast growth of strong service-based export sectors like tourism and gaming. In parallel, the negative trade balance in goods has only increased moderately between 2011 and 2019, driven mainly by the importation of mineral fuels, lubricants and machinery and transport equipment.

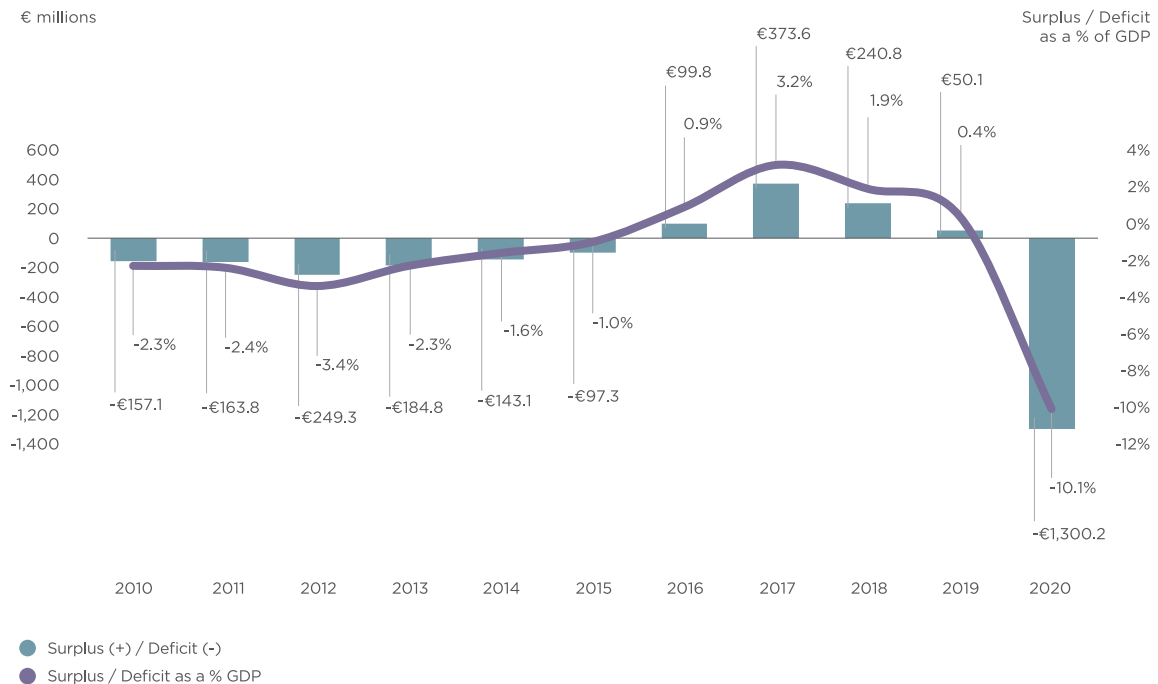
Labour market dynamics, and the inflow of migrant workers, had an impact on the balance of payments. The negative primary income balance increased four-fold between 2011 and 2019 due to higher outflows in compensation of employees, driven by the increased presence of foreign workers within the labour market. As expected, due to the outbreak of Covid-19 pandemic in early 2020, Malta's current account balance took a downward turn, reflecting the stalling of the tourism industry.

Sustainable fiscal health is a key component for macroeconomic stability and long-run growth prospects. The recent crisis has highlighted the importance of having a fiscal buffer to act as a counter-cyclical stabiliser to safeguard employment. In fact, during the past year, fiscal policies were key to softening the economic blow of the crisis and have helped to protect thousands of jobs in Malta.

Since 2016, Malta's general Government balance has entered positive territory following several years of fiscal deficits (see Figure 2.7). This improvement has been fuelled by increased Government revenue and significant economic growth.

Figure 2.7
Government deficit-to-GDP

Source: NSO, 2021

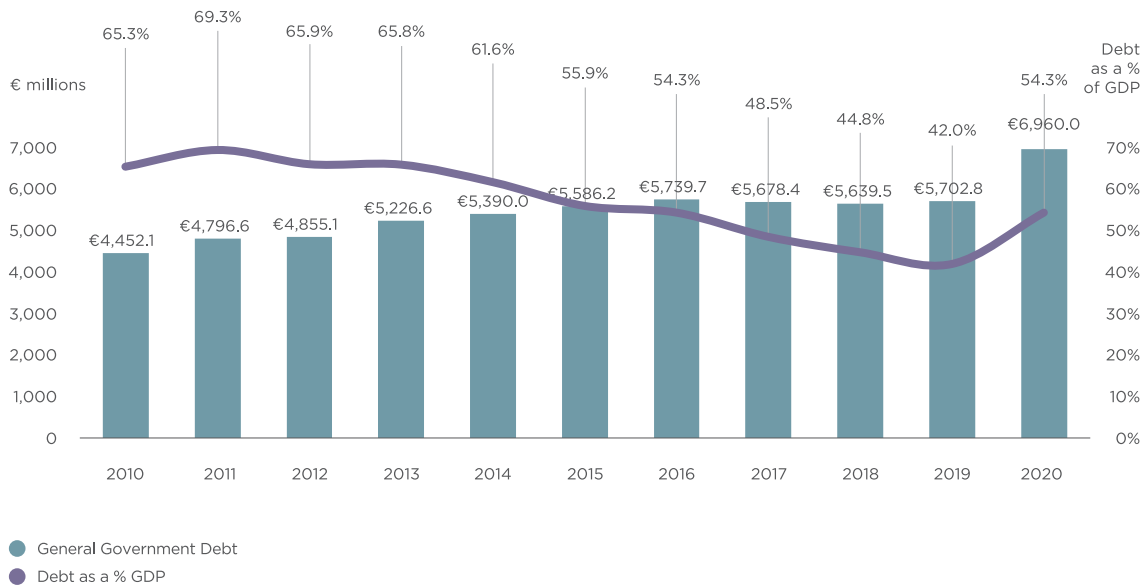


As a result of the various financial support packages introduced by the Government over the past few months, the general Government balance in 2020 has recorded a significant deficit. It is worth pointing out that in March 2020, the European Commission (EC) activated the general escape clause within the Stability and Growth Pact, effectively suspending the Maastricht Criteria requirements.

After several years of exceeding the Maastricht criteria 60.0 per cent debt-to-GDP threshold, Malta's general Government debt has, since 2015, fallen within this limit (Figure 2.8). In fact, Malta's debt-to-GDP ratio continued to fall reaching an all-time low of 42.0 per cent in 2019. As a result of the additional expenditure to support businesses and safeguard employment during the Covid-19 pandemic, in 2020 Malta's debt-to-GDP ratio increased albeit remaining below the 60.0 per cent threshold.

Figure 2.8
Government debt-to-GDP

Source: NSO, 2021



It is evident that Malta's structural economic performance was robust and broad-based. The strong economic growth that was registered, together with its convergence to EU27 averages, had a positive impact on employment trends and unemployment rates. This strong performance was felt across other macroeconomic indicators including balance of payments and public finances. The Covid-19 pandemic and the ensuing negative economic impact have dented Malta's growth and remain a key challenge for the short-to-medium term.

Looking ahead

Although the economic recovery from the effects of Covid-19 pandemic will take centre stage, Malta is expected to recover quickly and robustly from the pandemic, as highlighted by the latest economic forecasts.

The latest European Commission economic forecasts (Spring 2021) puts real GDP growth by the end of 2021, at 4.6 per cent, driven mainly by net exports and domestic consumption as tourism and international trade gradually start to pick up. In 2022, Malta's economy is forecasted to expand by 6.1 per cent as net exports return as the main contributor to GDP growth, with domestic demand continuing to make a slower but steady contribution. By the end of 2022, the tourism sector is expected to recover close to pre-pandemic levels and international trade should be significantly restored. On the strength of these results, employment levels in Malta are expected to continue growing, albeit at a slower pace, with unemployment gradually falling to below 4.0 per cent by 2022. Likewise, inflation is expected to rise to 1.2 per cent as consumption and investment pick up, propelled by high levels of accumulated savings. In 2022 inflation is set to increase further to 1.5 per cent.

Notwithstanding, data suggests that the return to pre-pandemic tourism levels might take longer than end-2022 and this is shown in one of the economic scenarios put forward by this Employment Policy in Chapter 5. Furthermore, as at July 2021, the unemployment rate in Malta had already fallen below pre-pandemic levels, standing at 3.3 per cent.

Economic activity will be supported by various Government-led initiatives, primarily the continued roll-out of the economic recovery plan, as well as various EU funded projects and initiatives that shall be launched in the coming months. An investment-led recovery will also support employment through the ripple effect it will create in the economy. In addition, the Government has launched various strategies and vision documents which will guide the economy towards new economic sectors. Developments relating to Malta's greylisting will continue to be followed closely to ensure that any impact is minimised whilst ensuring that effective corrective measures are implemented. Various other key challenges remain, including resource constraints, banking services, decarbonisation, and public finances. However, Malta remains well positioned to sustain an economic recovery despite these challenges.

2.2 Transition to a service-based economy continued

Malta's most significant economic transformation over the years has been its success in becoming a service-based economy. Despite being broad-based, Malta's economic performance was mainly driven by the robust performance of the service-based sectors. These are mainly, but not limited to, the regulated industries. The growth in output was also reflected in the demand for employment in these sectors. Going forward, further sectoral and intra-sectoral diversification will continue, and service-based sectors are projected to continue driving economic performance.

During 2010 to 2020 Malta's shift towards a service-based economy continued unabated (See Table 2.1). During this period, the share of market services increased by a full 6.0 percentage points and reached 84.7 per cent in 2020.

Figure 2.9
Malta's economic transformation (GVA terms)
Source: NSO, 2021

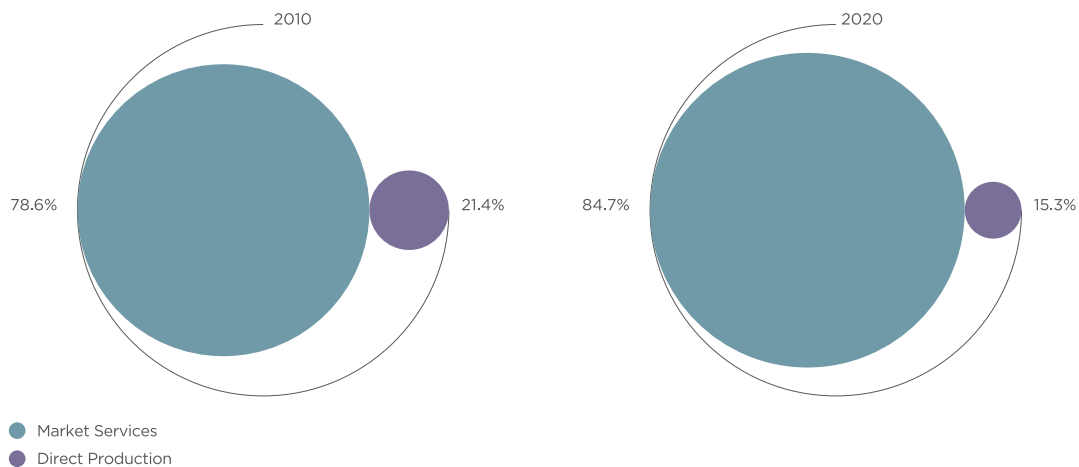


Table 2.1
Sectoral shares in GVA,
2010, 2019 and 2020

Source: NSO, 2021

Economic sector	Share in GVA 2010	Share in GVA 2019	Share in GVA 2020
Manufacturing	12.8%	8.2%	8.6%
Financial & insurance	8.8%	7.9%	8.7%
Gambling & betting	7.5%	7.1%	8.4%
Real estate	6.7%	6.2%	6.5%
Public administration	6.5%	5.6%	6.4%
Health & social work	6.0%	5.9%	6.3%
Education	5.7%	5.2%	5.5%
Transport & storage	5.7%	5.8%	3.5%
Professional, scientific and technical	5.4%	9.6%	10.1%
Information & communication	5.4%	7.9%	9.6%
Wholesale trade	5.0%	4.3%	3.9%
Accommodation & food services	4.9%	4.9%	1.8%
Construction	4.8%	4.2%	4.6%
Retail trade	4.5%	4.3%	4.3%
Administrative & support services	4.0%	8.1%	7.7%
Agriculture & fisheries	1.4%	0.8%	0.7%

In particular, the professional, scientific, and technical, and the administrative and support services sectors both registered significant gains in terms of their relative contribution to Malta's Gross Value Added (GVA). The former continued to increase its share even in 2020 despite the Covid-19 pandemic, with financial and insurance services and gambling and betting retaining their importance to the overall economy. The information and communication sector also continued increasing its relative importance and contribution to the country's GVA. On the flipside, wholesale trade, manufacturing and the agricultural and fisheries sectors continued to reduce their relative economic share.

On the other hand, specific sectors have taken a hard hit during the pandemic due to the global and national restrictions on travelling. As expected, the accommodation and food services and the transport and storage sectors were severely impacted, and both reduced their relative share in the Maltese economy.

The strong showing of the services sectors also translated into a current account surplus on account of robust service-based export sectors like tourism and gaming that achieved fast growth.

The shift towards service-based sectors also drove employment movements with strong growth being registered in the respective sectors (see Table 2.2). Over the nine-year period under review, the economy created a net of 86,370 new employment opportunities - this equates to a 4.6 per cent average annual growth rate. On a sectoral level, only six sectors grew faster than the average. The fact that all the frontrunners are service-based sectors further confirms the structural shift and strengthening of Malta's service-based economic fabric.

Figure 2.10
Malta's labour market transformation

Source: NSO, 2021

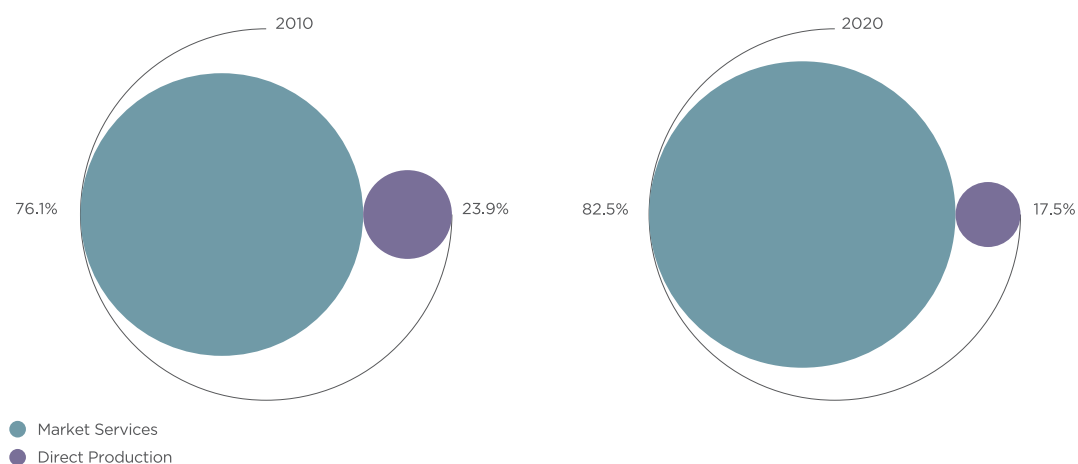


Table 2.1
Sectoral shares in GVA,
2010, 2019 and 2020

Source: Jobsplus, 2021

Economic sector	2010	2019	Absolute change	Average annual growth rate (19/10)
Manufacturing	21,962	23,893	1,931	0.9%
Retail trade	16,129	20,037	3,908	2.4%
Education	15,571	20,701	5,130	3.2%
Accommodation & food services	15,001	20,294	5,293	3.4%
Construction	13,272	15,433	2,161	1.7%
Health & social work	12,617	20,394	7,777	5.5%
Public administration	12,138	16,880	4,742	3.7%
Administrative & support services	9,762	25,189	15,427	11.1%
Transport & storage	9,415	13,715	4,300	4.3%
Wholesale trade	9,384	12,349	2,965	3.1%
Professional, scientific and technical	7,880	19,406	11,526	10.5%
Financial & insurance	7,388	12,229	4,841	5.8%
Information & communication	5,439	9,099	3,660	5.9%
Agriculture & fisheries	2,958	3,644	686	2.3%
Gambling & betting	2,441	8,937	6,496	15.5%
Real estate	1,222	2,607	1,385	8.8%
Other economic sectors	12,196	16,338	4,142	3.0%
Total employment (FT & PT)	174,775	261,145	86,370	4.6%

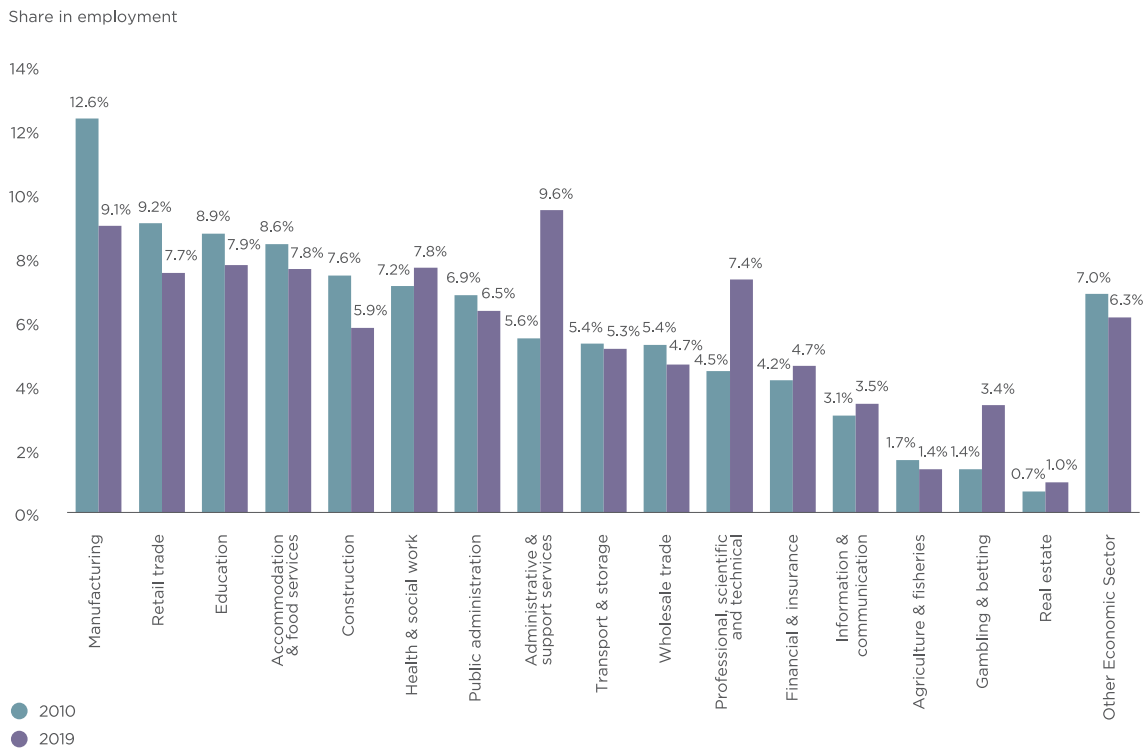
The fastest growth in employment was evident in gambling and betting, with an average annual growth rate of 15.5 per cent. The administrative and support services sectors and the professional, scientific, and technical activities sector ranked second and third, growing at 11.1 per cent and 10.5 per cent respectively, followed by the real estate, financial services, and information and communication sectors.

Annual average growth in the public service stood at 3.7 per cent, slightly below the average. On the other hand, sectors like manufacturing, agriculture and fisheries, and construction grew at an average annual rate of 0.9 per cent and 2.3 per cent respectively.

Sectoral shares in employment also shifted in line with the growth rates in employment described above. Several shifts can be identified, with some sectors reducing their employment share, whilst others significantly increased theirs, mirroring the above analysis (see Figure 2.11).

Figure 2.11
Sectoral shares in employment

Source: Jobsplus, 2021



The main sectors identified above, exhibiting fast growth rates, have all increased their sectoral share whilst a couple of sectors reduced their share, manufacturing being the most notable and significant.

Looking ahead

Malta's economy remains primarily services driven. Services are expected to continue being Malta's main driving force, however several challenges are on the horizon. With an already established base of services and regulated industries, Malta continues to continuously improve its service offering with a view of attracting new niche industries. A key challenge remains the availability of skilled resources. The Government remains committed to strengthening existing sectors, whilst developing new ones to attract investment, creating employment and generating wealth.

2.3 Covid-19 pandemic highlighted both Malta's vulnerability and resilience

The Covid-19 pandemic will remain one of the most severe economic shocks to hit the global economy, and Malta was not immune to it. However, due to several factors, including its recent strong economic performance, it generally withstood the shock despite some residual fragility stemming from Malta's dependencies on key economic sectors. Government intervened forcefully in a timely and targeted manner to shore up economic performance and to support the economy to bounce back. Yet, vulnerabilities have been exposed.

The global pandemic hit in 2020 and Malta's economy registered a sharper contraction when compared to the EU average. Restrictions on air travel, tourism and social activities were mostly to blame for the expected drop in real GDP of 7.0 per cent. The decline in GDP was largely underpinned by lower net exports, as domestic demand, although negative, was of a smaller magnitude. Net exports shed 5.9 percentage points from GDP growth, reflecting a stronger decline in exports than imports. At the same time, overall domestic demand shed 1.1 percentage points from GDP growth, mirroring lower private consumption expenditure (-3.7 percentage points) and investment (-1.0 percentage points). With the Government assuming a stronger stabilising role during this time, Government consumption had a positive contribution to GDP growth (+2.8 percentage points).

Figure 2.12 2020 real GDP demand

Source: NSO, 2021 (Chain linked volumes, reference year 2015), Author's calculations

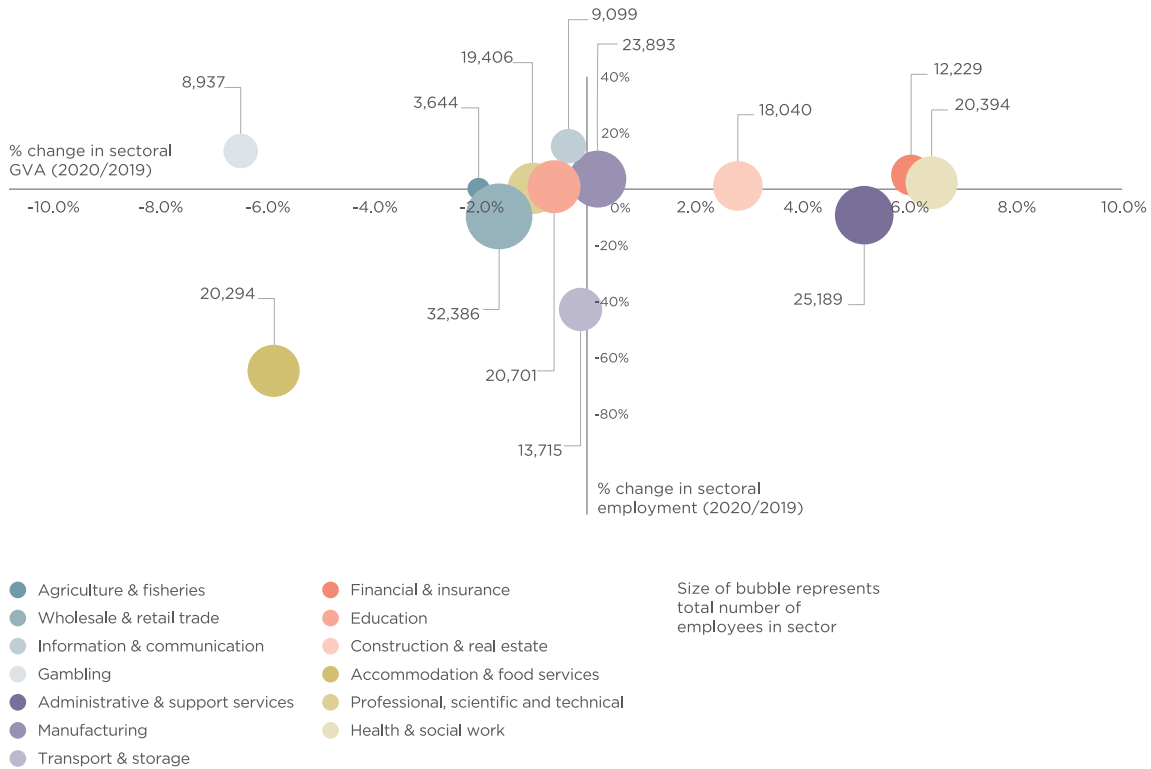


The worst hit economic sectors were those directly impacted by containment measures on international travel and the temporary closure of all but essential retail. To this end, the largest declines occurred in the accommodation and restaurants sector, and the transport and logistics sector, which contracted by 64.7 per cent and 42.8 per cent respectively, and the wholesale and retail sectors, which decreased by 9.8 per cent over 2019. The agricultural sector was also significantly impacted by the slow activity in hotels and restaurants, which are generally an important consumer to the local agricultural sector.

The impact on other services sectors was broadly neutral, except for the information and communication sector, which registered a growth of 15.3 per cent in GVA, and the gaming sector, which was up by 13.6 per cent over 2019. The manufacturing sector too was left relatively unscathed, and despite major disruptions to its supply chain the sectors GVA increased by 0.3 per cent during 2020.

Figure 2.13
Sectoral percentage changes
in GVA and employment 2020 vs 2019

Source: NSO, Jobsplus, 2021



Notwithstanding all this, employment levels continued to increase, though at a slower rate than in previous years, clearly suggesting that the Governments support measures to prevent large-scale layoffs had so far paid off. Besides fiscal support, growth in employment during this period may also reflect an element of labour hoarding by firms following a period of skills shortages. Although during the period under review the unemployment rate edged up to 4.3 per cent, it remained close to its historical low and well below the average rate in the EU. In July 2021, Malta's unemployment rate stood at 3.3 per cent compared to the EA average of 7.6 per cent and remained one of the lowest in Europe.

Against general expectations, registered employment data as at September 2020 and published by Jobsplus does not seem to suggest that the supply of non-Maltese employment has been significantly impacted by the economic disruption triggered by the Covid-19 pandemic. To the contrary, by September 2020 overall employment levels increased by more than 2,200 employees, the majority of which were non-Maltese (Table 2.3).

Table 2.3
Movement in sectoral employment
by nationality (2020/2019)

Source: Jobsplus, 2021

'Movement in sectoral employment by nationality 2020/2019	Maltese Nationals	Non-Maltese Nationals	Total change	Change as a % of 2019 sectoral employment
Agriculture & fisheries	-42	21	-21	-0.6%
Manufacturing	-363	194	-169	-0.7%
Construction	-128	659	531	3.3%
Wholesale & retail trade	-562	398	-164	-0.5%
Transport & storage	-311	257	-54	-0.4%
Accommodation & food services	-606	-548	-1,154	-5.7%
Information & communication	-55	5	-50	-0.5%
Financial & insurance	104	756	860	7.1%
Real estate	131	69	200	8.4%
Professional, scientific and technical	-375	-227	-602	-3.0%
Administrative & support services	727	590	1,317	5.3%
Public administration	177	48	225	0.7%
Education	-188	24	-164	-1.3%
Health & social work	1,253	421	1,674	13.6%
Gambling & betting	-51	-527	-578	-6.5%
All sectors	-69	2,323	2,254	0.9%

Despite this, certain sectors, notably the accommodation and food services sector, lost roughly 5.7 per cent of the 2019 staff complement resulting from both Maltese and non-Maltese employees leaving the sector during this period. This corroborates the staffing challenges that many operators in the catering industry are claiming to be facing as they eagerly open-up for business. Other sectors which experienced significant reductions in the number of non-Maltese employees were the gambling and betting sector, and the professional services sector. All other sectors registered growth in the number of non-Maltese employed during this period, notably the health sector and the financial services sector, with the latter undergoing a transformation in the face of impending sectoral reforms. In other sectors, such as manufacturing and wholesale and retail trade, the sustained increase in the number of non-Maltese workers during 2020 has compensated for supply shortfalls created by the reduction of Maltese employees because of retirement or churn to other sectors.

Public finances deteriorated sharply in 2020, partly reflecting the introduction of pandemic-related fiscal support, which increased Government expenditure and deferred tax revenues, as well as the decline in economic activity. During 2020 the fiscal balance showed a deficit of €1.3 billion which is equivalent to 10.1 per cent of GDP. General Government debt on the other hand rose to 54.3 per cent of GDP from 42.0 per cent in 2019, though remaining well below the EA target. The pandemic also left its mark on the current account balance, which is estimated to have registered a deficit for the first time since 2016.

As part of the NextGenerationEU financial package designed by the EU, Malta will be benefitting from €316.4 million in grants under the Recovery and Resilience. This financing will support the implementation of crucial investments and reforms which will allow Malta to emerge stronger from the Covid-19 pandemic.

Looking ahead

Despite resulting in a sharp contraction in GDP, the Maltese economy displayed its resilience in the face of a negative economic shock. The Government was able to intervene forcefully to sustain economic activity through various investment and support budgets. It also invested heavily in public health, consumables, and infrastructure. This resilience was built around healthy public finances and a diversified economy. However, its vulnerability to the global economy and particularly to tourism-related activities was also exposed. Due to social restrictions imposed for the management of the pandemic, other economic sectors were also hard-hit. Moving forward, the economy is required to further adjust and diversify whilst shoring up its resilience across other sectors too. Having a more diversified economic base and future-proofing the economy with new niche sectors will also support this transition.

2.4 Sectoral disparities exist

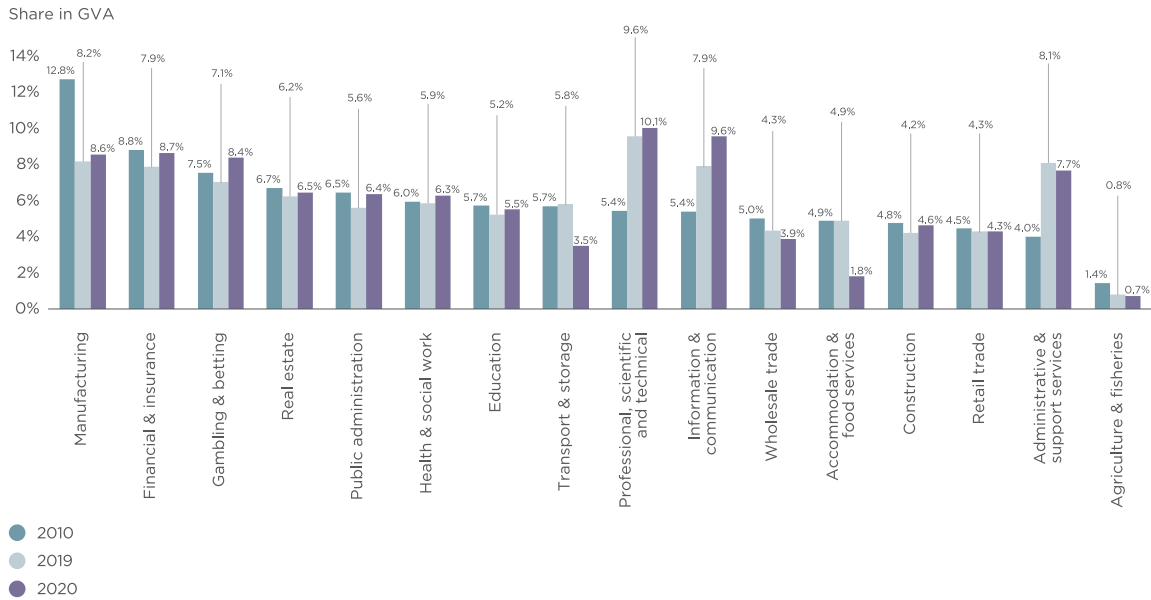
Over the years Malta has successfully diversified its economic fabric. New economic sectors were established with regulatory frameworks and incentives providing the foundation. In addition, Malta's existing sectors and economic structure transitioned into one which is more service-based and with higher value-added activities. Notwithstanding, sectoral disparities still exist, and improvements can be made in several economic sectors which can lead to enhanced competitiveness, investment attractiveness, job creation and wealth generation.

Malta's buoyant economic performance was a result of several sectoral developments. Over the years, Malta has been focused on diversifying its economy through the establishment of new niche sectors, primarily service-based. Intersectoral diversification was also a key policy initiative with sectors being developed into ecosystems and new sub-sectors being established. A diversified economy is especially critical for a small open economy like Malta whereby the absence of a wide economic base can lead to excessive vulnerabilities and exposure to economic shocks.

Throughout the past decade, service-based sectors increased their share in the economy and bolstered diversification (see Figure 2.14).

Figure 2.14
Sectoral shares in GVA

Source: Eurostat, 2021



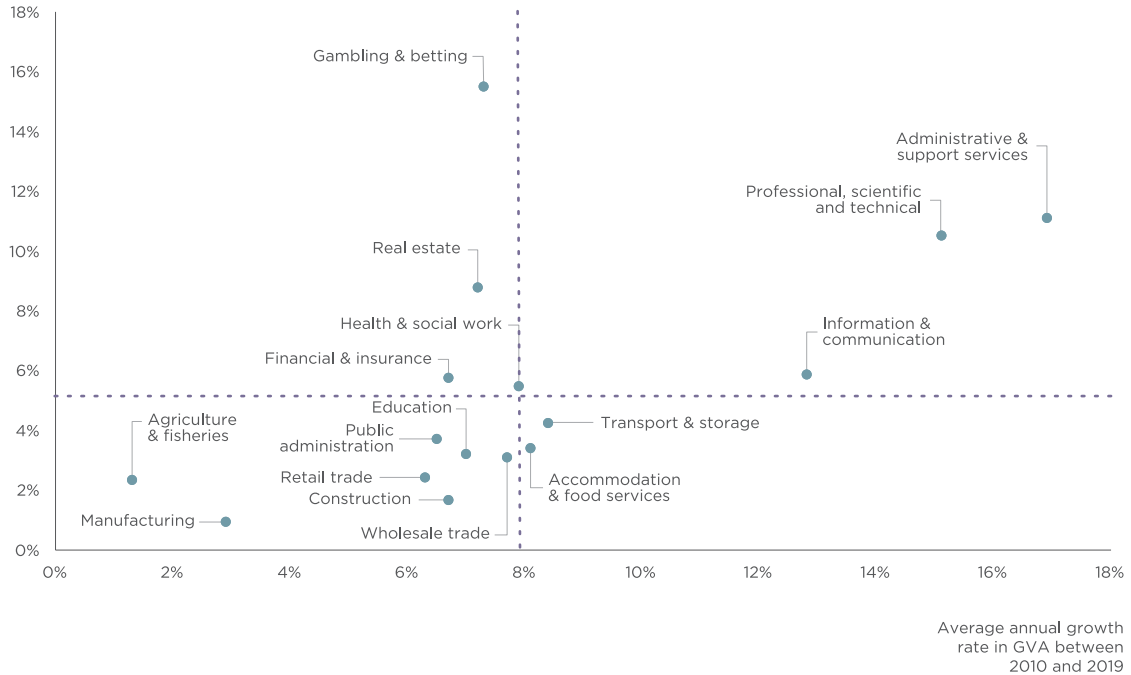
From a cursory analysis, it is evident that some significant movements in sectors were recorded both pre- and post-Covid-19 pandemic. Significant growth was registered in two main sectors which increased their share in GVA, these being the professional, scientific, and technical sector, and the information and communication sector, which both increased their share in 2020 over the previous year. Both nearly doubled their share respectively. Administrative and support services also increased considerably with its share declining marginally in 2020. On the other hand, the manufacturing and agriculture sectors both registered a declining share in the economy's GVA. As expected, because of the Covid-19 pandemic, three sectors – accommodation and food services, transport and storage, and wholesale – saw their share of GVA shrink in 2020 when compared to 2019.

The sectoral growth in GVA also had significant implications on the demand for labour by the sectors (see Figure 2.15).

Figure 2.15
GVA versus employment growth by sector

Source: NSO, Jobsplus, 2021

Average annual growth rate in employment between 2010 and 2019



As evident in the above quadrants, not all sectors exhibited GVA and employment growth. In fact, over the period under review, three sectors (information and communication, professional, scientific, and technical, and administrative and support services) all exhibited strong growth in employment and GVA indicating booming industries. On the contrary, industries in the top-left quadrant, such as gaming, financial and insurance services, and real estate, exhibited strong employment growth which was not fully translated into GVA growth. Reasons for this can be the need to enhance compliance functions with respect to financial services, the boom in the number of people entering the real estate market, and a general plateauing of productivity in the gaming sector. The bulk of the sectors are all in the bottom-left quadrant displaying balanced growth between the two variables.

Sectoral disparities exist due to several reasons, most of which are sector-specific and structural in nature. A detailed analytical assessment on each sector is presented in Annex A.

Looking ahead

As much as continued economic diversification is important for an economy, strengthening the current economic fabric is just as important. Improving sectoral performance can lead to increased economic performance on several levels. Several challenges exist across sectors and skilled resource constraints remains a common problem. Understanding sectoral disparities and challenges and targeting them through policy initiatives can unlock significant value creation opportunities. In June 2021, the Government also launched a public consultation document outlining Malta's economic vision for the next decade with the aim of continued diversification for building a resilient economy.

2.5 Productivity remains a key economic challenge

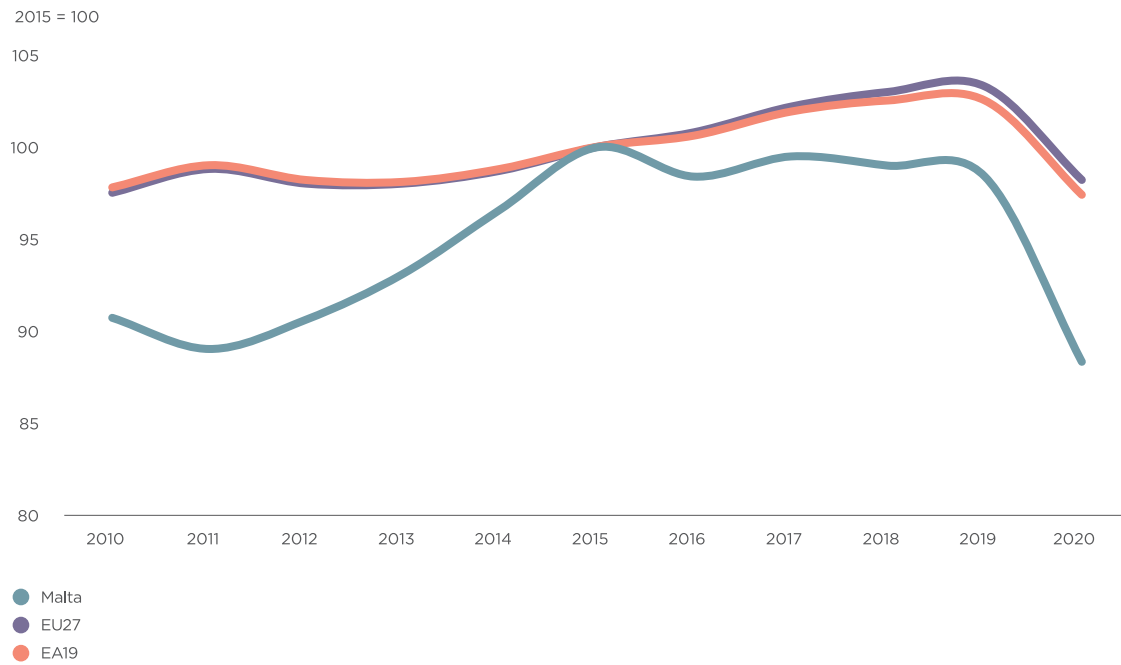
Analysing sectoral disparities highlighted the fact that productivity is a key challenge for Malta. By improving sectoral and national productivity, Malta can achieve higher growth rates, wealth, and employment. In a globalised world, maintaining and improving productivity and competitiveness are critical for an economy to sustain growth and job creation. Despite improvements being made across some sectors, productivity remains a central challenge for the island.

When analysing sectoral performance, productivity is key not only to understand the sectoral standing in terms of competitiveness and its overall resilience to economic shocks, but also with respect to employment within the sector and its prospects.

Productivity is a key driver of economic activity, not simply in terms of generating higher levels of growth and output, but also in terms of improved wages and living standards. Malta's Total Factor Productivity (TFP), which is typically related to productivity from technological advancement, has grown significantly since the 2009 economic crisis and has risen at a much faster rate than the rest of the EU and EA. This in fact peaked in 2015, when it converged to both EU27 and EA19 levels before reversing this trend and declining close to 2011 levels by 2020. (see Figure 2.16).

Figure 2.16
Total Factor Productivity

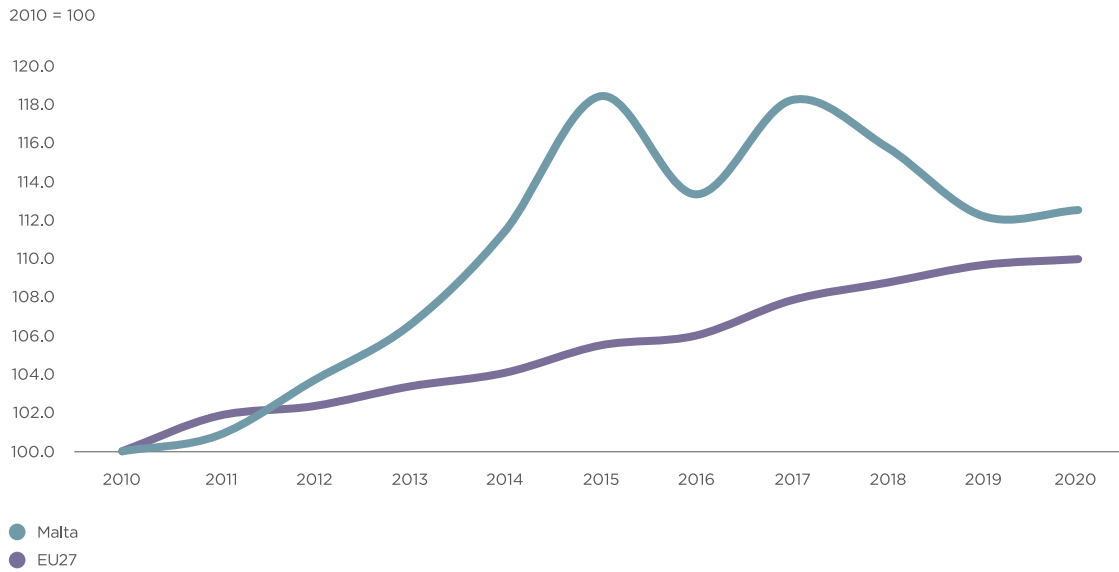
Source: European Commission, 2021



In terms of labour productivity, denoted in terms of hours worked to account for differences in working times across full-time and part-time workers, one can observe no significant stable growth in Malta's labour productivity over recent years, such that aggregate labour productivity is now higher in Malta than the EU27 average (see Figure 2.17).

Figure 2.17
 Real labour productivity
 per hour worked

Source: Eurostat, 2021



However, there are wide disparities between sectors. By working out the nominal GVA per worker in each sector, one gets a good indication of the sectoral productivity. Based on average and aggregate productivity levels for the entire Maltese economy in 2020, Table 2.4 classifies each sector according to whether its productivity lies below (low) or above (high) this threshold. To chart the performance of the sectors over time, data is presented for 2010, 2019 and 2020 to highlight the structural changes pre-Covid-19 pandemic as well as its impact on such sectors.

Table 2.4
Sectoral labour productivity
(Nominal GVA per worker)

Source: Eurostat, 2021, Author's calculations

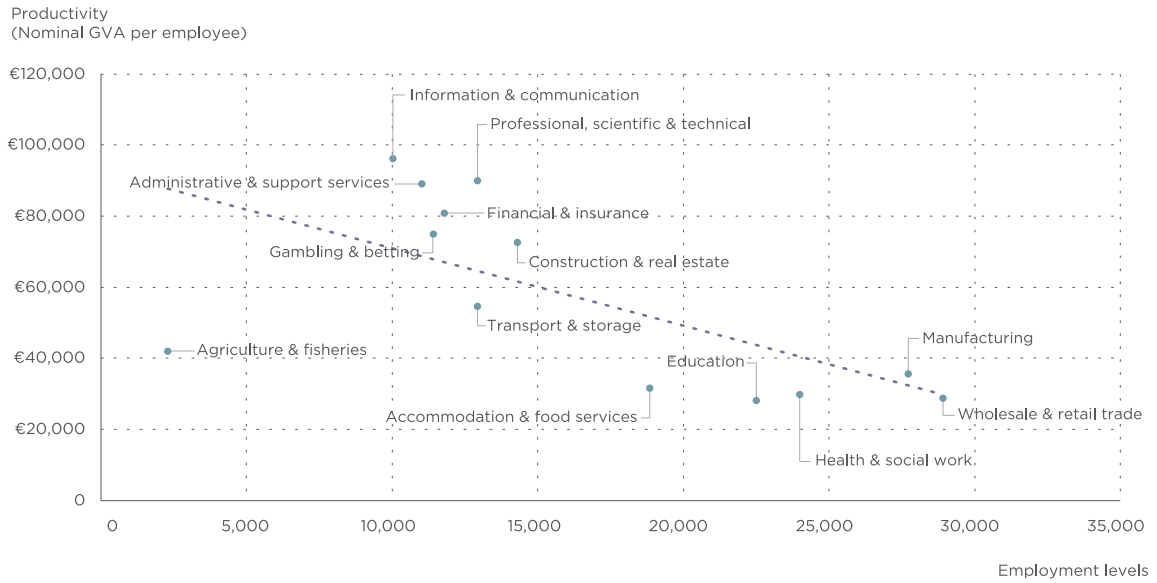
	2010 (€)	2019 (€)	2020 (€)
Country productivity	37,427	48,520	45,199
High productivity sectors			
Information & communication	67,604	96,000	115,292
Professional, scientific & technical	56,345	89,853	80,785
Administrative & support services	51,340	89,091	82,991
Financial & insurance	82,875	80,873	65,438
Gambling & betting	174,423	74,904	78,870
Construction & real estate	54,643	72,790	56,508
Low productivity sectors			
Agriculture & fisheries	41,095	42,087	31,923
Manufacturing	31,389	35,715	34,710
Accommodation & food services	24,057	31,527	11,954
Health & social work	26,925	29,625	29,803
Wholesale & retail trade	25,487	28,533	26,637
Education	24,891	28,151	28,619
Transport & storage	37,615	54,643	26,873

From the data presented it is apparent that the high productivity sectors were service-based, and these led to the overall gains between 2010 and 2019. As a result of the Covid-19 pandemic, several sectors plateaued except for the information and communication sector which shot up because of the accelerated digital transformation.

The analysis can be extended by analysing variations on the size of the workforce to understand the dynamics between productivity and employment. The relationship is depicted in Figure 2.18 for the year 2019.

Figure 2.18
Employment versus Productivity (2019)

Source: Eurostat, 2021, Author's calculations



It is evident that two clusters exist in the economy. The first cluster, represented by the gambling, information and communication, and other service-based sectors, presents higher-than-average productivity which generated a high-level of value-added with a leaner workforce. In contrast, the second cluster of more labour-intensive sectors failed to generate high levels of productivity. In fact, a negative correlation is found between the two. An outlier is agriculture and fisheries, which is highly dependent on the fate and success of the aquaculture industry. The above analysis is tabulated in matrix format for ease of reference in Matrix 2.1.

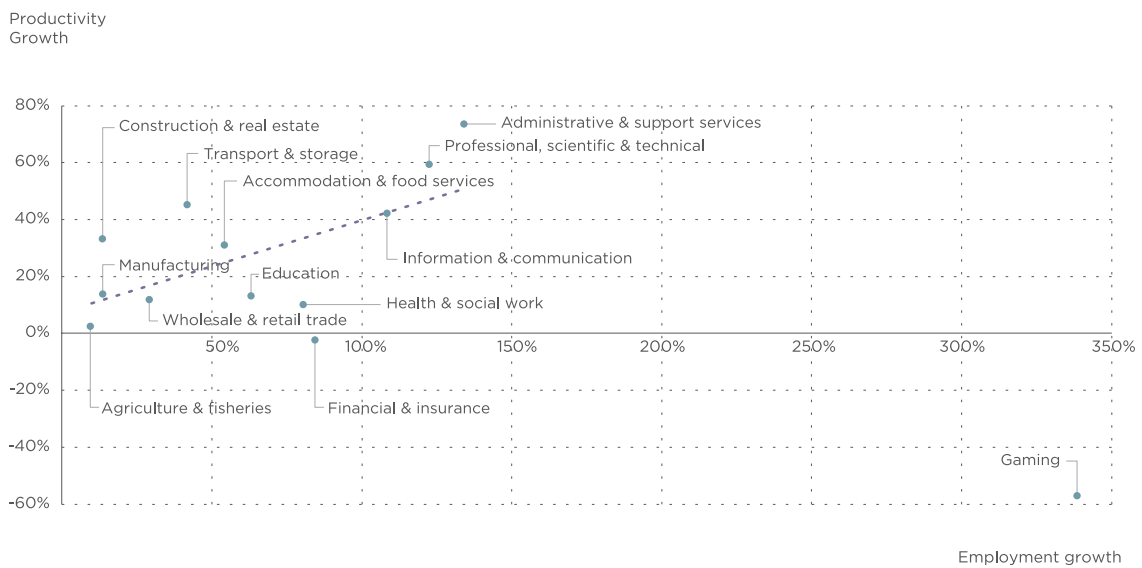
Matrix 2.1
Employment versus Productivity

		Productivity	
		Low	High
Employment	High	Accommodation & food services, Wholesale & retail, Manufacturing, Education, Health & social work	
	Low	Agriculture & fisheries	Information & communication, Professional services, Administrative & support services, Financial services, Construction & Real estate, Transport, Gaming

To capture the dynamic and the shifting nature of the economic fabric it is important to consider the relationship between employment growth and productivity growth. This analysis assesses whether those sectors experiencing higher levels of productivity growth have also led to greater job creation. This relationship for the period 2010 to 2019 based on sectoral averages for both indicators is depicted in Figure 2.19.

Figure 2.19
 Employment growth versus
 Productivity growth (2019/2010)

Source: Eurostat, 2021, Author's calculations



In this analysis, a positive correlation is observed between employment and productivity growth with the findings suggesting that low productivity growth and low employment growth went together over the period under review. Several sectors experienced both high job creation and productivity growth, indicating that they were booming – this applies particularly to service-based sectors such as professional and administrative services and information and communication. On the other hand, sectors such as gaming and financial services experienced low productivity growth, but high employment growth. This shows that given that GVA in the sectors was already high it could have plateaued. A further factor may be the increase in regulatory requirements, which may have necessitated operational changes as well as an expansion of more labour-intensive functions such as compliance. The relationship in matrix form is shown in Matrix 2.2.

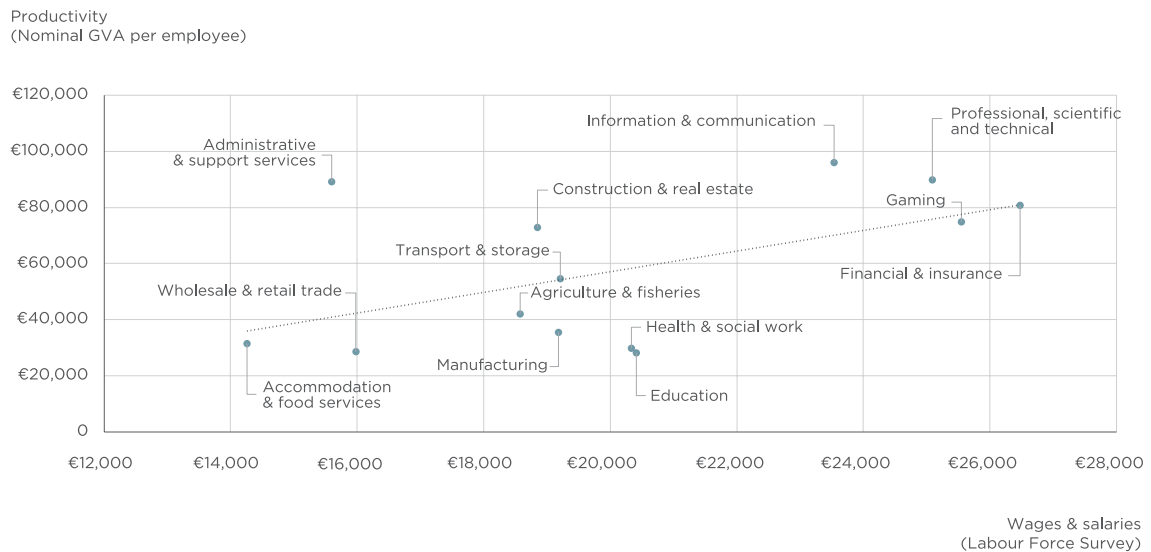
Matrix 2.2 Employment growth versus Productivity growth

		Productivity growth	
		Low	High
Employment growth	High	Gaming, Financial services, Education, Health & social work	Professional services, Administrative & support services, Information & communication
	Low	Agriculture & fisheries, Wholesale & retail, Manufacturing,	Transport, Construction & Real estate, Accommodation & food services

It is important to analyse the relationship between wages and salaries earned by workers in each sector and whether these move in line with productivity developments. Figure 2.20 plots sectoral productivity against average annual wages and salaries per worker within each sector for 2019.

Figure 2.20
Productivity versus
Wages and salaries (2019)

Source: Eurostat, 2021, Author's calculations



The relationship between the two indicators is positive, indicating that wages and salaries are generally aligned with productivity developments. It is evident that two distinct clusters exist from a sectoral perspective showing that although the economy is diversified, the sectors and wages within it are growing at different speeds. The first cluster is the strong service-based sectors and includes gambling, information and technology, professional, scientific and technical, and financial and insurance services. These all command higher-than-average salaries and are at the upper level of productivity levels in Malta. Most sectors all gravitate towards the average wage. However, the administrative and support services sector, which includes an array of activities that support general business operations, such as leasing activities and office support, exhibit high productivity but low wages, which were dampened by the inflow of migrant workers who in turn contained upwards wage pressures. As can be evidenced from this cluster, there is scope for improvement in terms of productivity and, eventually, in wages and salaries.

Matrix 2.3 Productivity versus wages and salaries

		Productivity	
		Low	High
Wages & salaries	High	Education, Health & social work	Information & communication, Professional services, Financial services, Gaming
	Low	Accommodation & food services, Wholesale & retail trade, Agriculture & fisheries, Manufacturing	Construction & Real estate, Administrative & support services, Transport

The 'Returns to Labour Income' (RLI) indicator is used as another measure of sectoral productivity, for each sector, defined as the value added generated by each worker for every euro spent on wages and salaries. This ratio provides a more succinct indicator of the value extracted from the labour force within each sector, and thus points towards potential sectoral competitiveness. The results are shown in Table 2.5, whereby each sector is classified as having either high or low RLI using Malta's aggregate RLI for 2019 of around €2.57. For comparative analysis Table 2.5 also gives the sectoral RLI for 2012.

Table 2.5
Returns to Labour Income (RLI)

Source: Eurostat, 2021, Author's calculations

	2012	2019
Aggregate RLI	€2.47	€2.57
High RLI Sectors		
Administrative & support services	€4.81	€5.35
Construction & real estate	€4.00	€4.79
Information & communication	€2.50	€4.53
Professional, scientific, and technical	€3.31	€3.88
Financial & insurance	€3.75	€3.46
Gambling & betting	€8.72	€2.89
Transport & storage	€2.45	€2.84
Low RLI Sectors		
Accommodation & food services	€1.88	€2.41
Wholesale & retail trade	€2.29	€2.37
Manufacturing	€2.39	€1.87
Health & social work	€1.67	€1.55
Agriculture & fisheries	€3.64	€1.54
Education	€1.48	€1.38

The administrative and support services sector has the highest RLI in Malta with €5.35 generated per euro of wages and salaries, followed by the construction and real estate sector (€4.79), the information and communication sector (€4.53), and the professional services sector (€3.88). The classification of these sectors mirrors productivity developments highlighted above.

Meanwhile, most sectors have not experienced any drastic movements in their RLI when compared to 2012. The main exceptions are the agricultural sector which has been relegated to the low RLI sectors since 2012 because of the low productivity growth recorded during this period, and the gaming sector, which although still among the high RLI sectors, fell significantly from 2012 on account of growing salaries against plateauing GVA levels. The information and communications sector, which has been experiencing high productivity growth rates, increased its RLI from €2.50 in 2012 to €4.53 in 2019.

Looking ahead

Productivity improvements can lead to significant improvements for both workers and the economy. There are several challenges in this regard with some sectors having legacy issues or structural concerns. Digitalisation can be an important route for enhanced productivity in some sectors, whilst this is also confirmed by the Government's plans and investments as outlined in various strategies and vision statements.

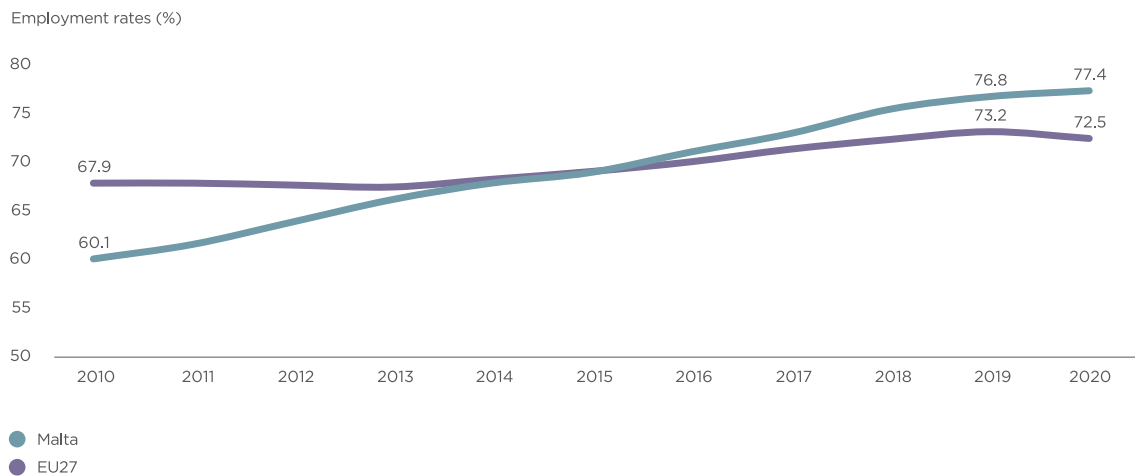
2.6 Buoyant labour market with record employment rates

Malta's impressive economic performance in recent years is also reflected in employment growth figures. Malta has achieved record employment growth rates that have consistently outperformed European averages.

With employment growth outpacing its European counterparts, Malta's employment rate has increased steadily over the years, surpassing the EU27 average in 2016 (see Figure 2.21). Prior to the crisis, in 2020, the employment rate in Malta stood at 76.8 per cent compared to 73.2 per cent for the EU27. In 2010, Malta's employment rate stood at 60.1 per cent. This was the result of highly successful active labour market policies.

Figure 2.21
Employment rate performance

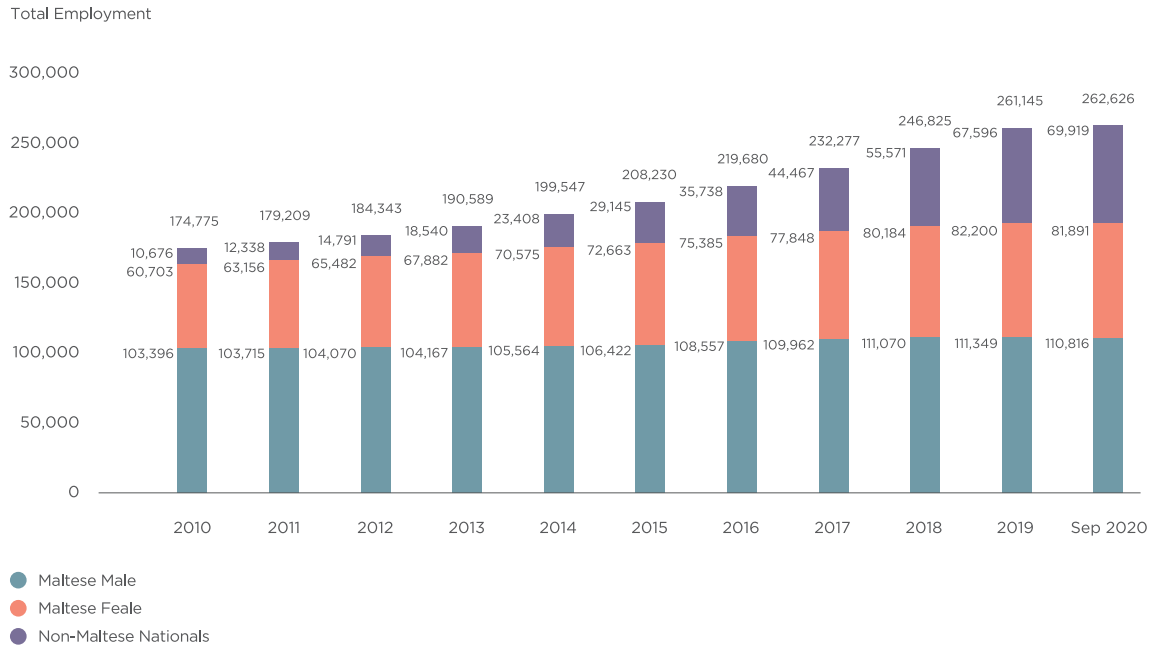
Source: Eurostat, 2021



This has led to an increase in the total employment population as shown in Figure 2.22.

Figure 2.22
Total employment

Source: Jobsplus, 2021

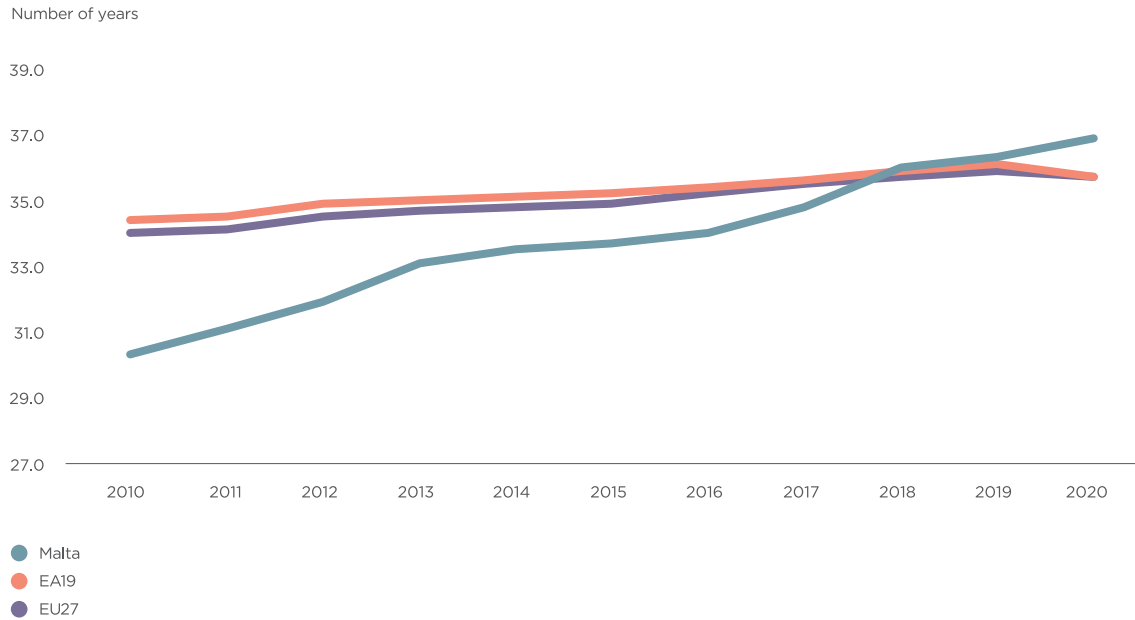


The increase in the employment population is a result of several forces and a direct result of a very successful active labour market policy launched by the Government through its 2014 National Employment Policy. With a stated aim of enhancing the activation and participation rates in Malta through a mix of measures targeted towards females, older workers and the long-term unemployed, as well as through policies geared to attract migrant workers, Malta's labour force grew at a very fast rate, close to 50.0 per cent between the period 2010 and 2019.

This increase in total employment has also led to a significant increase in working life years in Malta (see Figure 2.23).

Figure 2.23
Duration of working life

Source: Eurostat, 2021



In 2010, on average, workers in Malta had a working life of 30 years, much lower than the European average of 34 years. After growing at a fast and steady pace, the duration of working life in Malta had exceeded the EU average. By 2020, the figure increased to 37 years compared to the European average of 36 years. The increase in working life in Malta reflects the increase seen in the employment rate among workers aged between 55 and 64. This increase can be attributed to an active labour market policy initiative whereby persons who reach retirement age can remain in employment while they receive their pension. The gains seen in female employment have also contributed to the increase in working life.

Looking ahead

Malta's economic performance was reflected in a healthy and robust employment market. The effect of the Covid-19 pandemic on the job market was well-contained on effect of the various incentive packages that the Government introduced. Resource constraints are still being felt in industry and given Malta's expected economic rebound, employment rates are expected to remain at pre-Covid-19 pandemic levels. There remains potential for further activation in the labour market especially amongst females and older workers who would opt to remain within the labour force.

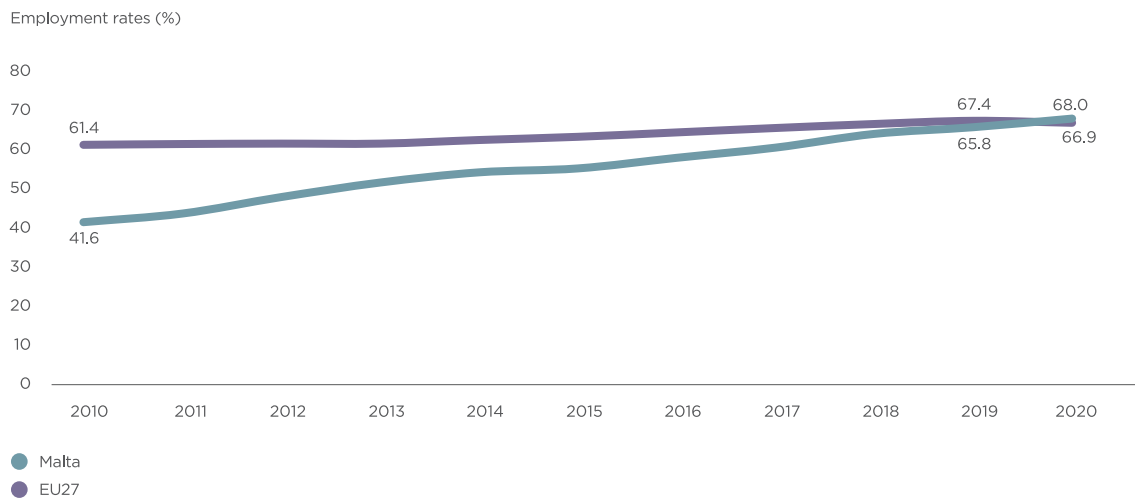
2.7 Employment driven by highly successful active labour market policies

The success Malta achieved in the labour market is a direct result of the National Employment Policy in 2014, which was based on an aggressive set of active labour market policies including attracting females into the labour market. The fast growth that was achieved in this cohort was mainly driven by a flagship policy that provided free childcare to returning mothers. In addition, significant increases were also evident in older workers remaining in employment past retirement.

When analysing Malta's performance, the increase in female employment rates is undoubtedly a main driver. Starting at an employment rate of 41.6 per cent in 2010, Malta registered a rate of 65.8 per cent by 2019 increasing by a staggering 24.2 percentage points (see Figure 2.24).

Figure 2.24
Female employment rates

Source: Eurostat, 2021

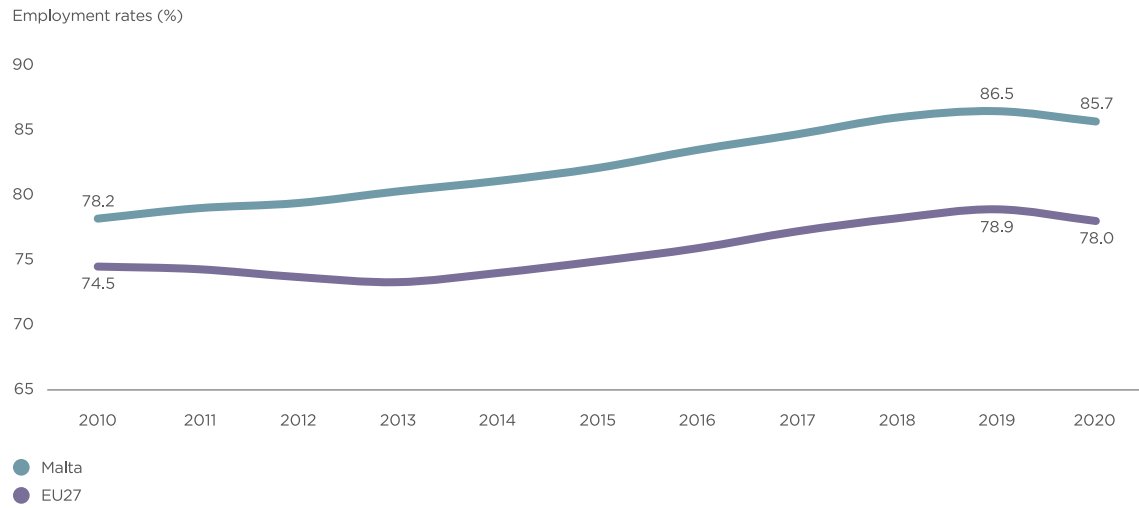


This has led to Malta closing the gap with the European average which stood at 19.6 percentage points and overtaking it by just over 1.1 percentage points in 2020. This improvement was the result of direct policy intervention which supported females to return to the labour market through a mix of fiscal incentives and other support measures including free childcare.

Increasing by 7.5 percentage points in Malta as opposed to the 3.5 percentage point increase in the European average, male employment has also been an important driver to Malta's improved labour market developments (see Figure 2.25).

Figure 2.25
Male employment rates

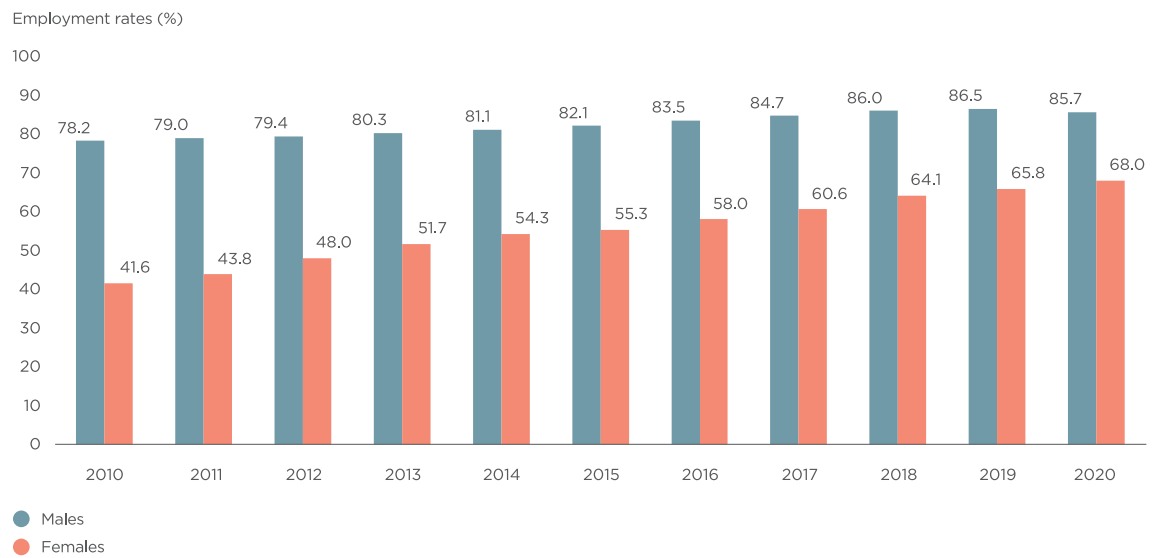
Source: Eurostat, 2021



Data indicates that a lot of progress has been made in both male and female employment rates (see Figure 2.26).

Figure 2.26
Employment rates by gender

Source: Eurostat, 2021



With the faster rate of growth in female participation, the existing gap between the male and female activity rate shrunk from 36.6 percentage points to 17.7 percentage points. There remains room for improvement, especially with respect to further increasing female participation rate together with a greater drive towards gender equality in work.

Looking ahead

Malta successfully managed to activate a female cohort into the labour force through a set of active labour market policies that were targeted at improving the work-life balance. Through measures such as free childcare, thousands of women re-entered the workforce. The main focus is not to continue activating cohorts, but to also enhance the quality of jobs.

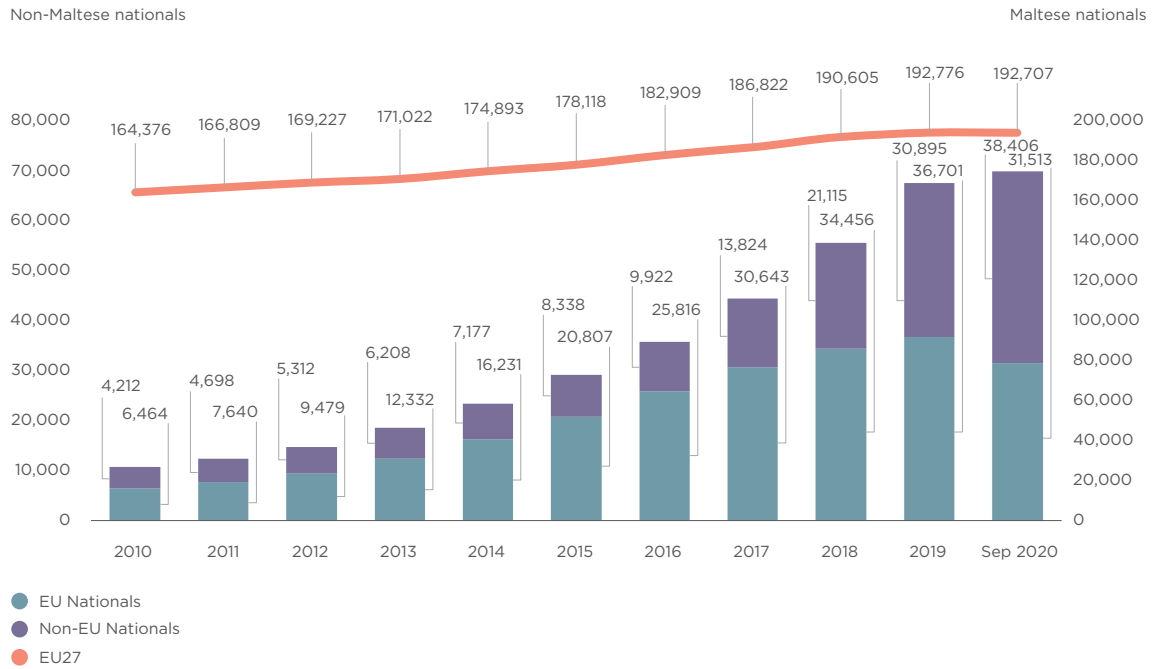
2.8 Inward migratory flows were also key drivers of growth

One of the main drivers and transformations most visible in Malta's labour market was the sharp increase in non-Maltese working in Malta. The non-Maltese workforce has been the largest contributor to the growth of Malta's labour force and has also contributed significantly to overall economic performance.

Between 2010 and 2019, the non-Maltese component of the labour force exhibited the fastest average annual growth rates. Whereas the Maltese cohort grew on average by 1.8 per cent each year, the non-EU national cohort registered an average annual growth rate of 24.8 per cent closely followed by 21.3 per cent registered by the EU national category. As a result, the share of non-EU nationals in the labour force continued to increase over the years, and as at September 2020 exceeded the number of EU nationals working in Malta (see Figure 2.27), with non-Maltese nationals comprising 26.5 per cent of the total Maltese labour force.

Figure 2.27
Employment by nationality

Source: Eurostat, 202
 Statistical note: The UK left the EU at the end of 31 January 2020. UK nationals working in Malta, as at September 2020, have therefore been included with non-EU Nationals.

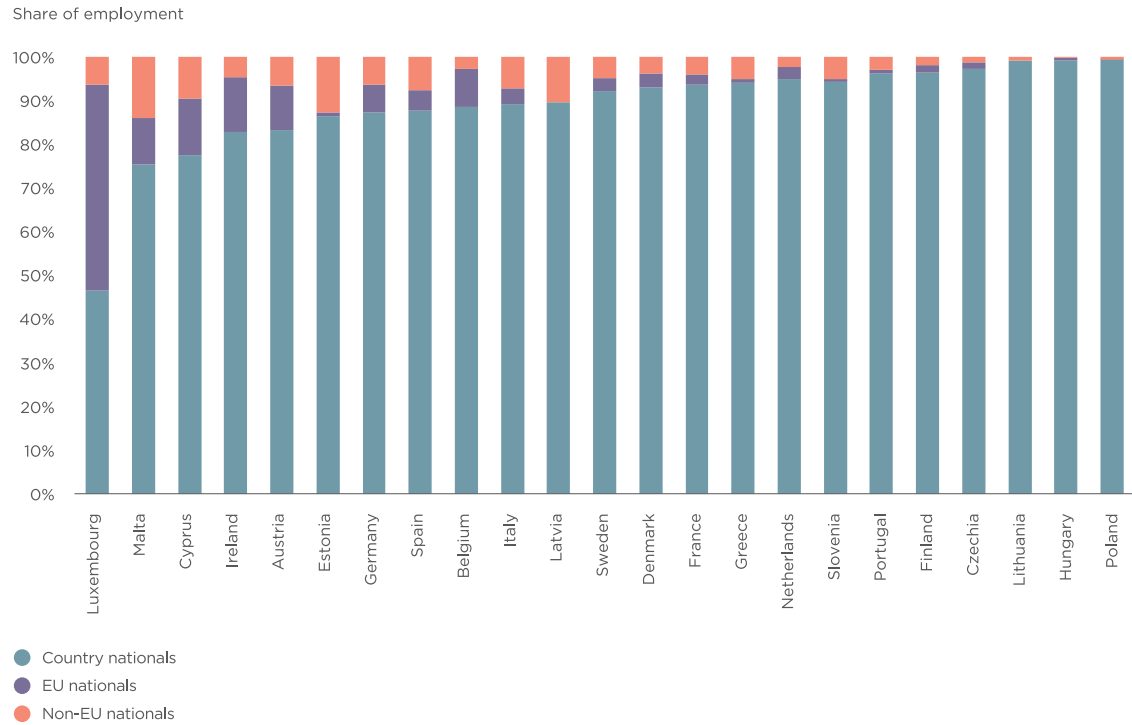


Compared to the other EU27 countries in 2019, Malta had the second highest share of non-Maltese employed in the labour market, second only to Luxembourg which had a staggering 53.5 per cent of its labour force which were foreign, the majority of which were EU nationals (47.2 per cent). Cyprus came a close third to Malta with 22.5 per cent of its total employed being non-Cypriot. Other EU countries with a relatively high share of foreigners in the labour force include Ireland (17.1 per cent), Austria (16.7 per cent) and Estonia (13.5 per cent).

However, of all the EU member states Malta has the highest share of non-EU nationals making up its labour force - in 2019 these amounted to approximately 14.0 per cent of the total employed. In contrast, only 6.4 per cent of the total number of employees in Luxembourg were non-EU nationals. Estonia had the second highest share of non-EU nationals in the labour market at 12.7 per cent, followed by Cyprus at 9.5 per cent (see Figure 2.28).

Figure 2.28
Share of employment
(aged 15-64) by nationality (2019)

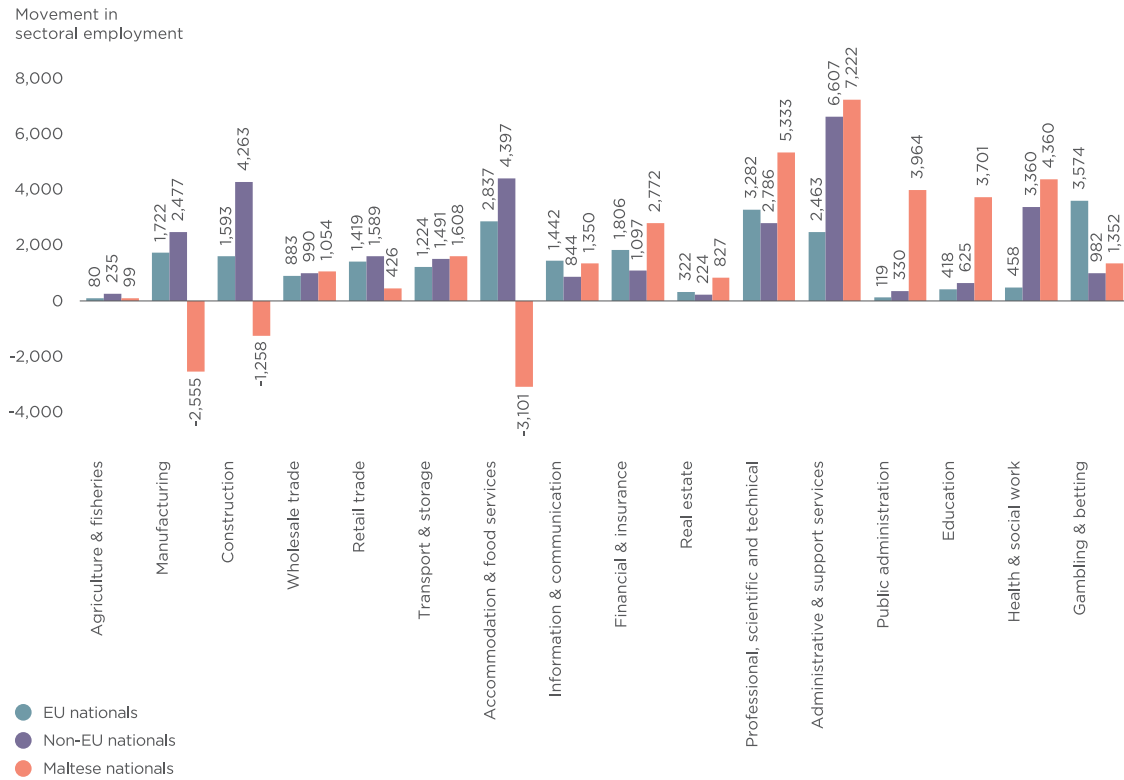
Source: Eurostat, 2021
Statistical note: Slovakia, Bulgaria, Croatia and Romania do not provide data breakdown between country nationals, EU and non-EU nationals. Latvia and Lithuania do not provide separate data for EU nationals.



As expected, there was an increase in employment positions by non-Maltese nationals across all sectors. In fact, as can be seen in Figure 2.29, non-Maltese nationals took up positions which seemed unpopular with Maltese workers and given that there was a crowding-out of Maltese workers in three sectors; manufacturing, construction and accommodation and food services, the number of non-Maltese more than compensated for this leakage. In fact, in all three sectors, the additions were much more than the withdrawal of Maltese employees from these three key respective sectors.

Figure 2.29
Share of employment
(aged 15-64) by nationality (2019)

Source: Jobsplus, 2021

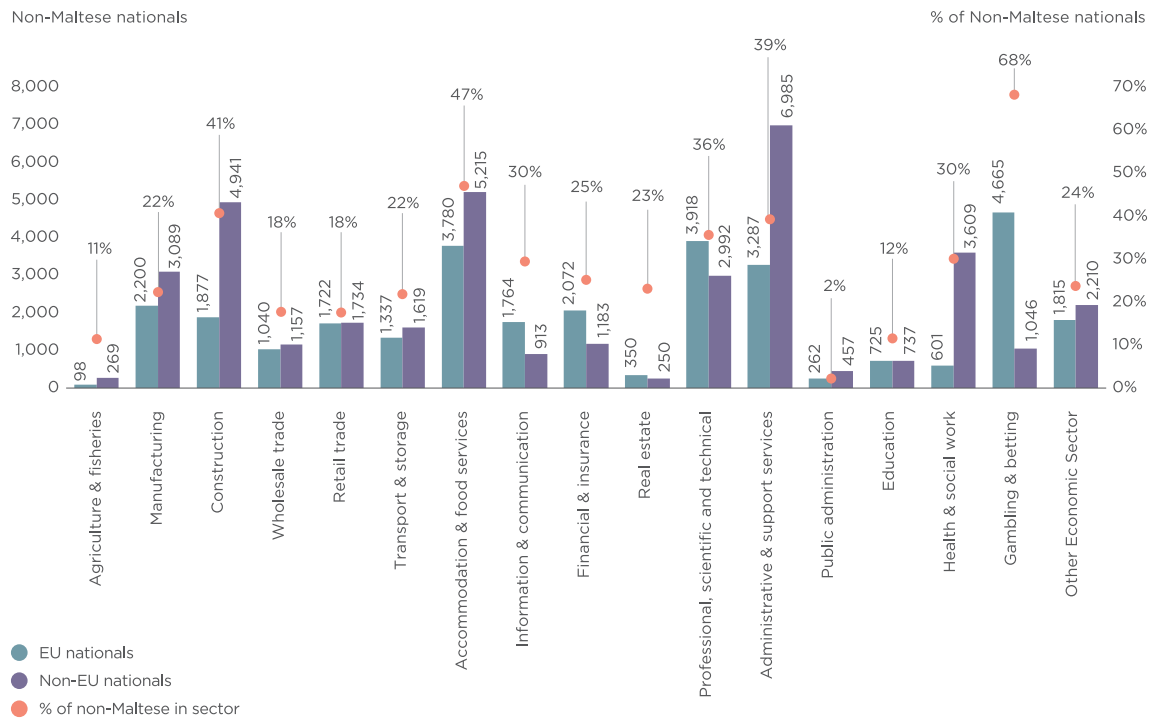


There is also a clear sectoral pattern in terms of the distribution of EU and non-EU nationals. The information and communication; financial and insurance; professional, scientific, and technical; and gambling and betting sectors all employed more EU than non-EU nationals. On the other hand, non-EU nationals experienced strong growth across all sectors, with the largest increases being registered in the administrative and support services, accommodation and food service, construction, and health and social work sectors.

This growth has led to non-EU nationals contributing significantly to the overall percentage of non-Maltese in the labour force. In fact, as stated earlier, on average, non-Maltese nationals today make up 26.5 per cent of the labour force. Several sectors are significantly above this average, most notably the gambling and betting sector with 68.3 per cent of its workforce being non-Maltese (see Figure 2.30). Close to half of the workforce in the accommodation and construction sectors are also non-Maltese, with the majority being non-EU nationals.

Figure 2.30
 Number and share of non-Maltese
 by sector (September 2020)

Source: Jobsplus 2021



However, most sectors gravitate towards the average, with public administration having the least number of non-Maltese in its labour force at just 2.2 per cent.

Table 2.6**Share of non-Maltese by sector 2010 versus 2020**

Source: Jobsplus 2021

	2010	Sep 2020
Agriculture & fisheries	1.9%	11.4%
Manufacturing	5.0%	22.4%
Construction	7.9%	40.7%
Wholesale trade	3.5%	17.8%
Retail trade	2.8%	17.7%
Transport & storage	2.6%	21.8%
Accommodation & food services	11.7%	47.0%
Information & communication	7.2%	29.5%
Financial & insurance	4.8%	25.1%
Real estate	4.4%	23.1%
Professional, scientific and technical	10.5%	35.6%
Administrative & support services	12.3%	39.4%
Public administration	1.0%	2.2%
Education	5.3%	11.6%
Health & social work	6.8%	30.1%
Gambling & betting	47.1%	68.3%

It is evident that non-Maltese workers form an important element of the labour force across all sectors. With some sectors becoming even more reliant on this supply than others, it is going to be critical for the economy to sustain their presence locally and to support the administrative processes related to the recruitment of non-Maltese nationals, particularly that of Third Country Nationals (TCNs).

Notably, over the past decade, inward migration flows of workers have had a significant bearing on the Maltese population, particularly the working age population (15-64 years of age). In fact, between 2014 and 2020, the total working age population in Malta grew by 20.2 per cent, totally offsetting the decline in this cohort of Maltese nationals, which contracted by over 5,000 people during this period on account of an ageing Maltese workforce. To this end, roughly 24.7 per cent of Malta's working age population today is made up of non-Maltese nationals.

Figure 2.31
Composition of working age population (15-64 years of age)

Source: Eurostat, 2021

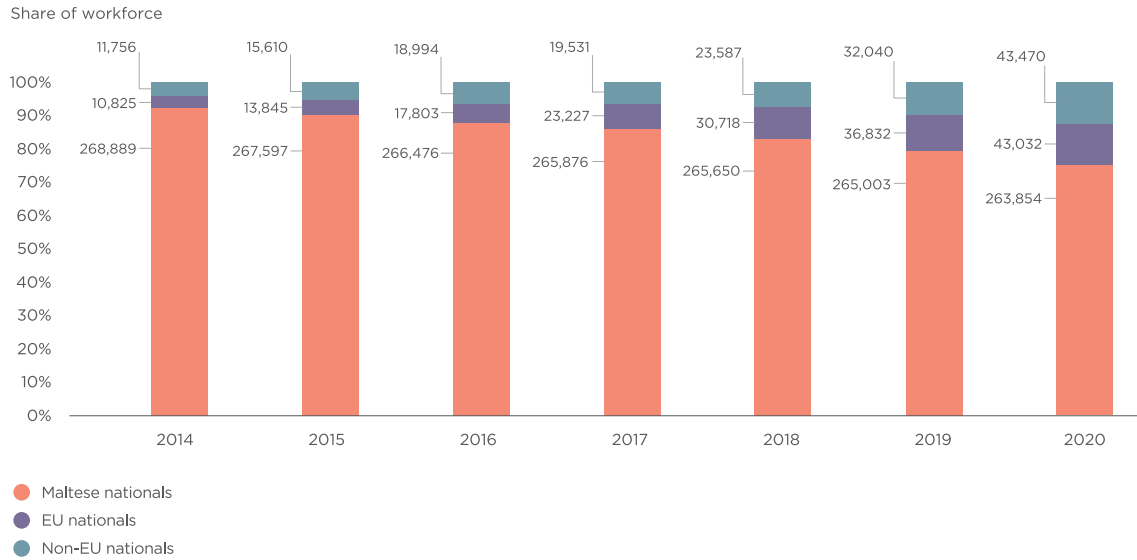


Table 2.7 below shows that the total number of foreigners as at 1st January 2020 stood at 103,180, up from 67,145 in 2018. 65.5 per cent of the total foreign population in 2020, or 67,596, were officially registered with Jobsplus for employment. Another 10.7 per cent, or 11,014, are children under the age of 15, while 5,664 are retired non-Maltese nationals above the age of 65. The remaining 18,906 non-Maltese nationals living in Malta are not registered in employment, which could refer to other foreign family members not active in the labour market with a percentage also not being in formal employment.

Table 2.7
Malta's foreign population in numbers

Source: Eurostat, 2021, Author's calculations

Malta's foreign population in numbers (1st January)	2018	2019	2020
Total number of foreigners	67,145	83,267	103,180
Number of foreign children (0 - 15 years of age)	7,734	9,078	11,014
Number of foreigners above 65 years of age	5,106	5,317	5,664
Number of foreign registered employees	44,467	55,571	67,596
Number of foreigners not registered for employment (excluding children less than 15 years of age)	9,838	13,301	18,906
Share of foreign workers as a percentage of total registered employed	19.1%	22.5%	25.9%

A more detailed assessment on this phenomenon is presented in Annex B.

Looking ahead

Non-Maltese workers are an important driver for overall economic growth. This cohort of workers was needed to fill in gaps in the labour market and soon became an important contributor to domestic demand. Going forward, as the economy continues to recover from the Covid-19 pandemic crisis, non-Maltese workers are still needed to supply required skillsets in various industries.

2.9 Malta achieved record low unemployment

With employment achieving record highs, unemployment was on a downward trend and reached record lows prior to the crisis. Malta consistently achieved some of the lowest rates in Europe and was at its natural rate of unemployment between 2017 and 2019. Significant reductions were also achieved in long-term unemployment.

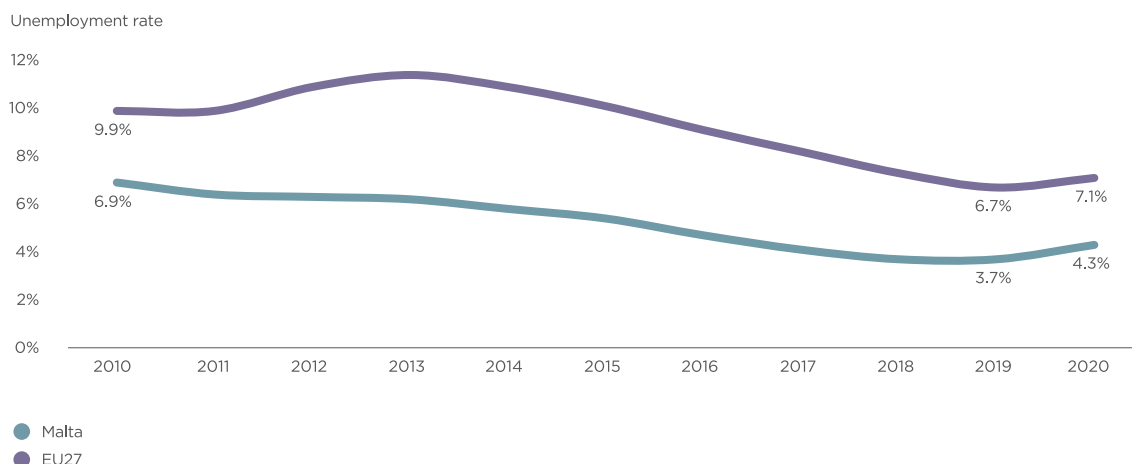
There are two main statistical sources that capture movements in the labour market. These are the National Statistics Office, which runs a labour force survey (LFS)⁴ carried out on an ongoing basis using a quarterly gross sample of 3,200 private households, and Jobsplus, which is the national public employment service agency, and which provides information through administrative sources on the actual numbers of registered full-time and part-time employment and on persons registered as unemployed with the agency.

Results from the LFS show how over the course of nine years, Malta halved its unemployment rate from 6.9 per cent in 2010 to 3.7 per cent in 2019 before edging slightly up in 2020 because of the economic impact the Covid-19 pandemic has had on the economy. Statistics published by the latest Labour Force Survey suggest that unemployment rates in the first quarter of 2021 have been restored to 2019 levels.

⁴ All criteria used for this survey match international methodologies used by the International Labour Organisation (ILO). The LFS is designed to satisfy the concepts and definitions as outlined by Eurostat, which is the EU Statistical Agency. This allows the comparability of results with other EU member states and countries following ILO definitions of employment and unemployment.

Figure 2.32
Unemployment rate
(Labour Force Survey)

Source: Eurostat, 2021



Furthermore, the LFS shows how more than half of those unemployed in 2020 fell within the 25-49 age cohort, for both male and female categories. The unemployment rate within this age group, which comprises the largest share of employees in the labour force, however, remains lower than any other age bracket. The highest unemployment rates for 2020 were in fact registered in the 15-24 age bracket, with the number of unemployed hovering at around 10.7 per cent. The high trend of unemployment in this age category is reflected in both males (13.1 per cent) and females (8.0 per cent), and can be likely linked to the difficulties faced by early school leavers and low educational attainers in finding a job immediately, since the situation is then rectified in the next cohort.

Table 2.8
Unemployment by age group

Source: Eurostat, 2021

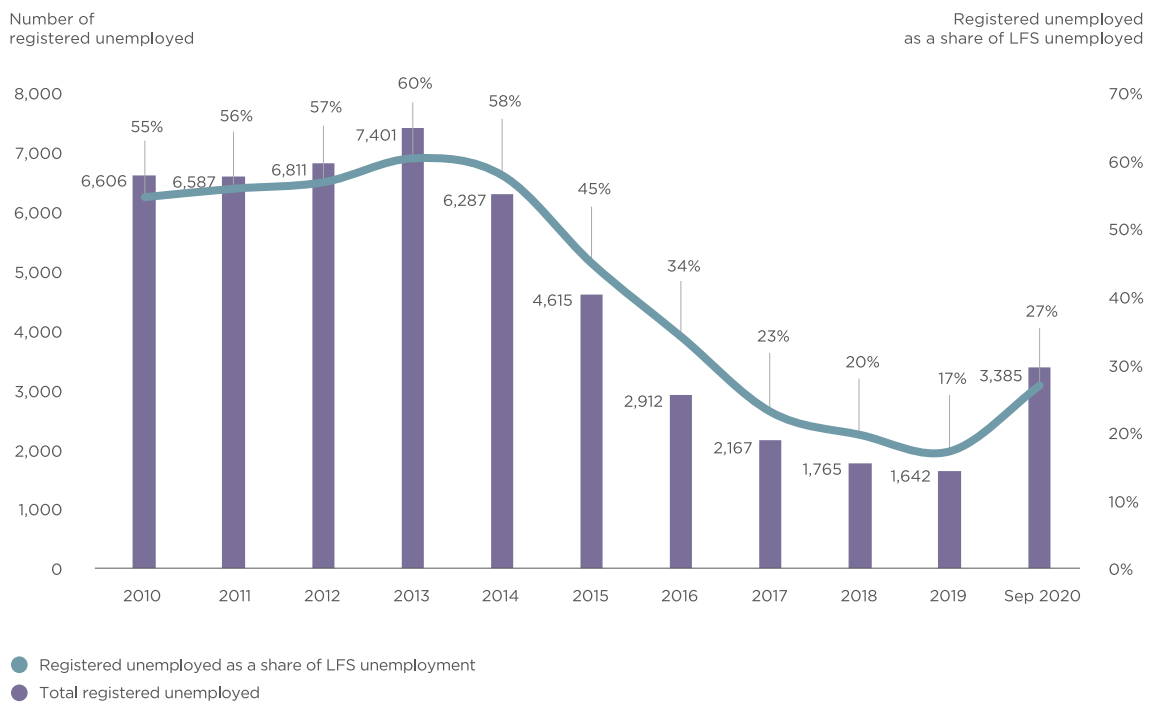
2020	15-24	25-49	50-64	Total
Number of unemployed				
Men	2,000	3,600	1,100	6,700
Women	1,000	2,800	1,000	4,800
All	3,000	6,400	2,100	11,500
Distribution by age group (%)				
Men	29.9%	53.7%	16.4%	100.0%
Women	20.8%	58.3%	20.8%	100.0%
All	26.1%	55.7%	18.3%	100.0%
Unemployment rate (%)				
Men	13.1%	3.4%	3.1%	4.3%
Women	8.0%	3.8%	4.5%	4.4%
All	10.7%	3.6%	3.6%	4.3%

Meanwhile, the unemployment figure reported by the LFS has traditionally always been higher than the number of registrants, partly explained by the social benefit eligibility criteria which precludes jobseekers that are not head of households to apply for unemployment benefits and thus leaves no material scope to register with Jobsplus. Furthermore, means-tested benefits have a low-income threshold, again reducing the number of potential registrants with the agency. People's perception on the relevance and effectiveness of services offered by the agency is also one of the fundamental reasons why they would not register with Jobsplus even though they would be actively looking for a job and this appears to be a growing trend.

In fact, as demonstrated in the following chart, the volume of unemployed persons registering with Jobsplus as a share of total unemployed reported by the LFS continued to decline significantly over the past years. In the previous 2014 National Employment Policy, it was highlighted that in the year 2000, 75 out of every 100 persons willing to work were registered with the employment agency. By 2012, this number had declined to around 57 out of every 100 persons, and in 2019 only 17 out of every 100 people willing to work were registered with Jobsplus. This has more recently gone up to 26.9 per cent in light of the pandemic disruptions to the labour market, which saw the actual number of registered employed more than double from 1,642 in 2019 to 3,385 in September 2020.

Figure 2.33
 Number of registered unemployed
 and as a share of LFS unemployment

Source: Jobsplus, NSO (LFS) 2021, Author's calculations



Long-term unemployment

On the back of strong labour market conditions and dropping unemployment levels, long-term unemployment, measured by the number of people that have been unemployed for more than 12 months, has also improved significantly over the past decade (see Figure 2.34).

Figure 2.34
Long term unemployment
as a percentage of total unemployment

Source: Jobsplus, NSO (LFS) 2021, Author's calculations

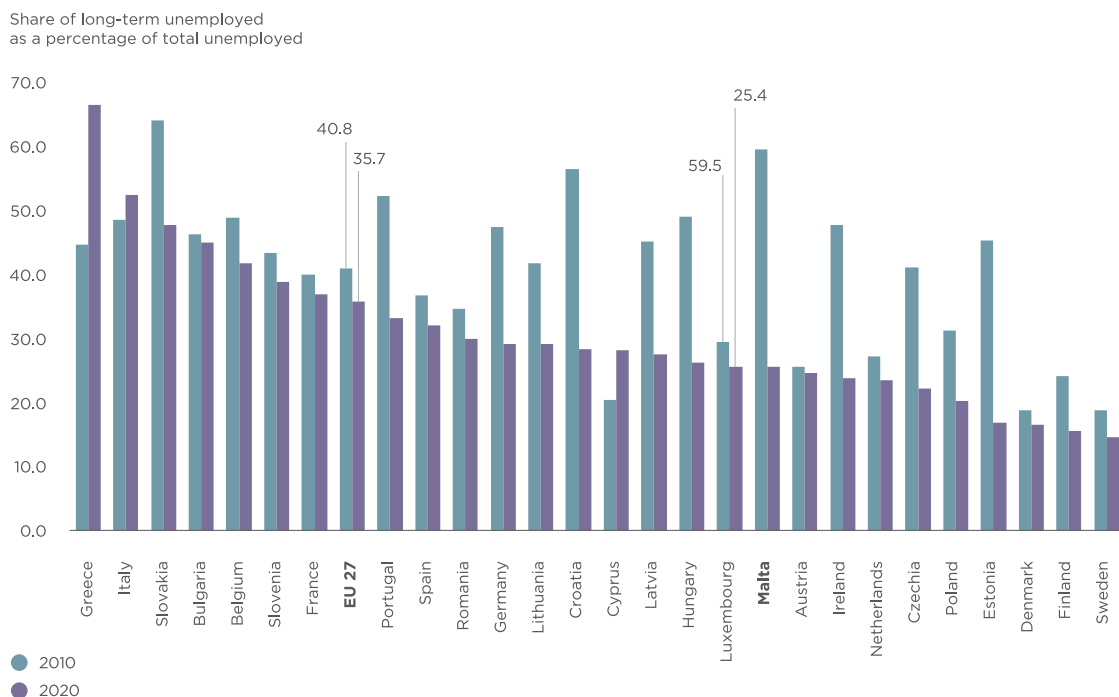
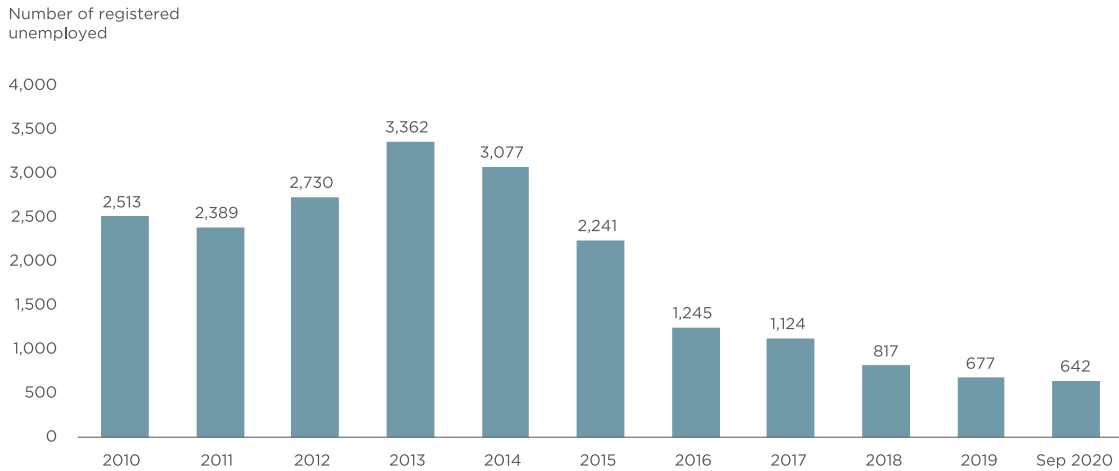


Figure 2.34 shows that long term unemployment in Malta, expressed as a percentage of total unemployment, fell from 59.5 per cent in 2010 to 25.4 per cent in 2020. This improvement mirrors trends across the majority of other EU member states, although Malta's performance has outpaced most economies and is currently 10.3 percentage points lower than the EU27 average.

According to Jobsplus data, the number of registered long-term unemployed had been increasing steadily prior to 2013, reaching 3,362 persons. Following this period, the situation improved drastically and by September 2020 the number of long-term unemployed registered at Jobsplus dropped to just 642 persons, of which 50.5 per cent are between 50 and 64 years of age, 44.0 per cent are aged 25-49 and the remaining 5.1 per cent or 33 persons fall within the 15-24 age cohort. The majority are male, with the number of female unemployed for more than 12 months amounting to 173 or an equivalent 26.9 per cent of the total number of long-term unemployed.

Figure 2.35
Registered long-term unemployed

Source: Jobsplus, 2021

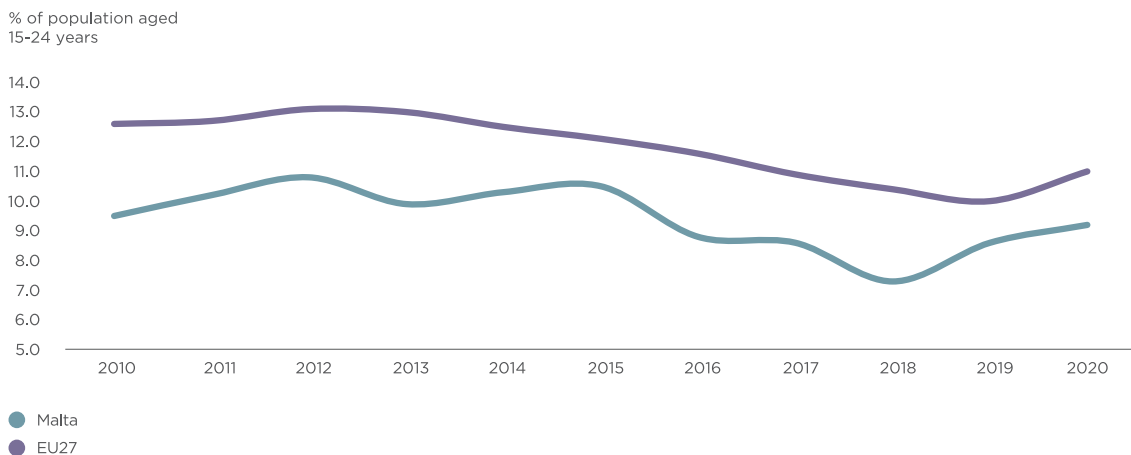


Youth unemployment and NEETs

Disengagement of youths from education and employment holds several implications for the socio-economic development of a country as it reduces the prospects for sustainable employment and raises poverty risks.

Figure 2.36
Rate of youths (aged 15-24)
Not in Employment, Education
or Training (NEET)

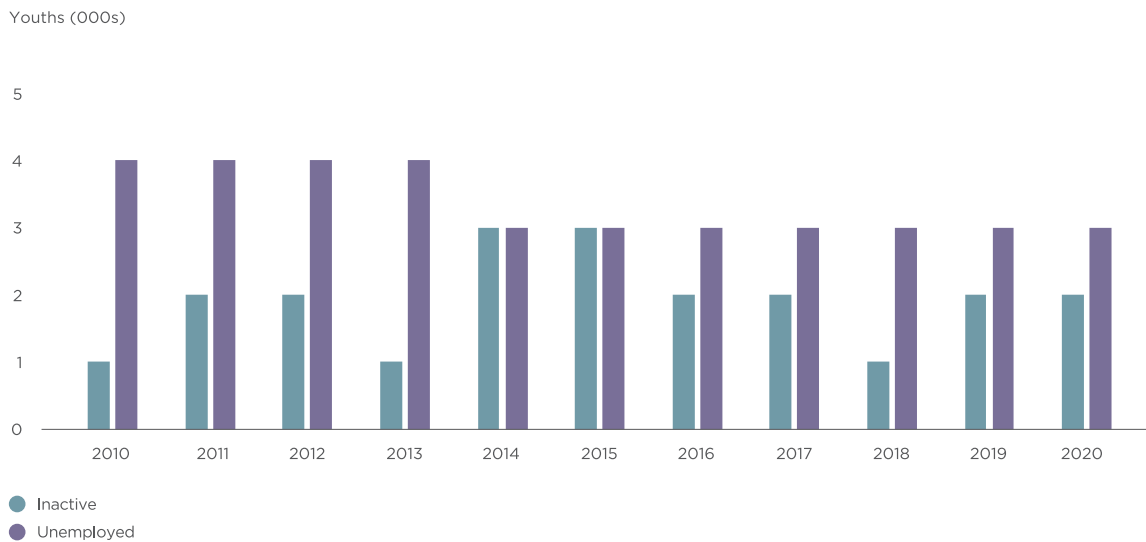
Source: Eurostat, 2021



In Malta the rate of youths aged between 15-24 not in employment, education, or training (NEET) has hovered around 10.0 per cent between 2010 and 2015 and had only started to improve after 2015 (Figure 2.36 above). It eventually plateaued at 7.3 per cent in 2018 and started increasing again, very much in line with the EU average, to reach 9.2 per cent of the total population aged 15-24 in 2020. This amounts to roughly 5,000 youths (LFS), of which 3,000 are unemployed and the remaining 2,000 believed to be inactive.

Figure 2.37
Number of NEETs
aged 15-24

Source: Eurostat, 2021



In 2015, the Government conducted a Youth NEET Census as part of the Youth Guarantee Scheme. Back then, more than half of the respondents claimed to be disinterested or demotivated by the current form of formal education and called for an improved delivery in basic skillsets. Research also showed that a significant amount of youths classified as NEET were Transition NEETs rather than Core NEETs. It was also recommended that the educational system is made more comprehensive in scope. Transition NEETs are young individuals who choose to take time out before progressing onto further or higher education or employment opportunities. Such individuals tend to return to education, training, or employment, although it is unclear when this will occur. Moreover, Core NEETs are youths with social and behavioural issues, including youths who come from families where “worklessness” and unemployment is accepted as a norm, thus not much importance is given to further and higher education (Youth NEET Census Report, 2015).

According to Jobsplus, there were 504 registered unemployed aged between 15-24 as at September 2020. This amounts to roughly 17.0 per cent of youth unemployed reported by the LFS, which suggests that youth are not likely to register as unemployed even though they are willing to work, out of pride or perception that services offered by Jobsplus are not relevant to their requirements.

Looking ahead

Following 2020, because of the Covid-19 pandemic, the unemployment rate edged slightly upwards however from a structural level and due to the various support packages launched by the Government, the rise in unemployment was contained. The expectation is for economic activity to rebound and for employment to remain strong with unemployment remaining at low levels. Malta needs to ensure that the unemployed are employable.

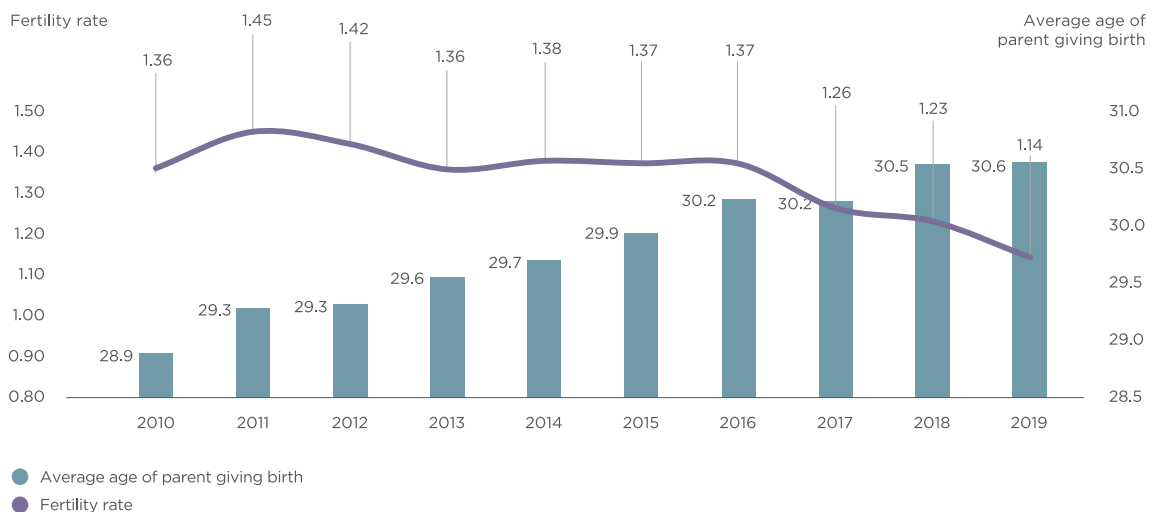
2.10 Malta's ageing population remains a challenge

In the coming years, Malta will continue to face the structural problem of an ageing population. This was temporarily masked due to the influx of non-Maltese workers which also contributed to social security contributions. However, the structural issue remains and needs to be addressed.

Naturally, demographic developments hold significant implications for the future labour market. As is the case with other developed economies, Malta has been experiencing lower fertility rates and a growing trend towards older women having children. Figure 2.38 shows that Malta's fertility rate, which measures the number of live births per 1,000 women of reproductive age (ages 15 to 49 years) per year, had improved slightly from 1.4 in 2010 to 1.5 in 2011, then stabilised at around 1.4 in the years that followed, until it fell from 1.4 in 2016 to its lowest recorded level of 1.1 in 2019. Correspondingly, the average age of women giving birth increased from 28.9 to 30.6 during this time.

Figure 2.38
Fertility rate and average age of parent giving birth

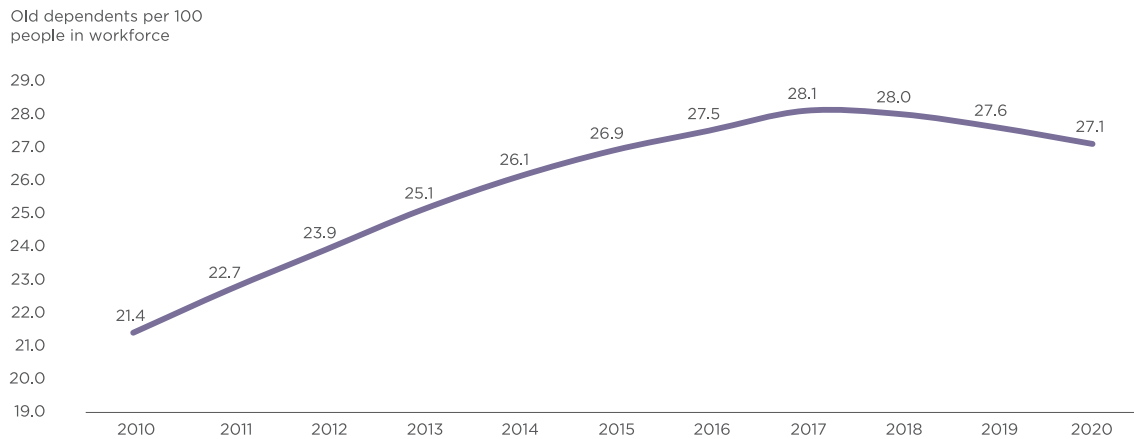
Source: NSO, 2021



Against this backdrop, Malta is also experiencing an ageing population, reflected by an increasing old-age dependency ratio. The old-age dependency ratio, which measures the number of old dependents (i.e. those aged 65 and over) per 100 people in the workforce (i.e. 15-64 years old), has in fact increased from 21.4 in 2010 to 28.1 in 2017. It is important to point out that since 2014, the ratio's rate of growth has moderated, and the trend has also been reversed between 2017 and 2020, where it now hovers around 27.1. This is due to the growing influx of non-Maltese which has boosted the current labour force size and helped ease the dependency pressures on the local labour force.

Figure 2.39
Malta's dependency ratio

Source: Eurostat, 2021



The following Figure 2.40 captures the above shifting trends in fertility, age, and migration to show how Malta's demographic structure has changed over time. By the turn of the millennium the population structure looked more like a pyramid with a broad base of people aged 0-19 and a broader cohort, representing the baby boom generation, in the working age category. The base grew smaller as one moved up the age structure.

By 2020, the 0-19 years of age category shrank significantly by around 15,000, with most people now in working age or just about to retire. The base of people above retirement age has increased significantly by roughly 49,000 (Table 2.9).

Figure 2.40
Population structure by age and sex in 2000 and 2020

Source: Eurostat, 2021

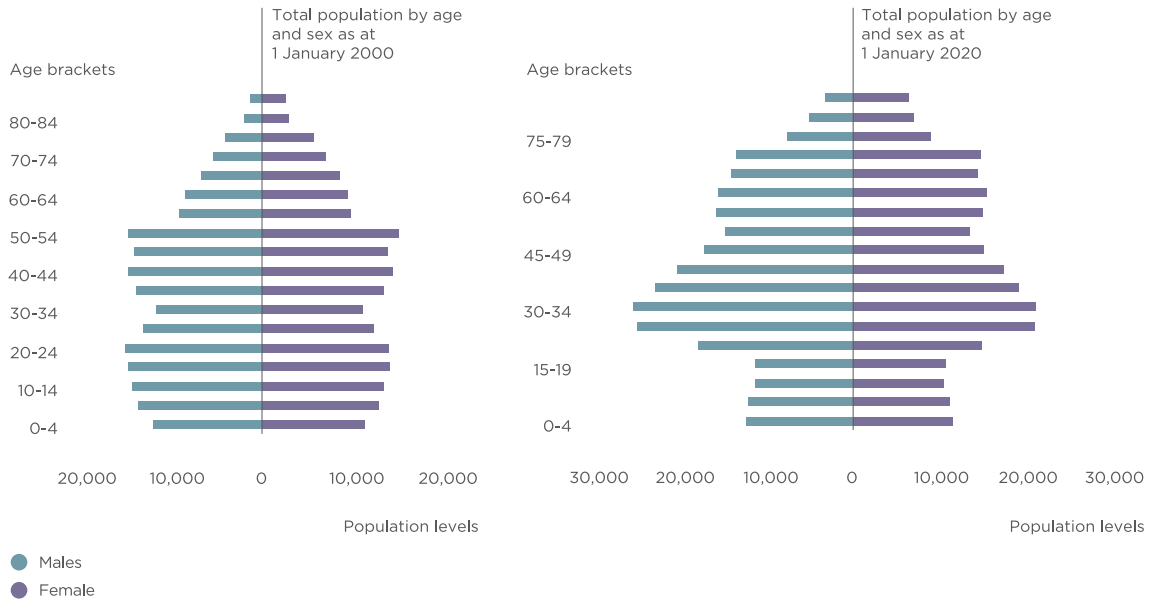


Table 2.9
Absolute change in Malta's population by age between 2000 and 2020

Source: Eurostat, 2021

0-4	651	45-49	4,324
5-9	-3,166	50-54	-1,480
10-14	-5,814	55-59	11,952
15-19	-6,656	60-64	13,252
20-24	3,722	65-69	13,156
25-29	20,911	70-74	16,004
30-34	24,025	75-79	6,885
35-39	14,976	80-84	7,158
40-44	8,638	85+	5,825

However, the true extent of the problem can be veiled when looking at the employment rates by age. In fact, contrary to the rest of the EU, Malta was one of only two EU countries, the other being Luxembourg, where the relative share of people in the labour force aged 50 and over fell over the past decade. Figure 2.41 shows that whilst in the EU, the proportion of the labour force over the age of 50 rose from 26.9 per cent in 2010 to 34.0 per cent in 2020, in Malta the relative share of older workforce fell from 23.7 per cent to 23.2 per cent.

Figure 2.41
Share of those aged 50+
in the labour force

Source: Eurostat, 2021



This divergence can be explained by two main factors, namely the significant increase in female participation observed above and the very strong inward migration flows of young workers in recent years. In fact, the activity rate of Maltese women aged below 40 increased by more than 16.4 percentage points during this period, from 57.1 per cent in 2010 to 73.5 per cent in 2020. This said, the proportion of older male workers has also fallen during this period, from 27.7 per cent in 2010 to 24.7 per cent in 2020, on account of the significant number of young expats coming to Malta for work.

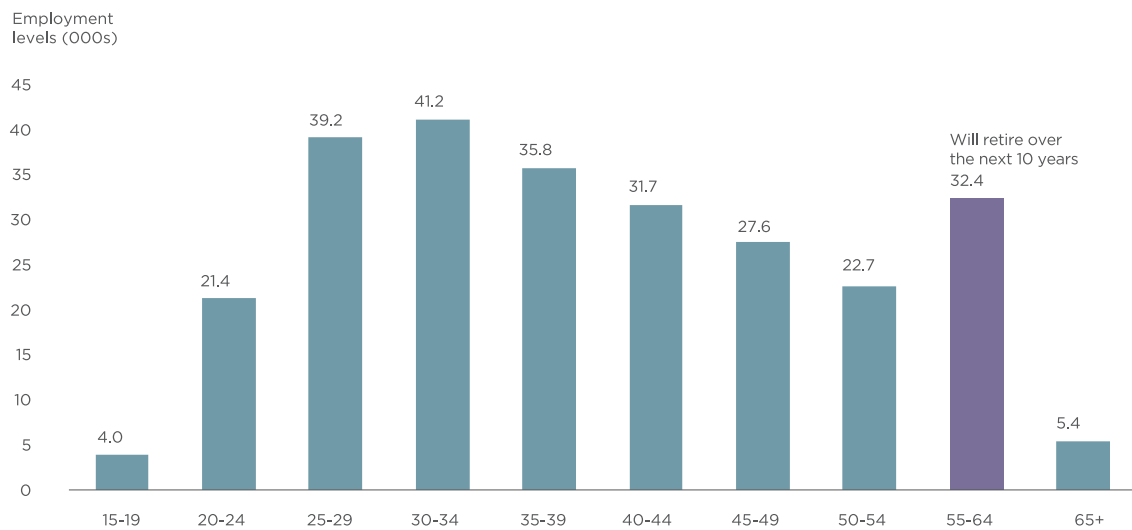
In essence, these developments are however masking the reality of demographic changes in the Maltese labour force which in absolute numbers is ageing. For instance, the number of males employed aged over 50 has increased by close to 30.0 per cent over the past decade, from 29,500 in 2010 to roughly 38,000 in 2020. The female workforce in that age bracket has more than doubled, from approximately 9,000 to over 22,000.

These trends permeate across all sectors and occupational categories. The share of older workers in public administration, the wholesale and retail sectors, and in administrative and support services has grown by 4.0 percentage points over a decade. A larger relative increase was observed in the agricultural and fisheries workforce. Manufacturing, construction, and financial services have also experienced an ageing full-time workforce. In contrast, relatively new services sectors, such as remote gaming, information and communication and professional services have witnessed a decline in the proportion of older workers, although in absolute numbers older professionals increased by more than 70.0 per cent during the past ten years (Central Bank of Malta, Aaron Grech, February 2020).

Meanwhile, it is estimated that circa 32,400 people who are currently in employment will have retired over the next 10 years, which equates to roughly 12.3 per cent of the current labour supply (Figure 2.42).

Figure 2.42
2020 Employment levels by age cohort

Source: Eurostat, 2021 (numbers are rounded up)



To counter for the impact of an ageing workforce, in 2006, the Maltese Government raised the pension age from 61 for men and 60 for women to 65 for both genders by 2026. A study carried out by the Central Bank of Malta suggests that if age-specific labour force exit rates had remained unchanged as at the last year before the pension age changed, the labour force aged 50 and over would now be reduced by up to 3,500 persons. By 2026, it is estimated that the gradual increase of the pension age to 65 years would boost employment by over 7,200. The study also suggests that on average the pension age rise is thought to have contributed 0.2 percentage points to the annual growth in gross value added that occurred between 2013 and 2018. While expansion in value added in some sectors, such as online gaming, was relatively unaffected, in others, like agriculture and fisheries and financial services, the increase in pension age may have accounted for about a tenth in the growth in value added registered during this period (Central Bank of Malta, Aaron Grech, February 2020).

Looking ahead

A significant proportion of the workforce is expected to retire over the coming decade. This is an important resource which can also continue giving a contribution after retirement. In fact, one of the areas that the employment policy will be looking at is to incentivise even more people in retirement to continue working, while ensuring that skills are transferred to prepare future workers.

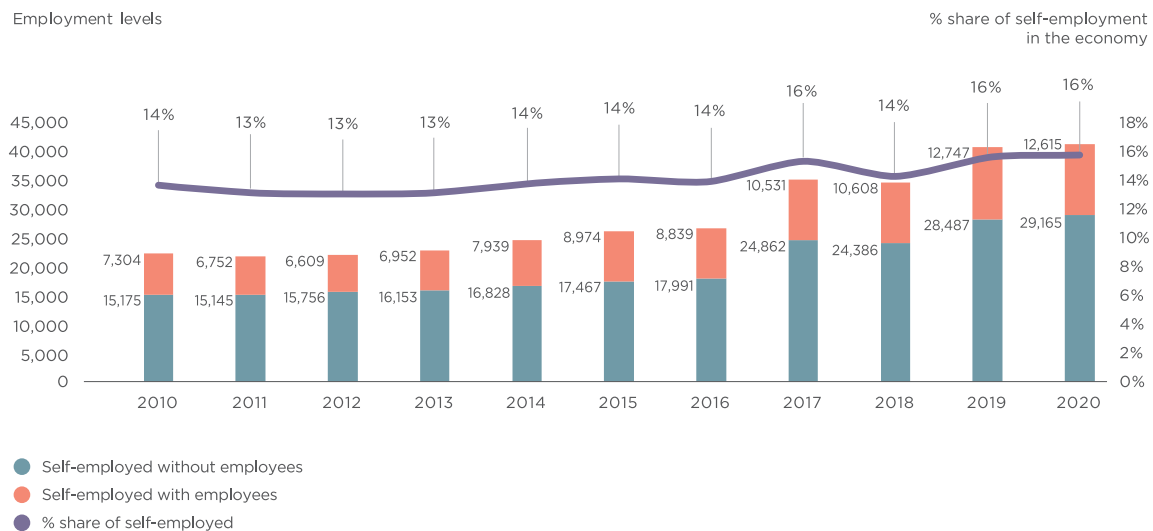
2.11 The employment relationship is changing fast and becoming fluid

As the economy, technology, organisations, and business models evolve, so does the employment relationship. The rise of platform technology, a networked economy and operating models that favour part-ownership or commission-based work has exposed some sectors to higher levels of self-employment and other flexible working relationships.

Self-employment⁵ has also reflected the economic performance with a greater degree of self-employed being registered throughout the period (see Figure 2.43).

Figure 2.43
Self-employment in Malta

Source: NSO, 2021

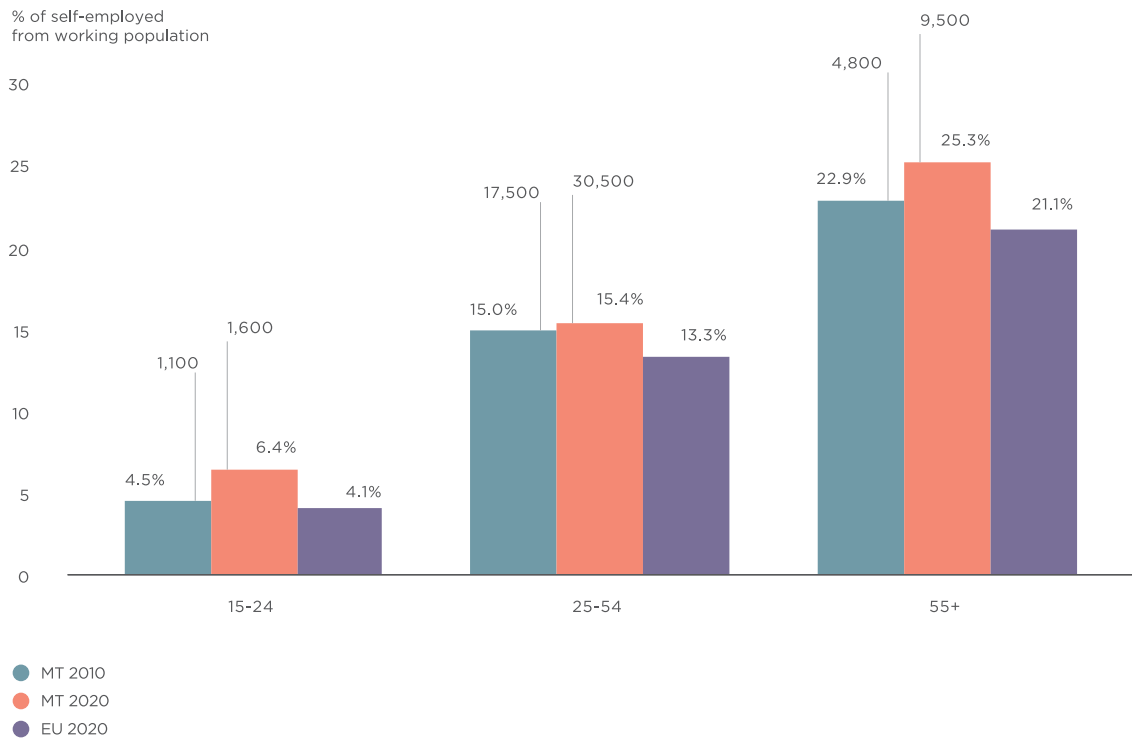


⁵ A self-employed person is the sole or joint owner of an unincorporated enterprise, in which he/she works, unless they are also in paid employment which is their main activity (in which case they would be considered to be employees rather than self-employed). Source: Eurostat

Self-employment embodies two categories: one being with employees and the other without. Over the period under review, the total number of self-employed persons increased by 85.9 per cent between 2010 to 2020. By the end of last year, the self-employed population stood at a total of 41,780. The main driver of growth was the marked increase in the self-employed without employees category from 15,175 to 29,165. In similar vein, albeit slightly slower, the category of self-employed with employees also rose by 72.7 per cent when comparing 2020 to 2010. As a result, the percentage share of total self-employed in the economy edged slightly upwards to 16.0 per cent in 2020, up 2.4 percentage points from its 2010 level.

Figure 2.44
Self-employment rates by age
Malta versus EU27

Source: Eurostat, 2021

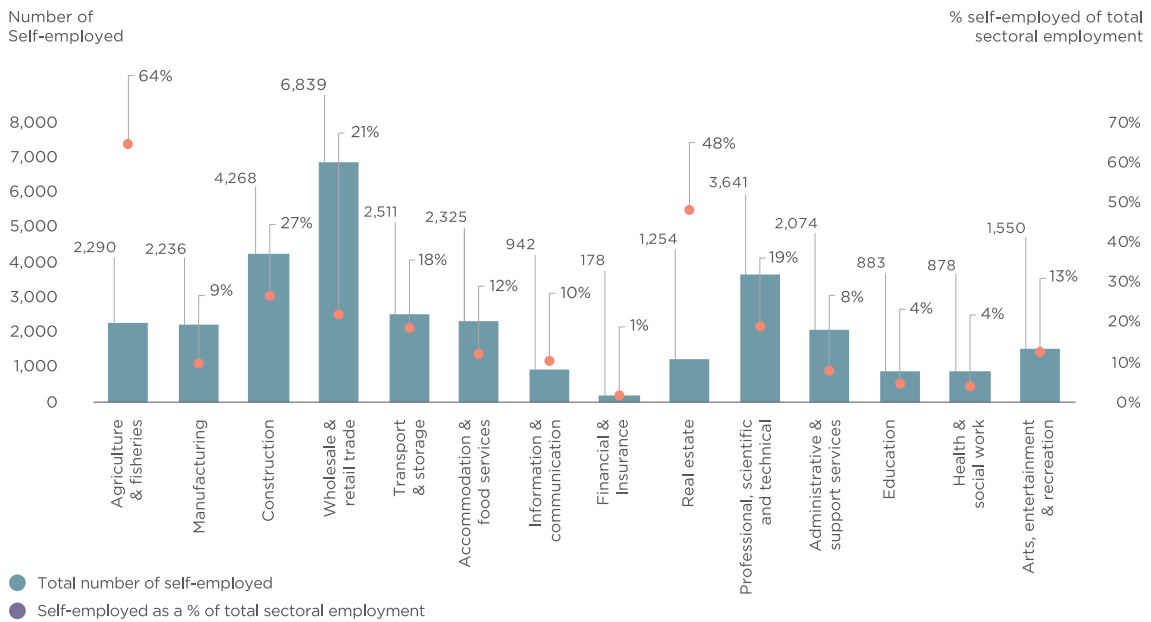


As shown in Figure 2.44 above, Malta registered higher rates of self-employed, expressed as a percentage of total working population, across all age cohorts, when compared to the EU27 average. Higher rates have also been registered in comparison to 2010 in the 15-24 age bracket, which is up by 1.9 percentage points and in the 55+ age bracket, which increased from 22.9 per cent in 2010 to 25.3 per cent in 2020. The rate of self-employed in the 25-54 age cohort remained stable at 15.4 per cent of the total working population, although in absolute terms the number of self-employed increased by approximately 13,000.

This can be reflective of several economic trends happening in the economy, including specific business models that are being adopted in certain sectors which favour work on a self-employment basis. This is especially the case in the agriculture and fisheries, wholesale and retail trade and construction sectors, which are characterised by a considerable share of self-employed relative to the total sectoral employment. This also applies to real estate services whereby agents are employed on a self-employment basis (Figure 2.45).

Figure 2.45
Self-employment by sector
(September 2020)

Source: Eurostat, 2021



Self-employment also has its social risks given that it is at medium risk of precariousness and therefore, developments need to be monitored closely to ensure that there is no abuse in classifying people as self-employed. This is also closely related to the development of the platform economy which might need a new employment relationship model to be designed and regulated.

Looking ahead

In a post-Covid-19 pandemic world, the working relationship will become more fluid. Flexible working arrangements coupled by the fast rise in the platform and gig economies will accelerate this drive towards new employment relationships. In view of this, a review of existing laws and regulations might be needed to future-proof the employment relationship and to support such industries whilst protecting the rights and interests of workers too.

2.12 Changing attitudes towards shift work, resulting in a structural challenge

Several industries are based on the concept of shift work. However, the attitudes towards shift work have been changing, with Maltese displaying a preference to work less in shift work arrangements, leaving a larger share to non-Maltese workers. Cost considerations could also be a driving force.

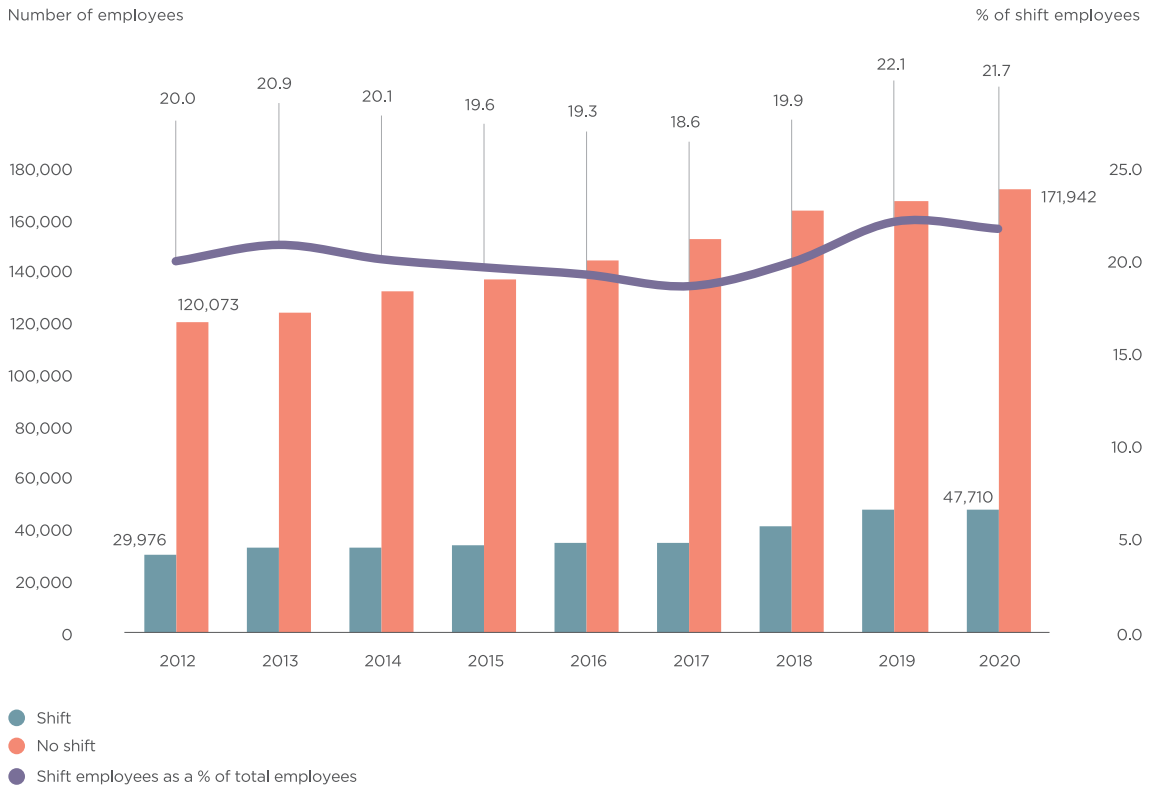
Between 2012 and 2020, the number of employees working on a shift⁶ arrangement increased by around 6.0 per cent annually, from 29,976 in 2012 to 47,710 in 2020. Those working regular working hours increased at a slightly slower rate of 4.6 per cent per year.

To this end, the percentage of employees working shifts out of the total number of employees increased from 20.0 per cent in 2012 to 22.1 per cent in 2019, with the relative share of shift employment growing faster in the more recent years after having fallen to 18.6 per cent in 2017. Owing to disruptions in supply chains and the forced closure of specific sectors during 2020 because of the Covid-19 pandemic, the percentage share of employees working on a shift basis fell to 21.7 per cent.

⁶ Shift workers comprise all employees who work at least 2 out of the 4 atypical working conditions, that is working in the evening, at night, Saturday or Sunday.

Figure 2.46
 Number of employees in shift work

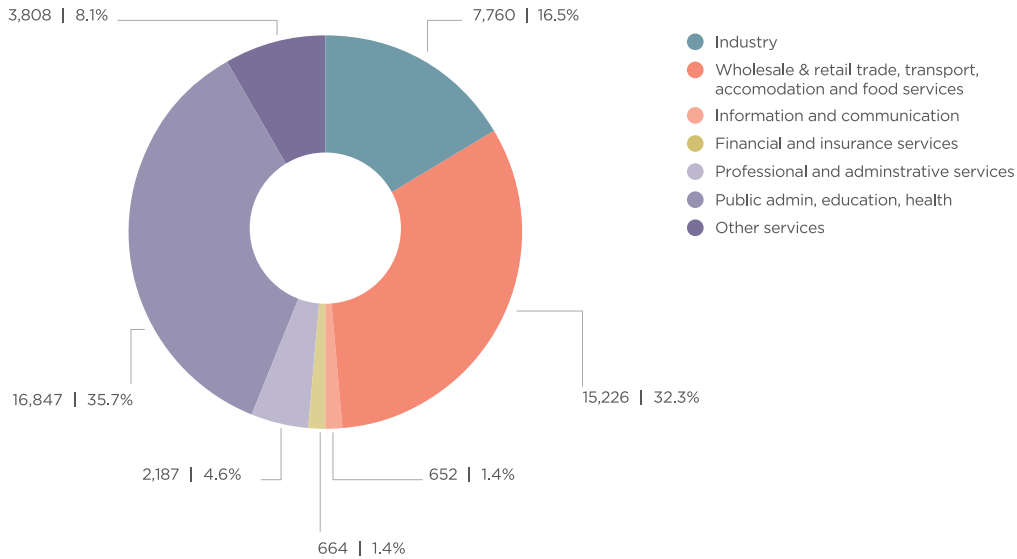
Source: NSO, 2021



The majority (35.3 per cent) of shift employees in 2020 worked in the public sector, notably the health sector, followed by wholesale and retail trade, transport, and accommodation and food services sectors, which collectively accounted for 31.9 per cent of all shift workers or the equivalent of 15,226 employees. 16.3 per cent (or 7,760) of all shift employees in 2020 worked in industry (see Figure 2.47).

Figure 2.47
Distribution of shift workers by economic activity in 2020

Source: NSO, 2021

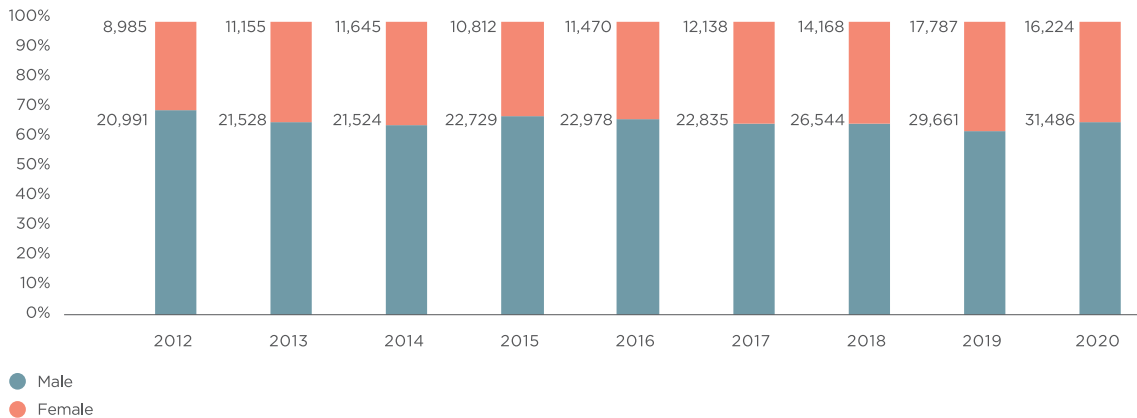


The majority of the employees working shifts are male. This said, the percentage of males working shift fell from 70.0 per cent in 2012 to 62.5 per cent in 2019 on account of elevated levels of female participation during this period. In 2020, the number of male employees working shifts increased to 31,486, up from 29,661 in 2019. In contrast, the number of females working shift hours fell by 8.8 per cent, from 17,787 in 2019 to 16,224 in 2020.

Figure 2.48
Distribution of shift workers by sex

Source: NSO, 2021

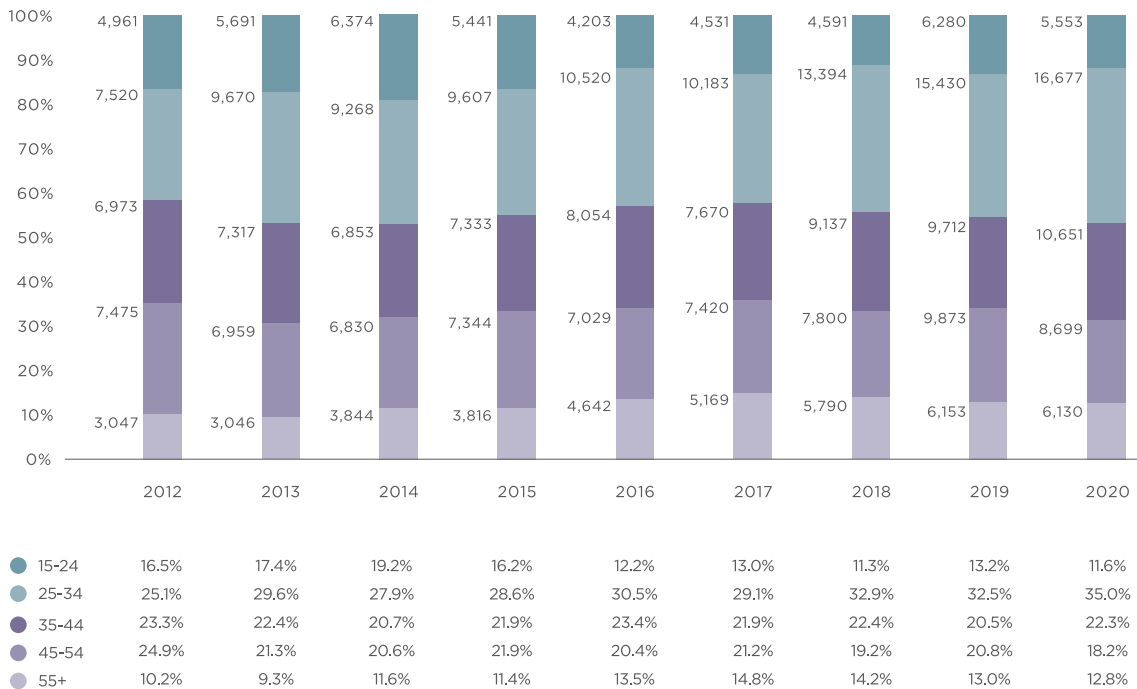
Share of shift workers



Most shift employees in 2020 comprised the 25-34 age bracket (16,677), followed by the 35-44 age cohort (10,651) and those aged 45-54 (8,699). The number of shift employees aged 15-24 increased by almost 11.9 per cent in absolute terms between 2012 and 2020, however their relative share, expressed as a percentage of total employees working on a shift basis, fell from 16.5 per cent to 11.6 per cent during this period. Those aged 25-34 more than doubled in absolute levels and increased by 9.9 percentage points in relative terms, from 25.1 per cent in 2012 to 35.0 per cent in 2020. Shift employees in the 35-44 age bracket increased from 6,973 in 2012 to 10,651 in 2020, with their share of total shift employees remaining relatively unchanged during this period. The distribution of shift employees aged 45-54 fell from 24.9 per cent in 2012 to 18.2 per cent in 2020, although in absolute terms this increased by more than 16.4 per cent or 1,224 employees during this period. Shift employees aged 55+ doubled in number from around 3,000 in 2012 to more than 6,000 in 2020 and increased by 2.7 percentage points in relative age distribution terms.

Figure 2.49
Distribution of shift workers by age

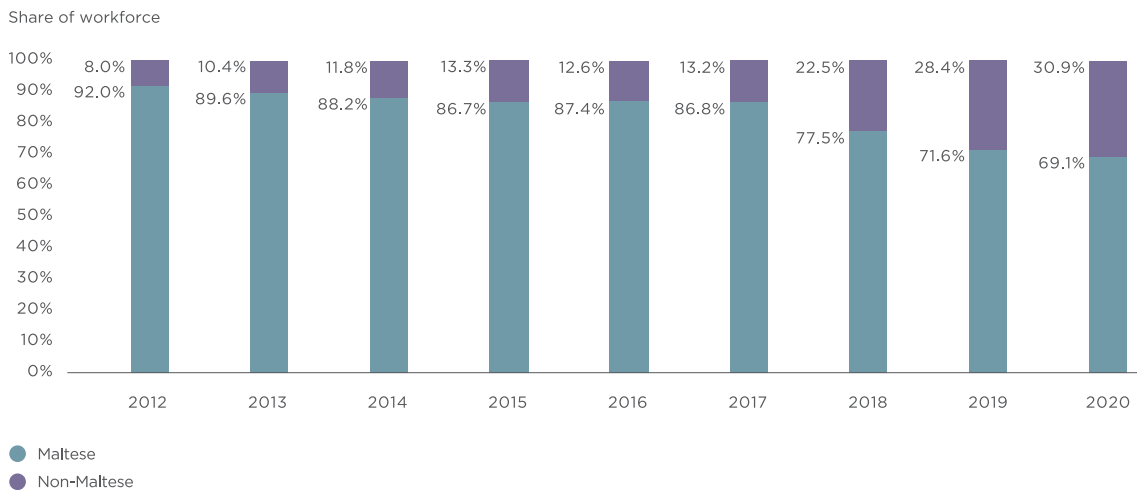
Source: NSO, 2021



Between 2012 and 2019 the number of Maltese employees working shifts increased on average by just 3.0 per cent annually. In contrast the number of non-Maltese working shifts increased by an average of 28.0 per cent each year, rising from 2,394 in 2012 to more than 13,000 in 2019. Moreover, the number of Maltese employees working on shift arrangements contracted by almost 1,000 in 2020, with non-Maltese employees making up for this shortfall with an additional increase of 1,256 shift-based employees. As a result of these developments the share of Maltese employees working shifts fell from 92.0 per cent in 2012 to 69.1 per cent in 2020, corroborating industry observations made during the focus group sessions that Maltese employees are becoming more discerning when it comes to shift working arrangements.

Figure 2.50
Distribution of shift workers by nationality

Source: NSO, 2021



Looking ahead

Shift arrangements characterise several sectors including manufacturing. The ability of the country to provide human resources that are willing and able to work on a shift basis will also support sectoral and national competitiveness. Industry players have expressed their difficulty in finding shift workers, and this is an area that requires intervention and support.

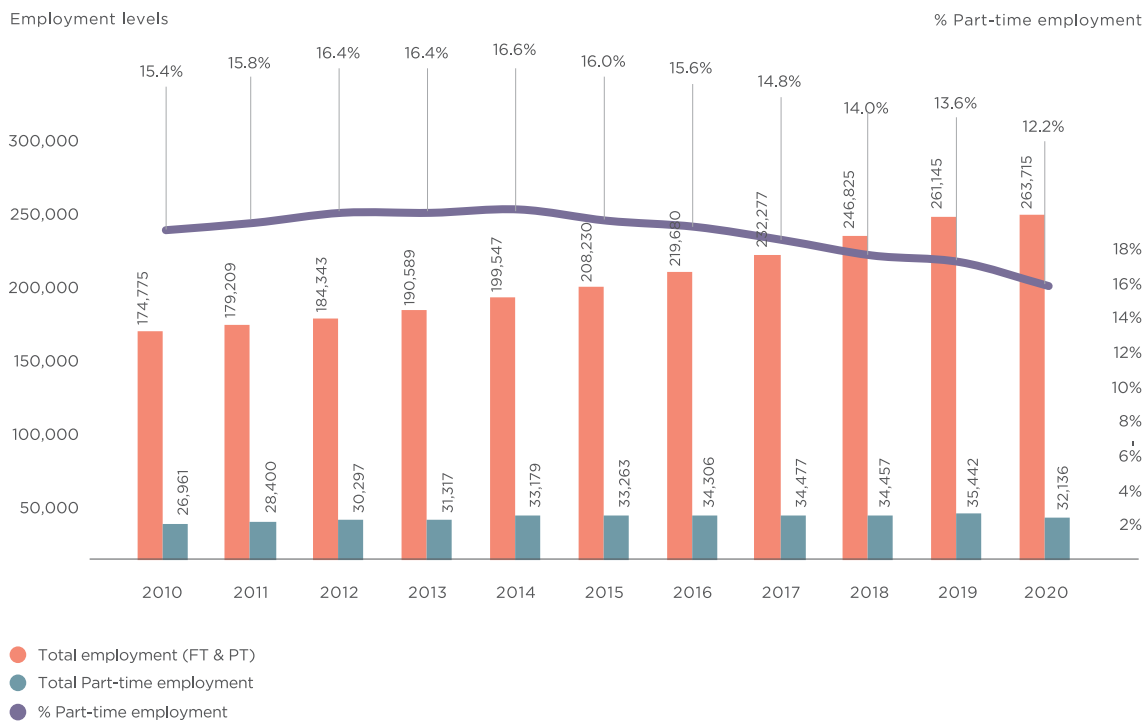
2.13 Part-time employment remains an important type of employment

Part-time work constitutes a pillar of the employment relationship in Malta. Both as a primary and secondary source of employment, it has supported females transitioning back into the labour force as well as other workers looking to earn additional money.

However, part-time work has seen its share in the employment market decline (see Figure 2.51).

Figure 2.51
Part-time work trends

Source: NSO, 2021



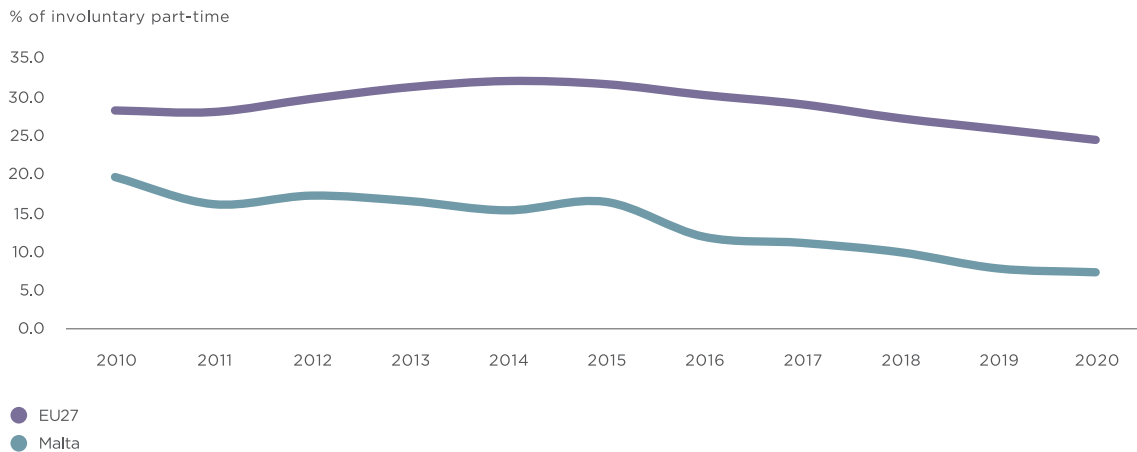
A part-time employee is one whose normal hours of work, calculated on a weekly basis or on an average over a period of employment of up to one year, are less than the normal hours of work of a comparable whole-time employee and who is not a whole-time employee with reduced hours (Department for Industrial and Employment Relations, Malta). The following analysis will also refer to part-time employment as a secondary job, whereby part-timers falling in this classification also hold a full-time job and are thus counted as full-timers. For ease of clarity and unless otherwise specified, any reference to part-time employment in this report shall be taken to only include part-time as a primary job.

It is evident that part-time employment did not grow as fast as full-time employment. In fact, the growth path of total part-time was more subtle, peaking in 2019 at 35,442, representing an increase of 31.4 per cent from 2010 as opposed to a growth of 52.7 per cent in full-time employment. In 2020, the absolute amount of total part-time employees contracted to 32,136. As a result, the share of part-time in total employment contracted by 3.2 percentage points between 2010 and 2020.

Positively, the number of involuntarily part-timers, that is those who are willing and able to work more than their part-time hours if given the opportunity, fell from 19.6 per cent in 2010 to 7.3 per cent in 2020. Malta's rate remains amongst the lowest in the EU where the average rate of involuntary part-time stood at almost one fourth (24.4 per cent) of total part-timers in 2020.

Figure 2.52
 Involuntary part-time as a percentage of total part-time employment

Source: Eurostat, 2021



As shown in Figure 2.53 below the most prevalent reasons for working part-time include family support and personal reasons (35.6 per cent) which is significantly higher than the EU average of 18.4 per cent, care of adults with disabilities or children (15.4 per cent), and education and training which increased by 6.1 percentage points over 2010 to reach 18.6 per cent in 2020.

Figure 2.53
Main reason for part-time employment

Source: Eurostat, 2021

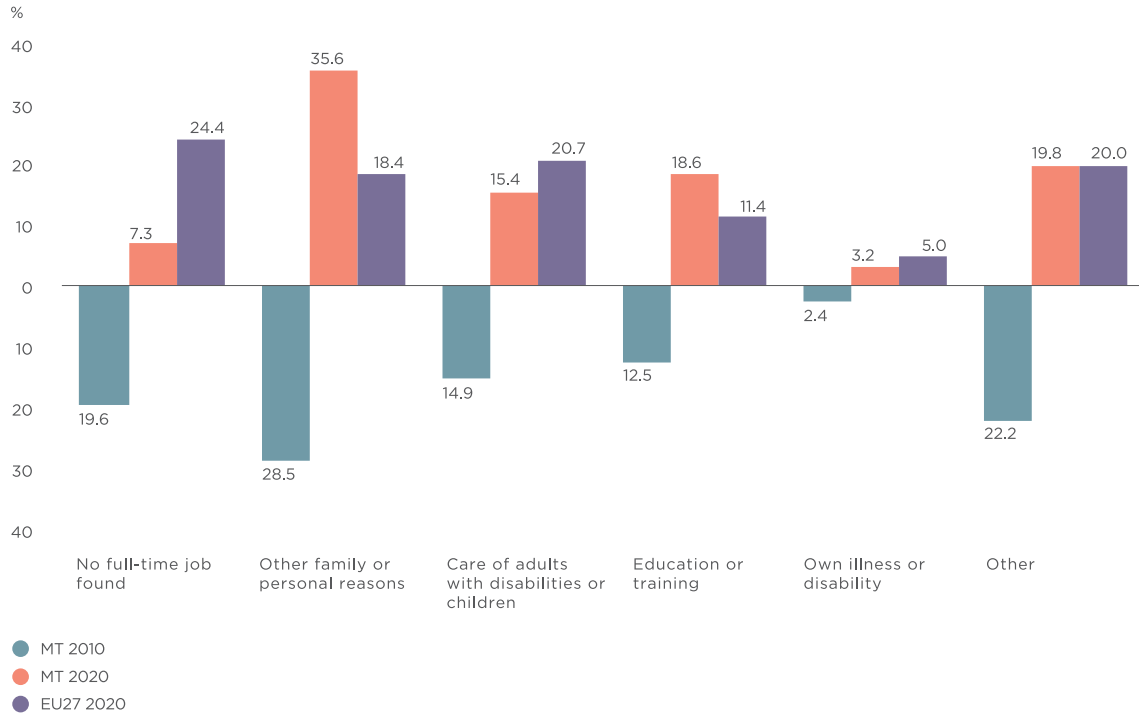


Figure 2.54
Part-time as secondary employment by sector

Source: Jobsplus, 2021

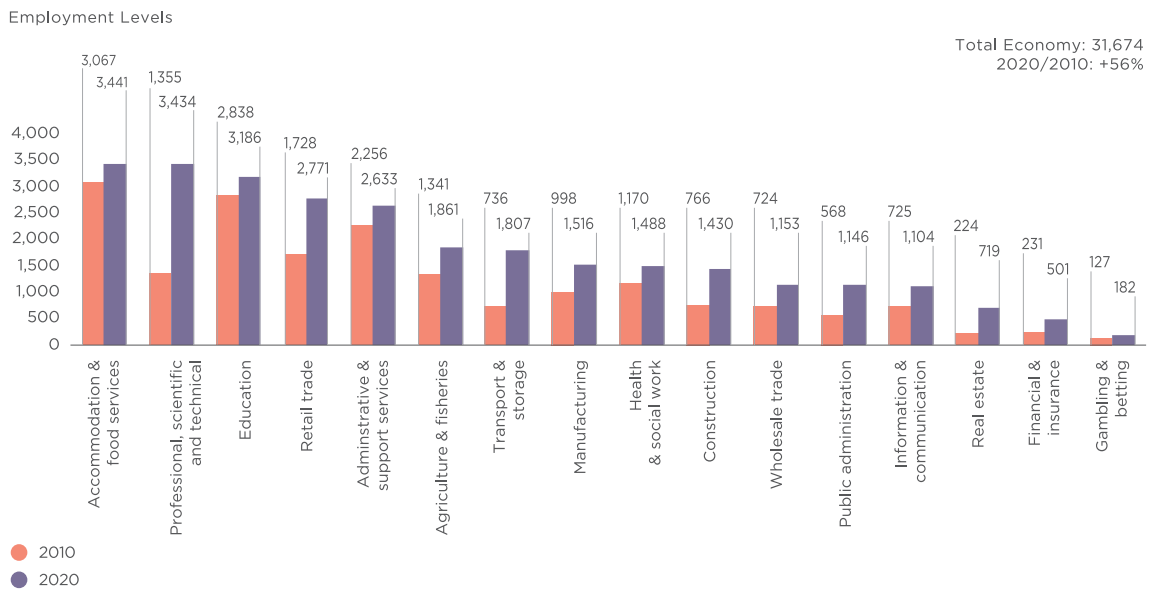
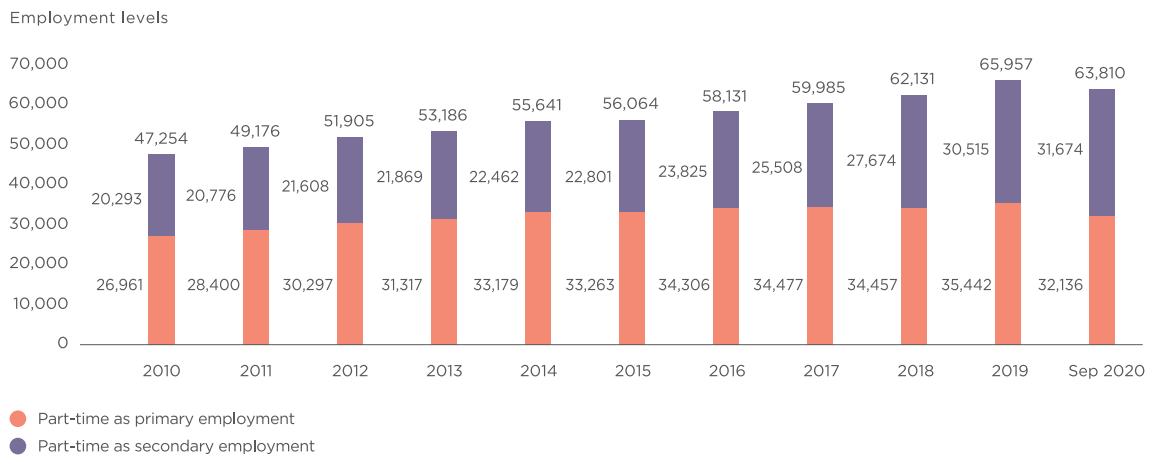


Figure 2.54 above confirms the buoyant labour market based on strong economic performance. The demand for labour was so strong that companies across all sectors registered increases in part-time work even as a secondary employment. Although this shows the buoyancy of the labour market, it possibly points to a fragmented labour market whereby companies were not able to find and recruit the required talent and needed to employ part-time workers. In addition, it also shows the significant increase in this category of workers - by 50.4 per cent between 2010 and 2019 - which can also shed light on the need to earn more income by also taking on a secondary job. This discussion also needs to be seen in line with affordability of wages and real wage growth to analyse what was motivating this increasing trend.

Figure 2.55 gives a breakdown over the years of part-time work held as a primary source of employment and part-time work held as a secondary employment. While both types of part-time work experienced growth in numbers between 2010 and 2020, part-time as secondary employment grew at a much faster pace than part-time as primary employment. To this extent, the two types of part-time are today almost evenly split. This trend could also go to confirm the conclusion that companies were unable to find and recruit the required talent and thus had to resort to employing part-time workers.

Figure 2.55
Part-time as primary versus secondary employment

Source: Jobsplus, 2021



Developments in part-time work as secondary employment are mostly prevalent in sectors which have been experiencing strong GVA growth. Figure 2.56 below, which shows the absolute change in part-time levels between 2010 and 2020, demonstrates that part-time work as a primary job, although having increased in most sectors, has been rather stable during this period. Except for professional services, which saw the number of part-timers increase by 1,340, and the accommodation and food services sector which contracted by roughly the same amount, other movements in part-time as a primary job have been insignificant.

On the contrary, movements in part-time as a secondary job during this period have been noteworthy in several growing sectors, namely professional services, transport and logistics, as well as retail trade.

Figure 2.56
 Movement in part-time employment
 by sector 2020 versus 2010

Source: Jobsplus, 2021

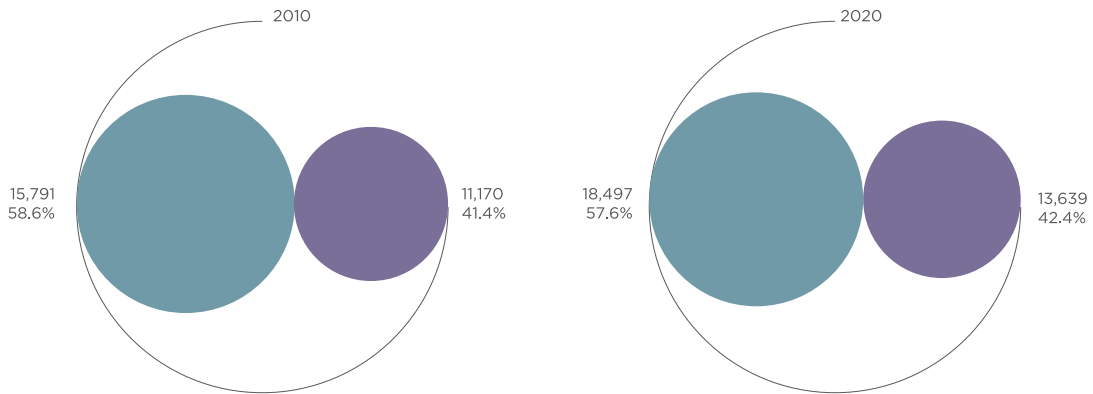


As shown in Figure 2.57 below, the rate of females working part-time as a primary job in 2020 is 15.2 percentage points higher than males. On the other hand, 65.6 per cent of those working part-time as a secondary job are male, with the remaining 34.4 per cent female, although in this case there has also been a growing shift towards females when compared to 2010.

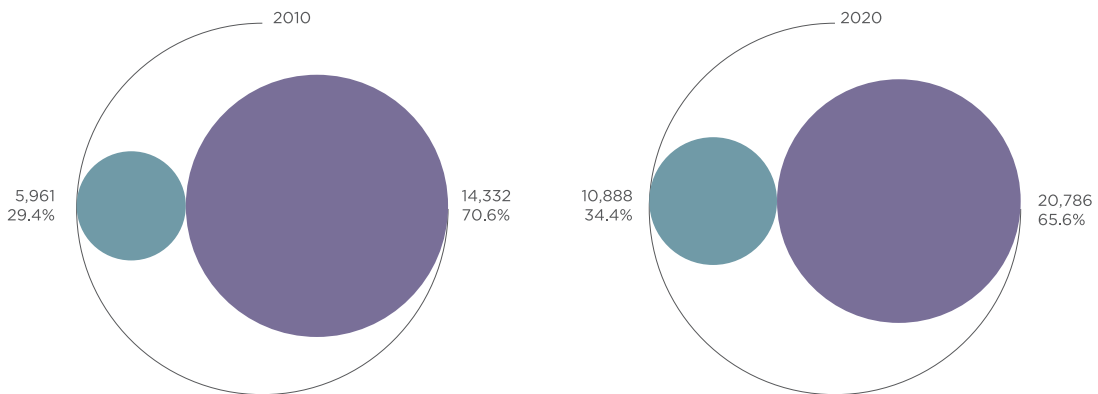
Figure 2.57
 Gender mix: Part-time as primary
 versus secondary employment

Source: Jobsplus, 2021

Part-time as primary
 employment: Gender mix



Part-time as secondary
 employment: Gender mix



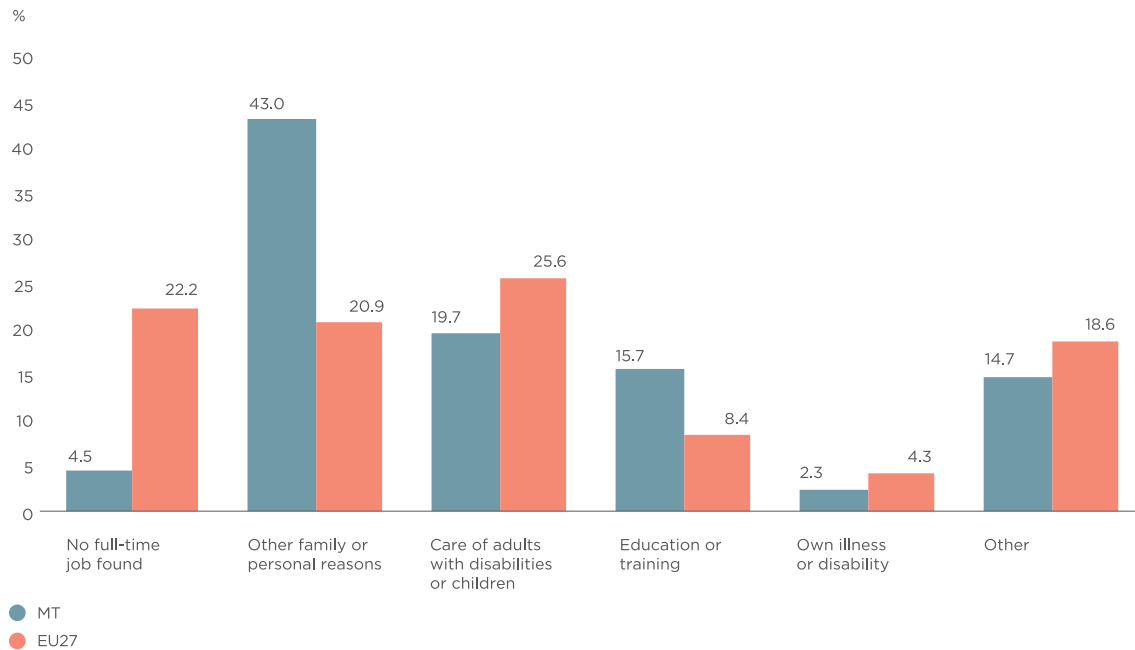
● Females
 ● Males

These results are not surprising, in the sense as the challenges women face in balancing family and work-life remain entrenched despite all the labour market policy efforts aimed at incentivising more females to join the labour market. For this reason, part-time work could provide the best working arrangement for some females, at least for a short period of time. In fact, the percentage of females who are working involuntary part-time only stands at 4.5 per cent of total female part-timers, a sharp contrast to the 22.2 per cent at the EU level. The most common reasons given by females for working part-time are family or personal reasons (43.0 per cent), care of adults with disabilities or children (19.7 per cent) and education and training (15.7 per cent).

Figure 2.58

Main reason for female part-time employment in 2020

Source: Eurostat, 2021



Looking ahead

Part-time work remains an important component of Malta's labour force. The buoyant labour market driven by strong demand for labour meant that companies often had to resort to part-time working. Part-time employment is also important to support the transition of inactive females back into the workforce, mainly through the opportunities it can offer to balance employment and family life.

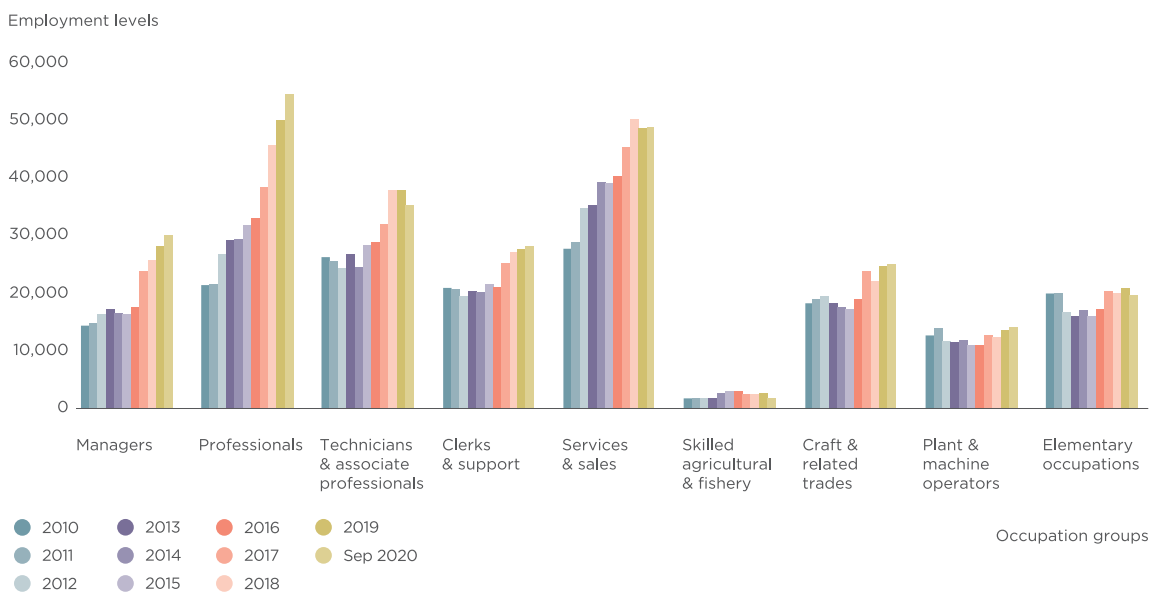
2.14 A transformed economy demands different occupations

The degree of economic transformation that the country has experienced can also be seen and confirmed through the changing structure of the labour force from the perspective of occupational structure. This shows what types of employment opportunities are being created and can confirm whether the economy is growing at the higher end of the value chain or not.

As can be seen in Figure 2.59, fast growth was registered in several occupations reflecting the type of structural growth registered in the economy and across sectors.

Figure 2.59
Labour force by occupational structure

Source: Eurostat, 2021



Several observations can be made when analysing the data and transformations. By far, the category of professionals saw very-fast paced growth during the years under review, outperforming all other occupational categories in terms of average annual growth rates (see Table 2.10). To this effect, the professional category today accounts for 21.2 per cent of all occupational grades, as opposed to just 13.1 per cent in 2010.

Table 2.10**Developments in labour force by occupational structure**

Source: NSO, 2021

	2010	Sep 2020	Average annual growth rate (20/10)	Occupational share in employment	
				2010 (%)	Sept 2020 (%)
Managers	14,370	30,034	7.7%	8.8%	11.7%
Professionals	21,391	54,548	9.8%	13.1%	21.2%
Technicians & associate professionals	26,211	35,145	3.0%	16.1%	13.7%
Clerical support	20,844	28,143	3.0%	12.8%	10.9%
Services & sales	27,618	48,814	5.9%	16.9%	19.0%
Skilled Agricultural & fishery	1,677	1,779	0.6%	1.0%	0.7%
Craft & related trades	18,295	24,938	3.1%	11.2%	9.7%
Plant & machine operators	12,720	14,145	1.1%	7.8%	5.5%
Elementary occupations	19,984	19,712	-0.1%	12.3%	7.7%

The managerial occupational role also grew at a fast average annual rate of 7.7 per cent and today accounts for 11.7 per cent of total employment. These two trends confirm that Malta's economy continues to increase the value-chain and create higher value-adding jobs. On the other hand, elementary occupations and more manual work remained relatively stagnant in absolute terms over the years, thus losing their relative share in comparison to other grades. The craft and related trades segment spiked in 2017, jumping by 25.0 per cent in one year, mainly due to the way third-country nationals are recorded on arrival by recruitment agencies, but then remained relatively stable at the new higher level.

Table 2.11 shows occupational grades by gender and age as at September 2020, as reported by Jobsplus. Most managerial positions (70.4 per cent) continue to be occupied by males, providing an explanation as to why in certain economic sectors which require high skilled workers and which are well represented by females, such as financial and professional services, the gender pay gap between males and females is considerably wide. This also signals that gender balance remains elusive though improvements have been registered over the past decade whereby only 23.0 per cent of managerial positions had been taken up by women in 2010. Males also dominate in skilled agriculture and fisheries (87.8 per cent), crafts and related trades (92.2 per cent), plant and machine occupations (79.9 per cent) and other elementary occupations (70.8 per cent). On the other hand, as has been traditionally the case, females hold most of the clerical and support occupations (57.3 per cent) and the services and sales related grades (58.8 per cent). Furthermore, on the back of encouraging trends of women furthering their education at university and other higher education institutions, it is positive to observe that the number of professionals is equally balanced between males and females.

Meanwhile, with 64.9 per cent of the total labour force aged between 25 and 49 it comes as no surprise that this age cohort is prevalent across all occupations, although certain occupational grades demonstrate certain patterns when analysed against other age groups. The skilled agriculture and fisheries occupation for instance confirms that this occupation is ageing with 54.9 per cent over 50 years of age and only 3.4 per cent younger than 24. It is also interesting to note that the percentage of employees aged 15-24 is quite elevated in the clerical and support grades, as well as services and sales, when compared to the same age bracket in other occupations. Indeed, these occupations do not require high skills and are therefore commonly occupied by early school leavers and those working part-time jobs while pursuing their studies. For the record, 49.5 per cent of all employed aged 15-24 fell within one of these two occupations as at September 2020.

Table 2.11
Occupations by gender and age

Source: Jobsplus, 2021

	Number of employed (September 2020)					
	Males	Females	15-24	25-49	50-64	25-49
Managers	16,200	6,802	482	14,547	6,101	1,872
Professionals	22,998	22,692	3,387	32,305	7,984	2,014
Technicians & associate professionals	20,534	14,026	3,544	23,609	6,540	867
Clerks & support workers	15,452	20,721	6,181	23,823	5,380	789
Services & sales	19,567	27,921	7,015	29,552	9,123	1,798
Skilled agriculture & fisheries	1,655	229	64	786	591	443
Craft & related trades	17,880	1,506	1,325	12,377	4,910	774
Plant and machine operators	11,106	2,802	989	9,483	2,886	550
Elementary occupations	27,443	11,339	3,683	22,766	10,556	1,777

	Distribution by gender and age group (September 2020)					
	Males	Females	15-24	25-49	50-64	25-49
Managers	70.4%	29.6%	2.1%	63.2%	26.5%	8.1%
Professionals	50.3%	49.7%	7.4%	70.7%	17.5%	4.4%
Technicians & associate professionals	59.4%	40.6%	10.3%	68.3%	18.9%	2.5%
Clerks & support workers	42.7%	57.3%	17.1%	65.9%	14.9%	2.2%
Services & sales	41.2%	58.8%	14.8%	62.2%	19.2%	3.8%
Skilled agriculture & fisheries	87.8%	12.2%	3.4%	41.7%	31.4%	23.5%
Craft & related trades	92.2%	7.8%	6.8%	63.8%	25.3%	4.0%
Plant and machine operators	79.9%	20.1%	7.1%	68.2%	20.8%	4.0%
Elementary occupations	70.8%	29.2%	9.5%	58.7%	27.2%	4.6%

Table 2.12 below shows the distribution of occupations by sector. Financial and insurance services employ the highest number of managers as a percentage of total employment within the sector (14.8 per cent). The sector also employs the highest share of clerical and support workers (44.9 per cent) relative to the size of the workforce in the sector. More than 73.0 per cent of all workers engaged in the information and communication sector and the professional services sector are employed in either a managerial position or a professional / technical grade.

Predictably, the majority of those employed (38.0 per cent) in the wholesale and retail trade and accommodation and food services form part of the services and sales occupation. These two sectors also employ a relatively high number of people at either end of the occupational spectrum, roughly 13.0 per cent of all employees in a managerial grade and between 13.6 per cent to 22.3 per cent of all employees in these two sectors holding an elementary occupation.

Meanwhile, most employees in the manufacturing and construction sector are employed at the lower end of the occupational spectrum and this is indicative of the lower skills required here. The administrative and support services sector also has a considerable number of workers engaged in an elementary occupation (34.5 per cent), followed by 20.6 per cent who are employed in clerical and support functions. Interestingly, 49.7 per cent of all people engaged in real estate have technical and semi-professional skills, reflecting the disparate skillsets involved in this sector.

Table 2.12
Occupations by sector

Source: Jobsplus, 2021

	Number of employed (September 2020)								
	Managers	Professionals	Technicians & associate professionals	Clerks & support workers	Services & sales	Skilled agriculture & fisheries	Craft & related trades	Plant & machine operators	Elementary occupations
Agriculture & fisheries	86	55	68	46	126	1,313	171	73	1,276
Manufacturing	1,605	1,628	3,061	1,316	1,009	28	5,874	5,515	3,592
Construction	1,044	617	1,356	716	247	27	6,712	758	5,268
Wholesale & retail trade	4,825	1,982	3,105	3,515	13,198	80	2,735	785	4,771
Transport & storage	800	580	1,540	2,737	822	29	398	4,712	1,911
Accommodation & food services	2,534	345	3,070	1,220	7,265	30	288	127	4,262
Information & communication	1,302	3,850	1,762	1,449	275	2	167	40	214
Financial & insurance	1,923	2,036	2,394	5,811	236	8	150	60	332
Real estate	363	204	1,289	192	278	6	40	19	201
Professional, scientific and technical	2,748	7,347	3,984	2,496	814	34	373	225	1,377
Administrative & support services	1,683	1,591	2,539	5,384	3,980	106	910	895	9,014
Education	503	6,994	923	953	2,259	22	105	47	787
Health & social work	378	3,324	1,609	870	6,405	9	24	100	1,246
Gambling & betting	1,338	2,845	1,779	4,746	693	22	210	39	460
	Distribution by sector (September 2020)								
Agriculture & fisheries	2.7%	1.7%	2.1%	1.4%	3.9%	40.9%	5.3%	2.3%	39.7%
Manufacturing	6.8%	6.9%	13.0%	5.6%	4.3%	0.1%	24.9%	23.3%	15.2%
Construction	6.2%	3.7%	8.1%	4.3%	1.5%	0.2%	40.1%	4.5%	31.5%
Wholesale & retail trade	13.8%	5.7%	8.9%	10.0%	37.7%	0.2%	7.8%	2.2%	13.6%
Transport & storage	5.9%	4.3%	11.4%	20.2%	6.1%	0.2%	2.9%	34.8%	14.1%
Accommodation & food services	13.2%	1.8%	16.0%	6.4%	38.0%	0.2%	1.5%	0.7%	22.3%
Information & communication	14.4%	42.5%	19.4%	16.0%	3.0%	0.0%	1.8%	0.4%	2.4%
Financial & insurance	14.8%	15.7%	18.5%	44.9%	1.8%	0.1%	1.2%	0.5%	2.6%
Real estate	14.0%	7.9%	49.7%	7.4%	10.7%	0.2%	1.5%	0.7%	7.8%
Professional, scientific and technical	14.2%	37.9%	20.5%	12.9%	4.2%	0.2%	1.9%	1.2%	7.1%
Administrative & support services	6.4%	6.1%	9.7%	20.6%	15.2%	0.4%	3.5%	3.4%	34.5%
Education	4.0%	55.5%	7.3%	7.6%	17.9%	0.2%	0.8%	0.4%	6.2%
Health & social work	2.7%	23.8%	11.5%	6.2%	45.9%	0.1%	0.2%	0.7%	8.9%
Gambling & betting	11.0%	23.5%	14.7%	39.1%	5.7%	0.2%	1.7%	0.3%	3.8%

Looking ahead

The economic structure and fabric have changed, and today the labour market is requiring higher-skilled workers to fill particular occupations. Going forward, having the right resources with the required skillsets to perform needed roles will become critical for the economy to retain its attractiveness and competitiveness.

2.15 Challenges within the educational system concern the labour market

Endogenous growth theory assumes that, besides investment in physical capital, the long-run growth rate of an economy can be sustained by research, development, and education which in turn drives innovation. Indeed, the level of human capital will determine the type of investment attracted by a country as a high-quality level of human capital attracts high value-added sectors that in turn drive higher rates of economic growth.

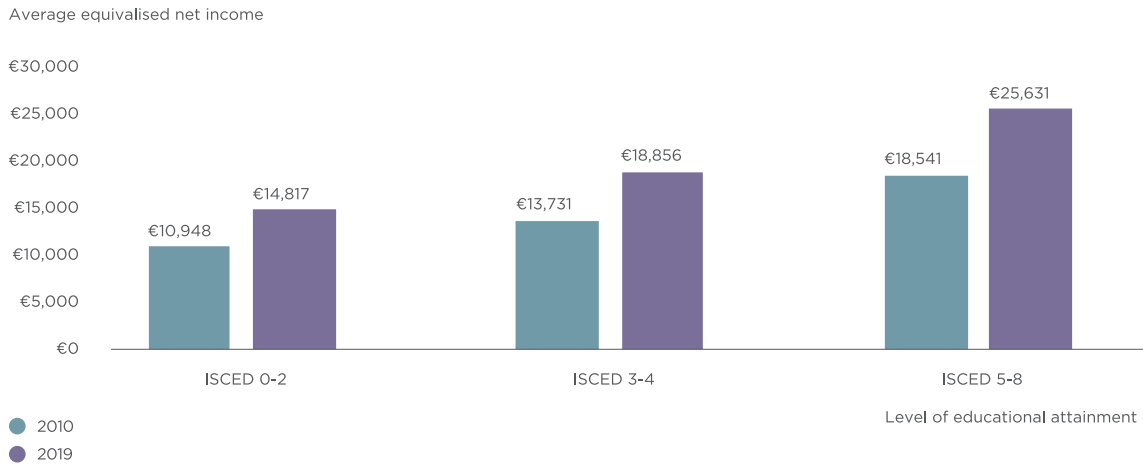
Human capital refers to the accumulation of acquired and useful abilities of all inhabitants or members of society. Formal education, on the job training, experience gained throughout the years and life-long learning all contribute to the formation of human capital.

It has long been proven that years of schooling contribute to higher average incomes. As illustrated in Figure 2.60 below, in 2019 the mean equivalised net income for a person with an educational level⁷ of International Standard Classification of Education (ISCED) 2 or below was €14,817. In contrast, those with ISCED 3-4 levels enjoyed a wage premium of €4,039, while tertiary educated workers had a premium equivalent to more than two-thirds of the workers net income with basic educational attainment.

⁷ Educational attainment levels are grouped into three categories: Less than primary, primary and lower secondary education (ISCED 0 - 2), upper secondary and post-secondary non-tertiary education (levels 3 and 4) and tertiary education (levels 5-8).

Figure 2.60
Average equivalised net income
by level of educational attainment

Source: Eurostat: EU SILC Survey, 2021



It is important to also note that whilst all average net incomes have increased between 2010 and 2019, incomes of those with higher levels of educational attainment have grown faster, creating wider income disparities between low skilled paid jobs and higher skilled high pay positions. As shown in Figure 2.61 the income disparity between the lowest and highest educational levels in 2010 stood at €7,593, and then gradually increased to €10,814 by 2019. During this time, growing income disparities have also been registered between levels 0-2 and ISCED levels 3-4.

Figure 2.61
Income disparities between different
levels of educational attainment

Source: Eurostat: EU SILC Survey, 2021



According to Eurostat, Malta has one of the highest rates of workers with a low level of education (equivalent to ISCED 0-2). Figure 2.62 below shows that Malta has the second highest share of workers aged between 15-64 (33.8 per cent) who at best have an educational level of ISCED 2. It also emerges that among those with an educational level 3-4, Malta has the fourth lowest share of workers amongst member states. With regards to tertiary educated workers Malta ranks at the 17th place.

Figure 2.62
 Workforce (15-64 years)
 composition across the EU by highest level
 of education attainment (2020)

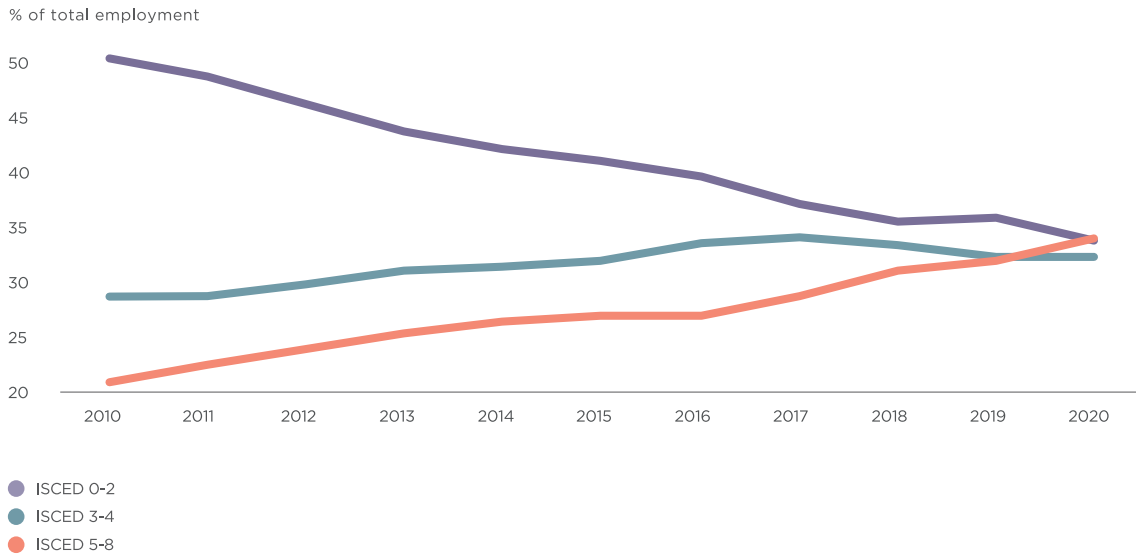
Source: Eurostat, 2021



Despite Malta's underperformance in comparison to other EU member states, 2020 figures show a substantial improvement over the more than 50.0 per cent of ISCED 0-2 qualified individuals reported in 2010 (Figure 2.63). In absolute terms, the number of individuals with a qualification of less than ISCED level 2 remained relatively stable and today amount to roughly 86,000 people. On the other hand, those with an ISCED level 3-4 increased by more than 36,000 to reach 82,600 by 2020 and those with a tertiary level of education more than doubled from 33,500 in 2010 to circa 87,000 in 2020.

Figure 2.63
Level of educational attainment trends between 2010 and 2020

Source: Eurostat, 2021



Despite these improvements, Malta's educational success continues to be plagued by a high degree of early school leavers reflected in Figure 2.64 where Malta ranks in third place from the last with respect to the expected number of school years, and Figure 2.65 which shows the low uptake of post-compulsory education in Malta when compared to other EU Member States.

Figure 2.64
Expected years of schooling (2018)

Source: Eurostat, 2021

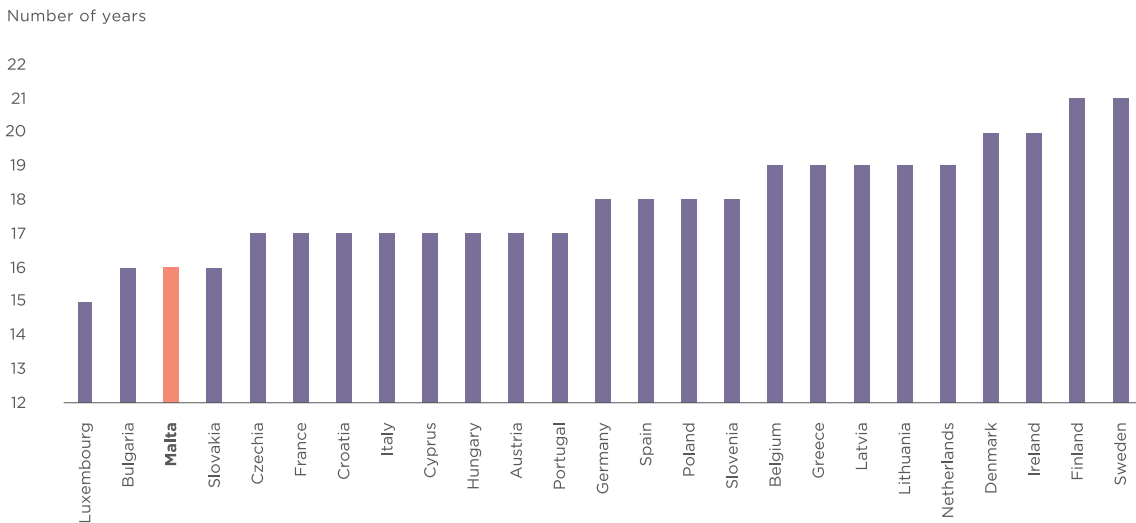
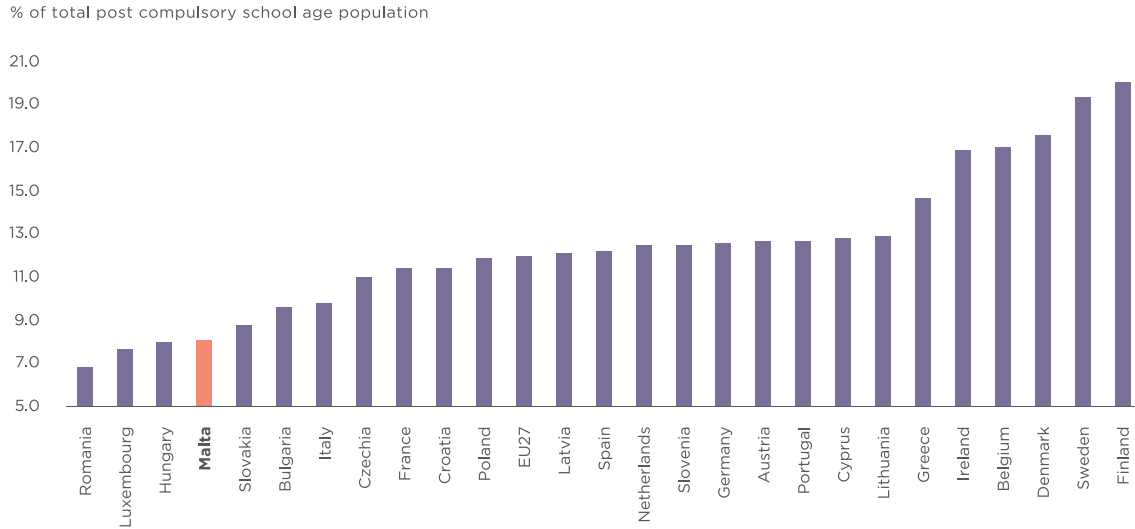


Figure 2.65

Student in post-compulsory education as a percentage of total post-compulsory school age population (2018)

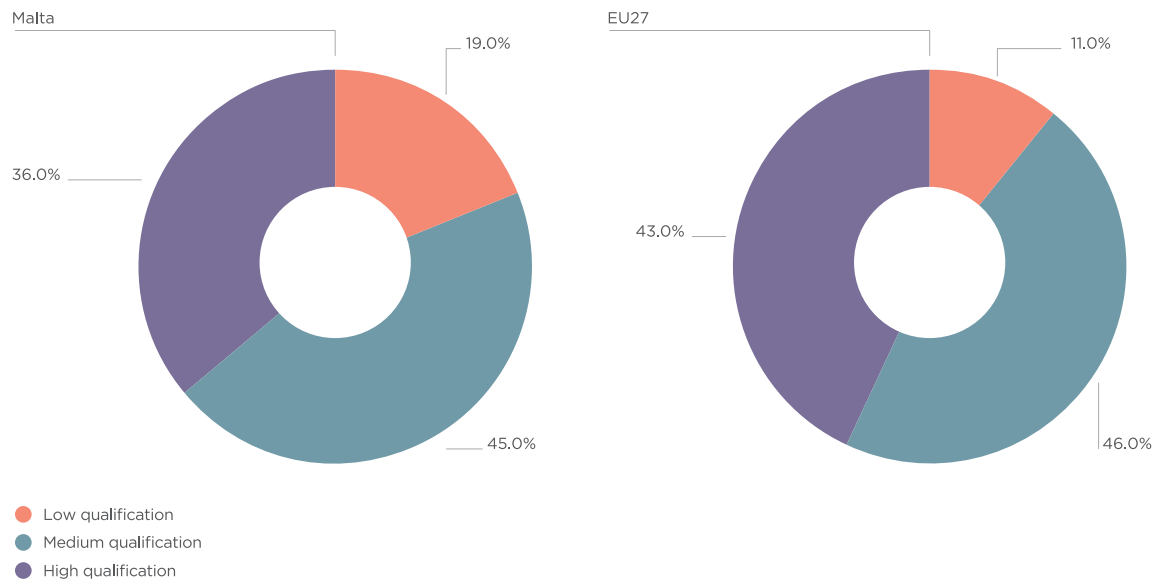
Source: Eurostat, 2021



Moreover, a report published by the European Centre for the Development of Vocational Training (Cedefop) suggests that by 2030, in line with the above educational developments, Malta will continue to have higher job openings compared to the EU requiring basic education. The share of job openings requiring medium level education will be in line with the EU average. On the other hand, job openings for tertiary level education, although higher than the share of job openings requiring basic levels of qualification, will still be significantly lower than the EU average and will as a result impinge on Malta's productivity and competitiveness, which continues to rely on education to be able to attract these high value-added jobs.

Figure 2.66
Share of total job openings 2016 – 2030

Source: Cedefop, 2020



Looking ahead

One result of a strong and competitive economy is that people with higher levels of educational attainment earn more. However, Malta still faces particular and structural challenge in the field of educational attainment. Early school leaving rates remain high and the percentage of educational attainment remains on the lower end. As a result, the demand for higher skilled jobs is also greater than European averages. It therefore becomes critical to ensure that the skills needed for the future become an integral part of the policy and approach towards employment. The Government launched a public consultation on early school leaving on June 14th, 2021 with the aim of drafting a national policy on this critical challenge.

2.16 Improvements registered in employment of people with disabilities

The inclusivity of people with a disability in the labour force was a key policy and political measure over the past few years. Several achievements were reached however challenges remain and the area remains a key policy focus.

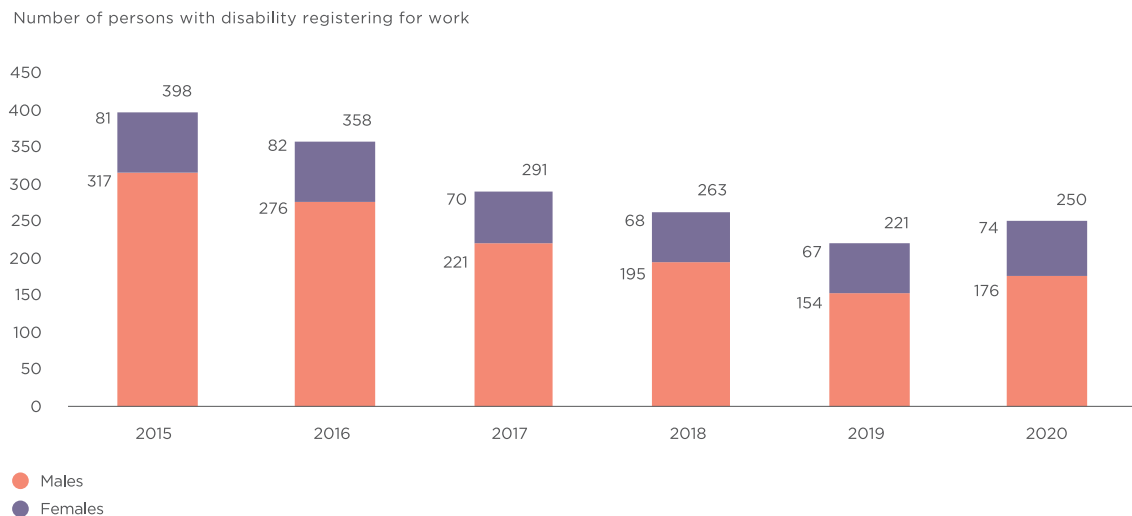
According to the Commission for the Rights of Persons with Disability (CRPD), around 35,000 people with disabilities are estimated to live in Malta, with 20,620 registered as such with the Commission as of December 2020. This group includes those who have long-term physical, mental, intellectual, or sensory impairments.

In terms of the participation of this community in the labour force, data released by Jobsplus indicates that, as at April 18th 2021, there were 4,020 people with disabilities employed in Malta and Gozo. 2.4 per cent of all public sector employees were registered as persons with disabilities with the CRPD, while this applied to only 1.5 per cent of private sector employees.

Figure 2.67 below captures the number of persons with disabilities seeking employment between 2015 and 2019. A steady decrease is evident over this period, although an increase is registered in 2020 probably due to the economic impact of the Covid-19 pandemic. A gender gap is also very clear from this data, in that most persons seeking employment are male and a relatively low number of females appear to be actively seeking employment.

Figure 2.67
Persons with a disability registering for work under Part I and Part II of the unemployment register by sex and by year: 2015-2020

Source: Cedefop, 2020



One major contributing factor to relatively higher unemployment levels in this cohort relative to the working age population without disabilities may be lower levels of educational attainment which are evident across both genders.

The EU Statistics on Income and Living Conditions (EU-SILC) educational data indicators for Malta’s disability status need to be treated with some caution, considering the small sample sizes, but consistently suggest that early school leaving rates for young disabled people are the highest in Europe and with a relatively wide disability gap compared to other Member States. The indicative data also places Malta close to the bottom of the scale for tertiary educational attainment. These indications present a considerable concern that should be confirmed and monitored from national data sources. However, collection and disaggregation of data about disability status in Malta continues to be very limited, with the most recent available data dating back to the NSO 2011 Census. Data collection efforts are therefore pertinent for verifying or contextualising the headline indicators that help gauge progress with regards to disability issues in Malta, as well as to shape policy and political direction that is driven by the objectives to build a more inclusive society and workplace.

Table 2.13 below, reveals that most people with disabilities aged 15 and over – 82.5 per cent - did not exceed a lower Secondary level of education, with 41.3 per cent of these having only a primary level of education. Only 7.6 per cent possess a tertiary level of education.

Table 2.13
Individuals aged 15 and over with disability
by sex and highest level of education attainment

Source: NSO, 2011 Census

Education level	Number of employed (September 2020)					
	Male		Female		Total	
	Count	%	Count	%	Count	%
No schooling	565	4.2	1,275	9.0	1,840	6.6
Primary	4,838	35.8	6,600	46.6	11,438	41.3
Lower Secondary	5,233	38.7	4,330	30.5	9,563	34.5
Upper Secondary	1,411	10.4	964	6.8	2,375	8.6
Post-Secondary Non-Tertiary	561	4.2	322	2.3	883	3.2
Tertiary (Stage 1)	867	6.4	678	4.8	1,545	5.6
Tertiary (Stage 2)	38	0.3	5	0.0	43	0.2

Comparing these indicators to the same 2011 census data for the population without disabilities aged 15 and over, the proportion of those with a lower Secondary education is far lower at 61.0 per cent, while double the proportion obtain a tertiary education (14.7 per cent).

From a policy perspective, inclusivity was a key element of the 2014 National Employment Policy. It targeted people with disabilities as a priority group, defining this to include all persons with physical, sensory, or intellectual disabilities.

Between 2004 and 2012, the number of registered unemployed with a disability had in fact increased by 51.8 per cent. Although the financial recession clearly had an impact on the labour market at that time, this trend was clearly a major concern. This concern was emphasised further given that the downward trend was evident even though targeted employment schemes and support services were in place at the time. These took different forms and included financial incentives to employers to drive demand. These measures, however, still resulted in a 4.5 per cent employment rate for persons with disabilities in 2013.

The 2014 National Employment Policy therefore called for a rethink of how investment and resources had been allocated to these services and laid the groundwork for new initiatives in this area. Key among these was the VASTE Programme, an ongoing ESF-funded programme launched by Jobsplus in 2016 in partnership with the Lino Spiteri Foundation (LSF). The overarching aim of the project is to bring vulnerable persons closer to the labour market through training and job exposure opportunities, which could lead to employment in the open market or self-employment. Through this programme, a Vocational Multi-Disciplinary Assessment Centre has been set up to offer detailed assessment services to clients. This assessment results in a personal training plan and employment exposure. Multiple training options can then be offered to clients based on their specific needs. Participation has been strong as Table 2.14 indicates.

Table 2.14
Annual participation in VASTE Programme

Source: Jobsplus, 2021

	2016	2017	2018	2019	2020
Number of participants	329	248	357	344	317

Various additional measures were introduced throughout the years which focused on increasing the employability of people with a disability. As a result, the number of registered disabled persons in employment has increased in recent years reaching 3,972 in 2020, up from 1,797 in 2013.

Looking ahead

Inclusivity remains a cornerstone of Malta’s employment policy and political direction. Despite the improvements made, this remains a multifaceted challenge that needs to be addressed through different policy initiatives, incentives, and measures. Inclusivity is closely related to other domains, particularly education, and touches on public perceptions and attitudes, where efforts to stamp out any forms of discrimination need to be reinforced.

2.17 Gender-based challenges in the labour market remain

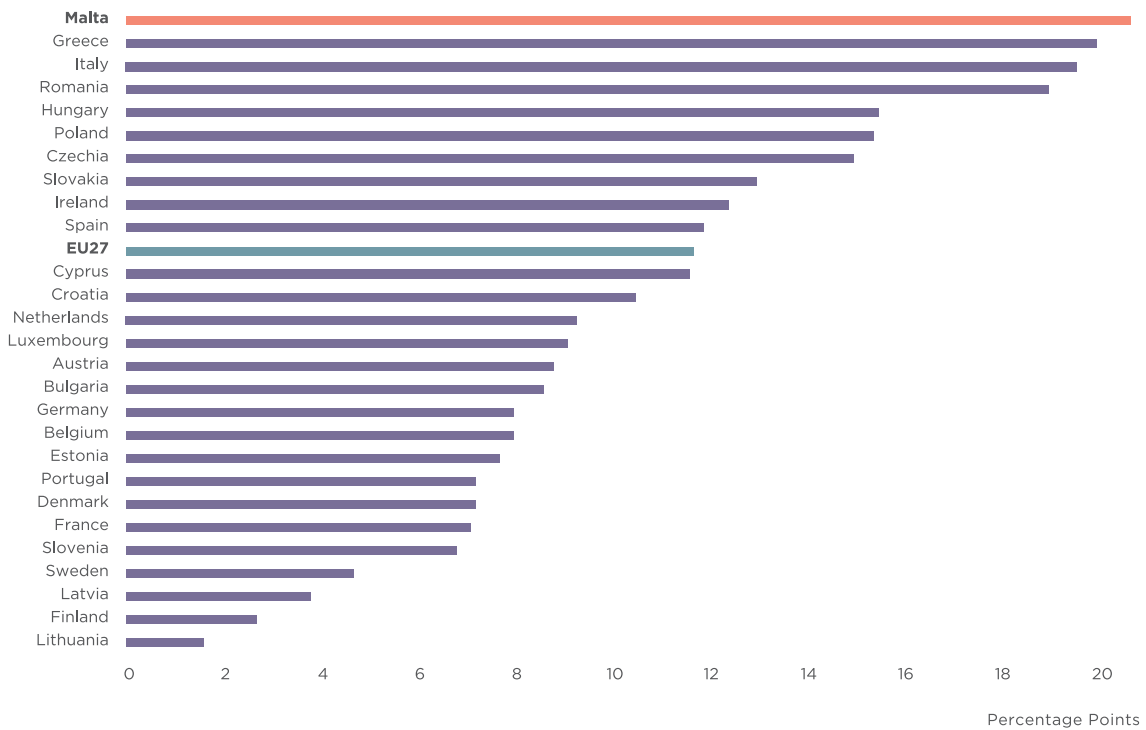
Malta has registered significant and impressive gains in female employment rates. However, further gender-based challenges remain, especially in relation to a lack of participation within specific age cohorts and the gender pay gap.

Malta sustained strong economic growth in the years following the 2014 National Employment Policy, resulting in a buoyant labour market with record levels of labour force participation and historic lows for unemployment. This performance exceeded the EU27 averages for both.

This surge in male and female employment driven by economic activity does not however mean that the gender employment gap, defined as the difference between the employment rates of men and women aged 20-64, is now at par with the EU27 average in this regard. As seen in Figure 2.68 below, Malta's gender gap remains the highest in the EU, indicating that certain frictions are still embedded in the structure of the Maltese labour market that continue to limit the full potential of the female population of working age.

Figure 2.68
Gender employment gap (2019)

Source: Eurostat, 2021



One persistent barrier to optimal female participation in Malta is the relative under-employment among women in the older age cohort. In Malta, women's participation in employment decreases with age and the gender gap consequently widens for older age groups. Although employment within this bracket has risen considerably in recent years, it still lags the employment rates in younger female cohorts and remains far lower than the EU27 average for older female workers. It is also considerably lower than the participation rate for Maltese males in the same age cohort.

The reasons for this reduced participation in the older cohort are varied, however the following factors may be considered:

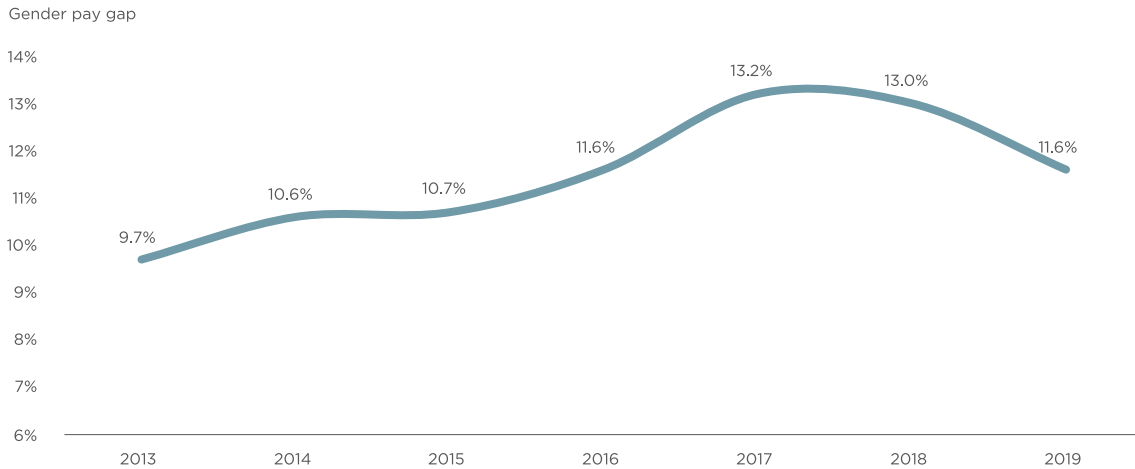
- **Caregiving:** According to the ILO, unpaid caregiving responsibilities are likely to be a strong element in this context. Whereas this factor has been tackled decisively in the 25-34 age cohort in terms of mothers with young children, and equally so with women aged between 35 and 44 who re-join the labour force as their children become less dependent, older women may be more likely than their younger counterparts to conform to sociocultural norms whereby it is expected that their primary focus should be unpaid care for the household and family members. In this cohort it is also more likely that unpaid care outside the immediate household may apply in terms of elderly parents, grandchildren, and relatives.
- **Digital Divide/Lack of confidence:** The ILO 2018 report highlighted technological advances as being a barrier to female participation, and the digital divide across this age cohort could be a likely deterrent to employability. A research study carried out by the Malta Communications Authority in 2012 did in fact indicate a stable downward trend in digital skills for Maltese adults aged 55 to 64, which is more pronounced in females.
- **Lack of skills:** Females in this age cohort are more likely to have lower levels of educational attainment and are less likely to have any formal skills or training. The latest Eurostat data in this regard indicates that in 2019 only 7.4 per cent of Maltese females aged above 55 years had a tertiary education compared to the EU27 average of 20.4 per cent. The proportion whose educational attainment does not exceed ISCED 3-4 is also a very high 81.1 per cent, compared to the EU27 average of 35.5 per cent.

When discussing gender equality, the gender pay gap is an important element. This is defined by the European Commission as the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men.

In 2019 the gender pay gap (GPG) in Malta stood at 11.6 per cent as opposed to the EU27 average of 14.1 per cent. Although this figure compares more favourably to the EU average than the employment gap, the persistence of this gap remains a pressing concern. As can be seen in Figure 2.69 below, this gap has widened steadily since 2013, even as female participation in the labour force increased on an unprecedented scale.

Figure 2.69
Gender Pay Gap in Malta

Source: Eurostat, 2021



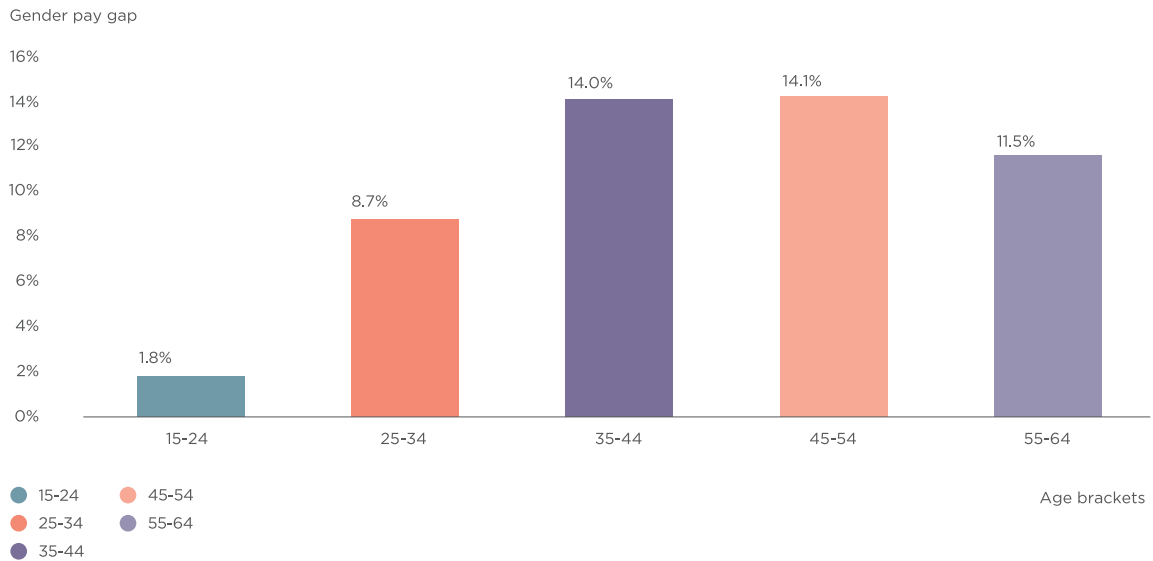
This trend is in line with similar developments observed in other economies, where an increase in female employment also leads to a widening of the gender pay gap. Eradicating this inequality has increasingly been defined as a priority in Malta and beyond, primarily since it is an obvious manifestation of gender inequality, as well as a contributing factor to poverty risk. This risk does not only apply when the woman is in work but widens with age – with less disposable income to save and invest the gap accumulates over time, exposing women to poverty and social exclusion at an older age.

The National Statistics Office published an analysis of the GPG in Malta in April 2018 which provides some insight into the current context.

- At 14.3 per cent, the GPG is highest in the private sector as opposed to the public sector (5.0 per cent) and impacts parents of dependent children (16.6 per cent) more than non-parents (6.0 per cent).
- As can be seen in Figure 2.70 below, it is widest in the 35-54 age cohort. This may be due to the demands of unpaid caregiving which lead women to opt for part-time employment as well as the higher incidence in these age groups of women returning to employment after a career break taken to care for dependent children.

Figure 2.70
Gender Pay Gap by age (2018)

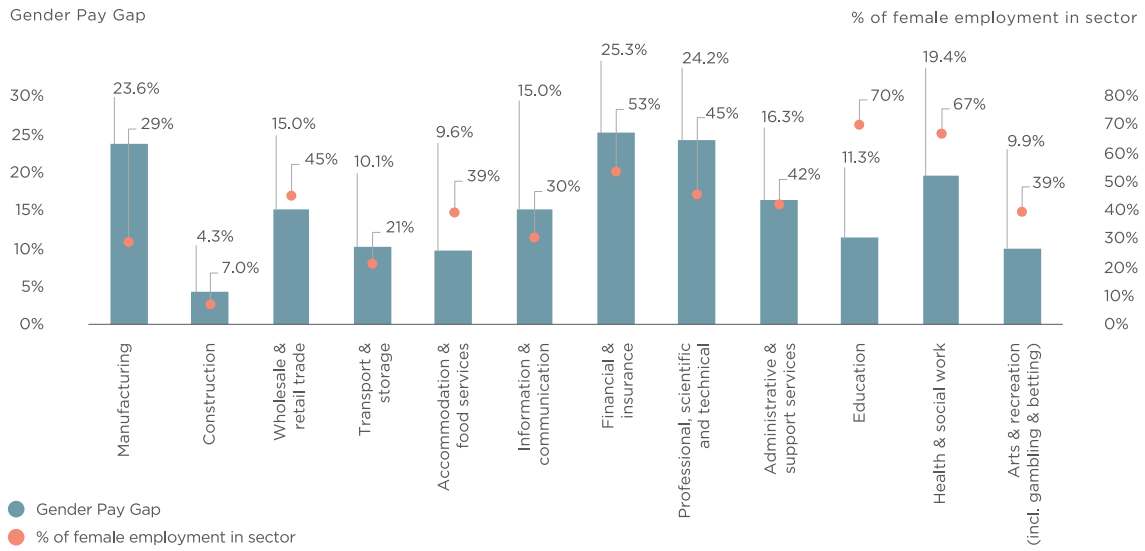
Source: Eurostat, 2021



In terms of economic activities, as per Figure 2.71 below, the GPG is widest in the financial and insurance sector, followed by professional, scientific and technical activities and the information and communication sector. This finding aligns with studies conducted in other countries which show that the GPG tends to be widest in sectors involving a higher proportion of professional, technical and management positions, one of the reasons being that women are underrepresented in these positions (ILO, 2019). Younger women who do possess the requisite aptitudes for these roles are also more likely than men to opt for more flexible and less demanding roles due to caregiving commitments – this reduces the average female salary in these sectors.

Figure 2.71
Gender Pay Gap by economic activity

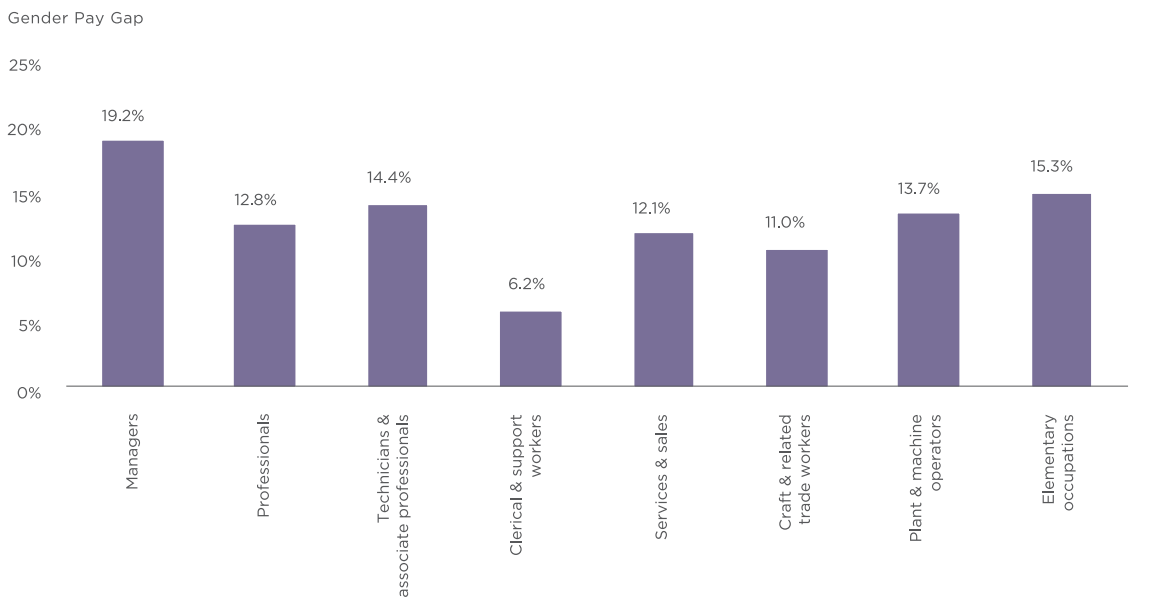
Source: NSO, 2019 Structure of earnings survey



These observations are borne out further by a split of the GPG across occupation groups, as per Figure 2.72 below, in that the top three groups with the highest GPG are the managerial, professional, and technical groups.

Figure 2.72
Gender Pay Gap by occupation (2018)

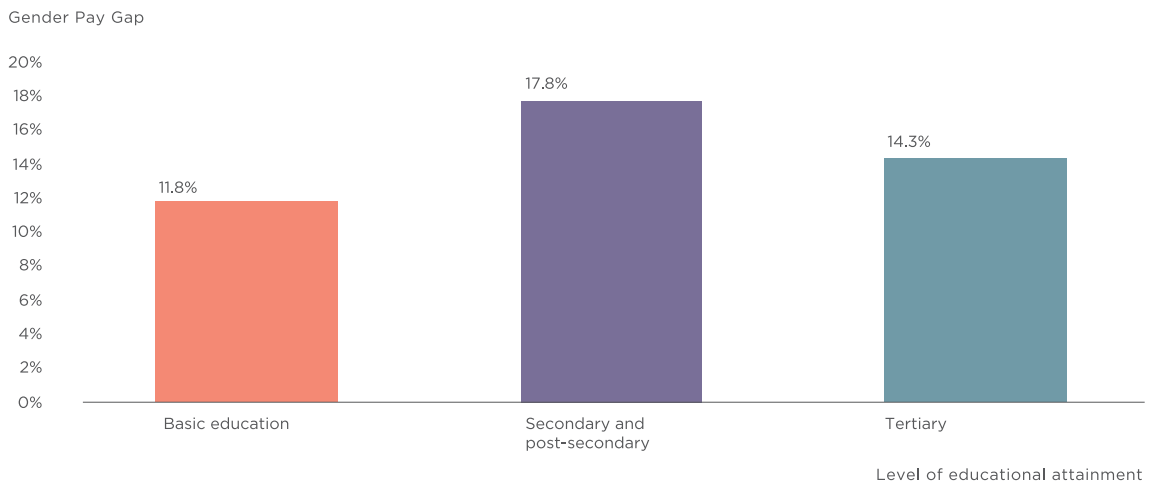
Source: NSO, 2018 Structure of earnings survey



In keeping with the above findings, it is also indicated that the GPG increases in parallel with the level of educational attainment as seen in Figure 2.73 below. This is anomalous considering that in recent years the number of female graduates has surpassed males, however this finding does conform with the situation in other countries where a similar gender education gap is not reflected in labour market outcomes. There may be a correlation here with the fact that women in the mid-career age group (age 35+) are more likely than men to step back from advancement due to caregiving responsibilities. In addition, discrimination in recruitment and promotion procedures cannot be discounted, particularly since the leadership positions making the necessary decisions in these processes are predominantly held by males. This applies particularly to the private sector, since the NSO data shows a far more balanced outcome in the public sector.

Figure 2.73
Gender Pay Gap by level of education attainment (2018)

Source: NSO, 2018 Structure of earnings survey



Looking ahead

Despite registering significant progress in female participation rates, gender equality remains a challenge in Malta particularly in relation to gender pay gap. Reducing the gap as much as possible remains a policy priority to ensure that gender equality does not merely refer to participation rates but importantly in relation to pay.

2.18 Wages for Maltese workers have increased faster than for other nationalities

Malta experienced a buoyant labour market over the period under review. Economic activity was also positive and strong with fast growth rates being registered propelled by strong consumer demand. This was reflective of positive wage developments which were in turn supported by upward wage pressures. Ultimately, employment is about incomes and the standard of living families can enjoy with that income.

To truly measure wage developments and to analyse the behaviour of wage growth and several factors, an in-depth data analysis was carried out as outlined in Box 2.1.

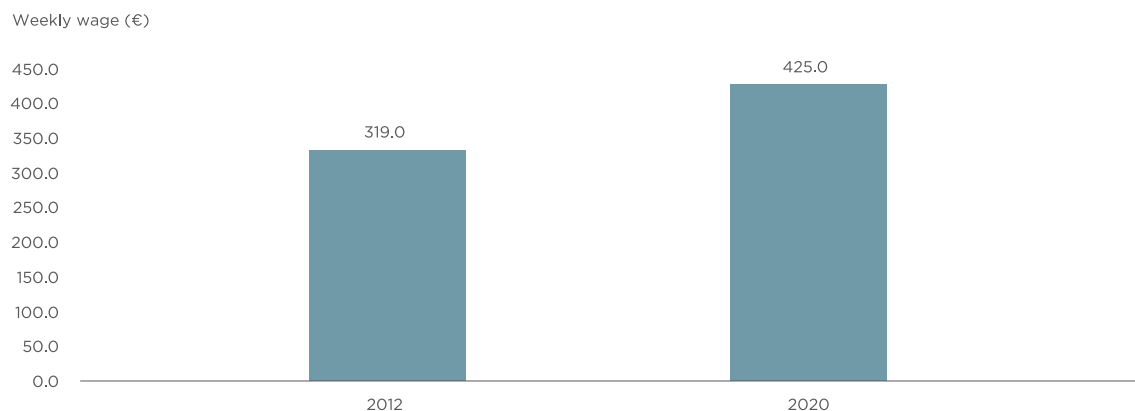
Box 2.1 Wage data sources and methodology

There are two main data sources that can provide information about labour market income trends - the Labour Force Survey and administrative tax data owned by the Inland Revenue Department (IRD). For this exercise, Jobsplus' administrative data was merged with the Inland Revenue Department's data. Only full-time employees were considered for this exercise and all self-employed were removed from the dataset to limit the skewness of data. Throughout this exercise, no sensitive data was disclosed, and anonymity was respected at all times.

On average, as seen in Figure 2.74, the weekly wage in Malta increased between 2012 and 2020 by 33.2 per cent and stood at €425.0. However, disparities exist between different cohorts of workers.

Figure 2.74
Average weekly wage

Source: IRD, Author's calculations



As can be seen from Figure 2.75, EU nationals earn on average a higher weekly wage than Maltese. On the other hand, the average weekly wages for the Maltese grew at the fastest pace at 40.1 per cent as opposed to 17.5 per cent for non-EU nationals and 10.6 per cent for EU nationals.

Figure 2.75
Average weekly wage by citizenship

Source: IRD, Author's calculations



Wage distribution

To deepen the analysis and to shed light on wage distribution, the mean and median for both years were calculated and given in Table 2.15.

Table 2.15
Mean and median wage for 2012 and 2020

Source: IRD, Author's calculations

Indicator	Description	2012	2020
Mean	Average of the population	€319.0	€425.0
Median	Middle place in a population	€277.1	€340.9

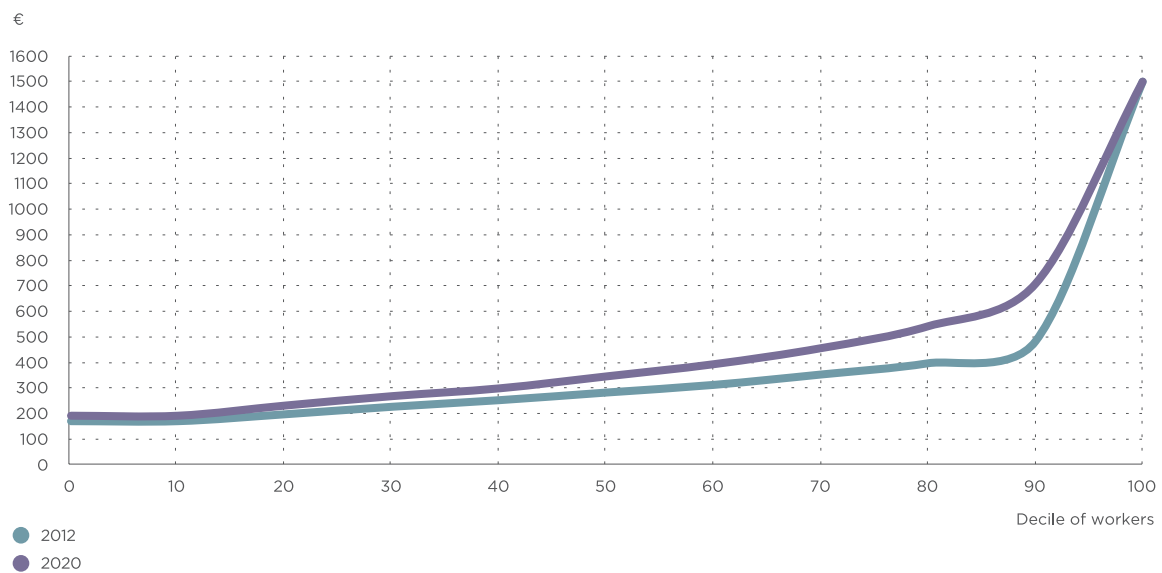
In both years, the mean wage is higher than the median wage. Whereas the median increased by €63.8, the mean increased by a much higher amount, €106.0 over the same time frame.

To better understand the distribution of workers, the deciles of the working population were calculated.

Figure 2.76 illustrates the gross weekly wage income of workers against the share of workers that earn that respective income. In 2012, 60.0 per cent of all workers in Malta used to earn a weekly wage of €307.2 which increased to €388.9 in 2020. The trajectory of the curves shows that up until the 40th decile wages grew very negligibly, however they started to shoot up from the 60th onwards indicating that this group of workers saw the fastest pay increases.

Figure 2.76
Average weekly wage by decile of workers

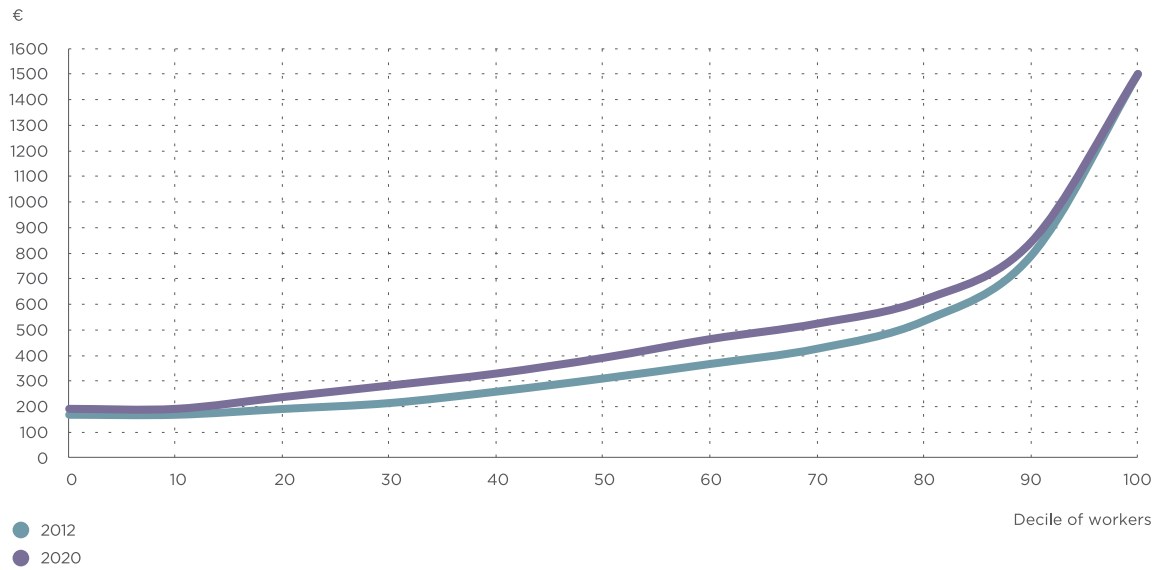
Source: IRD, Author's calculations



When breaking down this by nationalities, one sees that the Maltese group enjoyed higher salary increases. The differences are shown in Figures 2.77 for EU nationals, Figure 2.78 for Maltese nationals, and Figure 2.79 for TCNs.

Figure 2.77
Average weekly wage by decile of EU workers

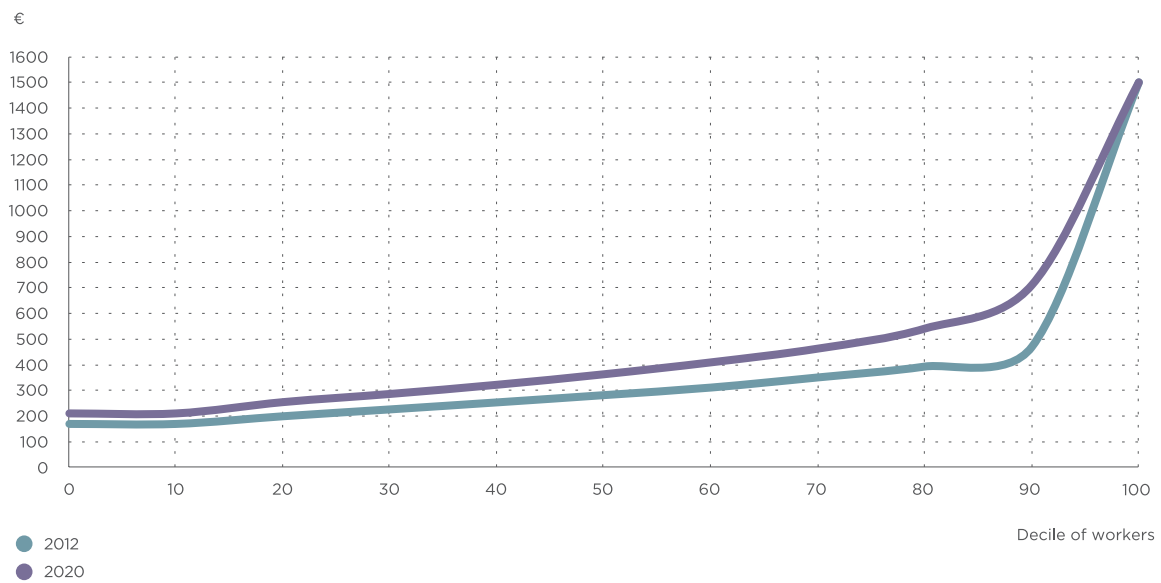
Source: IRD, Author's calculations



As can be seen from Figure 2.77, the gap between the two is negligible even though there is a gap present from the 20th decile onwards indicating that the vast majority of EU nationals in Malta enjoyed wage increases.

Figure 2.78
Average weekly wage by decile of MT workers

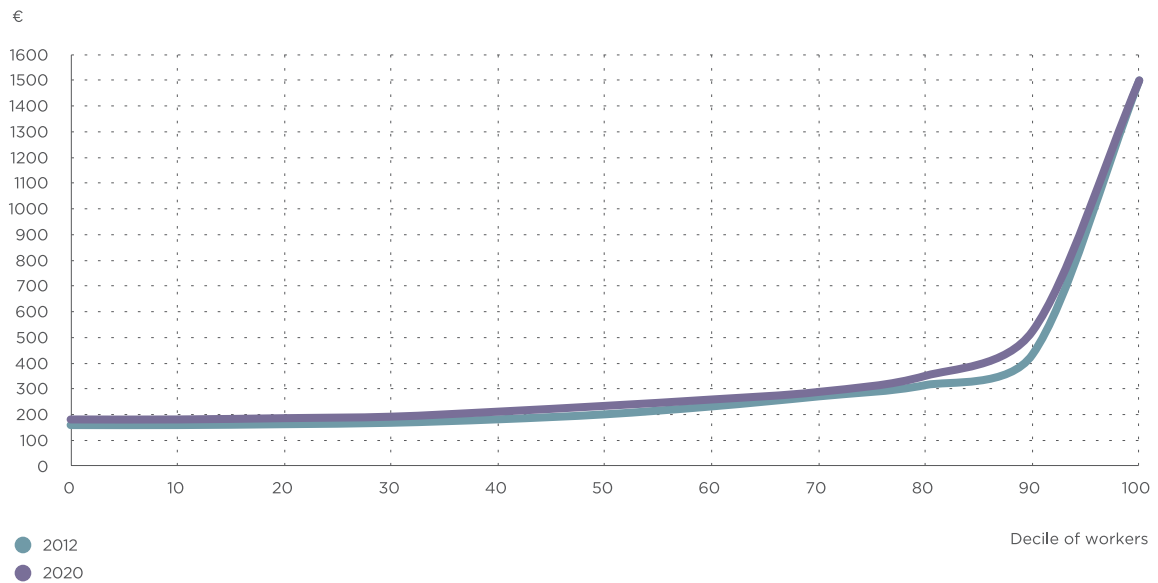
Source: IRD, Author's calculations



For Maltese workers, the curve shifted up, meaning that all workers enjoyed a wage increase although wage growth accelerated past the 50th decile. In 2012, 50 per cent of Maltese workers used to earn on average €277.6 which increased by 30.3 per cent to reach an average of €361.8 in 2020.

Figure 2.79
Average weekly wage by decile of TCN workers

Source: IRD, Author's calculations

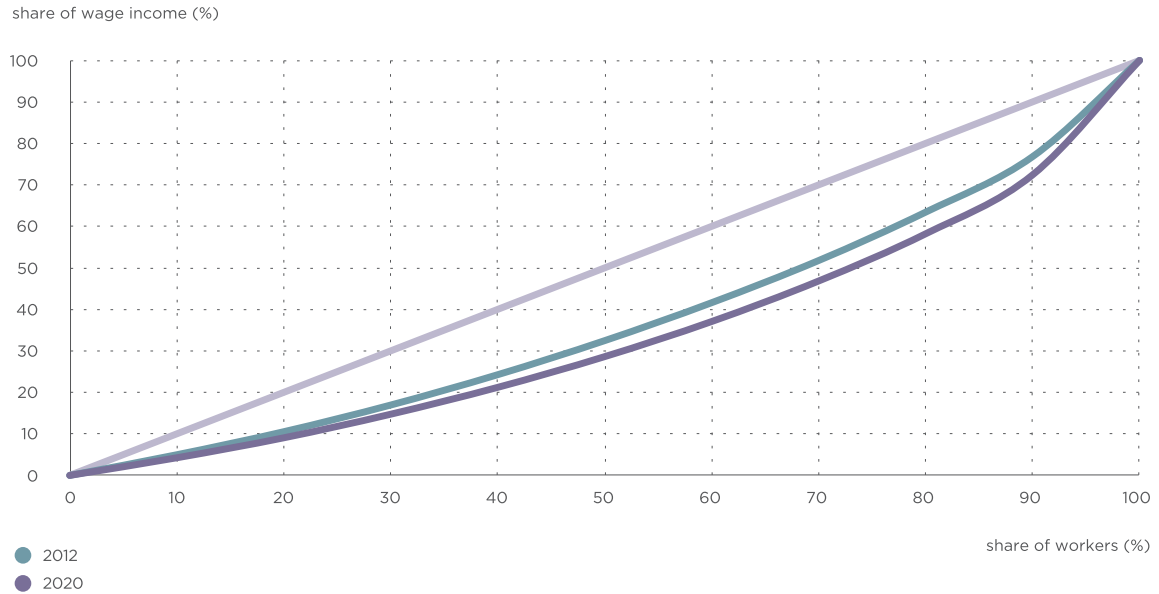


On the other hand, Figure 2.79 shows that wages for non-EU nationals did not increase during the period under review as the graphs grew along similar trajectories and the gap increased only past the 80th decile.

To get a better idea of market wage income inequality, the 'Lorenz Curve' for wage income is presented in Figure 2.80. The 'Lorenz Curve' shows how much of the share of wage income accrues to each decile of the population of workers. The diagram reads as follows: the first 10 per cent of workers earn 5.0 per cent of market income.

Figure 2.80
Wage income distribution

Source: IRD, Author's calculations



Whereas in 2012, 50.0 per cent of workers earned 32.5 per cent of all wage income they enjoyed 28.6 per cent in 2020; a drop of 3.9 percentage points over the eight-year period. Overall, such observations indicate that earners at the end of the income distribution experienced the highest increases in income. This reflects the uneven wage growth that took place over the last years.

Wages by occupational categories

When analysing wage developments by occupational categories and inferring on educational attainment, it is apparent that higher educational attainment leads to higher wages and faster growth rates.

As can be seen from Figures 2.81, 2.82, 2.83, ISCO categories 1-3, which are the managerial, professional, and technicians and associate professional categories, command the highest wages and all, except for EU nationals, commanded the fastest growth rate on account of already high levels of weekly income. In 2020, the average weekly wage for occupations in ISCO categories 1-3 stood at €635.4.

Figure 2.81
Average weekly wage
by ISCO for EU nationals

Source: IRD, Author's calculations

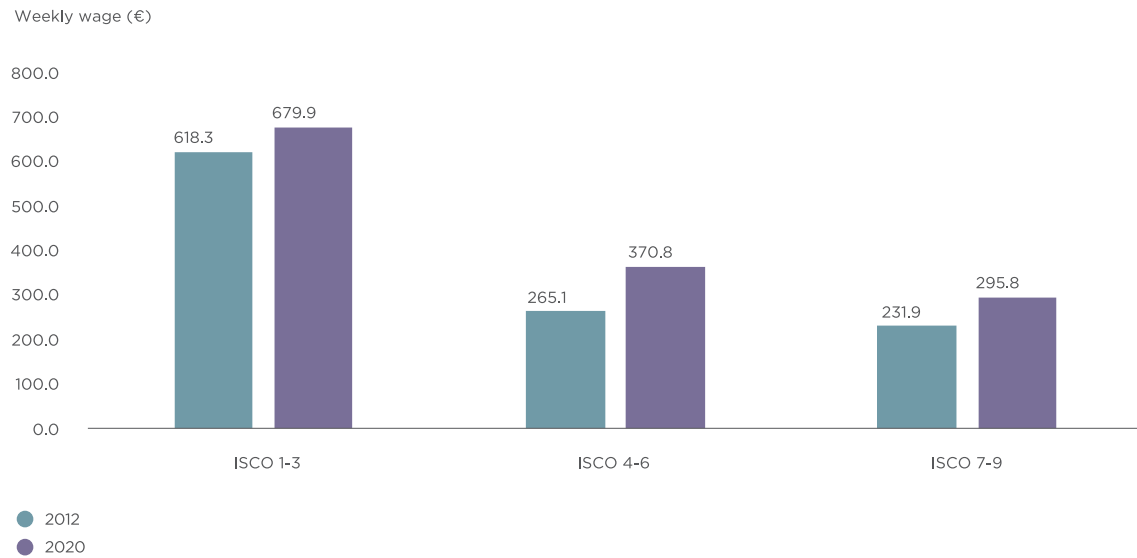


Figure 2.82
Average weekly wage
by ISCO for MT Nationals

Source: IRD, Author's calculations

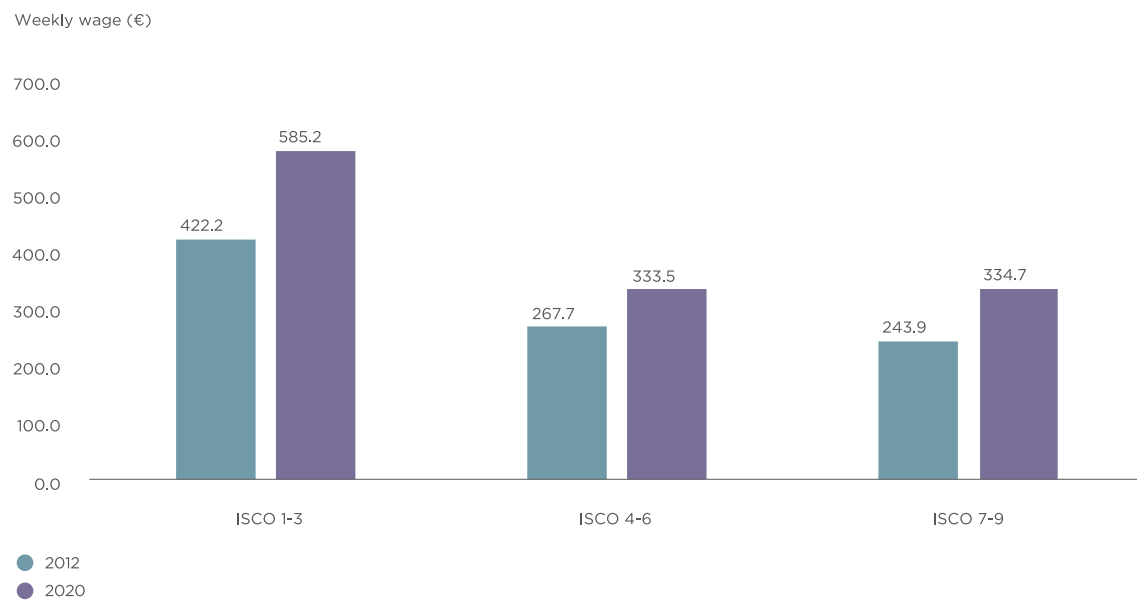
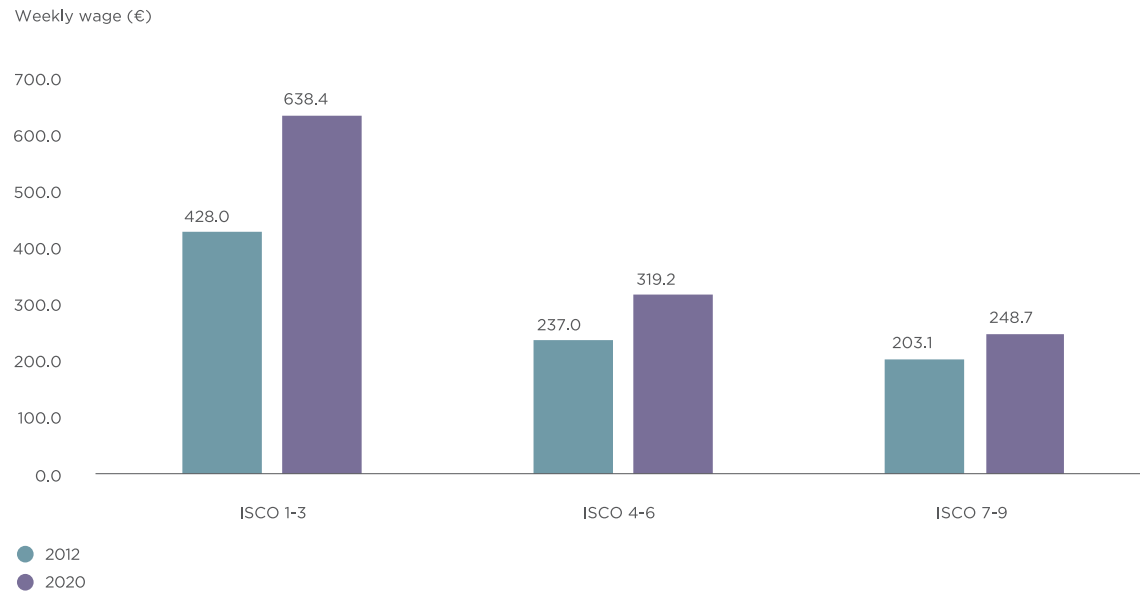


Figure 2.83
Average weekly wage
by ISCO for TCN Nationals

Source: IRD, Author's calculations



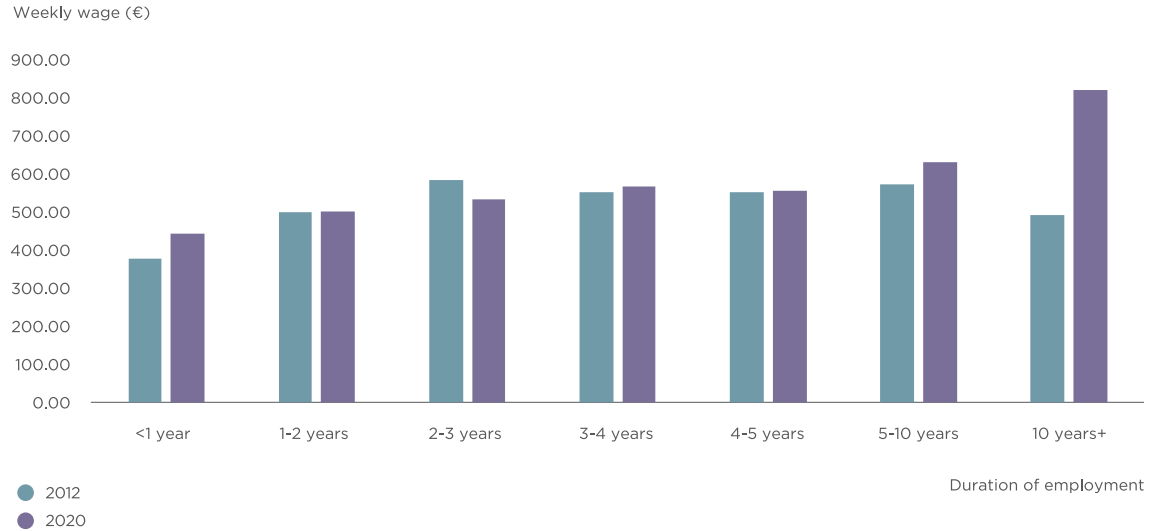
The above analysis further confirms the importance of educational attainment and improving the quality of jobs in terms of occupational scale. The link between high wages and faster wage growth is positively correlated to educational attainment further confirming the importance of focusing on education and life-long learning to improve salary outcomes and household income.

Wage developments by duration of employment

An important component in wage growth and development is the duration of employment. This can also shed light on the role of work experience in commanding better salaries. This analysis is shown in Figures 2.84, 2.85, 2.86.

Figure 2.84
Average weekly wage
for EU nationals by duration of employment

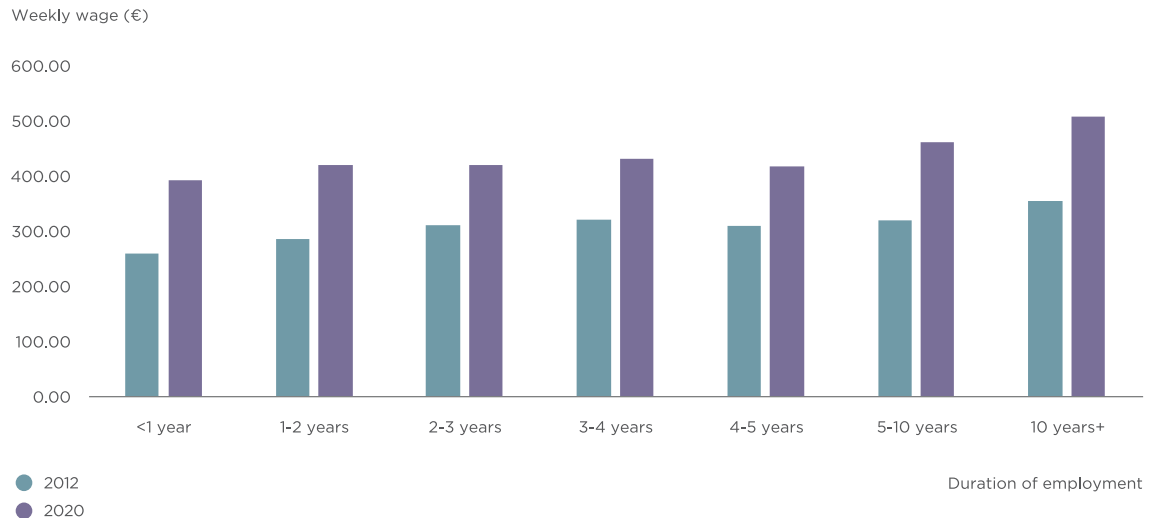
Source: IRD, Author's calculations



From the data it is evident that the biggest growth in salaries happened after the 10th year of experience clearly showing the important of on-the-job experience in attaining higher wages. On the other hand, also due to the tight labour market, the wages for the Maltese workers increased across all categories, as can be seen in Figure 2.85.

Figure 2.85
Average weekly wage
for MT nationals by duration of employment

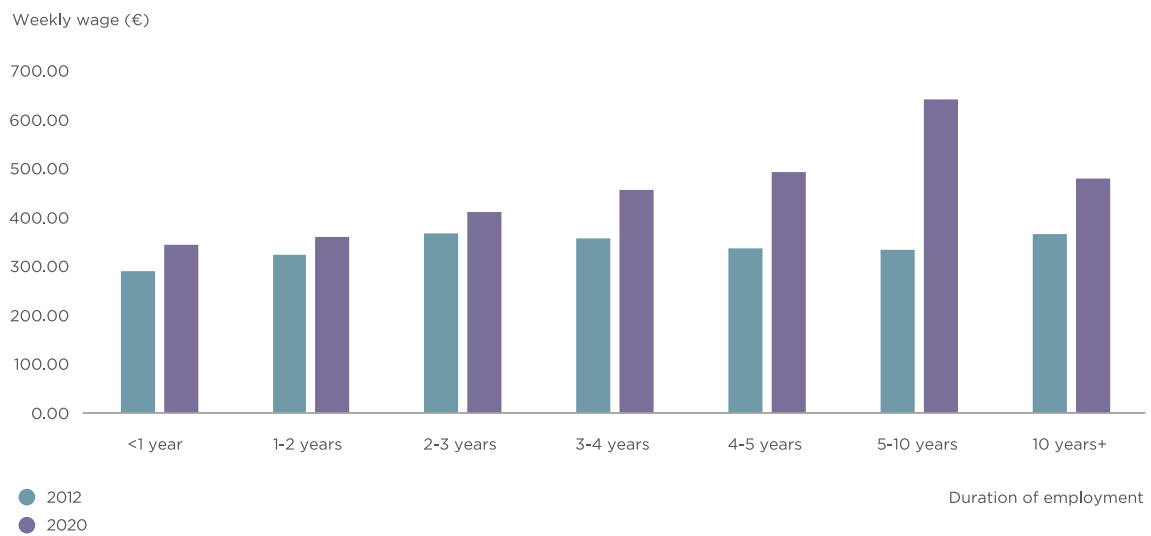
Source: IRD, Author's calculations



An interesting observation can be made when analysing the data for non-EU nationals in Figure 2.86. Wage data shows that the fastest wage increases happen past the 3rd year of being employed. This means that retention schemes should be facilitated for workers to enjoy salary increases.

Figure 2.86
Average weekly wage for TCN nationals
by duration of employment

Source: IRD, Author's calculations



Looking ahead

Over the past few years, Malta experienced a tight labour market with various shortages. This led to wage growth across the economy, however as the analysis has shown, it was uneven across several dimensions. Since then, the Covid-19 pandemic has also impacted the wage growth across various sectors. However, it is evident that educational attainment and work experience are key in determining faster wage growth, reinforcing the importance of education, and acquiring of industry skillsets.





03

Drivers of Change

As the global world adjusts to these drivers, occupations and the world of work are also undergoing a fundamental transformation. This section sheds light on six drivers of change that were identified as key forces and elements that are impacting the world of work. For each identified driver of change both the global and local contexts are outlined. Insights from the focus groups are also given, with a focus on the threats and opportunities that business leaders have identified for each of these six drivers.

3.1 Digitalisation and automation

What is it?

Digitalisation has been reshaping economic activity across all sectors and regions for the past four decades, impacting developed and developing countries alike. It has clearly emerged as the most important driver of innovation, competitiveness, and economic growth. Technology has now permeated every sphere of social and economic activity. It underpins all the major trends that are transforming the global economic system: globalisation, shifting consumer behaviour, mobility, and availability of information.

Although the digital revolution started at least four decades ago, with several radical developments that completely revolutionised economies and societies, the pace of this change was rapid but consistent, allowing for some degree of absorption of each key change before moving on to the next. Since 2010, however, the cumulative effect of digital change has been intense, and economies have struggled to cope with the ramped-up pace of change. More than in the previous phases of digitalisation, it seems that businesses barely have time to absorb and adopt one set of changes before another new wave of transformational technologies has arrived.

This rapid onset of change is having a profound impact on the global labour market, characterised by international organisations such as the Organisation for Economic Co-operation and Development (OECD) and the ILO as a 'digital transformation' that brings with it inherent risks and opportunities that require careful management at national policy level.

The global context

There is consensus across the leading international bodies that digital transformation is inevitable, increasing in breadth, scope, and pace, and is now critical to economic growth. In terms of employment and the world of work, there is further agreement that this needs not be viewed solely as a negative force endangering jobs and livelihoods. Rather, if managed effectively in policy terms, it could bring opportunities to improve access to labour markets.

OECD estimates suggest that one in ten jobs could be automated, while another 25.0 per cent could undergo significant change because of automation. Data further suggests that four out of ten jobs created in the past ten years were in digital-intensive sectors, while for those countries that experienced declines in employment, most of the job loss was in less digitally intensive sectors. New jobs are appearing such as big data specialists, app developers, social media managers, and Internet of Things (IoT) architects.

The latest reports by the ILO, the OECD and the European Commission highlight the need to manage digitalisation on two levels, both of which are key to averting negative impacts on the labour market and maximising the potential of this transformation. First, by facilitating the take-up of digitalisation and automation by businesses across industries. This is not only indispensable for economic strength but also crucial in employment terms since vibrant, competitive industries and enterprises create jobs.

Secondly, in terms of labour market policy, the OECD, and the ILO point to the polarising effect of digitalisation away from medium-skilled jobs and into low- and high-skilled jobs.⁸ Looking forward, however, low-skilled workers are the likeliest to bear the cost of digitalisation. Except for health and education caregiving roles, the risk of automation declines as educational attainment skill levels rise.⁹ The main issue here, highlighted by all international organisations, is that low-skilled workers are also the least likely to access training and therefore are most at risk of the disruptive impact of digitalisation.

The OECD's recommendations generally align with those of the ILO and the European Commission. All three characterise the best way forward as being an acceptance that change is happening and cannot be reversed, followed by the setting up of an 'adaptation agenda.' This can be summed up under four main pillars:

- Equip people with a specific skillset to thrive in tomorrow's economy – in a digital world, workers need a different set of skills especially cognitive, digital, and emotional. Workers also need to harness the ability to deal with change and to continue learning.
- Embrace life-long learning – with the pace of changes accelerating, everyone needs to engage in a process of life-long learning to remain relevant in tomorrow's working world.
- Improve social support systems to ensure support to the most vulnerable – the great transformations underway can leave considerable workers displaced and therefore social protection systems need to be aligned to support the most vulnerable.
- The future of work is evolving and new patterns of work and working relationship are emerging – regulatory frameworks need to be updated and realigned to reflect the new forms of work.

The Maltese context

A key source for assessing Malta's digital status is the Commission's ongoing 'Digital Economy and Society Index' (DESI). According to the most recent country report (2020), Malta ranks 5th out of the 28 Member states¹⁰ in the DESI 2020 scoring 52.6 points. This is up from 8th place in 2019 and 7th place in 2018. This positive performance is due mainly to high scores on broadband connectivity, relatively high shares of ICT specialists and graduates, and a slowly increasing share of women in the digital sector. It also scores very high in internet use. Importantly, the overall level of business digitisation is also higher than the EU27 average. The only area of underperformance is digital public services due to comparatively low public take-up.

On human capital, Malta ranks 6th among EU countries and has moved up in the ranking since last year's DESI. The country is slightly below the EU average for basic digital and software skills. 56.0 per cent of people have at least basic digital skills (EU average: 58.0 per cent), and 58.0 per cent have at least basic software skills (EU average: 61.0 per cent).

⁸ OECD. OECD Digital Economy Outlook 2017. Paris, 2018

⁹ Nedelkoska, L. and Quintini, G. Automation, Skills Use and Training. OECD Social, Employment and Migration Working Papers, No 202, OECD Publishing, Paris, 2018.

¹⁰ The United Kingdom was still included in the 2020 DESI, and EU averages are calculated for 28 Member States.

The country, however, outperforms the EU average on all the other indicators; 38.0 per cent of people in Malta have above basic digital skills, outperforming the EU average of 33.0 per cent. The percentage of ICT specialists in the workforce is also higher than the EU average (4.8 per cent vs 3.9 per cent). ICT graduates have significantly increased, reaching 7.9 per cent of all graduates – well above the EU average of 3.6 per cent. Progress has been also made regarding female ICT specialists, who account for 2.1 per cent of the female workforce, compared to an EU average of 1.4 per cent.

Although the DESI rankings presented above capture a positive assessment of Malta's digital readiness, other sources continue to highlight areas that remain a concern. The Jobsplus' National Skills Survey of 2017 highlighted a lack of sufficient digital skills, both in quality and quantity, which continues to affect the labour market, particularly since employers are seeking either more targeted or highly specialised skills than those readily available, even amongst MCAST and University of Malta (UoM) ICT graduates. These include, for example, specific programming languages, increasingly, more well-rounded 'hybrid' skills which cater for analytical, mathematical, or statistical skills in addition to the standard ICT specialisation. This development is mainly due to the growing prevalence of data across tech roles.

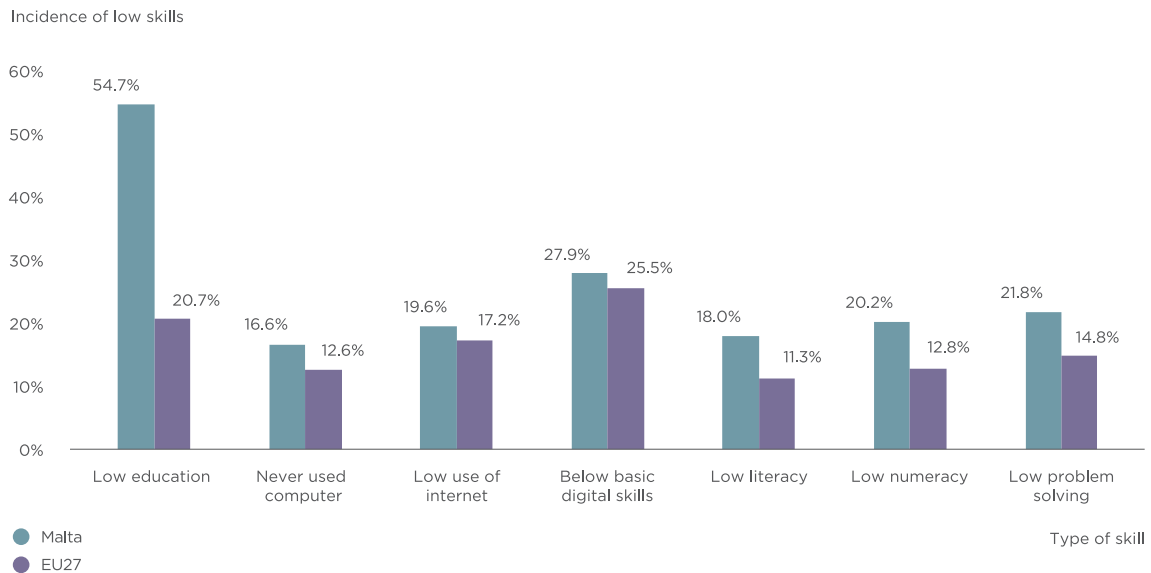
For this reason, employers within the gaming sector stated that expatriate staff continued to be required not only due to insufficient local supply in terms of sheer numbers but also in terms of the need to source workers with the 'hybrid' exposure referred to above. The high demand for quality digital and related hybrid skills, not only locally but globally, leads to a high rate of job mobility which can impact local companies' strategic planning.

A point of concern highlighted in Cedefop's 2020 country report for Malta is the persistently high share of the Maltese workforce with a low level of educational attainment (ISCED Level 0-2) – a finding also present in the Jobsplus national data referred to above. The Jobsplus data in fact indicates that in 2016, 42.1 per cent of all employed persons fell in this category although the number does seem to be on a downward trend (in 2010 this figure stood at 50.8 per cent). Cedefop data for 2020 indicates that the incidence of low skills among adults is higher than the incidence observed on average in the EU27 both in terms of the level of educational attainment as well as computer and digital skills (See Figure 5). This assessment does differ somewhat from the DESI rankings presented above.¹¹

¹¹ Cedefop country fact sheet. Adult population with potential for upskilling and reskilling – Malta, 2020

Figure 3.1
Incidence of low skills among adults aged 25-64 by type of skills

Source: Cedefop, 2020



On this basis, Cedefop estimates that the share of adults in Malta with potential for upskilling and reskilling ranges between 65.6 per cent and 71.5 per cent of the total adult population, i.e., 154 to 168 thousand adults, depending on the measure of digital competences considered. This is higher than the EU average of approximately 45.0 per cent. As expected, age factors heavily influence this situation. According to Cedefop, in Malta low skills are particularly found among people out of the labour force. Inactive adults aged 35-54 and 55-64 report on average the highest share of low skills in all domains considered: education and digital skills (i.e., low use of internet or below basic digital skills). Employed adults of all groups considered show a lower risk of being low skilled than the average in the country, apart from those aged 55-64 which present a higher-than-average risk of having low education and low digital skills. Employed adults aged 25-34 and 35-54 show a higher risk of low education than the average at EU27 level.

The 2014 National Employment Policy identified digital skills as an emerging concern that could potentially limit Malta's capacity to position itself effectively as a truly competitive player in the global economy. The authors of the policy document were clearly also very aware that key sectors in Malta at the time, not least the digital gaming sector and the growing financial services sector were, to a large degree, increasingly frustrated at the growing tech skills gaps. Action had been taken in the preceding months to set up an 'eSkills Malta Foundation', tasked with bringing together all stakeholders in a bid to upgrade industry-ready digital skills in Malta.

In 2018, based on the findings of a survey carried out by PriceWaterhouseCoopers Malta, the Foundation issued a National eSkills Strategy looking ahead to 2021. A fundamental recommendation was an overhaul of the education system to embed digital skills in every aspect of learning, with appropriate systems in place to ensure that this content is continually updated in line with ongoing developments. This, in the view of the strategy document, would ensure a more robust skills pipeline in the future, particularly when complemented by effective curriculum design at tertiary level together with financial incentives to boost take-up. In terms of the existing workforce the strategy called for investment in intense, focused, short, training programmes to upgrade digital skills and reinforce specialisation where appropriate. Further national strategy documents compiled since 2014 reach similar strategic recommendations; these include the Digital Malta Strategy (2014), the National eCommerce Strategy (2014), and Malta.AI (2018). The launch of Tech.MT is also expected to support this transition.

As already discussed, Malta has been approved €316.4 million in grants under the Recovery and Resilience Facility. Malta’s plan devotes 26.0 per cent of its total allocation to measures that support the digital transition. This includes efforts to further digitalise the public administration and public services, including the healthcare and judicial systems, as well as to strengthen initiatives related to digitalisation for the private sector.

Focus groups

The importance and impact of automation and digitalisation was felt across all sectors and all business leaders highlighted the importance of support for the digital transformation. All sectors believe that technology can improve productivity and the quality of jobs and stressed on the importance of financial support being given on the quality of jobs being created as a result of digital transformation. Table 3.1 below, outlines the main threats and opportunities identified during the focus groups.

Table 3.1
The impact of digitalisation and automation in Malta

Threats	Opportunities
<ul style="list-style-type: none"> • Current support schemes are more focused on the number of employees rather than quality of jobs and investments in technology might not be supported enough • Access to finance is limited through traditional banking channels • Lack of skilled resources in technology • Some jobs and occupations may become redundant • Some sectors can be disrupted more than others 	<ul style="list-style-type: none"> • An opportunity to improve firm, sectoral and national productivity • By going digital, public sector can improve its access to services • Regtech can support compliance efforts and reduce bureaucracy involved • Need for more support schemes to support SMEs invest in technology • Skills need to be updated to reflect technology changes • The Government is already focused on the digital economy with several key policies and strategies being launched • European funds can be leveraged for digital transformation

Looking ahead

The pace of technological disruption is unprecedented. The impact of the Covid-19 pandemic has only accelerated this and generated new forms of work too. Traditional sectors are being transformed through technology and new areas of digital transformation are going to continue disrupting several sectors such as retail, manufacturing, and financial services. The Maltese economy has already harnessed the power of technology and it is now focused on ensuring that the economy becomes digital to the core and for this to materialise, it has already committed significant budgets of European and national funds to this endeavour.

3.2 Global competition for talent

What is it?

The global competition for talent has traditionally been driven mainly by advanced economies, largely due to the technology challenges referred to above, as well as their demographic realities. Many developed economies face difficulties in producing enough talent for growth by relying just on their local population and education institutions. Declining birth rates and ageing populations raise added concerns over the shortage of young native talent needed for generating new ideas and innovation.

Although job mobility had become more prevalent since World War II, the rise of digitalisation and sustained growth in foreign direct investment (FDI), trade and global economic convergence meant that global mobility, particularly in STEM (Science, Technology, Engineering and Mathematics) subjects, increased steadily after 2000. The OECD first expressed its take on the topic in 2008.¹² The OECD defined global mobility as a positive force that *“plays an important role in shaping skilled labour forces throughout the OECD area.”* Undoubtedly, the rise of the knowledge-based economy in recent years contributed to this positive assessment. In fact, the OECD highlighted the following positive impacts of an inflow of talent in receiving countries:

- improved knowledge flows,
- increased R&D and economic activity owing to the availability of additional skilled workers,
- improved knowledge flows and collaboration with sending countries,
- increased enrolments in graduate programmes,
- potential firm and job creation by immigrant entrepreneurs,
- better linkage of domestic firms to foreign knowledge.

¹² OECD. The Global Competition for Talent: Mobility of the Highly Skilled Worker. 2008

However, despite this overall positive assessment, the OECD did stress one potential downside of reliance on imported talent for receiving countries: this must not be seen as a long-term solution for domestic skills gaps, and it was essential that active policies were applied to boost the domestic supply of necessary skills and reduce this reliance over time.

The Global Talent Competitiveness Index (GTCI)¹³ isolates four determining factors which, in its view, contributed to success in the global competition for talent and therefore shape the indicators selected for their rankings. These are reproduced below:

- **Enable** - In its simplest terms, countries need to make opportunities for global talent to move there and be open to attracting skilled workers.
- **Attract** - This needs to be viewed in terms of both people and businesses.
- **Grow** - Investing in existing talent by driving workers to develop new skills is a major benefit that attracts talent and opens wider potential for skills migration in the future.
- **Retain** - Though growing talent may offer workers the skills that will help them move elsewhere, talent retention investments will ensure they want to stay.

The global context

There have been significant changes in the global competition for talent since the OECD first issued their report in 2008, to a large extent caused by the financial recession of 2009 and its aftermath. Perhaps the most significant shift has been the growing economies of the developing countries that originally formed the first line of sending countries for emigrant talent. Pre-2010, global business and talent strategies were typically one-way, reaching out from developed markets to developing ones; geographically tending to move from north to south rather than the other way around. However, the past decade has seen the BRIC economies (Brazil, Russia, India, and China) mature as global growth engines, and countries in the new tier of emerging markets, including Indonesia, Malaysia, the Philippines, South Africa, Thailand, Turkey, and Vietnam, established themselves as strong emerging economies and solid contenders as receiving countries for talent, shifting away from their former primary role as sending countries.

As technology and innovation grew into important major economic drivers, access to talented workers was increasingly identified as a top indicator of a country's competitiveness, driving global demand further. The talent potential of emerging economies is also rising compared to the demographic realities of the advanced economies with their shrinking and ageing native populations; these countries have young populations; investment in education systems and universities is also reaping results with the number of students in higher education in emerging market economies rising from just under 5.0 million in 2000 to 10.4 million in 2015.

¹³ Index issued since 2016 by INSEAD and the Adecco Group

Recent editions of the Global Talent Competitiveness Index (GTCI) focused on the impact of technology change on talent competitiveness, to assess whether any replacement of jobs by technology was reducing the need for human capital. However, annual reports between 2017 and 2020 asserted that while job replacement at lower skill levels was evident, technology was creating new opportunities.

Between 2015 and 2020 the global skills gap continued to widen, with projections made at the end of 2019 that the global talent shortage could reach 85.2 million people by 2030 (World Bank; Korn Ferry Institute), costing the Governments trillions of dollars in lost economic opportunity.

By end 2019, according to the GTCI 2020 report, the most successful countries in the global competition for talent were dominated by European destinations, which occupied 16 out of the top 25 (Malta was in 23rd place). North America was represented by both the USA and Canada making it into the list. Australasia is similar with Australia positioned in 6th and New Zealand making it to 14th. Singapore gives Eastern Asia a high ranking, but the only other country from the area to make it into the top 25 is Japan in 22nd. The Middle East is represented by the United Arab Emirates (UAE), Israel and Qatar. No countries from Africa or South America are ranked in the top 25 places for highly skilled workers.

The Maltese context

As already discussed earlier on, the inflow of migrant workers played a key contributing force to Malta's buoyant labour market. This fast growth led to an increasing share of non-EU nationals in Malta's workforce. By September 2020, 26.5 per cent of the total Maltese labour force consisted of non-Maltese nationals (Jobsplus).

On a European level, Malta's performance in relation to the participation of non-locals is also classified amongst the front-runners. Compared to the other EU27 countries in 2019, Malta had the second highest share, preceded by Luxembourg, of non-Maltese employed in the labour market. Currently, there are no schemes in place to support the retention of foreign workers – this was pointed out by the European Commission in the European Semester 2020 country report, which highlighted the relatively short length of stay of qualified foreign nationals.

This was also highlighted by a Policy Note¹⁴ issued by the Central Bank of Malta on the subject. Over the period 2002 to 2017, an average of 25.0 per cent of foreign workers exited the labour market within the same year, whereas 45.0 per cent exited after a period of between one and two years. Only 30.0 per cent remained engaged in the Maltese labour market more than 6 years after their first engagement. The Note showed that the average length of stay of foreign workers is 3.5 years, relatively unchanged since 2012. In Malta, around 50.0 per cent of those engaged exit the Maltese labour market within two years of their arrival, implying that the phenomenon of re-emigration is relatively high in Malta.

¹⁴ Ian Borg, The Length of Stay of Foreign Workers in Malta, Central Bank of Malta Policy Note, January 2019.

In its European Semester 2020 report, the Commission suggested incentives for consideration including *“incentives facilitating their socioeconomic integration through labour mobility and opportunities to improve their skills or job quality and better access to services.”*

Analysing migrant workers by occupation sheds light on various trends and differences between foreign workers. Whereas EU nationals are mainly employed in managerial, professional, or technical grades, indicating a medium to high skills level, the higher share of TCNs is in fact employed in the services, sales and elementary occupations. This may be further linked to the issue of relatively slow wage growth which has not quite reflected the pace of national economic growth. This may be resulting in wages that are perceived as low by international standards, making the island a less attractive proposition. Individuals with higher skills tend to have more geographic mobility, and it may be more likely for them to re-migrate to other countries.

Focus groups

Across all sectors, business leaders commented on the need to upskill and re-skill employees. The skills shortages mentioned ranged from softer skills, increasingly important in their view as companies sought to internationalise, to technical skills. Manufacturing, for example, was one sector where technical skills gaps were highlighted. When the issue of skills deficits was raised in these same focus groups, representatives of all sectors spoke positively of importing foreign workers to complement the local skills base, voicing the added advantage of the knowledge transfer opportunities that this may bring. Table 3.2 summarises the main points that were mentioned in this regard.

Table 3.2
The impact of the global competition for talent in Malta

Threats	Opportunities
<ul style="list-style-type: none"> Increased competition by other jurisdictions that are offering higher wages and benefit packages including accommodation Malta’s rental prices are seen as expensive Possible abuses by intermediaries Bureaucracy and permits are stalling the process 	<ul style="list-style-type: none"> Malta’s location and way of life remains appealing Opportunity to upskill local resource More attractive programmes to attract talent

Looking ahead

Although the domestic, European, and global situations need to restabilise post-Covid-19 pandemic, and it would be hasty to draw any firm conclusions before that point, it is probable that the competition for global talent will imminently kick off fiercely once again, and the demand for future skills will continue to drive it. There is no doubt that Malta and specifically some sectors and skillsets have become dependent on the inflow of foreign workers. However, it is also evident, and substantiated by qualitative and quantitative data, that Malta's attractiveness as a host country and employer may be threatened by slow wage growth and stressors on the quality of life. Considering all of this and unless policy interventions are implemented, Malta may not be in the best position to compete effectively compared to previous years.

3.3 Enhanced quality of jobs

What is it?

Job quality is a multidimensional concept covering a wide range of factors which can include 'soft' characteristics that may be hard to define and quantify. However, as the concept has gained in prominence in the global 'future of work' debate, international organisations have intensified their focus in this area and put forward a few working definitions and frameworks to support and direct labour market research and policy formulation in this area. These frameworks are structured around indicators designed to provide a comprehensive assessment of employment quality. Although the specific approaches and indicators may vary, the frameworks advanced by the leading organisations share several core elements.

The OECD analysis in this area is based on a relatively simple framework structured around three broad elements; 'earnings quality', 'labour market security' (covering mainly unemployment risk and unemployment insurance), and 'quality of the working environment' (covering mainly physical health risk factors and working time) – in terms of both duration and flexibility; work autonomy; learning opportunities and opportunities for career advancement.

The ILO uses a set of ‘Decent Work’ Indicators covering ten main areas being: ‘employment opportunities’; ‘adequate earnings and productive work’; ‘decent working time’; ‘combining work, family and personal life’; ‘work that should be abolished’; ‘stability and security of work’; ‘equal opportunity and treatment in employment’; ‘social dialogue’; and ‘social security’.

Eurofound was one of the first organisations to prioritise job quality as a policy concern, launching the European Working Conditions Survey (EWCS) in 1991. This survey is based on a Working Conditions Monitoring Framework which measures job quality at the level of the job (as opposed to the workforce). It includes job features captured from an objective perspective which can be observed in terms of how far they meet people’s needs from work. The emphasis in this definition is on how the features of the job and the environment in which it is undertaken impact or interact with individual health and well-being. The Eurofound job quality model assesses jobs based on seven dimensions of job quality, integrating aspects of work that have a causal relationship on health and well-being. These are: ‘physical environment’; ‘work intensity’; ‘working time quality’; ‘social environment’; ‘skills and discretion’; ‘prospects’; and ‘earnings’.

The global context

Probably the most productive approach evident to date in this area is the collaboration between the ILO and Eurofound, bringing together the former’s ‘Decent Work Agenda’ and the EU’s ‘Quality of Work’ policy programme. In recent years Eurofound has partnered with the ILO to extend its ‘Working Conditions Monitoring’ framework beyond the EU to arrive at some global indicators of job quality – this took the form of the first ever global comparative analysis of job quality which covered approximately 1.2 billion workers. The most recent data was released in 2019¹⁵.

The global findings that emerged in the ILO/ Eurofound report are:

- Exposure to physical risks remains unacceptably high, with over half of workers across regions and countries exposed to some form of risk, including high or low temperatures, repetitive movements or loud noise.
- Intensive work, such as tight deadlines and high-speed work, is experienced by one-third of workers in the EU and more than half the workers surveyed in other regions, particularly in advanced economies.
- Differences in working time across regions are significant: 15.0 per cent of workers in the EU work over 48 hours per week compared to proportions ranging between 40.0 per cent and 60.0 per cent in developing economies. Longer paid working times also often translate into longer unpaid working times, particularly for women: once unpaid work is considered women work longer hours than men across every region.

¹⁵ Eurofound, International Labour Organisation. Working Conditions in a Global Perspective. 6th May 2019

- In all countries and regions surveyed, the least-educated get the least access to development and upskilling opportunities. The proportion of workers who report having such access is far higher in advanced economies such as the EU and the US (ranging between 72.0 per cent and 84.0 per cent) compared to emerging economies.
- Job insecurity is a concern in most countries, including those with advanced economies. One in six workers in the EU report this to be a concern.
- The survey highlighted how the gender gap is prevalent across all regions, particularly in terms of earnings.

In the context of the megatrends described above, in the case of the EU there are two pressing issues driving the need to improve job quality:

- Demographic changes leading to a shrinking and ageing workforce: improvements in working conditions, including systematic training, and upskilling, support prolonged participation in the labour market.
- The rapid onset of technological change: although this development has the potential to improve working conditions and environments, particularly in terms of easing out dangerous and/or repetitive low-skilled tasks, it also carried the risk of alienating a whole cohort of lower-skilled workers.

A further aspect to keep in mind is the structural shift that has occurred in the European employment scenario in recent years, which has a very direct relationship with job quality. Since 2000, barring the 2008 financial crisis, employment in the EU has increased year on year. The greatest share of employment growth has been based on increased female participation, followed by a higher retention of older workers. Self-employment has decreased while the use of temporary contracts has risen substantially. Skill levels have increased, and the services sector has dominated, leading to changes in occupational distribution, with a far higher share of professionals in 2019 compared to 2000 and a reduction in the number of agricultural workers, craft workers and plant and machine operators.

Shaped by these concerns, the latest round of research carried out by Eurofound across the EU covers the period 2017-2020 and reviews the progress achieved in working conditions since 2000.¹⁶ Findings indicate that overall job quality in the EU is improving, albeit slowly although these improvements are not equally distributed, and improvements may favour workers who are already advantaged in terms of their skills and other aspects while leaving behind others who may already be disadvantaged in terms of gender, age or skills level.

¹⁶ Eurofound. Challenges and Prospects in the EU. Working conditions and sustainable work: An analysis using the job quality framework. Brussels, 26 February 2021.

In the EU the main areas where some progress has been registered are:

- Working time quality has improved – less workers reporting long working hours.
- Skills levels and autonomy have increased – this is mainly due to increase in ICT technologies and in paid training by employers.
- The physical environment has continued to improve with reduced exposure to risk.
- Career prospects have generally improved, although gender gaps in this area persist.

The main issues revealed in the exhaustive study are:

- Gender differences are still in place and may even be widening, as reflected in job quality differences between males and females. This applies to earnings, where females are consistently earning less than men. Women are also behind in terms of career prospects due to increased likelihood of career breaks and part-time work (see section on gender employment issues).
- Issues remain with the job quality of older workers, mainly since they are less likely to participate in training and upskilling initiatives, leaving them more vulnerable to alienation from digitalisation.
- The rise of the gig economy¹⁷ has created a higher demand for temporary workers, often involving employers contracting independent workers on short-term engagements. This is giving rise to the risk of job precariousness due to factors such as:
 - unstable working hours and income,
 - inadequate employment rights,
 - uncertainty around social security and pensions,
 - lack of access to career development and training.

The Maltese context

The European Semester 2020 report points to the low labour-market participation of older people aged 55-64 as being a ‘structural challenge’ for the Maltese labour market, specifying that this is a particular concern given the country’s ageing population. According to that report, the participation rate in 2018 was 50.2 per cent, below the EU average (58.7 per cent) for that year. If it is in Malta’s social and economic interest to promote the labour participation of as many older people as possible, then it is important to note that job quality and working conditions are integral to the ability, inclination, and capacity of older workers to remain active for as long as possible.

¹⁷ Defined by Eurofound as “an economy in which digital technologies enable teams to be assembled around a given project while platforms seamlessly connect buyers with sellers;” in the context of their research on job quality, Eurofound narrows this definition to cover “tasks commissioned through online platforms but realized in a local, physical environment (such as ride hailing, delivery services or domestic services).”

The European Semester 2020 report highlights that, while the employment rate of low-skilled adults has increased in line with economic growth and a surge in demand for labour (rising from 59.2 per cent in 2017 to 62.2 per cent in 2018), these tend to be employed in jobs for which they are under-qualified. According to the European Semester 2020 report, uptake of upskilling and reskilling schemes among low-skilled workers remains relatively low – although adult participation in education and training stood at 10.8 per cent in 2018 (almost at par with the EU average of 11.1 per cent), only 4.1 per cent of low-skilled adults participated in training in 2018, even though they are the cohort in the greatest need. This gap may also be detected relative to non-Maltese workers, and the skills level of non-Maltese workers tends to be higher than the native average.

Furthermore, the European Semester 2020 report claims that almost half of foreign people are high-skilled, against 26.9 per cent of Maltese workers¹⁸. This claim is substantiated by Jobsplus official data that indicates that 46.0 per cent of EU nationals are employed in Malta in professional, managerial or technical grades. To provide further context, it should be noted that, in terms of formal educational attainment, 48.7 per cent of the working-age population (15 years and over) have a secondary level education or less as their highest qualification. Therefore, although the share of individuals of working age with a tertiary education is rising (24.7 per cent in Q1 2021 – NSO), this overall skills profile may be a factor in the lower-than-average participation of older workers in the workforce.

This relatively large cohort of the working population who are low-skilled, and who are less likely to upskill through informal training and development, does have an impact in terms of job quality, in that such individuals are more likely to experience job insecurity, physical risk and in-work poverty.

Given the digitalisation megatrend that has been identified as a key future skill for future jobs, this higher share of low-skilled workers relative to the EU average is a concern; this cohort represents a group within the Maltese labour market that are most exposed to insecurity and alienation.

The activity rate of women continues to be a concern, with a gender employment gap that is among the highest in the EU. This inactivity applies particularly to older females, with the activity rate dropping sharply after the age of 40. A high number of older women provide unpaid care services (higher proportion than the EU average). Work-life balance is clearly still an issue in Malta. As referred to above, better working conditions and better job quality are critical factors in retaining or attracting more older females to the labour force.

The European Semester 2020 Report does conclude that undeclared work is an issue, pointing out that one drawback in tackling this issue is a lack of a clear definition of this phenomenon in the local context. This point has been linked locally to the concept of ‘precarious employment’ and raised repeatedly by social partners in recent years, particularly by trade unions in the period following the 2009 financial recession.

¹⁸ European Semester 2020 Country Report

In 2018, the National Statistics Office estimated that the non-observed economy constituted 2.9 per cent of the Maltese GDP, while stressing that this figure does not cover total activity in the shadow economy.¹⁹ Recent studies concluded that although the precise extent of undeclared work is hard to quantify, mainly due to the lack of definition, persons with lower levels of education or in fixed-term employment contracts are significantly more likely to experience precarious employment.²⁰ However, the onset of Covid-19 pandemic, as well as the support mechanisms launched, including the wage supplement, have resulted in a significant decline in this category of work as workers moved into registered employment in order to benefit from the wage supplement scheme.

A further key element of job quality is job security, which at times may appear to conflict with the concepts of job flexibility and mobility that are also perceived as being rising trends in future jobs. For this reason, within the EU, the notion of job security in a 'job quality' context may be increasingly concerned with ensuring that workers are given every opportunity to train and develop their skills to retain their employment, with the important proviso that adequate employment protection exists to protect workers' rights in cases where redundancy occurs. In addition, it is expected that effective social policy measures are in place to cover any periods of unemployment while promoting the re-integration of individuals within the workforce as soon as possible.

In the case of job security in Malta, Eurofound points to an interesting tension among the labour force in this area. Traditionally, the Maltese working population has tended to value security more than flexibility – according to Eurofound, this culture has been reflected in a relatively rigid labour market compared to other Member States. This is reflected in the lower shares of part-time, flexible, self-employed and contract workers as seen in Figure 3.2 below.

¹⁹ Article in The Times dated 22 August 2018 (<https://timesofmalta.com/articles/view/a-shadow-on-the-economy,687319>)
²⁰ Debono, Manwel & Marmara, Vincent (2019). Perceived precarious employment in Malta.6.1-21

Figure 3.2

Temporary employees as a percentage of employees aged 15 to 64

Source: Eurostat, 2021



Given that Malta's social protection framework is strong, job security is not such a pressing issue; however, new employment models mean that it may be rising in relevance to the local context. This applies particularly to gig economy workers, especially couriers who experience insecure employment conditions. This is particularly the case since their wages are highly dependent on market forces. The emergence of platform companies in Malta's food delivery sector over the past two years, accelerated by the Covid-19 pandemic, indicates a shift towards gig work which may impact on job security conditions in Malta.

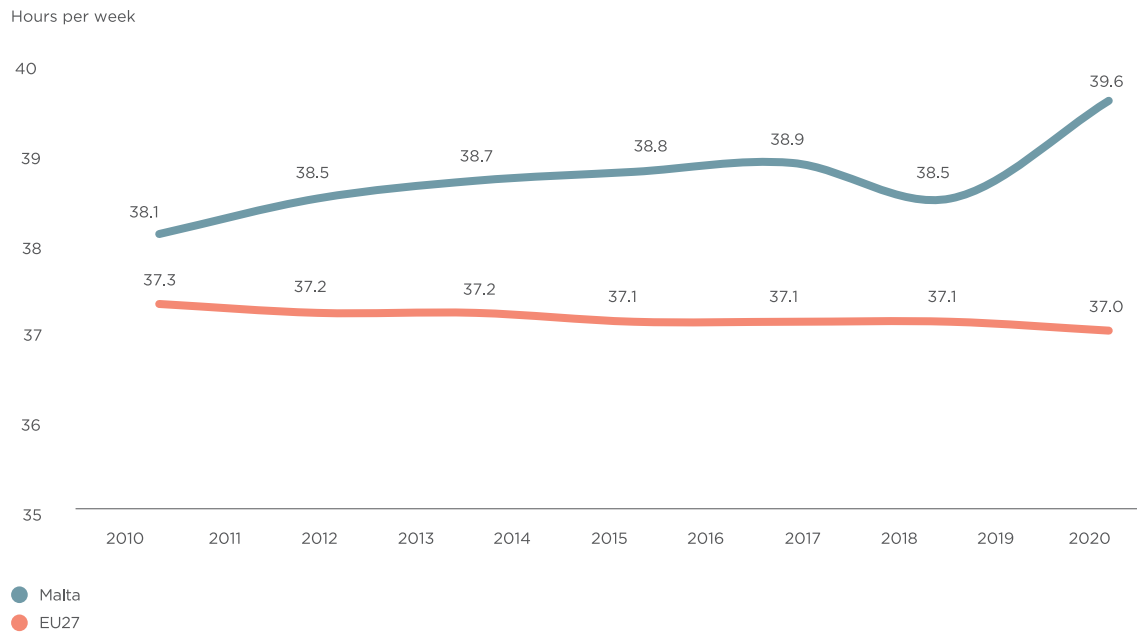
According to data issued by the NSO, in 2019 the working times of all employed persons in Malta were mostly decided by their employer or clients (64.8 per cent). This is 6.1 percentage points higher when compared to the EU28 average.²¹ Results indicated that a further 15.3 per cent had full autonomy on the start and end times of their working day. Like other EU countries, a discrepancy was recorded among sexes. Males were more likely to decide their working time (18.1 per cent) when compared to females (11.2 per cent), resulting in a gender gap of 6.9 percentage points. This gap is slightly higher than the EU28 gender gap of 5.8 percentage points.

²¹ https://nso.gov.mt/en/News_Releases/Documents/2021/03/News2021_046.pdf

One out of every five workers in Malta had access to flexible working arrangements in agreement with their employer. With a share of 24.1 per cent, this situation was prevalent among females. Flexitime among males accounted for 17.1 per cent of all employed males. More flexibility was recorded among self-employed persons, where 61.7 per cent had full control of their working hours as opposed to 6.4 per cent of employees and family workers. Nearly 12.0 per cent of the self-employed could decide the start and end of their working day with certain restrictions, while 26.7 per cent of the self-employed did not have any possibilities to determine their working time due to several situations such as clients' demands, legal regulations or set deadlines. In contrast, the start and end day of employees and family workers was mostly determined by the employer (72.1 per cent). In terms of total working time, Eurostat data does indicate that Maltese workers tend to work longer hours per week compared to the EU27 average. It further indicates that while the EU27 average is on a gradual downward trend, working hours in Malta have been on a similarly gradual but upward trend as shown in Figure 3.3.

Figure 3.3
Average number of usual weekly hours of work in main job

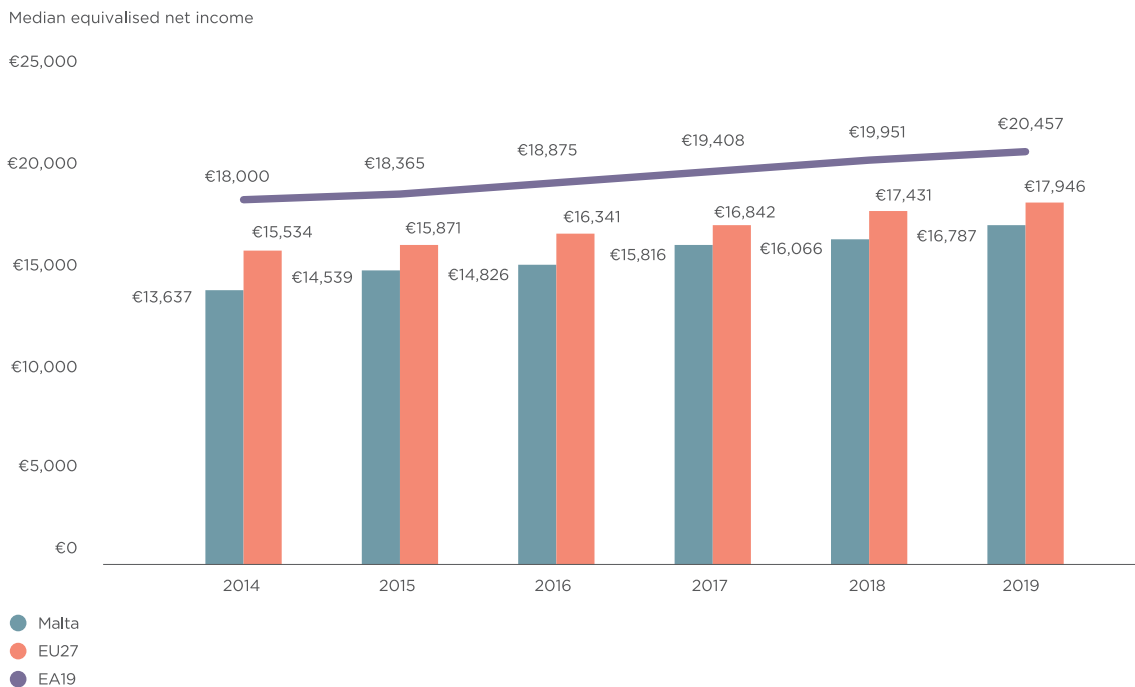
Source: Eurostat, 2021



Take-home pay may be one of the most important job quality indicators. According to the latest data issued by Eurofound (February 2021), the average monthly basic wage in Malta increased by 22.4 per cent between 2012 and 2018 – this breaks down into a 24.8 per cent increase for male workers and a 21.0 per cent increase for females. However, as can be seen in Figure 3.4 below, which captures more detailed data from Eurostat, this rate of growth is below the EU27 average and significantly below the Euro Area average.

Figure 3.4
Median equivalized net income
(total working population 16-64)

Source: Eurostat, 2021



In its country report on Malta, Eurofound does in fact highlight the country’s positive economic performance during the period under review (2014-2019) in relation to wage returns in the same period. It states that, considering the country’s strong economic performance and positive employment condition “*wage growth in return is considered to have been quite a moderate one.*” A possible reason for this, advanced by Eurofound, is the increase in labour supply, mostly due to the influx of foreign workers.

Similar observations are also captured in the European Semester 2020 report which concludes that increases in labour supply due to significant inflows of foreign workers, and the rising labour market participation of women, have both helped to limit wage growth in recent years. It states that “wage growth remains both: (i) below the rate consistent with a stable evolution of cost competitiveness; and (ii) below the rate consistent with internal labour-market conditions.”

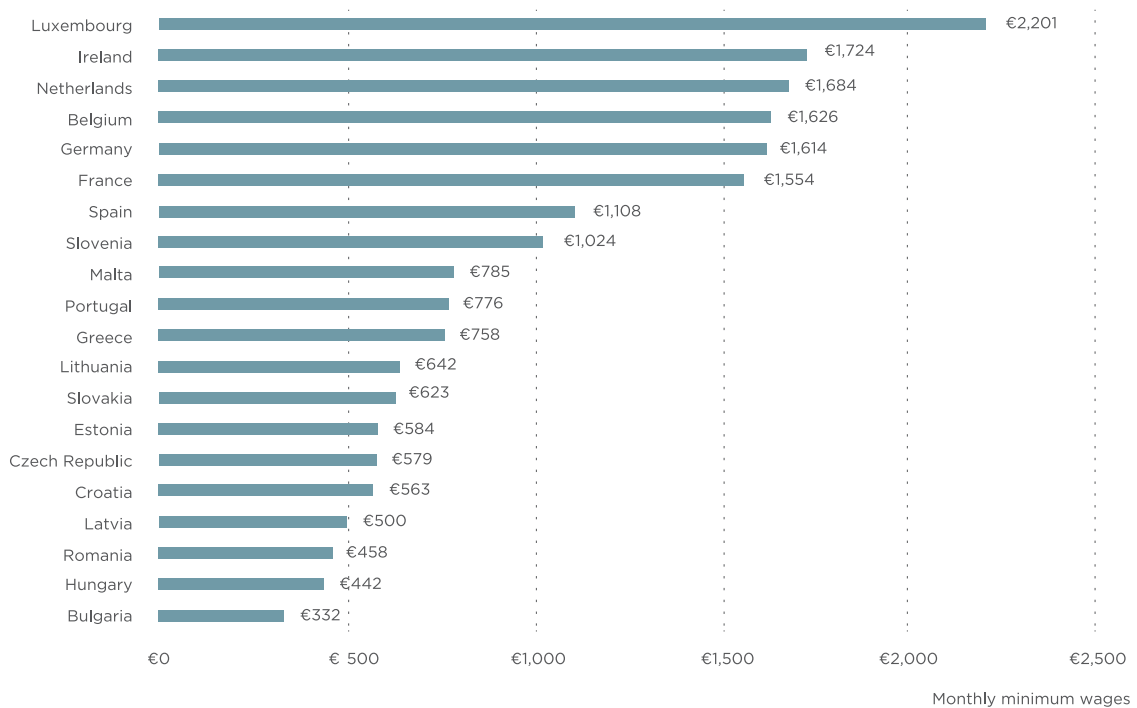
A key recent development in terms of wages has been the April 2017 National Agreement on the Minimum Wage – this provided for a gradual increase of the minimum wage over a three-year period to supplement the Cost-of-Living Adjustment (COLA).

The minimum wage issue is currently in the spotlight following the European Commission’s move to establish a directive on adequate minimum wages across the Union. The European Confederation of Trade Unions is pressing for this to include a ‘threshold of decency’ that pegs the minimum wage in each country to its average wage. Both the Government and the opposition currently oppose this directive on the grounds that such matters should remain the prerogative of Member States. As can be seen in Figure 3.5 below, the current monthly minimum wage in Malta falls mid-table in comparison with other EU countries, ahead of most of the Eastern European states as well as other Mediterranean countries such as Greece and Portugal. This is noteworthy given the fact that Malta’s economic growth and performance over the last five years has exceeded that of most of the other countries higher up in the list and tends to bear out the observations made by Eurofound and the Commission referred to above.

Figure 3.5
EU27 Monthly Minimum Wages – January 2021

Source: Eurostat, 2021

EU Countries



Focus groups

Quality of jobs, and increasing them, were important elements that surfaced during the focus groups. Employers believe that Malta's next employment challenge is not as much focused on increasing employment numbers, but more on enhancing the quality of jobs, both current and future. Closely linked to the impact of technology, employers also argued the need to have the right support structures so that gender gaps can start to contract.

Table 3.3 categorises the insights relating to quality of work into threats and opportunities that were identified.

Table 3.3
The impact of enhanced quality of jobs in Malta

Threats	Opportunities
<ul style="list-style-type: none">• Gender gaps and glass ceilings still exist in relation to women• Technology is shifting the focus on skills• New forms of work require a mindset change	<ul style="list-style-type: none">• Right support structures for work-life balance• Interest in continued learning and professional development

Looking ahead

The world of work is changing with a bigger focus on quality of work together with well-being. Work patterns are also changing with new forms of work aided by vast and deep technology changes. As the economy continues to transition, the Government needs to remain focused on supporting employers as well as enabling workers to focus more on enhancing quality employment.

3.4 Sustainability and greening the economy

What is it?

Greening the economy is currently seen as one of the most active policy prescriptions, especially as part of the broader Covid-19 pandemic recovery and stimulus plans. Apart from the positive environmental impact, greening the economy is also seen as a key contributor to the creation of new 'green' jobs. However, there is yet no agreed definition on green jobs with different institutions adopting different definitions. Based on a review of the latest related data and documents issued by the OECD and the ILO on this topic, the latest grouping of green jobs is determined on their contribution to:

- improving the efficiency of energy and raw materials,
- limiting greenhouse gas emissions,
- minimising waste and pollution,
- protecting and restoring ecosystems,
- adaptation to the effects of climate change.

The OECD has taken a leading role in the 'green growth' movement through its 'Green Growth Strategy.' This strategy links productivity growth, green growth, and inclusive growth, starting from the premise that environmental protection can be a driver for economic growth and social inclusion, rather than a barrier. It is now promoting the mainstreaming of this strategy, with an underlying green growth measurement framework, into national economic policies.

According to the OECD, green policies can trigger job creation in several green economic sectors, even as job destruction occurs in 'brown' sectors.²² A successful transition to a low-carbon, resource-efficient and green economy, if managed well, can lead to more opportunities for workers. In fact, green jobs can create a new job dimension that can absorb several workers impacted by technology disruption across sectors.

As per the OECD's research and recommendations, the ILO also stresses that low-skilled workers will be the most negatively affected by the green shift. This implies that transition to other jobs may be more difficult and possibly more costly in terms of social benefits and/or retraining schemes.

In a 2018 Working Paper, the ILO studied all available data and recommendations issued by the United Nations Environment Programme (UNEP) and other leading bodies (including the International Trade Union Confederation) and identified four main impacts on the labour market, as condensed in Table 3.4 below²³.

²² The term 'brown sector' is used to refer to economic sectors or activities that include practices that are environmentally harmful, e.g., carbon-intensive production.

²³ International Labour Organisation. World Employment and Social Outlook 2018: Greening with Jobs. Geneva, 2018

Table 3.4
Main employment effects
of green policies

Source: UNEP, ILO

	Effect	Example	Anticipated Scale
1	Jobs are created (in existing and new occupations)	Solar panel technicians, organic farmers, recycling managers, staff in eco-tourism resorts, workers in natural resource conservation and restoration, environmental advisers, workers in bicycle shops	Modest
2	Certain jobs are eliminated	Coalminers, workers in the bottling industry adopting water- and material-saving technology, staff in the obsolete or prohibited packaging materials industry.	Small
3	Jobs are substituted (occupations change)	Jobs in transport systems moving to rail, electric cars, and shared vehicles; waste management jobs in landfill/dumpsites moving to incineration and recycling; jobs in quarries for construction using new building materials and re-using leftovers and waste	Modest
4	Jobs are transformed (occupations change)	Workers, operators, and managers in greening sectors, notably buildings, agriculture and transport, all learning to manage new technology and operating practices; workers in all sectors where energy and resource efficiency are introduced (such as cleaner production in manufacturing, retail services without packaging, bottle companies changing to new materials and products); staff in financial institutions adopting sustainable investment strategies	Large

Three fundamental, long-term trends are driving structural changes in the global employment as environmental concerns continue to shape economic activities:

- Adoption of more resource-efficient and less harmful technologies and business operations.
- Physical effects of climate change, e.g., heat stress, with impacts on outdoor work such as agriculture (largest provider of jobs globally).
- Changing consumer habits and responsive legislation towards promoting more sustainable products and services.

The global context

The potentially positive impact of a greener global economy on the global labour market was reiterated in the ILO's 2018 World Employment and Social Outlook, which concluded that, on balance, shifting towards a green economy creates employment at the global level.²⁴ Compared to the 'business-as-usual scenario', changes in energy production and use to achieve the Paris goals can create around 18 million jobs throughout the world economy. These changes include a shift towards renewable energy sources and greater efficiency, the projected adoption of electric vehicles and construction work to achieve greater energy efficiency in buildings. This net job growth results from the creation of some 24 million new jobs and the loss of around 6 million jobs by 2030.

The EU's focus on sustainability is captured in its 'European Green Deal', announced at the end of 2019. This is a package of policy initiatives aimed at enabling Member States to benefit from sustainable green transition, targeting a goal of zero emissions by 2050 and decoupling economic growth from resource use.

The 'European Green Deal', as proposed by the European Commission at the end of 2019, is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient, and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. In terms of employment, the key dimension of the Green Deal is the Just Transition Initiative, which allocates funding to manage the transitional impacts on workers. Despite the onset of Covid-19 pandemic, almost as soon as the Green Deal was released, the Commission has stated that the underlying drivers of change for the strategy remain in place, the need for it is more urgent, and that it will be the *"motor for the recovery."*

Reaching the targets of the European Green Deal will require action across all sectors of the economy, including:

- Decarbonising the energy sector through renewable energy projects, especially wind and solar, and kick-starting a clean hydrogen economy.
- Investing in environmentally friendly technologies.
- Supporting industry to innovate.
- Rolling out cleaner, cheaper and healthier forms of private and public transport.
- Ensuring buildings are more energy efficient and supporting the circular economy.
- Working with international partners to improve global environmental standards.

²⁴ International Labour Organisation. Greening with Jobs: World Economic and Social Outlook 2019. Geneva, 2018

In Europe, job creation related to renewable energy and energy efficiency has been especially strong. This activity stems from the production of renewable energy itself as well as from the manufacturing of renewable energy and energy-efficient equipment, and the provision of green installation, engineering, and research services. Employment in this domain increased from 0.6 million full-time equivalents in 2000 to 1.5 million full-time equivalents in 2017 (Eurostat) - almost one million new full-time equivalent jobs across the EU27 between 2000 and 2017.

The second largest contribution to environmental employment came from waste management, with the number of jobs increasing from 0.8 million full-time equivalents in 2000 to 1.2 million full-time equivalents in 2017 (an overall increase of 38.0 per cent). By contrast, employment related to wastewater management decreased in the same period by 23.0 per cent from 0.7 million to 0.5 million full-time equivalents. Whereas environmental protection accounted for more than three quarters (78.0 per cent) of the employment in the environmental economy in 2000, the share decreased to 62.0 per cent in 2017 following the creation of new jobs related to renewables and energy-efficiency.

The Maltese context

The 2014 National Employment Policy specifies green jobs as an emerging challenge and opportunity for the local labour market, stating that the EU's commitment to work towards a greener, circular economy (at that point referencing the Europe 2020 targets) would result in an ever-increasing demand for resources in this sphere, as well as the replacement of traditional forms of work with newer, 'greener' occupations. This applied particularly to the energy sector given the renewable energy targets imposed proportionally across all Member States.

The issue of green employment was taken up in a policy document issued by the Ministry for Sustainable Development, the Environment and Climate Change in 2015 and entitled 'Greening our Economy - Achieving a Sustainable Future.' The key recommendation made was to conduct as soon as possible a skill needs analysis and a review of current training development programmes to factor green skills into the overall training mix. Emphasis is made on the opportunity for people working in traditional sectors to transition into the environmental goods and services sectors.

Another key policy document is the 'Malta National Energy and Climate Plan' - this is a strategic planning and policy document setting out the policies and measures that will enable Malta to reach the Energy Union's 2030 objectives. - these mainly centre around the decarbonisation of Malta's energy and shift to renewable sources. If the targets of this Plan are to be met, in conjunction with the ambitious targets set by the European Green Deal, then it is anticipated that a demand for green skills will increase, and the reallocation of jobs across sectors to accommodate these changes will occur in line with wider European and international trends.

In April 2021, the National Statistics Office released the results of a Green Jobs Survey carried out in 2020, based on 2019 data. This study classified 'green jobs' based on N.A.C.E Rev. 2 classification.

This survey estimated that 7,235 workers are currently engaged in green jobs:

- 76.0 per cent of these are male.
- 54.0 per cent are in elementary occupations.
- 55.0 per cent had a secondary level education.
- 77.0 per cent were aged between 25 and 49 years.
- 71.0 per cent had wages ranging from €10,000 to €25,000.

This data indicates that more than half of Malta's green employees are low-skilled. One in every five industries included green jobs in their workforce, with the proportion increasing in larger companies. The top contributing industries are manufacturing (28.0 per cent), wholesale and retail trade (26.0 per cent) and construction (13.0 per cent). The top green activities by companies are renewable energy (22.0 per cent), solid waste management (20.0 per cent) and recycling materials (19.0 per cent).

Looking ahead, the Government is focused on delivering a greener economy. More than half of Malta's Recovery and Resilience Plan entitlement of €316.4 million in European grants will support climate objectives and the green economy.

Focus groups

Maltese businesses see the potential of the green economy and the growing trend for businesses to introduce and enter into sustainability measures. These were discussed not only in the light of corporate social responsibility but also based on reporting requirements or risk assessments that local banks or financing institutions might start demanding. Therefore, the argument was that the capacity for such a transition needs to be supported also from a skillset perspective. Table 3.5 outlines the main threats and opportunities of sustainability from a labour market perspective.

Table 3.5
The impact of sustainability
and greening the economy in Malta

Threats	Opportunities
<ul style="list-style-type: none"> • The green economy requires a complete mindset and culture change which might be difficult • Need to ensure attainment of the right skills to truly sustain the growth of the sector • Malta's firms are not prepared for Environmental, Social and Governance (ESG) requirements should they come in force 	<ul style="list-style-type: none"> • Malta has a unique position to develop a green sector especially in renewables and blue economy • Malta should become a demonstrator site for offshore renewables even more so with the launch of an economic zone • European funds can be leveraged to kick start this sector and transformation • Opportunity to lead industry-led research in greening sectors and companies • ESG reporting can put Malta on the map

Looking ahead

To date, most environmental employment in advanced economies is related to waste management, the production of renewable energy and energy-efficiency measures. This allocation of jobs also seems to be represented locally, in that most of the 'green jobs' outlined in the NSO survey would appear to fall in this category. This is the first line of the green economy and the one that has gained most traction since 2000. However, if the EU and other economies are to reach the targets set for sustainability and given the effects of climate change that are already evident and impacting economies and societies worldwide, then this green commitment is going to be ramped up considerably. This effort is likely to act as a key driver in terms of restructuring the local labour market in line with future demand. This also entails major diversification and innovation opportunities for the private sector, either in terms of reinventing current operations and services, or establishing new green ventures, potentially creating more green jobs in the process. Malta also has the advantage of not having a significant share of its workforce employed in highly-emitting or environmentally damaging activities, such as mining and other forms of extraction – this will ease the disruption and allow for a more gradual transition.

3.5 The rise of the platform economy

What is it?

The surge of the platform economy as a leading subset of the digital economy was enabled in recent years by technological advances in broadband connectivity and cloud computing which allowed for economic transactions and the exchange of large amounts of data between individuals. These developments have led to the fast growth of digital platforms in various economic sectors providing a range of services and products.

The subset 'platform economy' refers to any type of digital platform that uses the internet to connect dispersed networks of individuals to facilitate digital interactions between people. Within the platform economy there is a triangular relationship between three parties: (1) the platform; (2) the worker; and (3) the customer. The function of the platform is to connect people with demand (the customer) to people that provide supply (the worker). Within the context of the platform economy, the term 'gig economy' has emerged. This refers to a shifting trend in employment towards the shorter-term, often contract-based work that characterises the platform economy, since employment on that platform is normally remote where workers normally sell their time and/or skills on a short-term or payment-by-task basis.

This is what makes the platform economy so disruptive to the traditional linear business model which creates value through creating products and services that are sold to a customer. Platform based business models create their value by connecting users (both consumers and producers) on an online network. It does not own the means of production, but rather creates the means of connection.

The outbreak of the Covid-19 pandemic in March 2020 consolidated and accelerated the rise of the platform economy, along with so many other facets of the digital economy. The rise of the platform economy is having a significant impact on labour markets and the employment relationship. Given the rapid growth triggered by the effects of Covid-19 pandemic, the effects of this and how to manage them are increasingly being discussed at national and international level.

The global context

Platform work or the gig economy is an increasing phenomenon across the globe disrupting sectors including mobility, restaurants, consultancy and freelance work amongst others.

Platform-based businesses disrupt the regulatory status quo and, in many cases, can circumvent current legal frameworks, which are designed around traditional, linear business models and roles. The key loophole at play here is that platform-based companies only facilitate the work or service and have no actual role in production or service delivery. The main regulatory/legal concerns centre around: safety and hygiene standards, taxes, compliance, crime, protection of rights and interests, and fair competition.

The debate is ongoing and heating up, with two main schools of thought: the first is that the platform economy should not be regulated in the same way as the 'regular economy' and its very flexibility and fluidity should not be constrained. Where necessary, these proponents claim, many of the legal questions can use the set-up of existing legal and tax frameworks. Other, perhaps more dominant voices, argue that the platform economy does require regulation, and this will need a comprehensive re-evaluation of laws and regulations.

The OECD believes that for employers, platforms can provide wider and more flexible access to talent, particularly where specialised skills are concerned, as well as faster hiring processes, lower costs, and improved productivity. For workers, platform work opens opportunities to earn income regardless of where they reside. This 'global labour marketplace,' according to research by the OECD and the European Commission, has the potential to move labour market supply and demand closer to equilibrium and thereby to ease unemployment and underemployment. This can apply specially to disadvantaged areas.

According to the OECD and the European Commission, the platform economy does carry certain higher risks when compared to 'offline' work. The main issues are higher than average job uncertainty and fewer protections when compared to more traditional employment arrangements. The key issues here are that online outsourcing and 'gig' work do not always clearly fall under existing employment laws, many of which are still premised on the model of a full or part-time, open-ended contract with a single employer. This means that in many countries outsourcing and gig workers cannot unionise, engage in collective bargaining or benefit from minimum wage regulations. This explains why such workers are significantly more likely than traditional employees to earn less than the minimum wage.

In its 2020 survey, the ILO also focuses on platform work and adopts a multifaceted approach. One element of analysis is worker motivation and the factors that lead to choosing platform or gig work. Worker motivation to work on digital labour platforms varies across the different types of platforms and by gender. The factors are many however the most common relate to additional income streams and the ability of job flexibility. The latter and the ability to work from home is particularly important for women workers on digital platforms. On location-based platforms, lack of alternative employment opportunities, job flexibility and better pay compared to other available jobs, especially for the lower skilled workers, are the key motivating factors.

The ILO 2020 Survey also found that businesses are using online web-based platforms for three main reasons: to streamline recruitment processes; to reduce costs and improve efficiency; and to access knowledge and seek innovation. The operating context has also increased the use of such digital platforms. In the context of a global glut in skills, companies can access a much broader pool of skilled human resources. Platforms, especially location-based, have allowed businesses in the hard-hit sectors during the pandemic, such as restaurants and retail, to exploit new revenue streams and sources. This reality is here to stay and therefore labour markets need to adapt accordingly.

The ILO has noted that several countries have taken steps to regulate platform work, focusing on:

- Extension of occupational health and safety provisions to platform workers (Australia and New Zealand).
- Extension of social security to platform workers, including accident insurance costs (France); sickness benefits (Ireland); and unemployment benefits (U.S. and Finland).
- Definition of employment status: here approaches range from broad classification as regular employees where possible to the creation of a new, intermediate category in employment legislation to allow for the provision of basic protections and benefits.

The ILO also notes that the growing regulatory concerns have raised a debate between platform companies and worker organisations which is set to intensify in the coming months and years. Platform companies have also responded to the calls for transparency and regulation with several signing up to the World Economic Forum Charter of Principles for Good Platform Work.

The Maltese context

The employment aspects of the platform economy really came to the fore in Malta due to the impact of the Covid-19 pandemic which led to a surge in demand for app-based transport and delivery services. On this basis, so far it is the location-based applications which are most prominent in the Maltese scene.

There is little to no data on the number of workers engaged in the platform economy in Malta, nor is there any reliable study on the employment conditions prevailing in the sector. The typical anecdotal profile tends towards foreign workers carrying out food delivery work or operating as taxi drivers. Similarly, there is little to no reliable information on the employment conditions being offered to these workers. However, this topic hit the national agenda in early 2021 with a media focus on employment conditions relating to platform work especially in relation to food delivery.

In December 2020, the Government of Malta during a meeting of the European Ministers of Employment and Social Policy, called for EU-wide, standardised regulation and appeared to suggest that classifying even platform workers as self-employed may be a solution, remarking that *“Malta believes that another area of action would be to strengthen working conditions and protections for the self-employed, so no worker gets stuck in ambiguity, and are instead given equal rights and protections irrelevant of their employment classification”²⁵*.

²⁵ Press Release by the Minister within The Office of The Prime Minister, Carmelo Abela, appeals for legislation across EU member states which ensures fair working conditions in the platform economy, December 4th, 2020

On a related note, and viewing this issue locally from another angle, the Maltese Government just announced a temporary residency scheme for people who want to reside in Malta and work remotely ('digital nomads'). This scheme is directly targeting platform workers, presumably in the high-skilled category, and to qualify, applicants must prove they are contracted to work remotely by a company based overseas and show that they run their own business or offer freelance service to clientele based abroad.

Focus groups

Contrasting views on the platform economy and its impact characterised the focus groups. Some sectors, especially those relating to hospitality and retail, saw the platform economy in relation to delivery services as an important source of sales, especially during Covid-19 pandemic restrictions. Many are also seeing a sustained stream of sales coming through such channels. Other service-based sectors saw an opportunity for outsourcing and temping through such platforms but also saw a potential threat in relation to a price-driven competition. However, all representatives agreed on the need to curtail any abuse happening in relation to workers' rights. Table 3.6 presents the main threats and opportunities that were identified.

Table 3.6
The impact of the platform economy in Malta

Threats	Opportunities
<ul style="list-style-type: none"> • Possibility of abuse of workers' rights by agents and companies • Disrupting various industries, especially services-based • Very price sensitive and can have an adverse impact on payments made to service providers 	<ul style="list-style-type: none"> • Platform economy is here to stay and should be regulated • If regulated it can offer new forms of work to different cohorts of people • It can act as an important source of business for traditional businesses

Looking ahead

The platform economy is here to stay. The onset of Covid-19 pandemic has further entrenched this business model. It has allowed cohorts of workers to participate in the labour market by offering flexibility. However, abuses exist. With the lack of a regulatory framework in place, this gives rise to the opportunity to regulate this business model to ensure that a fair platform economy offers value to all participants.

3.6 The future of work

What is it?

The ILO defines remote working as the use of ICT, such as smartphones, tablets, laptops and desktop computers, for work that is performed outside the employer's premises.

Before March 2020 and the onset of Covid-19 pandemic, remote working was already a feature of working life, particularly in advanced economies, and its use was expected to grow as the costs of ICT and broadband communications decreased; however, it was limited mainly to employer-worker agreements in certain occupations and sectors.

One major impact of the pandemic in 2020, was the overnight shift to remote working in most countries across the globe. This was a sudden development rather than a transition, arising out of the health considerations of the pandemic which required drastic social distancing. Actual lockdowns across several countries made the closing of offices mandatory, leaving no alternative other than remote working.

As these restrictions eased with the roll-out of vaccination programmes, particularly in advanced economies, it became clear that the world of work was not simply going to revert to its pre-pandemic form. The latest research indicates that there is a strong demand for a hybrid model. Latest research also indicates that this shift towards more flexible working arrangements could be a major disruption, impacting productivity and efficiency levels, and fundamentally changing the global talent landscape.

The global context

Research issued by the European Commission indicates that pre-pandemic levels of remote work among employees (defined in this context as workers who 'usually' worked from home) stood at only 5.4 per cent in the EU27 and that this rate had remained constant since 2009. This figure rose to nearly 40.0 per cent of workers across the EU during 2020.

Whereas the prevalence of remote work varied widely across sectors and occupations, the Commission determined this to be highest in knowledge-and-ICT-intensive services, led by the ICT sector and business services. This research also found that remote working was mostly applicable to high-skilled professionals before the pandemic, however due to the enforced conditions imposed by the pandemic, this circle widened to other workers in these sectors who despite working intensively with ICT had so far only limited experience of remote work. For example, this included junior professionals, technicians and clerical grades.

Disparities in access to remote work adds to existing income inequality: reflecting the higher prevalence of remote work among high-skilled workers and the option to work remotely is considerably more widespread among well-paid employees. As pandemic restrictions ease, this divide is set to increase further, heightening disparity in wage and working conditions between different occupations.

Further research carried out by the Commission in November 2020, found that the main issues relating to remote work were impacts on work-life balance and job quality, mainly due to the 'all pervasive' nature of remote work where normal working times were blurred and the 'digital intensity' of work increased drastically.

Results of a survey issued by Eurofound, based on nearly 90,000 'online' surveys conducted in July 2020, show that almost half (48.0 per cent) of respondents were in remote work at least part of the time last year. Of these, more than a third (34.0 per cent) were working exclusively from home. The figures contrast with those seen before the pandemic, in 2018, when "less than one in twenty workers" reported working remotely regularly and "less than one in ten occasionally." Eurofound's data also shows that of the total respondents who were working at home, most (74.0 per cent) had higher qualifications. One of the issues being discussed about remote working is the lack of boundaries between work and non-work life.

The 'Microsoft 2020 Work Trend Index' surveyed over 30,000 people in 31 countries and analysed trillions of productivity and labour signals across Microsoft³⁶⁵ and LinkedIn. The survey reflects data collected between February 2020 and February 2021. Looking at trends beyond the pandemic, its overall key finding is that employees want a hybrid approach – 73.0 per cent of workers surveyed want the flexible remote working option to stay, while 67.0 per cent want more in-person time with their teams. It also seems that most employers surveyed accept this new reality and are gearing up to make the required design changes to accommodate a hybrid work environment.

All fora within the EU acknowledge that remote working is going to remain a feature post-pandemic. Eurofound notes that although the number of remote workers fell by March 2021 as many workers returned to the office, the vast majority express a preference to work from home "*several times a week in the long term.*" Policy recommendations to cater for this are already underway in Europe especially from a 'right to disconnect' perspective.

The current situation sees varying approaches by Member States in terms of regulating remote work – Spain has enacted comprehensive legislation; Austria has amended existing employment legislation to define 'remote working' while Ireland has established a code of practice for employers and employees. In other Member States the debate is ongoing.

Apart from the 'right to disconnect' other issues centre around:

- Privacy – this applies to how remote management controls are applied without infringing employees' right to privacy (e.g., monitoring of website access).
- Requiring employers to provide IT equipment.
- Protecting against discrimination and health risk.

Finally, it should be noted that at this point, the Commission is stressing the value of remote/hybrid working in a green, sustainable development context; wider adoption of this model can reduce carbon emissions as well as other tangible benefits.

The Maltese context

The concept of flexibility and teleworking has long been introduced in Malta with the public sector pioneering this approach. The possibility of job flexibility also started to be explored by the private sector as a form of employee attraction and retention, especially in service-based sectors and where the supply of talent was tight. However, the Covid-19 pandemic has triggered the discussion on a more permanent shift to new models of work amongst employers and social partners.

In January 2021, the Central Bank of Malta published a study focusing solely on the potential and impact of remote working in Malta²⁶.

Before the pandemic, the prevalence of remote working in Malta was lower than the EU average and stood at 11.7 per cent in 2019, up from 3.6 per cent in 2010 (Central Bank of Malta) – although below the EU average, this demonstrates an upward trend which coincided with the steep rise in female employment between 2010 and 2019.

The number of remote workers surged to over 35.0 per cent by May 2020 (Central Bank of Malta) – a 21.0 percentage points increase over 2019. This relatively swift uptake may have been boosted by the Malta Enterprise scheme designed to facilitate teleworking activities that was swiftly launched in March 2020 to support employers in the purchase of the necessary ICT devices and connectivity.

According to a Central Bank report, this sharp rise in remote working, which was sustained over the year, points to “*underutilisation of remote working before the pandemic.*” The report estimates Malta’s potential for remote working in a post-pandemic scenario. It reaches its conclusion by analysing the share of jobs that could be performed from home based on economic activity. In a local context it breaks down sectors which are likely to facilitate remote working, with a further breakdown within these sectors at job level under three different scenarios.

²⁶ Central Bank. An Analysis of Malta’s Potential to Telework. January 2021

Table 3.7
Estimated Malta remote
working potential

Source: Central Bank of Malta, 2021

Sectors in which it is highly likely to telework

- Computer programming, consultancy, and related activities
- Information service activities
- Financial service activities, except insurance and pension funding
- Insurance, reinsurance, and pension funding, except compulsory social security
- Activities auxiliary to financial services and insurance activities
- Legal and accounting activities
- Activities of head offices; management consultancy activities
- Architectural and engineering activities; technical testing and analysis
- Advertising and market research
- Other professional, scientific, and technical activities
- Gambling and Betting activities

Sectors in which it is possible to telework

- Publishing activities
- Real estate activities
- Security and investigation activities
- Office administrative, office support and other business support
- Public Administration
- Compulsory Social Security
- Activities of membership organisations

Sectors in which telework is less likely, but possible under special circumstances

- Scientific R&D
- Audio-visual production/Music publishing and similar activities
- Programming and broadcasting
- Telecoms
- Education

Based on 2019 NSO data on the number of employees (15+) working in the above sectors, and categorising jobs within each sector as per the possible scenarios above; the study puts forward the following estimates:

Table 3.8
Malta's estimated remote working potential

Source: Central Bank of Malta, 2021

	Scenario 1 Includes only those jobs which require minimal, if any, interaction with others	Scenario 1 Includes activities which may be less practical for remote work, but still possible to perform away from the workplace	Scenario 1 Includes other jobs that are less likely to be performed from home in normal circumstances, but which may, under abnormal circumstances, be worked remotely
No. of employees (15+) working in identified sectors in 2019	39,400	59,400	86,200
Total no. of individuals in employment in 2019 (all sectors)	254,700	254,700	86,200
Share of individuals in employment (15+) in teleworkable jobs in 2019	15.5%	23.3%	33.8%

On this basis, according to the Central Bank's calculations, Malta's remote working potential may be higher than the EU average, driven mainly by the larger share of workers in financial services and online gaming activities in Malta. It should be noted that this study is based on the premise of teleworking only, that is, fully remote work, as opposed to hybrid work – expanding estimates to include jobs which are open to a flexible, missed arrangement may increase potential.

Focus groups

The impact of teleworking, remote working and hybrid working was embraced by primarily services-based organisations. Other sectors, such as manufacturing, had challenges with this arrangement. However, most business leaders embraced the concept of hybrid work and the Covid-19 pandemic experience has shown that business continuity and resilience are enhanced based on hybrid work. Concerns on office space were raised especially in some services-based sectors as the concept of hybrid work would allow the introduction of hot desking rather than fixed workstations, thus reducing the need for large office space. Further calls for support through incentives were made. Table 3.9 below, outlines the main threats and opportunities that were identified in relation to the future of work and its impact on the labour market in Malta.

Table 3.9
The impact of the future
of work in Malta

Threats	Opportunities
<ul style="list-style-type: none"> • Not all businesses are ready to embrace the future of work in their operation • Lack of skillsets to operate in this world, including technology • Businesses might not see the opportunity in hybrid working models • Ramifications on demand for office space 	<ul style="list-style-type: none"> • It can support well-being of employees through flexibility and work-life balance • Policy and guidelines can support both businesses and workers to thrive in this new era

Looking ahead

Technological change has accelerated over the past few years and coupled with the experience during Covid-19 pandemic, it has made working from home a reality in many businesses and industries. In what is being described as a new normal, the hybrid model is gaining traction whereby workers are working from home a few days a week. This is not possible for all jobs, especially the low-skilled ones. Moving forward, the importance of upskilling in the face of further automation becomes important together with policy guidance on homeworking.





04

Employee Perceptions

This National Employment Policy is a human-centred one with the aim of elevating the Maltese workforce to achieve their full potential and earn higher wages to enjoy a better quality of life. To truly carve out a policy that is aimed at the workforce, it is critical to know and understand the Maltese workforce. Understanding the environment, both local and global, is not enough. This Employment Policy also sheds light on the Maltese workforce - its identity, aspirations and perceptions on the different dimensions that work constitutes to an individual worker. There is no doubt that employees and individuals are at the core and centre of the employment relationship. The National Employment Policy is yet another vehicle through which Malta's workforce, present and future, can fulfil their full potential through meaningful work, and work that pays.

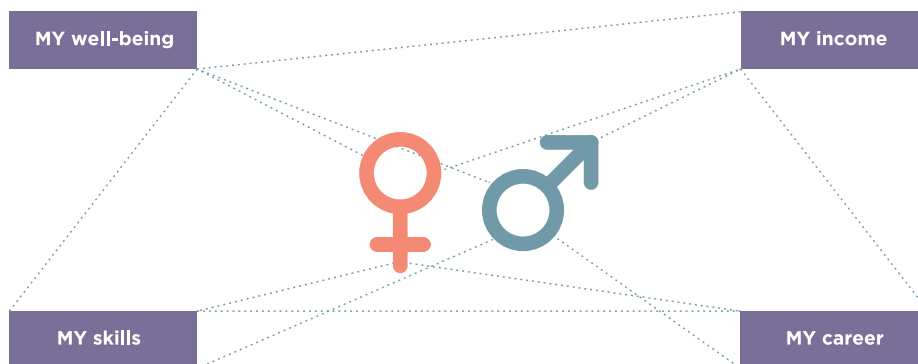
To this end, the National Statistics Office was commissioned to carry out a survey on the work and skills of the employed. Details of the survey and the methodology used are provided in Box 4.1.

Box 4.1 Methodology of survey

The phone survey was conducted between 10th May and 30th June 2021 by the National Statistics Office. The target population for this survey consisted of all individuals aged 16+ residing in private households, and who are of Maltese nationality and in employment in all sectors excluding Public Administration and Defence, and Compulsory Social Security. A total of 176,404 persons were eligible to participate in the survey. A stratified random sampling process (without replacement) was employed.

This probability sampling method entailed the partitioning of the population into mutually exclusive sub-groups, and an independent (simple) random sample was selected from each of these sub-groups to ensure a uniform distribution of the sample relative to pre-selected characteristics of the population. In this case, sub-groups were constructed relative to sex, age group (16-34, 35-54, 55+) and economic activity based on NACE Rev. 2 A11 classification. In addition to this, quotas were used throughout the data collection phase to ensure that the required number of households from each sub-group was selected, even in very small ones for which the probability of selection was relatively small compared to other groups. Since the mechanism of selecting households was made in a random manner, no significant bias was introduced by applying such quotas. A total of 5,381 persons were contacted for this survey of which 4,000 participated, while another 910 persons were not eligible to participate.

To analyse the perceptions of the Maltese workforce towards work, the ‘Four MYs Framework,’ was adopted as shown in Figure 4.1. This truly uncovers the different dimensions that employment gives to the individual employee. Each dimension is explored in detail through an analysis of the key results from the survey.



4.1 My Skills

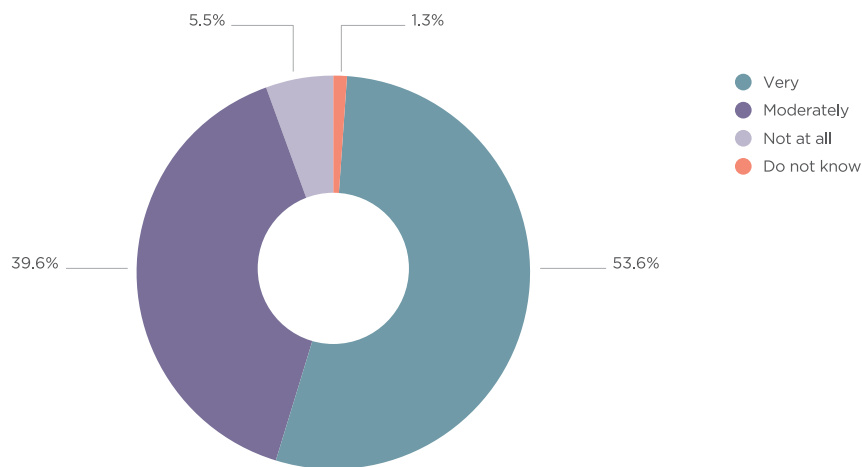
Increasingly, Malta is competing globally based on talent, and this will remain critical for the country to sustain and improve its competitiveness. Winning the war for talent can be achieved by ensuring an adequately skilled workforce and talent pool available for businesses operating out of Malta to tap into. This is also critical to securing the economy's recovery and ensuring Malta's people share in that recovery. The analysis focuses on three main areas: relevance, acquisition, and incentives with both a past and future focus.

Relevance

Gauging the relevance of current skillsets by the workforce is critical for truly delivering high-quality talent to investors and employers (see Figure 4.2).

Figure 4.2
Relevance of current skills
to today's world of work

Source: NSO, Author's calculations

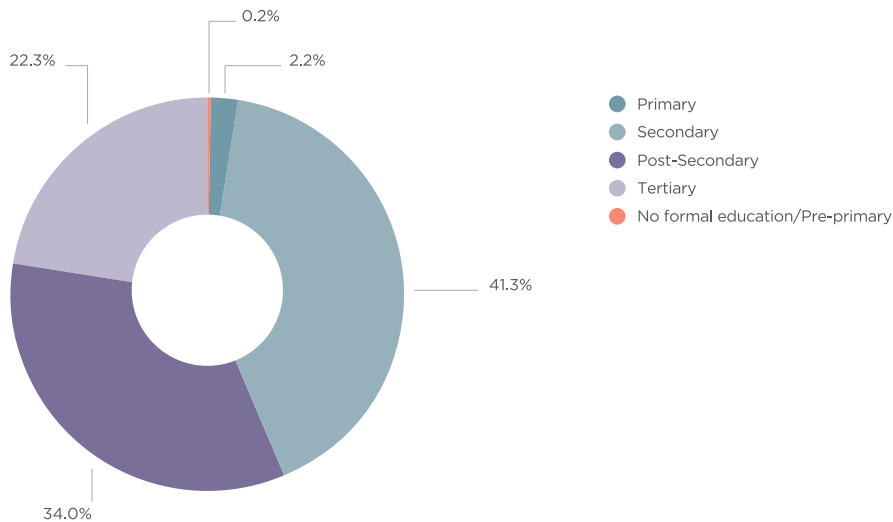


Of those surveyed, 53.6 per cent feel that their current skillset is very relevant for today's world of work. This suggests that close to half the population believe that they have a skillset which is not very relevant in today's world. In fact, 39.6 per cent and 5.5 per cent of those surveyed believe that their current skillset is either moderately relevant or not relevant. Putting these two cohorts together results in 45.1 per cent of the population who do not feel that their skills are very relevant in today's world, mirroring concerns raised by business leaders. In today's competitive environment, improving the skillset of the workforce is critical for future attractiveness and competitiveness.

Strikingly, 22.3 per cent of those perceiving their skills to be moderately relevant, or not at all relevant, have a tertiary level of education, whilst 34.0 per cent have a post-secondary level of education. This result identifies a possible gap in formal educational structures and their alignment with the needs and demands of industry, thus making a realignment necessary. This confirms the insights that came out during the focus groups with employers who argued that employees are not industry-ready in their skillsets, particularly soft skills. 21.4 per cent are between 16 and 29 years of age, 54.3 per cent are aged between 30 to 54 years, and the remaining 24.2 per cent are aged 55+.

Figure 4.3
Level of education of those claiming their skills to be moderately or not at all relevant to today's world of work

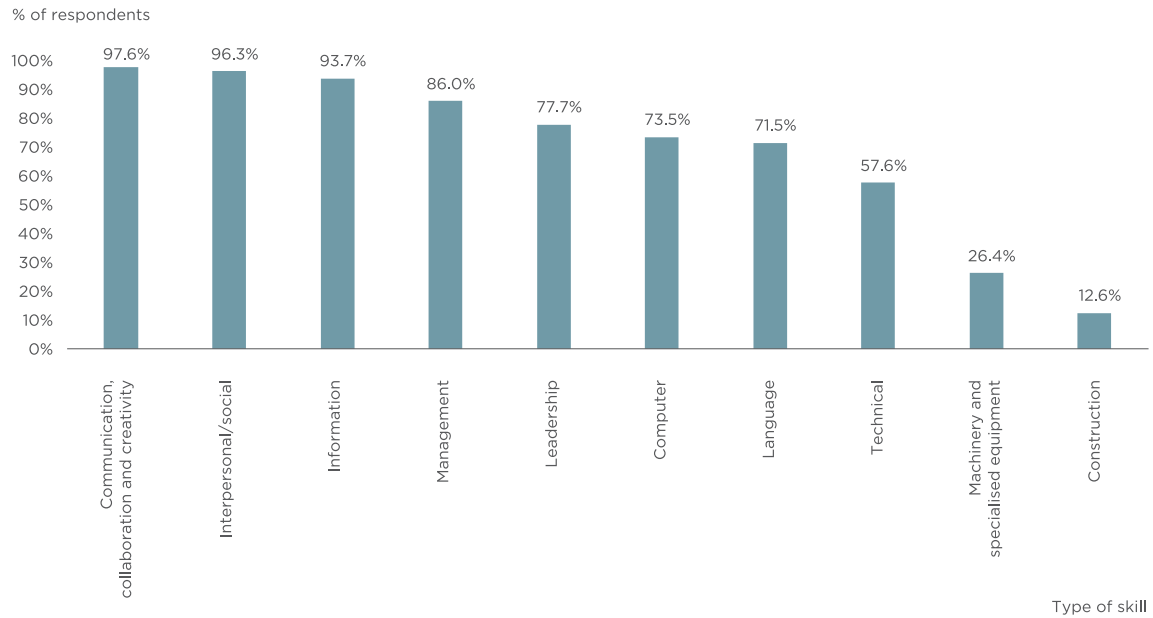
Source: NSO, Author's calculations



With respect to the skills needed to prepare for the future of work, the respondents were very clear with the skillset they believe will be critical for them to be and remain relevant at the place of work. Two clusters of skillsets are evident from the replies given, as shown in Figure 4.4.

Figure 4.4
Skills for the future

Source: NSO, Author's calculations



The first cluster incorporates three main skill categories as outlined by the European Skills/Competencies, Qualifications, and Occupations (ESCO) classification; these being communication, collaboration & creativity skills, interpersonal/social skills, and information skills. A second cluster of skills, identified as critical for the future, relate to management skills, leadership skills, and computer skills. These skillsets were also identified during the focus groups with business leaders and were highlighted as being lacking in Malta's workforce. These skills, tilting more towards the softer side, might also highlight the identified gap in formal education and its inability to prepare students with soft skills. In today's world, such soft skills have been highlighted by international research as critical for workers to prosper in the future, making them even more important to incorporate in educational structures and programmes.

This offers an opportunity for growth especially in the provision of such skills from a young age. Educational institutions need to become more responsive and a dialogue with industry and employers needs to start to identify and address gaps that may exist, and which may limit the growth of industry and impact Malta's investment attractiveness.

Acquisition of skills

An important component for policymaking is to understand where skills are acquired by individuals. When asked on where respondents acquired their skills, the vast majority responded 'from their workplace'. 72.0 per cent chose 'the workplace' as their first preference, compared to the 58.0 per cent that chose 'formal education'. This highlights the fact that the place of work remains an important learning arena for employees to acquire and develop new skills related to the world of work. This, on the other hand, also suggests a gap in formal education whereby the system is more geared towards academic skills rather than skills needed for the workplace and demanded by industry opening a need to direct policy towards improving the educational system with respect to industry readiness.

This was reinforced when participants below the age of 30 were asked whether the educational system prepared them for the world of work. Although close to 63.0 per cent believe it did, one third of the respondents, 33.3 per cent, believe that it did not. On analysing the profile of this group, 55.5 per cent attended tertiary education, and 38.1 per cent attended post-secondary. These results further highlight the need of Malta's tertiary educational institutions to align themselves more with industry needs and requirements. As a country that depends mainly on its human resources, with structural issues in relation to early school leavers and years spent in schooling, it is even more critical to ensure that tomorrow's workforce is industry ready.

When probed on the responsibility of skill acquisition, 79.4 per cent of respondents believe that it rests on the individual to gain such skills whilst 14.4 per cent believe it is the employers' responsibility. Only 4.3 per cent believe that the Government is responsible.

This confirms the belief and argument that individuals need to be enabled, incentivised, and supported to develop and strengthen their skillsets through education and life-long learning to ensure that they remain relevant in the labour force.

55.0 per cent of those claiming to have a moderate or no skill relevance in their job or those who do not think that they can advance in their job with their present skill level, are interested in improving their skills, with 39.0 per cent consider taking up a formal training course, 32.0 per cent consider undertaking training at the place of work, and close to 20.0 per cent opting for ways to self-train themselves. This result highlights the importance of having different streams for skill acquisition. Such a result further confirms the importance of schemes such as GetQualified which have supported individuals in their endeavours to follow formal courses. It is critical that industry-led courses become more widespread to ensure that workers can truly acquire the needed skills. With 32.0 per cent, the place of work will also be an important element in acquiring skills. This suggests that further incentives need to be designed and carved around businesses and industry so that they too can take the lead and invest in their own training and educational programmes. Positively, 71.0 per cent would be interested in attending training courses outside of working hours to improve the skills that would help them advance and grow at their current place of work.

However, the 45.0 per cent of respondents that are not interested in improving their skills is on the high side. When seen in the broader context of Malta's weaknesses, including the still high early school leaving rate, the reluctance for further skill acquisition can limit Malta's competitiveness.

Incentives

Over the past few years, the Government has been focusing on providing the right environment and incentives for workers to continue studying during work.

When asked which incentives should be in place to support workers in improving their skills, 36.4 per cent said that arrangements providing flexible time for work and study is the most important factor to assist them. Financial aid was chosen by 31.9 per cent of respondents, whilst 28.6 per cent chose a reduction in tax rates. Therefore, it is clear that whereas a lot of the focus was on tax incentives, the majority prefer having flexible arrangements. This is an area that offers opportunities for new support measures to be designed together with employer organisations as this will enable them to improve the skillsets of their employees, improving their competitiveness and productivity levels.

However, it is important to note that the type of incentive differs according to the occupation of the individual as well as age group. Table 4.1 presents the results as per occupational group.

Table 4.1
Type of incentives to acquire skills
by occupational group

Occupational group	Type of incentive
Craft and related trade workers	Financial aid
Skilled agriculture, forestry, and fishery workers	Financial aid
Technicians and associate professionals	Financial aid
Clerical support workers	Flexible arrangements
Managers	Flexible arrangements
Professionals	Flexible arrangements
Service and sales workers	Flexible arrangements
Elementary Occupations	Tax incentives
Plant and machine operators	Tax incentives

On one hand, tax incentives and direct financial aid are typically perceived to be important with a cohort of occupations that are on the lower end of the wage scale in Malta and would want to see an income-related incentive. On the other hand, the other occupational groups are more interested in having flexible work arrangements. In designing incentives and support measures, tailoring them according to the intended beneficiaries would facilitate take-up.

When seen from an age cohort perspective, it is the ‘closer to retirement’ cohort that would want to have financial incentives as the focus will be more towards saving due to the upcoming retirement whereas the younger cohorts are after flexible arrangements confirming the need to support the work-life balance as indicated in Table 4.2.

Table 4.2
Type of incentives to acquire skills by age cohort

Age cohort	Type of incentive
16-29	Flexible arrangements
30-54	Flexible arrangements
55+	Financial aid

Key highlights

- 45.1 per cent of the population do not feel that their skills are very relevant in today’s world, 22.3 per cent of which have tertiary level of education.
- Soft skills have been highlighted as critical for future preparedness especially communication, collaboration and creativity skills, interpersonal/social skills, and information skills.
- 72.0 per cent mention the workplace to have been the main source of skill acquisition.
- 45.0 per cent of respondents are not interested in improving their skillset.
- 36.4 per cent said that arrangements providing flexible time for work and study is the most important factor to support them in improving their skills.

4.2 My Income

Income remains one of the main reasons and motivators for employment. Economic and employment policy is geared towards supporting employees and the workforce advance in their career, achieve their full potential, and increase their disposable income.

Income depends very much on being employed. When asked, 78.4 per cent of respondents believe that their job is guaranteed till the fourth quarter of 2021, displaying positive and confident perceptions about the future. As one would expect, considering the Covid-19 pandemic uncertainty, the majority of those whose job they perceive to be insecure (21.6 per cent of all respondents) work in sectors that have been worse hit, including wholesale and retail trade, transportation and storage, and tourism.

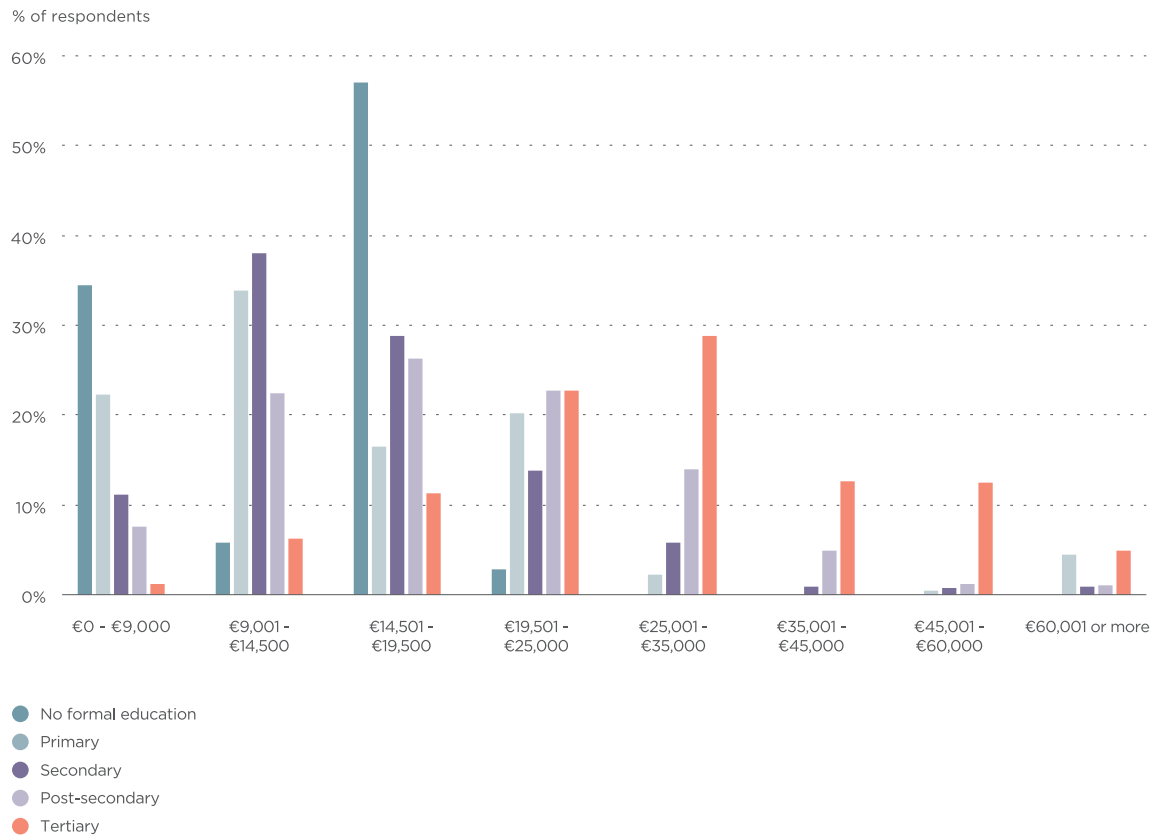
54.8 per cent of all respondents consider their income to be reasonable, in relation to the tasks they perform and their skills. Furthermore, 74.8 per cent of all respondents consider their income to be enough to sustain a comfortable lifestyle. 56.0 per cent of those who perceive their income to be insufficient to sustain a comfortable lifestyle (25.2 per cent of all respondents) have a post-secondary level of education (35.1 per cent) or higher (20.9 per cent).

Participants were asked two questions on income levels. The first focused on the current gross income, considering the period prior to the start of the Covid-19 pandemic, and the second related to how much participants thought they should earn, gross income per year, to sustain a comfortable lifestyle.

When looking at the distribution of current income by educational attainment, it is evident that higher income levels are achieved by those workers with a higher educational level, see Figure 4.5. This distinction is clear once the €25,000 threshold is reached. This further reinforces the relationship between educational attainment and income levels and highlights the need to support and promote education as the key to achieving better quality and higher paying jobs.

Figure 4.5
Current income
by educational attainment

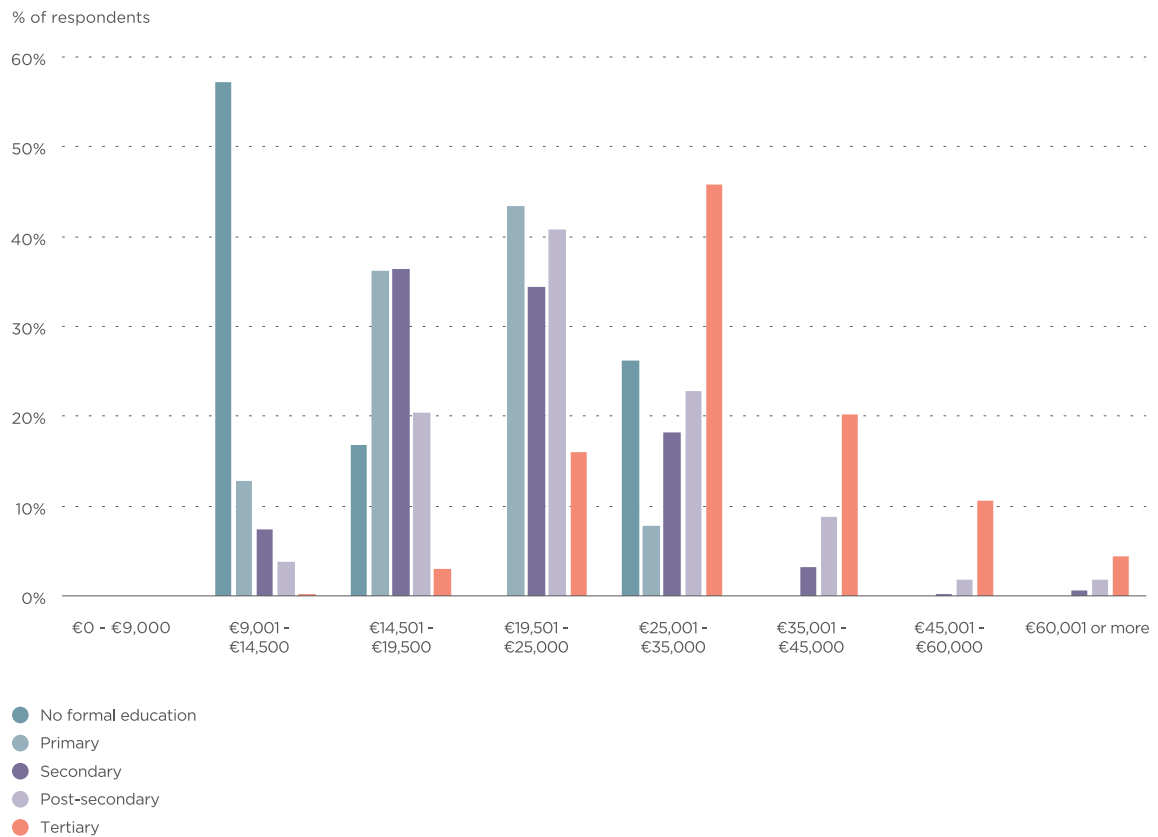
Source: NSO, Author's calculations



This is mirrored when analysing perceived income by educational attainment as shown in Figure 4.6. In fact, the vast majority of those with a low level of educational attainment have very low-income expectations. 92.0 per cent of those with just a primary level of education and 78.0 per cent of those with a secondary level of education do not aspire earning more than €25,000 which also reflects reality as shown in Figure 4.5.

Figure 4.6
Perceived income
by educational attainment

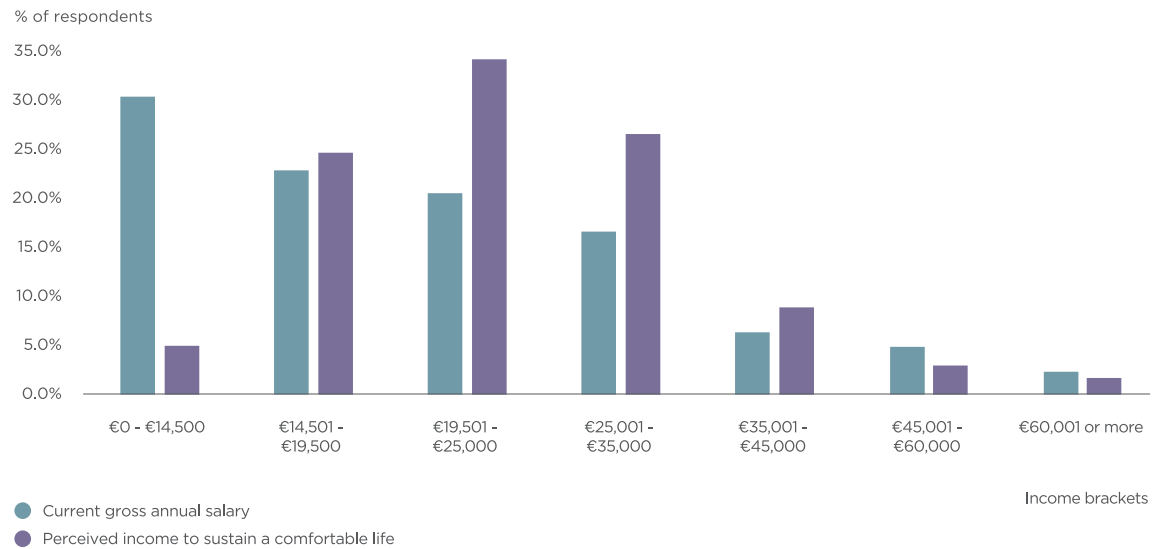
Source: NSO, Author's calculations



Charting current and perceived income to sustain a comfortable lifestyle sheds light on the perceived increase in income people need. In fact, as shown in Figure 4.7, there exists a particular gap in the middle-income cohort, from €19,501 to €35,000 category and from the preceding analysis, education remains critical in achieving better quality and higher paying jobs.

Figure 4.7
Income: Current vs Perceived

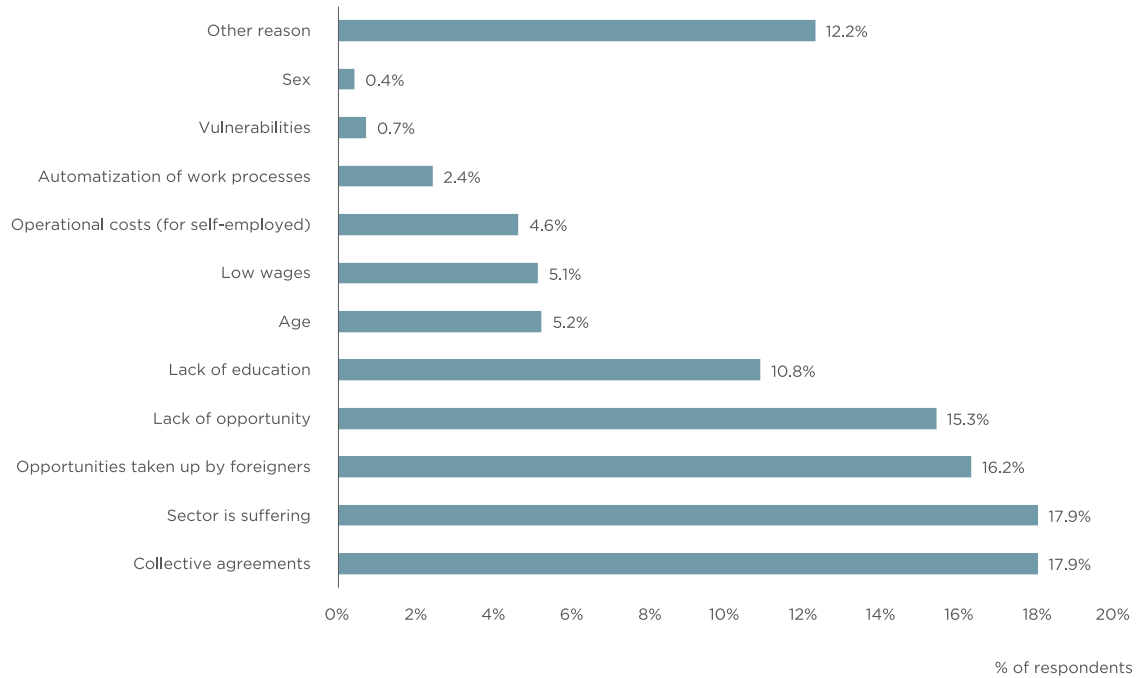
Source: NSO, Author's calculations



The majority, 58.3 per cent of respondents, believe that having a gross income between €19,501 and €35,000 would allow them to sustain a comfortable lifestyle. These respondents mention several considerations for not getting the expected income, with the top three reasons being collective agreements, which are perceived by 17.9 per cent as reducing opportunity to increase income, another 17.9 per cent blaming it on the fact that their sector of employment is suffering, and 16.2 per cent linking slow income growth to the number of foreigners working in Malta. A fourth reason which scored quite high, at 15.3 per cent, relates to the lack of opportunities in the labour market as shown in Figure 4.8. However, only 10.8 per cent link it to lack of education further confirming a structural weakness in the labour market and broader population.

Figure 4.8
Reasons for not getting expected income

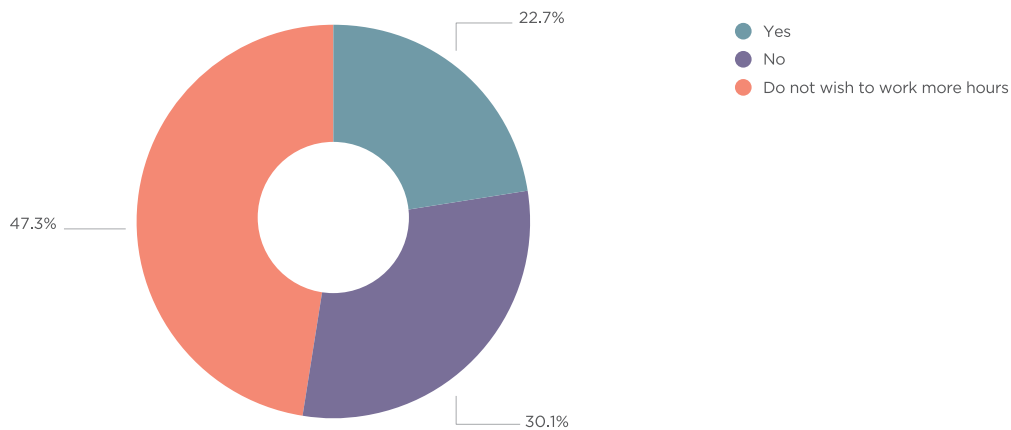
Source: NSO, Author's calculations



One route to earning higher income would be to work more. However, when probed, 47.3 per cent of respondents said that that they would not be willing to work more hours, with the people wanting to work more being only 22.7 per cent. (see Figure 4.9).

Figure 4.9
Do you wish to work more hours?

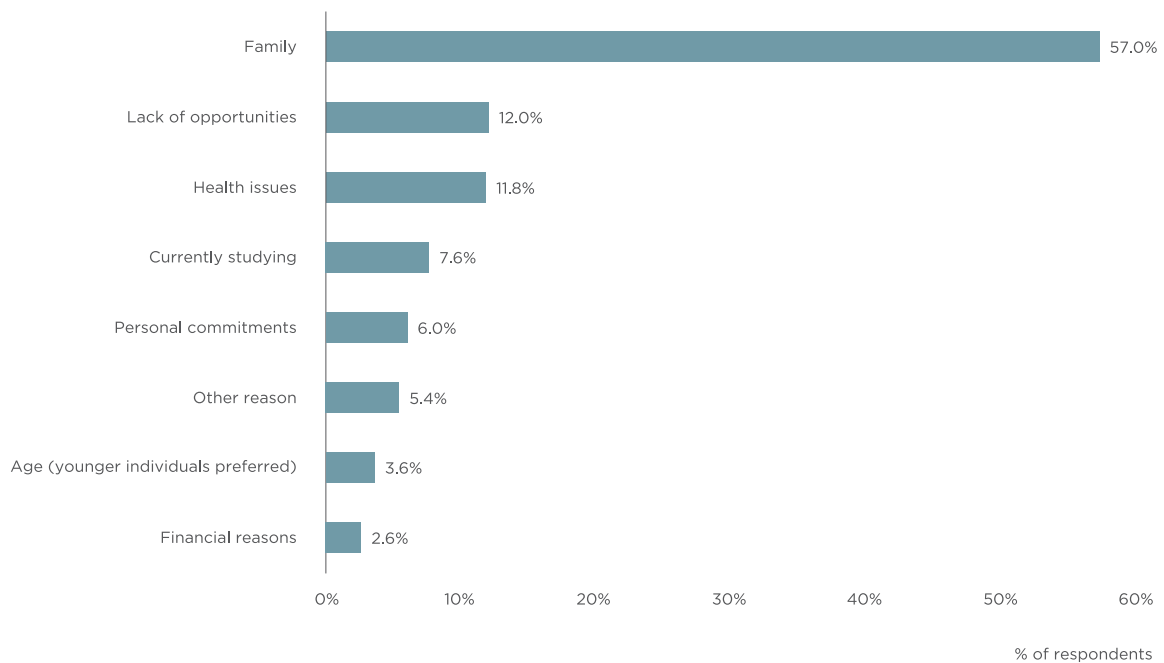
Source: NSO, Author's calculations



The most stated reason for not working more hours (57.0 per cent) related to family (see Figure 4.10). This is also supported by the fact that 52.4 per cent of participants claiming to have something preventing them from working more are females. Lack of opportunities is the second most cited reason; however, there is a 45.0 percentage point difference between the two reasons.

Figure 4.10
Reasons for not working more hours
(among those prevented from working
more hours even though they wish to do so)

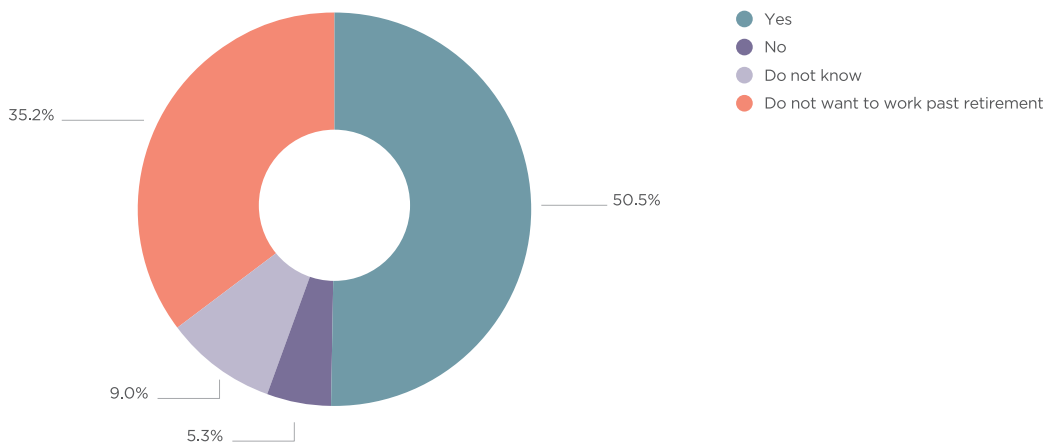
Source: NSO, Author's calculations



Upon reaching retirement, income becomes a critical concern with workers wanting to maintain their standard of living. The ability to continue working without losing one's pension has supported thousands of workers who continue to work past their retirement age. When the cohort of respondents aged 55 and over were asked on whether they believe that there are enough opportunities to continue working, 50.4 per cent believed so. On the other hand, 35.2 per cent of respondents showed a preference for not wanting to work in retirement, as shown in Figure 4.11.

Figure 4.11
Opportunities to work past retirement

Source: NSO, Author's calculations



When the remaining 14.4 per cent were asked on what types of incentives would support them in working past retirement, 50.4 per cent stipulated tax incentives, whilst 25.9 per cent highlighted flexible hours. Training was also chosen by 16.9 per cent of respondents.

Key highlights

- 54.8 per cent of all respondents believe their income to be reasonable considering the tasks they performed at work and their skills.
- 74.8 per cent of all respondents consider their income to be enough to sustain a comfortable lifestyle.
- 58.3 per cent of respondents believe that having a gross income between €19,501 and €35,000 would allow them to sustain a comfortable lifestyle.
- When probed on why respondents were not getting the expected income, the reasons given were collective agreements, an ailing sector, opportunities that were being taken up by foreigners, and lack of general opportunity.
- 47.3 per cent of respondents said that that they would not be willing to work more hours.
- 50.4 per cent of people above 55 believe that there are opportunities to work past retirement.

4.3 My Career

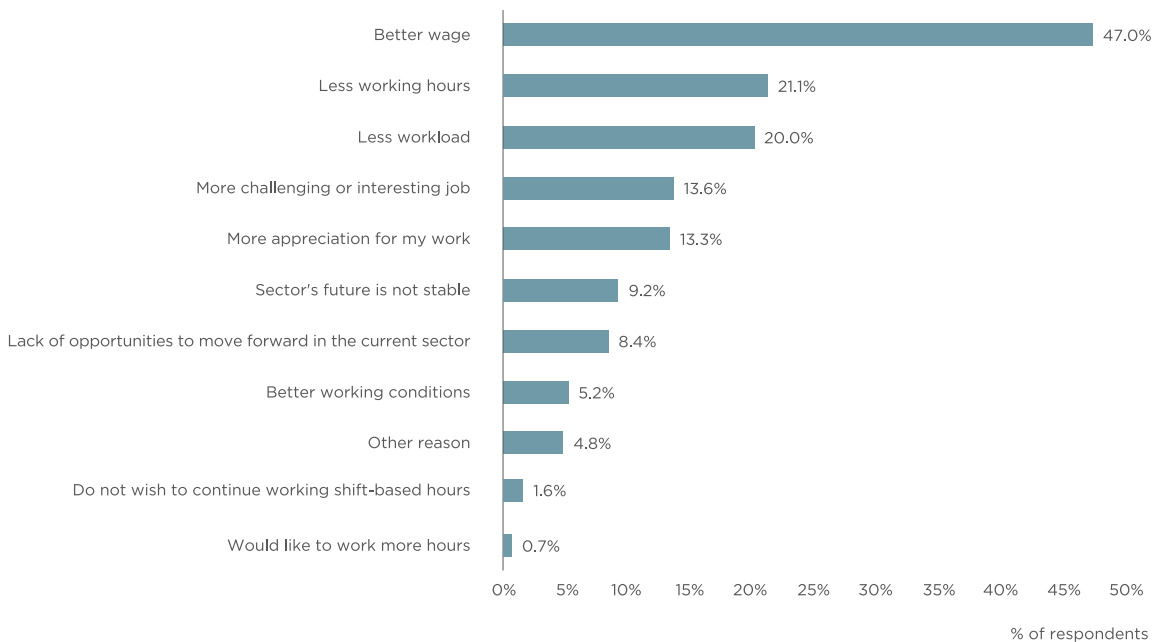
Having a fulfilling career is a key concern of employees and the workforce in general. The health of an economy and labour market is also measured by the ability of workers and employees to enjoy and build their own careers.

When respondents were asked on whether, considering their present skills, they think that they can advance and grow at their current place of work in the future, 71.0 per cent believed so. 14.8 per cent are not interested in advancing, whilst 11.1 per cent believe that they will not grow or advance in their present occupation. 31.7 per cent of these respondents have a tertiary level of education reinforcing the concern raised earlier with respect to the alignment between educational institutions and industry readiness.

Only 13.3 per cent of all participants would consider moving into a different sector to the one they currently work in. The most common factor why they would consider moving is to advance their income, with 47.0 per cent of participants who would consider leaving the current sector. Other reasons included less workload, working less hours, a more interesting job and to feel more appreciated for their work. These are all shown in Figure 4.12.

Figure 4.12
Reasons for wanting to leave current sector of employment

Source: NSO, Author's calculations



The ability to build and enjoy a fulfilling career is often perceived to be constrained by gender. 20.0 per cent of all women participating in this survey believe that they have less work-related opportunities than men. Mentioning factors that prevent women from doing better in the world of work, 58.4 per cent state that this is mostly due to family responsibilities, 43.0 per cent perceive there are barriers to career advancement (glass ceiling effect), while 14.8 per cent blame it on the lack of support measures that enable, for example, the care of children after school hours.

Key results

- 71.0 per cent of respondents believe that given their current skills they can advance and grow at their current place of work.
- 13.3 per cent of all participants would consider moving into a different sector to the one they currently work in with advancing income being the most cited reason for making the move.
- 20.0 per cent of all women participating in this survey believe that they have less work-related opportunities than men, with family responsibilities being the main driver.

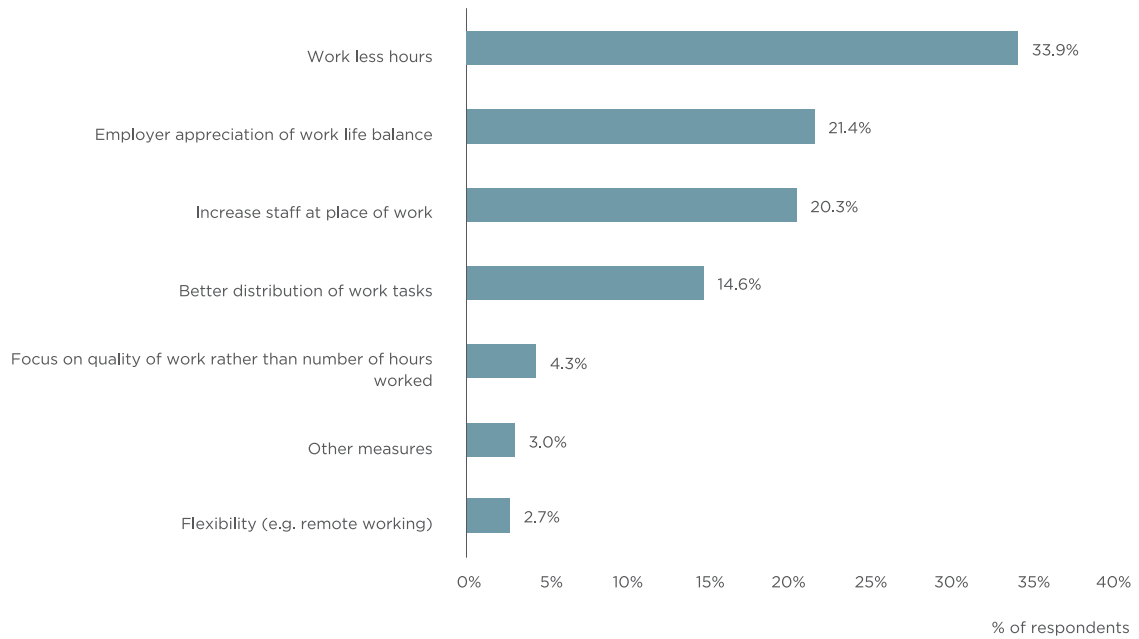
4.4 My well-being

Well-being and the quality of life have become important policy goals within the employment context, with achieving a work-life balance remaining as a key objective.

77.0 per cent feel that they can maintain a work-life balance. Working hours, flexible arrangements and remote working are the top three most mentioned measures that have helped maintain a better work-life balance as seen in Figure 4.13.

Figure 4.13
 Measures that should be introduced
 to assist in achieving work-life balance

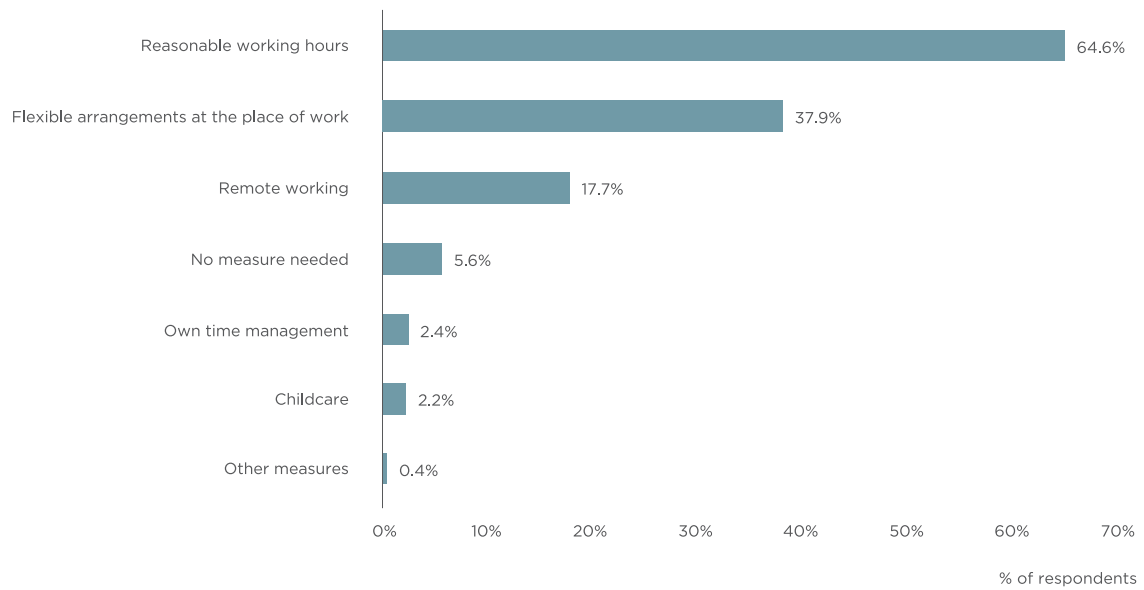
Source: NSO, Author's calculations



In the same vein, 33.9 per cent of all those that claim to be unable to strike a good work-life balance call for measures that promote more reasonable working hours. This is particularly felt by the 30-54 age cohort, reflecting family responsibilities. Employer acknowledgement, or lack thereof, of the importance of having a good work-life balance, and understaffing issues appear to also be weighing in on most respondents claiming to have no work-life balance (see Figure 4.14).

Figure 4.14
Measures that help maintain
a better work-life balance

Source: NSO, Author's calculations



Key results

- 77.0 per cent feel that they can maintain a work-life balance.
- Working hours, flexible arrangements and remote working are the top three most mentioned measures that have helped maintain a better work-life balance.
- 33.9 per cent of all those that claim to be unable to strike a good work-life balance call for measures that promote more reasonable working hours.

Concluding remarks

The survey conducted amongst Malta's workforce has shed light on important details on the perceptions of work. Using the four MYs framework, the survey analysed the income, career, well-being, and skill dimensions of employment. From the results, several key issues stand out which need policy intervention to ensure that Malta continues nurturing its workforce.

In relation to skills, it appears that workers do believe that a gap exists between the skills they have and the ones they need to have in today's world. Soft skills and creativity skills are amongst those cited as missing. The workplace was chosen as the main source of skill acquisition, thereby necessitating further support towards on-the-job learning.

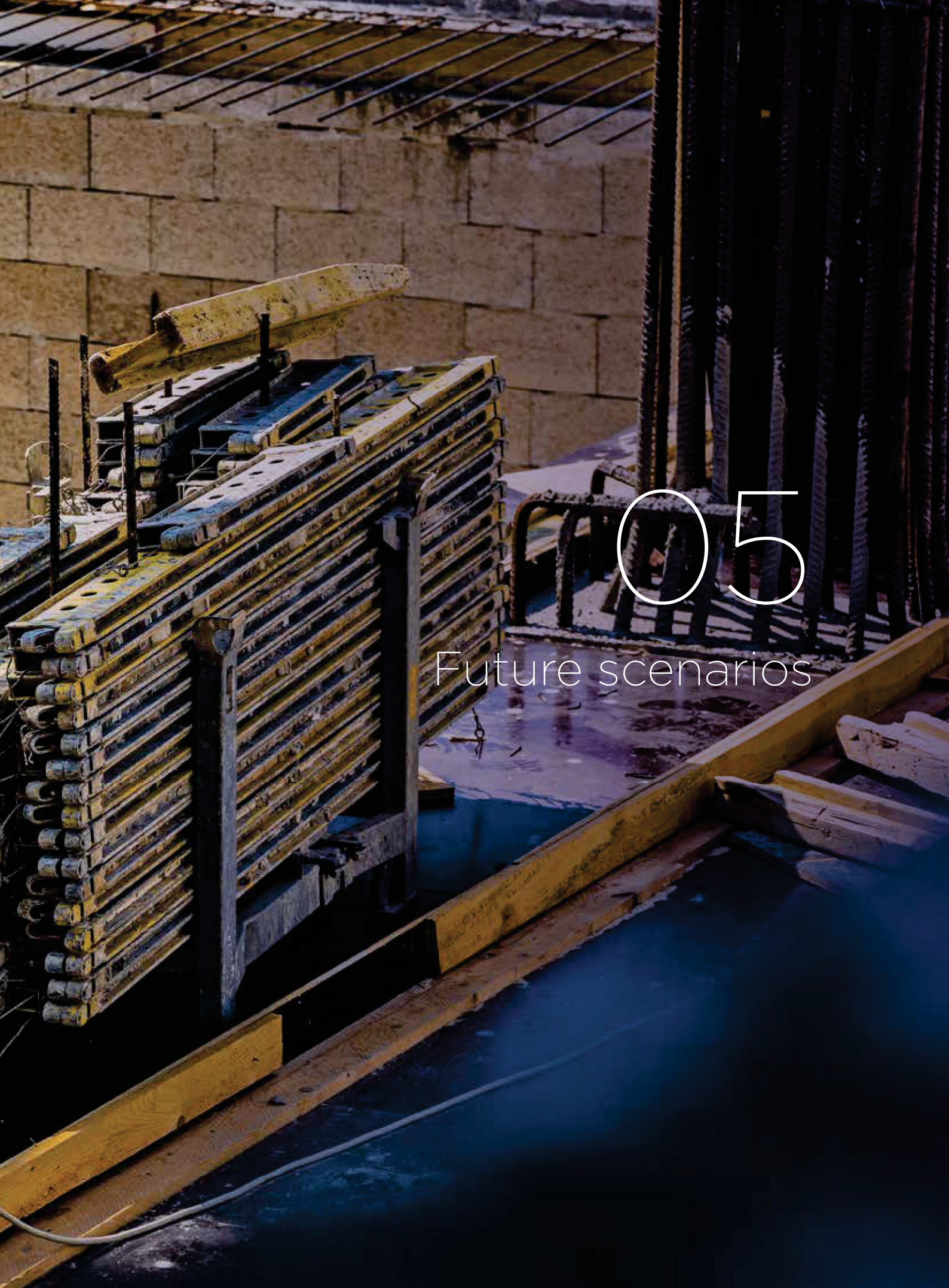
When gauging income levels and expectations, people were generally satisfied, however, they believe that structural issues pertaining to ailing sectors, collective agreements and the abuse of foreign workers have subdued wage growth. It is also clear that educational attainment is a critical component in achieving a higher pay.

On one hand, most respondents believe that they can advance and grow in their career with their current skillset. On the other hand, one-fifth of women who participated in the survey believe that they have less work-related opportunities based on gender.

When exploring the well-being dimension, most respondents are satisfied with their work-life balance, however, believe that possibilities of having flexible arrangements and remote working are central to improving well-being.

With these additional and more individual and micro-based insights on the labour market, the National Employment Policy will continue building on the economic realities that Malta is currently facing on a national, sectoral, firm and worker level. This will ensure that the Policy and its recommendations are truly tailored around current and future requirements.





05

Future scenarios

To better chart the future requirements, an econometric and forecasting exercise was conducted based on several future scenarios. The use of forecasting is not to give a precise depiction of what is going to truly happen in the future but to shed light on how the economy could respond to alternative events and trends, and as a result provide an indication of what will be required from a human resources point of view.

5.1 The forecasting exercise

This forecasting exercise complements the various focus groups that were held with business leaders as their future sentiment was gauged through questionnaires and then fed into the econometric model. In addition, the desk research and analysis also allowed various future scenarios to be put together and analysed. The main aim of the exercise was to measure the impact of these different scenarios on labour demand and skill gap requirements by the year 2030.

Projections were estimated using a Structural Annualised econometric Model for Malta (SAMM), a modelling framework developed by the Economic Policy Department (EPD) within the Ministry for Finance and Employment in collaboration with Cambridge Econometrics. SAMM is a Keynesian demand-driven model, with an input/output framework at its core. The model is highly disaggregated in terms of products, industries, final demand components, employment, occupations, and skills. The high level of disaggregation makes it ideal for policy simulations, including detailed fiscal policy simulations. The model is currently updated to 2016 data levels and therefore any projected average annual changes in labour demand, in occupations and skills are calculated with reference to 2016. A detailed methodological note is presented in Annex C.

This chapter will first focus on the baseline scenario before showcasing each scenario. Finally, several conclusions will be drawn out.

5.2 The baseline scenario

Labour demand projections for the period between 2021 and 2030 draw from insights, views and future economic expectations of private operators and sectoral business leaders gathered during the focus group sessions carried out as part of the consultative process launched in March, and which form an integral part of this National Employment Policy. Projections are also based on assumptions taken by EPD in line with other economic growth and development indicators, which estimate an annual average GDP growth of 4.5 per cent between 2021 and 2030, an average annual productivity growth of 2.9 per cent, and an average unemployment rate of 3.5 per cent during the forecasted period. The main baseline projections based on these assumptions are presented in Table 5.1.

Table 5.1

Main economic indicators underpinning the SAMM model predictions

Source: Economic Policy Department

Annual Average Growth (%) 2021-2030, Unemployment rate (%)

Gross Domestic Product	4.5
Private final consumption expenditure	4.6
General Government final consumption expenditure	2.4
Gross fixed capital formation	5.8
Exports of goods and services	3.3
Imports of goods and services	3.3
Productivity	2.9
<hr/>	
Unemployment rate (%)	3.5

From an economic structure perspective, the Maltese economy is expected to remain diversified with certain economic sectors, particularly those that are service-oriented and driven by digital sectors, projected to grow faster than other key sectors and assuming a larger share of the Maltese economy, in terms of Gross Value Added (GVA), by 2030. Therefore, even more, Malta is expected to become a service-driven digital economy.

The significant growth in the service-based industries is expected to affect the share of more traditional sectors. In fact, in line with current trends, the manufacturing and the agricultural sectors are projected to continue losing their overall share within the Maltese economy. The movement in the sectoral shares of GVA are shown in Table 5.2. In order to retain economic diversification, focus on retaining competitiveness in such sectors is crucial at this stage.

Table 5.2
Projected sectoral GVA shares

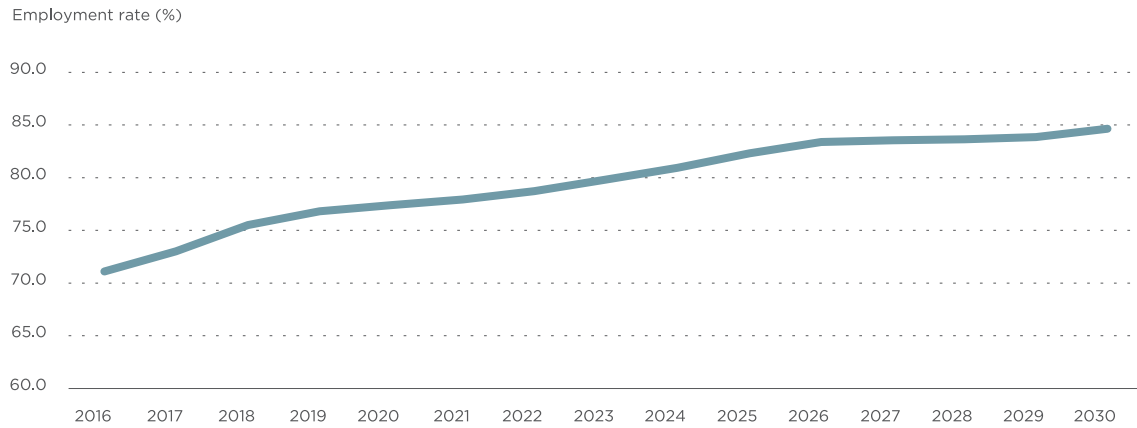
Source: Economic Policy Department

Baseline GVA shares (%)	2010	2016	2019	2030
Agriculture and Fishing	1.7	1.2	1.1	0.9
Mining and quarrying	0.1	0.2	0.2	0.1
Manufacturing	11.7	9.8	9.0	7.3
Machinery and transport equipment	0.7	1.1	1.9	2.3
Repair and installation	0.6	0.7	0.6	0.6
Electricity, gas, steam and air-conditioning, Water, Sewerage and Waste	2.4	1.4	1.3	1.1
Construction	4.7	5.8	6.1	6.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	10.7	12.4	11.9	9.8
Transport	6.0	6.2	6.5	7.2
Accommodation	2.8	3.5	4.2	4.7
Food service activities	1.9	2.0	2.6	3.2
Information and Communication	5.5	6.4	7.1	7.9
Financial and Insurance Services (excl. SPEs)	7.5	8.3	7.3	5.2
Real Estate	6.0	5.4	4.9	4.2
Professional and Administrative Support Services	9.3	7.8	7.2	6.0
Public administration and defence; compulsory social security	6.1	5.7	5.1	6.2
Education	5.8	6.3	6.1	5.2
Human health and social work activities	6.4	7.4	7.8	8.6
Arts and sports (excl. Gaming)	2.0	2.6	2.7	3.0
Gambling and betting	7.9	10.0	10.9	13.4

To reflect these changes and model their impact on the labour market, Eurostat's population projections for the said period were used. SAMM forecasts that Malta's working age population will grow by an average of 1.0 per cent per year. On these lines, and on anticipation of a continued increase in employment participation levels, the supply of labour is projected to increase on average by 1.6 per cent annually. To this end, the employment rate is projected to increase from 78.0 per cent in 2020 to 84.6 per cent in 2030 as shown in Figure 5.1.

Figure 5.1
Employment rate developments
(2016-2030)

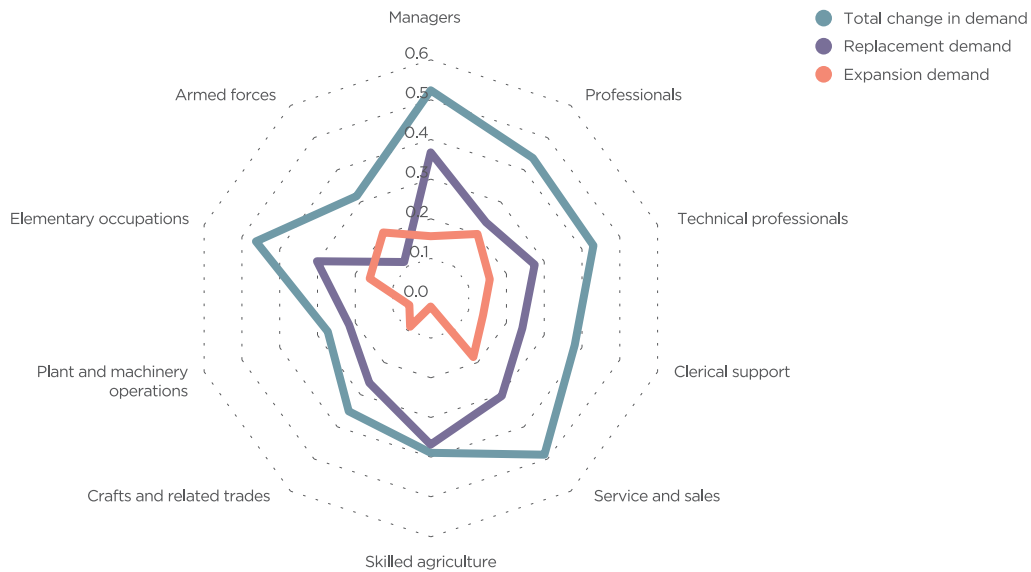
Source: Economic Policy Department



It is projected that labour demand till 2030 will continue to be buoyant across all occupations, notably managerial positions, services and sales-related occupations, and elementary occupations, which are all expected to increase on average by 0.5 per cent each year. Owing to an ageing workforce, labour demand is expected to grow mostly on account of replacements in the labour market, with expansion demand accounting on average for 0.2 per cent growth each year of the total annual change in labour demand projected till 2030. This is shown in Figure 5.2.

Figure 5.2
Annual average change in occupations
(2016-2030 as a % of 2016)

Source: Economic Policy Department



The highest growth in labour demand is projected to be for medium skilled levels which are forecasted to increase by 6.5 per cent between 2016 and 2030, followed by high skill demand which is expected to increase by 6.1 per cent, and low skilled demand which is estimated to increase by 5.6 per cent over the 14-year period between 2016 and 2030, as seen in Figure 5.3. The projected increase in labour supply will not be sufficient to support this expected growth in demand, resulting in growing skill gaps at all skill levels.

Figure 5.3
 Change in labour demand and in the skills gap
 by skill level (2016-2030 as a % of 2016)

Source: Economic Policy Department

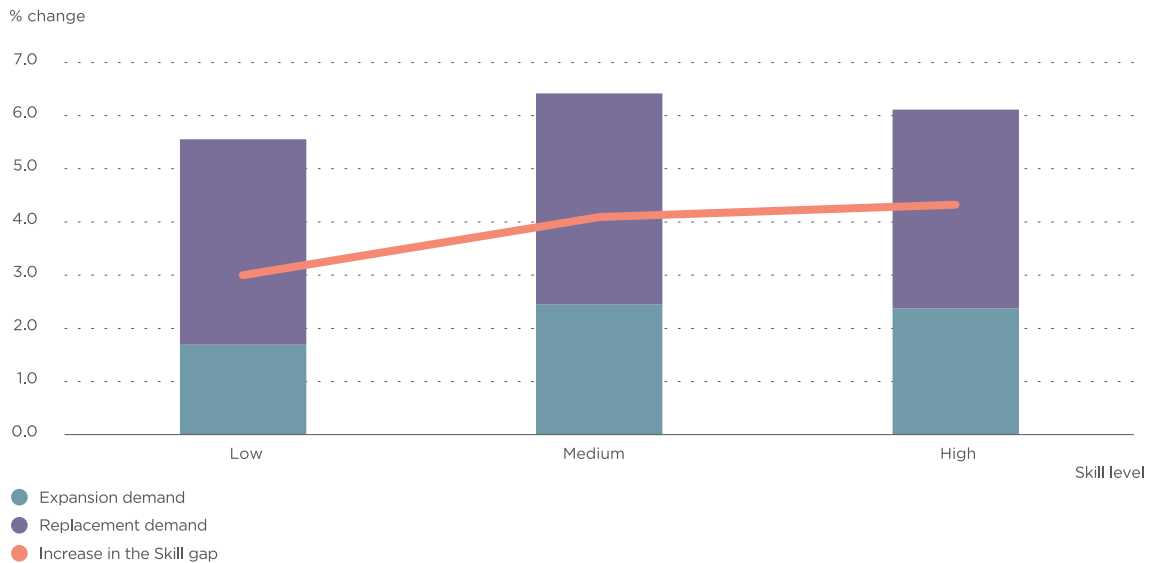
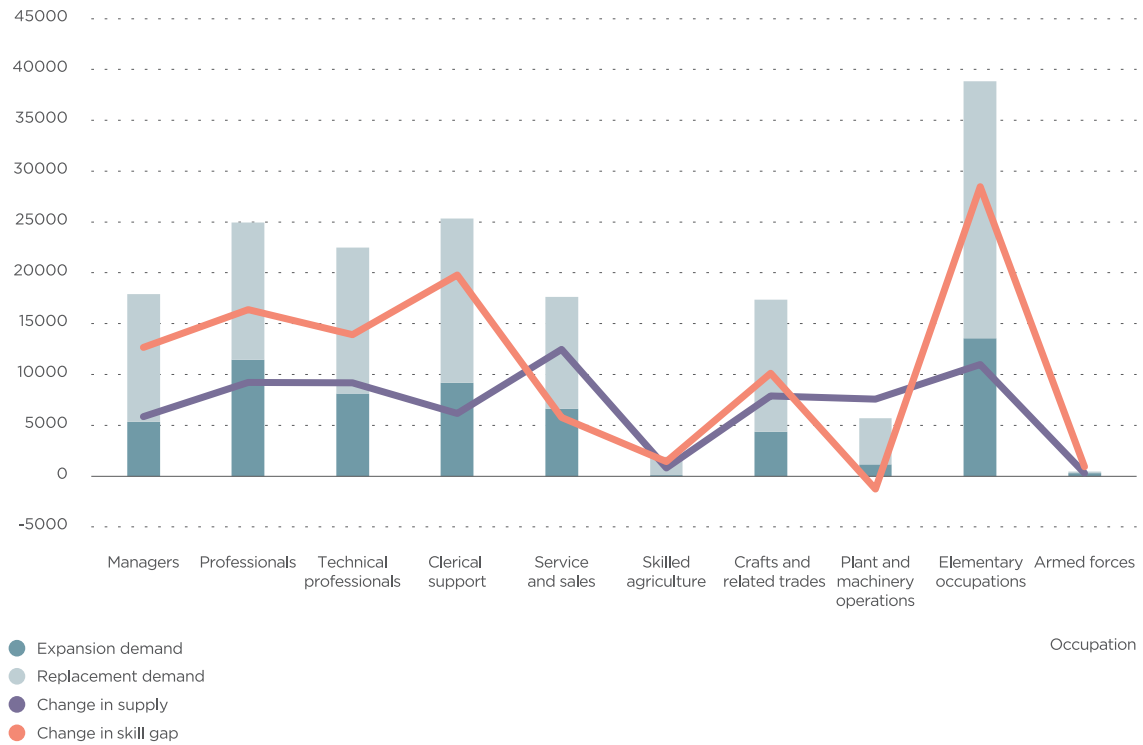


Figure 5.4 shows the projected change in the skill gaps in absolute levels that would result across most occupations (except skilled agriculture, and plant and machinery operations occupations), should demand for labour grow at the forecasted pace between 2016 and 2030. This increase is particularly evident in elementary occupations.

Figure 5.4
 Change in the skill gap
 by occupation (2016-2030)

Source: Economic Policy Department

Change in absolute levels



In analysing these results, it is important to keep in mind that SAMM's latest data update is 2016 and the following skill gap levels are therefore to be treated as indicative. They do, however, provide very strong direction to policy and an overall understanding to the relative magnitudes should these projections materialise. The highest changes in the skill gaps are expected to be in elementary occupations where it is projected that by 2030 Malta could have a deficit of some 28,000 employees in this category given demand forecasts and local labour supply constraints. Projected skill gaps are second highest in clerical support occupations with an expected shortfall of roughly 19,500 employees, followed by professionals and technical occupations with an expected increase in the excess demand for labour of 16,000 and 13,600 respectively, and managerial skills whose gap is projected to increase to more than 12,000 by 2030. The only occupation which is not projected to experience a growing skill gap relates to plant and machinery operators on account of a declining manufacturing sector, as well as a shift towards more automated processes and robotics.

5.3 Scenario 1 - longer impact of Covid-19 pandemic and a dragged impact on tourism and traditional sectors

The first envisaged future scenario looks at a continued negative shock on traditional and tourism-focused sectors. This scenario assumed that Covid-19 pandemic will continue to mutate itself and the slow global vaccination process will limit the return to pre-pandemic travel. With a deeper and structural change in the tourist profile and tourism industry, it was envisaged that several sectors would be affected. In fact, under this scenario, the sectoral share of the impacted sectors is expected to be less in 2030 than per baseline. This is shown in Table 5.4.

Table 5.3
GVA shares in Scenario 1

Source: Economic Policy Department

	Baseline GVA shares (%)				Target (%)	Difference
	2010	2016	2019	2030	2030	(percentage points)
Accommodation	2.8	3.5	4.2	4.7	4.0	-0.7
Food Services	1.9	2.0	2.6	3.2	2.5	-0.7
Transport	5.4	6.2	6.5	7.2	6.5	-0.7
Wholesale and Retail	10.7	12.4	11.9	9.8	9.1	-0.7

As a result of this shock, several economic indicators will also be impacted including GDP and its components with a slight increase in unemployment too. As a result, productivity is also expected to decline. This is shown in Table 5.5.

Table 5.4
Differences in main indicators under scenario 1

Source: Economic Policy Department

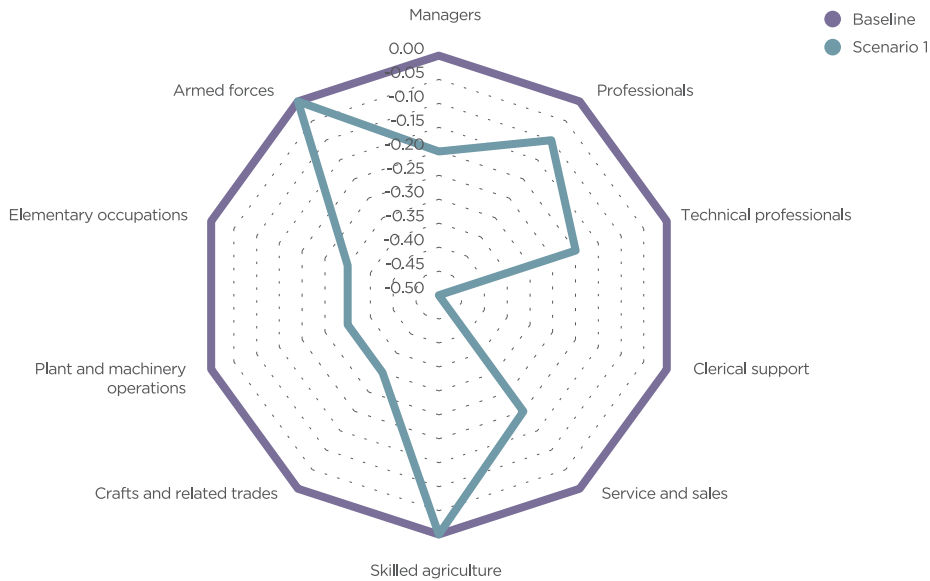
Annual Average Growth (%) 2021-2030, Unemployment rate (%)	Scenario 1	Baseline	Change (percentage points)
Gross Domestic Product	3.4	4.5	-1.1
Private final consumption expenditure	2.9	4.6	-1.6
General Government final consumption expenditure	2.4	2.4	0.0
Gross fixed capital formation	4.2	5.8	-1.7
Exports of goods and services	2.8	3.3	-0.5
Imports of goods and services	2.6	3.3	-0.7
Productivity	2.1	2.9	-0.8
Wholesale and Retail	10.7	12.4	11.9
Unemployment rate (%)	4.4	3.5	0.9

The resulting impact on an occupational level is primarily skewed towards the low-skilled occupations. In fact, the lower demand for labour is mainly felt in the following occupational categories: clerical support, elementary occupations, crafts and related trades, and technical professionals. This is shown in Figure 5.5.

Figure 5.5

Change in occupational demand due to scenario 1
(Annual average change from baseline,
as a % of 2016)

Source: Economic Policy Department



5.4 Scenario 2 - strengthened financial services

In the second scenario, based on various reforms underway, it is being assumed that the financial services sector will be strengthened and will improve its competitiveness and attractiveness. This scenario also includes the assumption that Malta will be removed from the FATF greylist at the earliest. The improved GVA shares of the sectors are presented in Table 5.5.

Table 5.5

Selected sectoral GVA shares under Scenario 2

Source: Economic Policy Department

	Baseline GVA shares (%)				Target (%)	Difference
	2010	2016	2019	2030	2030	(percentage points)
Financial and Insurance	7.5	6.1	7.2	5.2	6.1	0.9
Professional and Administrative	9.3	7.8	7.2	6.0	6.9	0.9

Overall, this will lead to improved economic outcomes as shown in Table 5.6. The Table shows that GDP will increase by 0.6 per cent as a result of increases in GDP components. This will result in an increase in productivity and a decline in unemployment.

Table 5.6
Economic indicators as per scenario 2

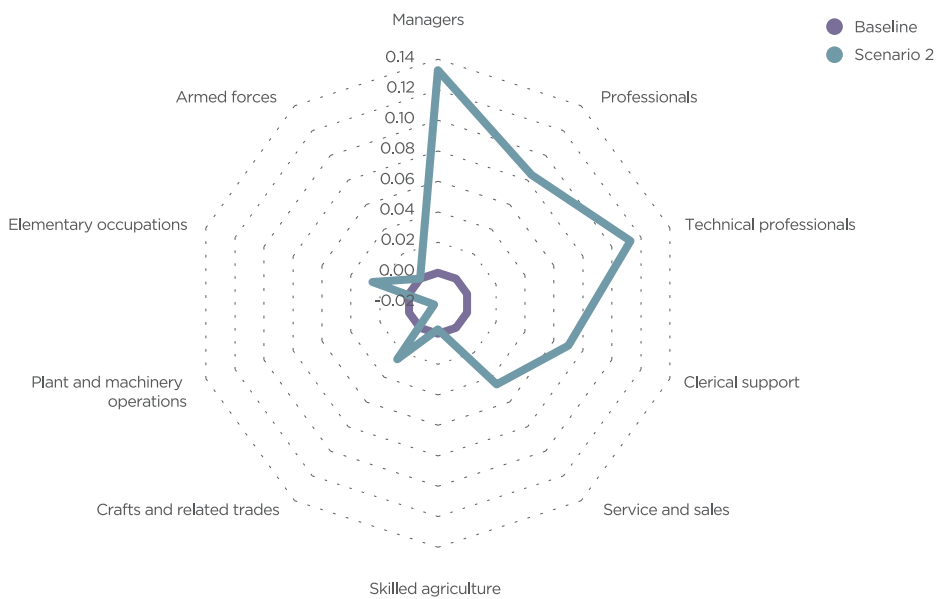
Source: Economic Policy Department

Annual Average Growth (%) 2021-2030, Unemployment rate (%)	Scenario 2	Baseline	Change (percentage points)
Gross Domestic Product	5.1	4.5	0.6
Private final consumption expenditure	4.8	4.6	0.3
General Government final consumption expenditure	2.4	2.4	0.0
Gross fixed capital formation	6.0	5.8	0.1
Exports of goods and services	3.8	3.3	0.5
Imports of goods and services	3.4	3.3	0.1
Productivity	3.4	2.9	0.5
Unemployment rate (%)	3.2	3.5	-0.3

On the back of improved activity, labour demand is also expected to increase. Given that the service sectors have a different occupational profile, it is being projected that there will be a higher demand for managers, technical professionals, professionals, and clerical support. This is shown in Figure 5.6.

Figure 5.6
Occupational demand post Scenario 2
(Annual average change from baseline, as a % of 2016)

Source: Economic Policy Department



5.5 Scenario 3 - prolonged impact of greylisting

The inverse of scenario 2 also needs to be considered. Despite the Government being committed to implementing all the required reforms, this scenario envisages the impact on the Maltese economy should further sectors be impacted by greylisting, and that the financial services sector is even more hard-hit than originally envisaged and captured in the baseline. The sectoral impact is shown in Table 5.7.

Table 5.7
Sectoral GVA post Scenario 3

Source: Economic Policy Department

	Baseline GVA shares (%)				Target (%)	Difference
	2010	2016	2019	2030	2030	(percentage points)
Financial and Insurance	7.5	6.1	7.2	5.2	4.3	-0.9
Professional and Administrative	9.3	7.8	7.2	6.0	5.9	-0.9

Necessarily, an adverse economic shock will impact on economic indicators as displayed in Table 5.8. All GDP components are adversely affected, productivity will decline whilst unemployment will increase.

Table 5.8
Economic indicators post scenario 3

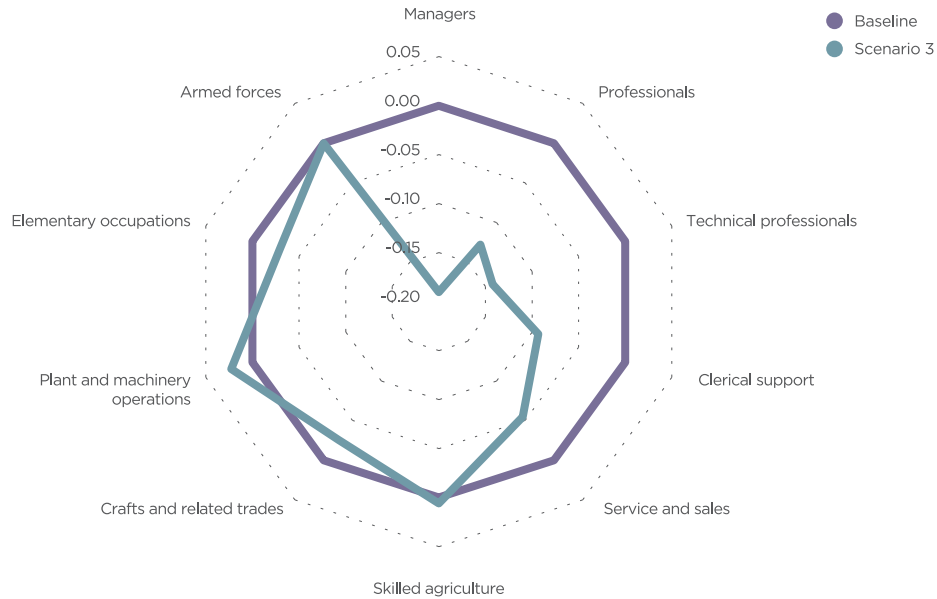
Source: Economic Policy Department

Annual Average Growth (%) 2021-2030, Unemployment rate (%)	Scenario 3	Baseline	Change (percentage points)
Gross Domestic Product	4.2	4.5	-0.3
Private final consumption expenditure	4.4	4.6	-0.2
General Government final consumption expenditure	2.4	2.4	0.0
Gross fixed capital formation	5.8	5.8	-0.1
Exports of goods and services	2.9	3.3	-0.4
Imports of goods and services	3.1	3.3	-0.2
Productivity	2.7	2.9	-0.2
Unemployment rate (%)	3.9	3.5	0.4

Given that it is the opposite of the previous scenario, such an adverse shock would lower the demand for managers, professionals, clerical support as well as service and sales. The extent of these changes is shown in Figure 5.7.

Figure 5.7
Occupational demand post Scenario 3
(Average annual change from baseline,
as a % of 2016)

Source: Economic Policy Department



5.6 Scenario 4 - reverse digitalisation

The fourth scenario envisions a situation whereby the most digitalised sectors in the economy, gaming, and IT, register slower growth. This can be the result of the country not progressing to achieve its envisioned digital transformation and loses attractiveness in these sectors. As a result, a negative shock is expected to happen reducing the said sectors' share in GVA as shown in Table 5.9.

Table 5.9
Sectoral GVA shares based on scenario 4

Source: Economic Policy Department

	Baseline GVA shares (%)				Target (%)	Difference (percentage points)
	2010	2016	2019	2030	2030	
Gaming	7.9	10	10.9	13.4	12.5	-0.9
IT	5.5	6.4	7.1	7.9	7.0	-0.9

This will obviously lead to a negative economic impact as detailed in Table 5.10. All GDP components are adversely affected, productivity will decline whilst unemployment will increase.

Table 5.10
Economic indicators post scenario 3

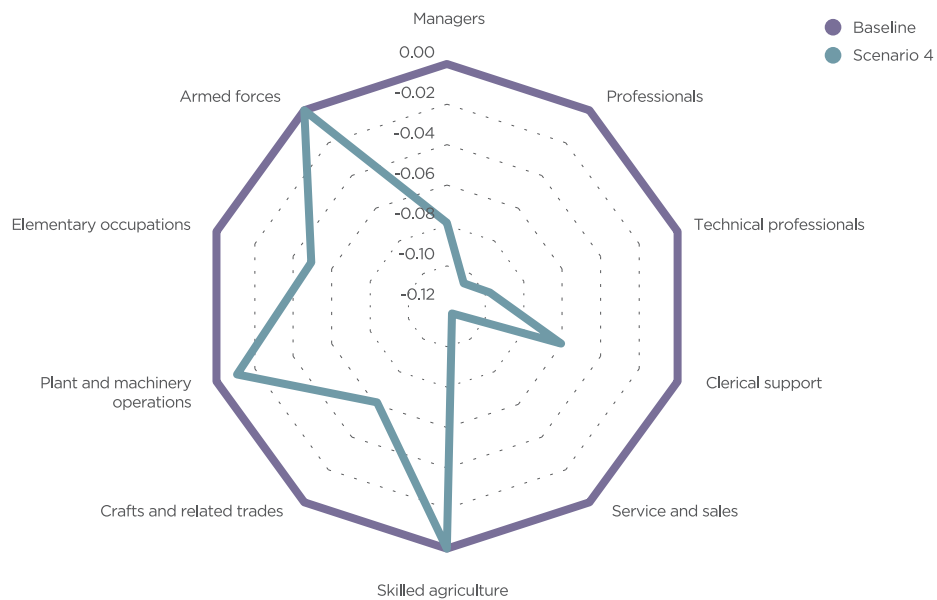
Source: Economic Policy Department

Annual Average Growth (%) 2021-2030, Unemployment rate (%)	Scenario 4	Baseline	Change (percentage points)
Gross Domestic Product	4.2	4.5	-0.3
Private final consumption expenditure	4.2	4.6	-0.4
General Government final consumption expenditure	2.4	2.4	0.0
Gross fixed capital formation	5.7	5.8	-0.2
Exports of goods and services	3.0	3.3	-0.3
Imports of goods and services	3.0	3.3	-0.3
Productivity	2.7	2.9	-0.2
Unemployment rate (%)	3.8	3.5	0.3

As a result of these changes and this impact, lower demand is expected primarily for professionals, technical professionals and service and sales. This is shown in Figure 5.8.

Figure 5.8
Occupational demand post Scenario 4
(Average annual change from baseline, as a % of 2016)

Source: Economic Policy Department



5.7 Scenario 5 - improved productivity in manufacturing sectors

In the final scenario, it is being envisaged that certain high-productivity sub-sectors in the manufacturing sector will grow and further improve their performance leading to a strengthening in the manufacturing scenario. The impact on the sector is outlined in Table 5.11.

Table 5.11
Sectoral GVA shares based on scenario 4

Source: Economic Policy Department

	Baseline GVA shares (%)				Target (%)	Difference
	2010	2016	2019	2030	2030	(percentage points)
Printing	1.0	1.0	0.9	0.8	1.2	0.4
Pharmaceuticals	1.6	0.9	0.9	0.8	1.2	0.4
Computer and Electronics	2.8	1.6	1.4	0.9	1.3	0.4

This improved performance will also lead to higher economic outcomes as shown in Table 5.12. All GDP components will increase, in particular Gross Fixed Capital formation. Productivity will increase whilst unemployment will decline.

Table 5.12
Economic indicators post scenario 3

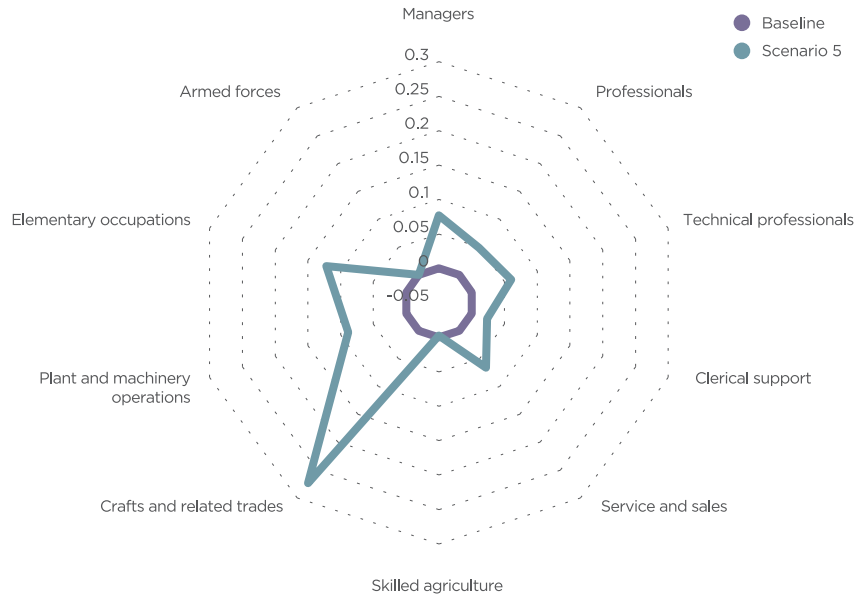
Source: Economic Policy Department

Annual Average Growth (%) 2021-2030, Unemployment rate (%)	Scenario 5	Baseline	Change
			(percentage points)
Gross Domestic Product	4.9	4.5	0.5
Private final consumption expenditure	4.9	4.6	0.3
General Government final consumption expenditure	2.4	2.4	0.0
Gross fixed capital formation	7.6	5.8	1.7
Exports of goods and services	3.6	3.3	0.4
Imports of goods and services	3.9	3.3	0.6
Productivity	3.2	2.9	0.4
Unemployment rate (%)	3.1	3.5	-0.4

This scenario will require, and result in, higher demand for labour in a number of occupational groups, these being crafts & related trades, elementary occupations, plant & machinery operators and managers. The extent of these changes is shown in Figure 5.9.

Figure 5.9
Occupational demand post scenario 5
(Average annual change from baseline,
as a % of 2016)

Source: Economic Policy Department



5.8 Concluding remarks

The exercise conducted was aimed at shedding light on the main movements rather than on projecting the future. Various scenarios were built based on desk research and focus groups. However, based on the predictions of the model, several conclusions can be made about the requirements of the labour market in Malta:

- Under the baseline scenario, the projected increase in labour supply will barely support expansion demand for labour, with replacement demand exacerbating the growing skill gap in all occupations except for plant and machinery operators.
- Traditional sectors are much more labour intensive and any positive developments in these sectors will exacerbate the present skill gap.
- A more digitalised economy will create more high-skilled jobs which are associated with better and more lucrative job opportunities.
- Should the country continue to develop its high-end manufacturing sector, a growing skill gap in crafts and related trades exists that needs to be addressed.

From the analysis, it is apparent that the skill gap being experienced in Malta is set to continue. Various sectors require specific skill sets and foreign workers are expected to be an important source of labour supply in the years to come. It remains critical for Malta's attractiveness to develop its pool of skilled talent across the board.





06

Key requirements

From an employment perspective, to remain attractive and competitive, Malta needs an employment policy that embraces such forces and that prepares its students, workforce, businesses, employers, and institutions for these changes. A critical condition to embrace such transformations and to remain attractive to investment is to have a resilient and diversified economy that continues to thrive, grow, and prosper. The Government's main aim is to advance quality of life and even with respect to employment, the focus is to ensure that in the future, Malta manages to raise the quality of jobs and the standard of living of its workforce. To achieve this, the Policy identifies four key requirements that the future world of work prescribes, and which Malta needs to embrace. For each requirement, the global and local context will be outlined together with insights from the focus groups with a focus on Malta's strengths and weaknesses for each requirement.

6.1 Skills of tomorrow

What is it?

‘Skills of tomorrow,’ often also referred to as ‘future skills,’ are defined as the skills and competencies that will be increasingly required to ensure employability in a labour market that is more automated, digital, and dynamic.

Although it is normal for employability skills to evolve from one generation to the next, the radical shift that has occurred over the past decade is quite unprecedented. The ILO attributes the scale and pace of this shift to “transformative changes such as globalisation, new forms of organising work, and advances in automation and technology.” The main global driver for this radical shift is digital transformation – according to the World Economic Forum (WEF) “we are today on the cusp of a Fourth Industrial Revolution.” Driven by rapid and radical technological advances, the key defining feature of this revolution is its integrated nature: developments in previously fragmented fields such as AI and machine learning, robotics, nanotechnology, 3D printing, genetics and biotechnology are now all building on and amplifying each other. This disruption is impacting virtually every economic activity and every industry, and given the increasing globalisation of the world economy, is impacting developed and developing economies alike. The Covid-19 pandemic has been a further driver of this transformation, cementing global dependency on digital technology and accelerating advances, particularly in AI and automation, as businesses invested in digital solutions to sustain service delivery during the global lockdown conditions. The value of big data and data analytics is another clear signal emerging from the crisis, and this is set to intensify over the coming years across industries.

Although the ‘future skills’ debate has so far focused mainly on the digital dimension, the parallel rise of the green economy is increasingly being viewed globally as another key driver for future skills. In fact, the 2020 WEF report forecasts a surge in demand for green skills and identifies this as a growth industry that can absorb millions of displaced workers globally across a range of skills and sectors. The report in fact projects that this demand will be at par with that created by the data and AI economy. The EU has specifically linked the digital and green transformations, stating that “Europe must leverage the potential of digital transformation, which is a key enabler for reaching the Green Deal objectives.” This idea is reinforced in the ‘New Industrial Strategy for Europe’, where it is underlined that the twin ecological and digital transitions will affect every part of European economy, society, and industry. In terms of future green skills, it is likely that demand will be strong in the growing renewable energy sector as well as waste management. Green jobs are not only new types of jobs, but also traditional jobs that have been modified in a green perspective.

It is also important to approach the topic of future skills broadly and holistically. Previously, the debate in this area has tended to focus almost solely on technical Science, Technology, Engineering and Mathematics (STEM) skills, with education and training initiatives geared accordingly and biased towards high degrees of specialisation. This perspective has now shifted, taking in a full set of non-technical skills that are equally important, as observed both during the focus groups and employee survey.

In this context, research by the McKinsey Global Institute (June 2021) has looked at the kind of jobs that will be lost, as well as those that will be created, as automation, AI, and robotics take hold. It has identified high-level skills that will become increasingly important as a result. The need for manual and physical skills, as well as basic cognitive ones, will decline, but demand for technological, social, emotional, and higher cognitive skills will grow.

McKinsey identifies a set of what they term to be core ‘foundational skills’ that cut horizontally across all occupations and sectors, and will equip future workers to fulfil the following three criteria:

- add value beyond what can be done by automated systems and intelligent machines,
- operate in a digital environment, and
- continually adapt to new ways of working and new occupations.

McKinsey grouped these foundational skills into four broad categories—cognitive, digital, interpersonal, and self-leadership—with sub-groups within each of these categories. These are reproduced in Table 6.1 overleaf.

Table 6.1
Foundational skills for the future

Source: McKinsey - Defining the skills citizens will need in the future world of work (June 2021)

COGNITIVE		INTERPERSONAL	
<p>Critical thinking</p> <ul style="list-style-type: none"> Structured problem solving Logical reasoning Understanding biases Seeking relevant information 	<p>Planning and ways of working</p> <ul style="list-style-type: none"> Work-plan development Time management and prioritisation Agile thinking 	<p>Mobilising systems</p> <ul style="list-style-type: none"> Role modelling Win-win negotiations Crafting an inspiring vision Organisational awareness 	<p>Developing relationships</p> <ul style="list-style-type: none"> Empathy Inspiring trust Humility Sociability
<p>Communication</p> <ul style="list-style-type: none"> Storytelling and public speaking Asking the right questions Synthesising messages Active listening 	<p>Mental Flexibility</p> <ul style="list-style-type: none"> Creativity and imagination Translating knowledge to different contexts Adopting a different perspective Adaptability Ability to learn 	<p>Teamwork effectiveness</p> <ul style="list-style-type: none"> Fostering inclusiveness Motivating different personalities Resolving conflicts Collaboration Coaching Empowering 	
SELF-LEADERSHIP		DIGITAL	
<p>Self-awareness and self-management</p> <ul style="list-style-type: none"> Understanding own emotions and triggers Self-control and regulation Understanding own strengths Integrity Self-motivation and wellness Self-confidence 		<p>Digital fluency and citizenship</p> <ul style="list-style-type: none"> Digital literacy Digital learning Digital collaboration Digital ethics 	
<p>Entrepreneurship</p> <ul style="list-style-type: none"> Courage and risk-taking Driving change and innovation Energy, passion, and optimism Breaking orthodoxies 		<p>Software use and development</p> <ul style="list-style-type: none"> Programming literacy Data analysis and statistics Computational and algorithmic thinking 	
<p>Goals achievement</p> <ul style="list-style-type: none"> Ownership and decisiveness Achievement orientation Grit and persistence Coping with uncertainty Self-development 		<p>Understanding digital systems</p> <ul style="list-style-type: none"> Data literacy Smart systems Cybersecurity literacy Tech translation 	

Why is it important?

Digital transformation is increasingly a prerequisite for economic growth and resilience, and this dependency will only intensify at an international and national level, as well as down to individual businesses of every size. Innovation and adaptability will drive competitiveness and productivity. The parallel transition from brown to green is another key shift, with the undeniable impacts of climate change and environmental degradation demanding structural changes in the global economy to stave off dire economic impacts if no action is taken.

Both shifts are reshaping the labour market, with emerging trends that will increasingly determine the workforce of the future and the skills that this will demand. It is therefore clear that if effective skills transitioning is lacking at a national level, sustainable economic growth and competitiveness will suffer.

Developing the necessary skills has been recognised as a key global priority by the Governments, social partners and international organisations who now also need to combine their efforts to strengthen national skills policies and systems to support achievement of the '2030 Sustainable Development Goals' (SDGs).

The change is already here. OECD (2020) estimates suggest that one in ten jobs could be automated, while another 25.0 per cent could undergo significant change because of automation. Data further suggests that four out of ten jobs created in the past ten years were in digital-intensive sectors while for those countries that experienced declines in employment, most of the job loss was in less digitally intensive sectors.

This leaves two main issues to consider:

- Closing or at least narrowing the digital/green skills gap is an immediate economic priority since a persistent lack of emerging skills is a significant barrier to reaping the full social and economic potential of digital/green transformation. The most recent research published by leading firms from McKinsey to Gartner confirms that enterprises view skills shortages as being the most significant threat to innovation.
- The effects of digital disruption on the labour market will have a harsher effect on lower-skilled workers with the socio-economic risks that this entails. This effect can be minimised by successfully transitioning as many workers as possible into the digital/green economy by upskilling or reskilling as necessary.

In terms of labour market policy, the OECD and the ILO point to the polarising effect of digitalisation away from medium-skilled jobs and into low- and high-skilled jobs. However, looking forward, low-skilled workers are the likeliest to bear the cost of digitalisation. Except for health and education caregiving roles, the risk of automation declines as educational attainment skills levels rise. The main issue here, highlighted by all international organisations, is that all data suggests that low-skilled workers are also the least likely to access training.

The global economic downturn triggered by the Covid-19 pandemic is heightening the urgency of tackling the skills gap issue head on. The pandemic has accelerated the pace of change, while the prevalence of remote work means that the future of work has already arrived for a large majority of the online white-collar workforce. At the same time, economic contraction is impacting industry capacity to invest in the training and development required.

Mirroring the international research and sentiment, Malta's labour force and future workforce need to be nurtured with the skills of tomorrow. From the research conducted at sectoral level, it is evident that businesses and social partners believe that the current workforce has some important skill gaps which can limit Malta's competitiveness and investment attractiveness. During the fieldwork and focus groups carried out, several business leaders pointed and highlighted the limitations to the current educational system which is not preparing tomorrow's workforce with the right skillsets, and called for additional realignment between the academic curriculum and industry's needs. In similar vein, the current workers felt that they require new and additional skills for them to truly thrive in the future and this was a highlight of the employee survey.

Box 6.1

Case study: Skillnet Ireland

Source: Skillnet Ireland (<https://www.skillnetireland.ie/>)

The primary objective of Skillnet Ireland is to increase participation in enterprise training by businesses. Its core tenets are that:

- training and upskilling are key elements in keeping businesses competitive in both a domestic and international context.
- training and upskilling significantly enhances the career mobility of the workforce.

Although the organisation is a Government agency, it places enterprise in control of the process by partnering with industry bodies that are either sectoral or geographically based and fostering a networked and partnership-based approach that leverages Ireland's open culture of collaboration. Skillnet Ireland operates on a joint investment model, where the Government grants are combined with contributions from enterprise, thus reducing costs and other barriers for businesses.

Encouraging enterprises to lead the process in this way helps ensure that programmes delivered through Skillnet Ireland are highly relevant to the needs of industry. This approach also enables cohesive enterprise networking and the flexibility to respond to ever-changing skills demands through both formal and informal learning.

Its main functions are:

Funding Support

Through its 73 Skillnet Business Networks, Skillnet Ireland allocates funding to groups of businesses in the same sector (or region) and with similar training needs, so they can deliver subsidised training for their teams. Skillnet Ireland also plays a key role in supporting and enabling Skillnet funded groups to reach their full potential.

Promoting Upskilling

Skillnet Ireland plays an important role in contributing to the national conversation on workforce development and in promoting the value of upskilling for those in employment and those seeking employment.

Business Networking

Great synergies are derived from clusters of businesses with similar challenges (and opportunities) working together. Participating in a Skillnet Business Network creates these valuable business networking opportunities for businesses.

Career Development

Skillnet Ireland enhances the general competency and employability of learners, leading to increased career mobility and greater life opportunities.

Developing Future Skills

Skillnet Ireland plays a key role in supplying skills to the Irish workforce by collaborating with enterprise and agencies to develop new innovative programmes to address both current and future skill needs.

Policy Development

Skillnet Ireland supports the development of national policy in relation to workforce development by using its enterprise insights to help shape national responses in an ever-changing skills and talent landscape.

Over the past few years, post the 2014 National Employment Policy, digital skill acquisition became a main policy target. Following several initiatives, spearheaded by both the eSkills Malta Foundation and Tech.MT, Malta progressed in this regard and this progress was highlighted by the DESI report for 2020. However, concerns still exist on skill shortages both on the digital side but also on the transversal skillset, including the softer ones.

A relatively integrated set of initiatives have been rolled out since the launch of the 2014 National Employment Policy, one pillar aims at incentivising and supporting enterprises to invest in their innovation capacity, some of which target start-ups while others target existing enterprises. Malta has also launched initiatives to address skill mismatches. Ongoing projects include a training needs analysis, as a basis to design paths for the upskilling and reskilling of the workforce, and a 'Demand and Supply Monitor'.

Focus groups

During the focus groups, there was a common understanding amongst business leaders across all sectors that the workforce needed to be better equipped with several skills that are future proof and which will be required by industry. Participants across the different sectors agreed that soft skills and numerical skills are weak amongst students and employees. They have also argued on the need that educational institutions work closer with industry to have more industry-aligned skillsets. The potential of having more industry-led training and certifications was also discussed and the need for support systems and incentives was highlighted. Table 6.2 presents the strengths and weaknesses discussed during the workshops.

Table 6.2
Insights on skills of tomorrow
from focus groups

Strengths	Weaknesses
<ul style="list-style-type: none">• Consensus on need to align industry demands with educational institutions• Strong educational infrastructure with a diversified set of players• Industry is a firm believer in need for skills• Good set of incentives in place to support skill acquisition	<ul style="list-style-type: none">• Educational institutions do not respond fast enough• Lack of industry-led training courses• Educational courses at tertiary level are not workforce ready• Current students not being equipped with a set of soft skills that are crucial in thriving in today's world

Looking ahead

Skills are the currency of the future. Malta requires a skilled labour force to remain competitive and attractive to investment, both local and foreign. Concurrently, industry and businesses are undergoing rapid and deep technological changes and require workers, current and future, to be equipped with the right skills to support them in this volatile and complex environment. Preparing the workforce with what industry requires is going to be critical and therefore looking ahead, Malta requires more industry-led courses and demands being reflected in learning outcomes. Malta's future depends on it.

6.2 Workforce retention

What is it?

Workforce retention refers to measures and active labour market policies (ALMPs) which aim to keep as many persons as possible who are capable of being in active employment and becoming a productive member of a country's workforce. This is based on designing policy measures to facilitate sustained employment for workers for as long as they are capable of decent work. This reduces the possibility of individuals leaving the labour market prematurely by providing the skills and support they need to retain their active status for as long as possible.

There are some important elements to this:

- Workforce retention is closely tied to upskilling and reskilling, since if workers' skills remain in demand, this reduces the risk of low or under-skilled workers finding themselves redundant. It is likely that in such scenarios the worker opts for inactivity since s/he feels discouraged and ill-equipped to re-enter the workforce.
- It is also linked to ageing. In most developed economies, workers can opt for retirement at a certain age though they may still be capable of productive employment, and, in many cases, would prefer to remain in employment if given the opportunity. At a national level, supporting and incentivising such workers to remain in employment would increase wider labour participation and retain useful knowledge and experience.
- Job quality, or decent work, weighs in heavily in these scenarios. Jobs that provide flexibility, fair wages/ treatment, positive work-life balance, and up/reskilling opportunities are more conducive to retention. They also make a key difference in activating workers or individuals who would otherwise opt for inactivity due to persistent barriers which they perceive to be limiting their employment potential. This applies particularly to women (especially older women) who may be discouraged from remaining in employment due to their caregiving commitments.

These elements are highlighted in recent policy recommendations issued by both the OECD and the ILO. The OECD's 2018 strategy promotes a fundamental driving principle in its policy approach: that of shifting away once and for all from measuring labour market strengths and successes in terms of job quantity towards a tighter focus on job quality and inclusiveness. It stressed the finding that, when compared to a similar exercise carried out in 2006, some groups within the labour market appeared to be at a higher risk of exclusion. These groups included low income and low-skilled workers, youths, and older workers. On this basis, while flexibility-enhancing policies in product and labour markets remained important, it was necessary to develop active policies to support the retention of these groups in the labour market. This message was very similar to the ILO's 'human-centred agenda' that emerged from its 'future of jobs' initiative.

On this basis, the OECD and ILO both emphasise the need to promote retention using two key policy tracks: enhancement of job quality, and targeted training and development. The pressing need to equip workers with the right skills in a rapidly changing global market was emphasised in the OECD's landmark 2018 report which described the main challenges in this area as being technological progress, globalisation, and demographic changes - these lead to higher number of workers, particularly older workers in advanced economies, that may be excluded from the necessary skills acquisition.

The OECD further identified particularly low retention of certain categories as a major policy challenge for OECD countries, pointing to difficult working conditions, low competitiveness of wages, precarious job status and low job satisfaction as being key causes of this. It was identified as a higher risk in health/long-term care occupations such as nursing.

Why is it important?

Workforce retention is important for both economic and social reasons:

- a healthy and diversified economy needs an adequate supply of quality skills to be competitive and productive.
- workforce participation decreases the risk of social exclusion and poverty.

Given the post-Covid-19 pandemic recovery situation, workforce retention for both reasons stated above becomes even more important.

Workforce retention is even more of a priority in advanced economies with ageing native populations. Population ageing can have significant macroeconomic implications on an economy and may include declining economic output as well as deteriorating public finances on account of increased pension and healthcare expenditure and lower social security contributions.

Retaining older workers is critical in this context, both in terms of reinforcing labour supply, tackling the dependency ratio, and reducing reliance on social benefits. Rising life expectancies and an ageing global workforce, present organisations immediate challenges which can be turned into opportunities especially if planned well and if the right investments are made. If retirement exits are not planned well, companies may face skill shortages and therefore succession through training will be critical for companies to engage workers across different generations whilst building business resilience and continuity.

This was also highlighted during the focus groups whereby several business leaders stressed on the need to retain workers on their books even past retirement. The main reason given was that the talent pool that existed amongst the older workforce was being lost in a market that was very tight. In addition, business leaders believe that such workers can be an important source of knowledge and should also be utilised to train and educate younger workers on the job.

What is already being done?

Active labour market policies can be an important toolkit for policymakers to address ageing population issues. By focusing on increasing labour market participation by older workers and women can be one of the strongest approaches towards minimising this challenge. Governments would need to address the fiscal challenges stemming from ageing by adjusting fiscal policy and reforming pension systems and healthcare sectors.

Furthermore, well-managed migration could relieve ageing-related spending pressures and give countries time to implement further reforms. Inward migration can support public finances through increased revenues from social security as well as lower spending on pensions making workers' net contributors to the social system.

The OECD Jobs Strategy (2018) called for pre-emptive action in addressing emerging labour market frictions, defined by preventative as opposed to remedial policies. This can be achieved through interventions that target the root causes of employment exclusion, such as socio-economic backgrounds that lead to low levels of educational attainment or vulnerabilities in certain groups (such as migrants or persons with disabilities). On this basis, the OECD finds that active policy measures, sound wage-setting rules and a well-designed tax-and-benefits system can come together to 'make work pay' and absorb individual shocks by protecting workers rather than jobs whilst preserving labour market adaptability. In this context, in 2018, the OECD strongly recommended designing social benefit systems that incentivise employment rather than encourage long-term dependence and inactivity (like the 'Make Work Pay' principle of the Malta's 2014 'National Employment Policy').

In Malta, the 2014 National Employment Policy clearly referenced the challenges that an ageing population holds for the Maltese labour market. Given the demographic shifts of the past few decades, Malta, in common with most advanced economies, is dealing with an expanding 65+ age cohort, compared with a shrinking working-age population. The benefits of retaining as many persons as possible within this cohort in the working population are therefore significant. This concern was reflected in the launch of a common framework for the active participation of the elderly entitled 'National Strategic Policy for Active Ageing: Malta 2014-2020'. The years preceding the launch of the 2014 National Employment Policy saw some key measures aimed at extending working life in Malta, notably the increase in the minimum retirement age approved in 2012. Other legislative changes include 'The Social Security (Amendment) (No. 2) Act', 2006 (Act XIX of 2006), which was introduced so that individuals of pensionable age under the age of 65 could continue working without losing their pension entitlements.

The 'age management' approach advocated in the 2014 National Employment Policy, centred on creating policies and measures that acknowledge this reality and work towards an environment in which older persons are encouraged and incentivised to remain active participants in the workforce.

Some of the main policy targets captured in the 2014 National Employment Policy were:

- Incentivising older persons to continue vocational education and training: an evolution of the 'lifelong learning' mantra prevalent in the 1990s, this goal highlighted the positive correlation between a person's level of education or skills profile and the duration of their participation in the labour market. Older workers who gradually feel that their skills no longer connect with changing employment needs may be more likely to withdraw from active participation earlier. For this reason, the 2014 National Employment Policy advocated the provision of continuous education and training for older workers, prioritising ICT, and language skills.
- Improving the working environment for older workers: this goal addressed the general need for employers and working environments to be more receptive to older workers. In terms of health and well-being, the document called for entrenched policies that would address issues that could arise relating to the capacity of older workers to handle certain types of work. Rather than passively accepting this reality and lose active participants in the labour force to early retirement, targeted occupational health measures could alleviate these issues. In addition, access to training and reskilling could ensure that affected workers could transition into other roles as required.

- Employment Services for older workers: given the traditional orientation of career guidance services towards younger workers starting out in the workforce, the 2014 National Employment Policy emphasised the need for such services (notably the public employment service) to also consider older workers and tailor services accordingly.

In line with the above recommendations, Jobsplus rolled out its key scheme for older workers. This scheme targets inactive older persons (aged above 45 years) by offering tax deductions to employers who engage any person in this age cohort who has been inactive for at least six consecutive months. The employment opportunities created through this scheme, which may not otherwise materialise without intervention, reduces the risk that older persons who find themselves unemployed get locked into the benefit cycle into the longer term. Additional incentives are offered to the employer if the employee attends a training programme, adding an upskilling dimension to the measure.

The implementation of this measure activated the main policy proposal made in the 2014 National Employment Policy in relation to older workers, which called for measures to address unemployment among workers aged 50 years and over, stating that *"these are highly susceptible as they tend to be either under-skilled or over-skilled given the jobs in demand."*

This scheme, while beneficial, targets inactive older persons and is focused on reducing unemployment. The next priority may be to enact measures that support the retention of workers already in employment who, for reasons of ageing, lack of skills or gender, may find themselves redundant or who may opt for unemployment, or inactivity if they feel there are insufficient incentives to remain in the workforce.

Focus groups

Business leaders have agreed that Malta has a significant resource pool in its retired population. Malta's ageing population is expected to increase, and whilst a growing number of people continue working, there are several tax anomalies that are hindering further growth in this cohort. In addition, business leaders stressed that this pool of workers will be very good for training purposes and mentoring younger workers. The strengths and weaknesses emanating from the focus groups are outlined in Table 6.3.

Table 6.3
Insights on workforce retention
from focus groups

Strengths	Weaknesses
<ul style="list-style-type: none">• Malta has a pool of talented workers nearing or in retirement• Advances have already been made with workers continuing to work post-retirement• There is a strong demand for workers to continue working• Source of talent can be used to train younger workers	<ul style="list-style-type: none">• Anomalies in tax system are hindering more workers to remain employed

Looking ahead

Malta continues to face an ageing population. The retired cohort have a unique package of skills and experience which would be a waste if these are underutilised. As industry requires additional skilled workers, incentives need to be aligned for retired people to continue working if they want to. In addition, they can also serve as an important pool of knowledge and can be utilised to further train younger workers and students. The ability to retain workers and to ensure that their experience and knowledge is passed onto younger generations will be critical for Malta.

6.3 Equal work for equal value

What is it?

Some countries set lower minimum wage rates for some groups of workers, such as young workers, females, or persons with disabilities. Different minimum wages by sector or occupation can also result, indirectly, in lower minimum wages for workers with different characteristics, for example when rates are lower in occupation or sectors where women or migrant workers predominate. This practice has been called out by the ILO and other bodies which stress that *“When setting different minimum wages, the principle of equal remuneration for work of equal value should be respected.”* Application of this principle is applied most frequently to gender-based discrimination in remuneration – the gender pay gap (GPG). In the Maltese context, it can also increasingly be applied to the issue of migrant workers.

Female participation in the workforce has been a global preoccupation in recent decades – significant progress has been achieved in this area however progress appears to have stalled in the last twenty years, with the gender employment gap shrinking by only 2.0 per cent between 1980 and 2018. This contrasts with the significant strides made in female education, where increasing global enrolment at secondary and tertiary level has all but closed the gender education gap. Lower and unequal pay remains a key issue which may be stalling progress in terms of female employment, with the global gender pay gap still averaging 18.8 per cent in 2018 (ILO).

In terms of the gender pay gap, the European Commission complains of minimal progress in tackling this issue: this stood at 14.1 per cent in 2018, a minimal improvement from the 15.8 per cent recorded in 2010. The 2020 European Commission factsheet on the gender pay gap concludes that this wide gap largely persists due to the different working patterns of women, including the fact that women are more likely to interrupt their careers or change their working pattern to look after a child or other relatives. Another reason is that women across the EU are more likely to engage in part-time employment earning less wages; this is a global trend borne out by the ILO data. A further critical reason is gender segregation in the EU labour market, which is characterised by an uneven distribution of men and women in different sectors. Across the EU27, 30.0 per cent of women work in the traditionally low-paid education, health and social work sectors compared to only 8.0 per cent of men. On the other hand, almost a third of men are employed in the higher-paid STEM sectors, compared to only 7.0 per cent of women.

In 2019, the gender pay gap in Malta stood at 11.8 per cent against the EU27 average of 14.1 per cent. Although this figure compares more favourably to the EU average than the employment gap, the persistence of this gap remains a pressing concern especially since it has widened moderately since 2013, even as female participation in the labour force increased on an unprecedented scale.

The National Statistics Office published an analysis of the GPG in Malta in April 2018 which provided some insight into the current context. At 14.3 per cent, it is highest in the private sector as opposed to the public sector (5.0 per cent) and impacts parents of dependent children (16.6 per cent) more than non-parents (6.0 per cent), and it is widest in the 35-54 age cohort.

This may be due to the demands of unpaid caregiving which lead women to opt for part-time employment as well as the higher incidence in these age groups of women returning to employment after a career break taken to care for dependent children.

In terms of economic activities, the GPG is widest in the financial and insurance sector, followed by professional, scientific, and technical activities, and the information and communication sector. This finding aligns with studies conducted in other countries which show that the GPG tends to be widest in sectors likely to include a higher proportion of professional, technical and management positions, one of the reasons being that women are underrepresented in these positions (ILO, 2019). Younger women who do possess the requisite positions for these roles are also more likely than men to opt for more flexible and less demanding roles due to caregiving commitments – this reduces the average female salary in these sectors. A further factor is the underrepresentation of females in STEM subjects, which are integral to these sectors. It is also notable that if the education, health, and social work activities are grouped together, this raises the GPG for these sectors to 30.7 per cent: given that the share of females in these sectors is far higher than that of males. This links to the notion of ‘feminised jobs’ resulting from what the ILO refers to as occupational gender stereotyping; this perception of roles within this sector being female roles can lead to these being undervalued in terms of wage determination. These observations are borne out further by a split of the GPG across occupation groups, in that the top three groups with the highest GPG are the managerial, professional, and technical groups.

In keeping with the above findings, it is also indicated that the GPG increases in parallel with the level of educational attainment. This is anomalous considering that in recent years the number of female graduates has surpassed males, however this finding does conform with the situation in other countries where a similar gender education gap is not reflected in labour market outcomes. There may be a correlation here with the fact that women in the ‘mid-career’ age group (age 35+) are more likely than men to step back from advancement due to caregiving responsibilities. In addition, discrimination in recruitment and promotion procedures cannot be discounted, particularly since the leadership positions making the necessary decisions in these processes are predominantly held by males. This applies particularly to the private sector, since the NSO data shows a far more balanced outcome in the public sector.

Why is it important?

Eradicating wage inequality has increasingly been defined as a priority in Malta and beyond, primarily since it is an obvious manifestation of discrimination and inequality as well as a contributing factor to poverty risk. This risk does not only apply when the individual is in work but widens with age – with less disposable income to save and invest this gap accumulates over time, exposing the individual and his/her family to poverty and social exclusion at an older age.

In Malta, the issue has applied primarily to gender-based pay gaps however there are various other pay gaps in the market including based also on nationality. This increases the risk of poverty and social exclusion and works against effective social and economic integration within the community. The wider perception of this practice by the public at large can also manifest itself in an anti-migrant stance, since it can lead to accusations that the availability of migrant workers, and their acceptance of lower wages, is stifling wage growth for native-born workers in the same sectors and in the same occupations.

There are other benefits to closing the pay gap (gender and migrant):

- The benefits of women and migrants earning the same as men include an increase in their purchasing power which in turn helps stimulate consumer spending and the economy. This is also the case with more contributions to pension schemes and spending of pension incomes.
- Eliminating the gender pay gap can provide incentives for more women to be economically active, which would advance gender equality. Studies have linked increased labour participation rates of women with higher levels of GDP.
- It is important to note that given the impact of the Covid-19 pandemic on the labour market, the issue of equal pay for work of equal value is even more important, since women and migrant workers are amongst the groups hardest hit by the economic contraction.

What is already being done?

This concept is currently a focus area of many key international organisations. A key initiative is the 'Equal Pay International Coalition' (EPIC) which was launched in 2017 and is led by the ILO, UN Women, and the OECD. By bringing together a diverse set of actors with different areas of focus and expertise, EPIC supports the Governments, employers, workers, and their organisations to make concrete and coordinated progress towards this goal. EPIC is currently the only multi-stakeholder partnership working to reduce the gender pay gap at the global, regional, and national levels.

The emphasis of this global initiative is on gender pay inequality. The solution that EPIC is promoting is based on job evaluation based on gender-neutral criteria. This tool assesses skills, effort, responsibility and working conditions to determine and compare the value of jobs. The advantage of this approach is that it provides for the gender pay gap to be addressed as a systemic issue, often tied to assumptions and stereotypes about the value of jobs that are typically seen as 'women's work'. It highlights the fact that women are often concentrated in sectors that are undervalued – such as care work – even though they involve high levels of responsibility and effort, and multiple specialised skills. The use of this tool caters for pay inequality across different sectors and occupations, as well as within them. A positive point is that such a tool need not be restricted to gender-based situations but can be extended to other groups that often experience discrimination, such as migrants and refugees, people with disabilities, indigenous peoples, and lesbian, gay, bisexual, transgender, queer, intersex, and asexual (LGBTQIA+) individuals.

In Malta, the 2014 National Employment Policy identified increasing female participation in the workforce as a critical area of the proposed reforms. It flagged the clear mismatch between female performance in education, where statistics indicate a tendency to outnumber and outperform males at secondary and tertiary level, compared to their performance in the labour market, where males outperform females in terms of employment and pay.

This situation led to the gender employment gap and the gender pay gap being identified in the document as areas of concern. Closing these gaps would not only expand the active working population and supplement the national skills base, this being the economic driver for such reforms, but it would also serve to improve the quality of women's lives and raise more households from poverty. Several core factors were identified as contributing to the gender employment and pay gaps, including:

- A tendency for females to work in sectors that are lower paid than others, such as health and education.
- Undervalued work and skills.
- Underrepresentation of females in senior and leadership positions.
- Cultural norms and traditions that impact gender roles and career choices/flexibility.
- The challenges of balancing work and family responsibilities which often led mothers to withdraw from employment or to opt for part-time work.

A decisive first step was taken to address this wider issue by implementing the 'Free Childcare Scheme', boosted by the 'Breakfast Club Scheme' and the 'Klabb 3-16' programme. This policy swiftly removed the financial and non-financial barriers related to childcare that had restricted the ability for women to seek employment, also allowing the flexibility to engage in full-time work and increase their remuneration.

Another measure is spearheaded by the National Commission for the Promotion of Equality (NCPE) which awards the Equality Mark to companies that have good employment practices, including on equal pay. The NCPE certifies organisations that foster gender equality at the workplace according to set criteria, including equality in recruitment, and working conditions such as equal pay for equal value.

Focus groups

Participants recognised that a lot of effort and results have been achieved with childcare services having a strong positive impact on the labour market and activation of female workers. Other structural issues remain and pay gap issues transcend other domains too, including nationality. Business leaders recognised that unions are actively looking at the topic and working with employers to rectify issues. Business leaders, especially those that work on a shift basis in sectors such as manufacturing and retail, have highlighted the need that childcare centres start opening during the evening and at night too, to support families that depend on shift work. Table 6.4 outlines the strengths and weaknesses on the issue as discussed in the focus group.

Table 6.4
 Insights on equal work
 for equal value from focus groups

Strengths	Weaknesses
<ul style="list-style-type: none"> • Significant advances in female labour participation • Strong system of childcare support • Successful incentives continue to support activation • Issue is becoming a national agenda item • Unions are active on the matter 	<ul style="list-style-type: none"> • Need a more holistic childcare system to support shift workers and night time workers • More effort needs to be made to break glass ceilings • Gender pay gap remains pervasive • Need for more measures to facilitate gender parity

Looking ahead

Malta has made significant advances in increasing female participation in the labour market. Despite this, gender issues remain especially in relation to glass ceilings and pay gap. However, the discussion needs to be broadened to encapsulate equal work for equal value. With an already strong track record in supporting females to return to the labour market, the country needs to ensure that gender gaps are closed so to truly ensure the full participation and appreciation of everyone in the labour market.

6.4 Flexible work arrangements

What is it?

The Chartered Institute of Personnel Development (CIPD) defines ‘Flexible working’ as any working arrangement which gives a degree of flexibility on how long, where, when and at what times employees work. Flexible working practices can take various forms and includes part-time work, flexitime, teleworking, and other forms of remote working. The current focus is on remote working, which is defined by the ILO as *“the use of ICT, such as smartphones, tablets, laptops and desktop computers for work that is performed outside the employer’s premises.”* Before March 2020 and the onset of Covid-19 pandemic, remote working was already a feature of working life, particularly in advanced economies, and its use was expected to grow as the costs of ICT and broadband communications decreased, however it was limited mainly to employer-worker agreements in certain occupations and sectors. However, post-pandemic, where a lot of businesses and employees shifted to flexible working arrangements, the take-up is expected to increase, and employees will be requesting the possibilities to work in a hybrid format.

International fora are acknowledging that flexible working is now a reality which needs to be addressed in policy terms beyond the pandemic context.

Why is it important?

The rise of remote or hybrid working, although it only affects a restricted group of occupations and is skewed towards high-skilled workers, carries several implications. Given that the rate of such flexible arrangements is set to increase sharply, it is best to provide for this in terms of policies, both at a national and an organisational level.

The wider application of flexible working, despite some issues referred to below, can potentially have some advantages for expanding labour participation. Its availability may entice more workers to join the workforce under these conditions in situations where they are unable to accommodate a more rigid, traditional working arrangement. This may benefit some groups, such as women or vulnerable persons, who may otherwise be 'lost' to the labour market.

One key impact of remote or hybrid work is that it adds another dimension of mobility in terms of the global talent landscape, particularly since in a post-pandemic context, when it is not necessitated by public health restrictions, this facility tends to be clustered in knowledge-intensive, high-skilled roles, occupations, and sectors. This is set to be a significant disruption in this area. In sectors limited by skills shortages and competing for a limited pool of skilled resources, the application of remote working can provide a competitive advantage in recruitment. As per above, the remote aspect means that this pool is automatically widened on a global level.

Concerns around remote work are mainly linked to disparities in access to these types of work arrangements. Research and data have found that high skilled workers are more likely to work remotely further exacerbating existing inequalities. Another concern is related to the impact of remote working on work-life balance. Based on their own research using 2017 data, the ILO has concluded that remote work can result in longer hours per worker compared to office-based workers (Eurofound 2021 data confirms that 35.0 per cent of remote workers reported an increase in working hours).

In Malta, the Central Bank of Malta issued a research paper in January 2021 entitled 'An analysis of Malta's potential to telework'. The report estimates Malta's potential for remote working in a post-pandemic scenario and calculations have indicated that Malta's remote working potential may be higher than the EU average, driven mainly by the larger share of workers in financial services and online gaming activities.

What is already being done?

Given that this phenomenon is only expected to increase following the pandemic and the shift of companies through digital transformation, policy initiatives around the world have already started being discussed and implemented. The main theme connecting the different elements is the 'right to disconnect.'

Boxes 6.2 and 6.3 below outline two case-studies on how two European countries, Spain and Ireland are taking the lead.

Box 6.2Remote working regulation in Spain²⁷

In response to increased remote employment, Spain has introduced a new remote working law to ensure that employee rights are protected. Central to the new law is an obligation for the employer and employee to enter into a written agreement setting out remote work conditions. Upon agreement, the employee has ten days to forward it to their representatives who will file a copy with the Labour Office. The agreement has a range of compulsory clauses setting out:

- the location of the remote workplace itself,
- an 'inventory' of equipment and tools for remote work and specification how they will be maintained or renewed,
- the duration of the remote working agreement,
- agreed working hours and when the employee will be available,
- the proportion of work that will be carried out remotely and the proportion that will be carried out in-office,
- the procedure in the event of technical difficulties,
- how personal and confidential data will be protected,
- control over and/or monitoring of the employee,
- the right of the employee to 'disconnect' at a certain point in the day,
- health and safety in the remote workplace.

²⁷ Information has been extracted mainly from <https://nhglobalpartners.com/remote-working-law-decree-spain/> (last accessed September 26th, 2021)

Box 6.3

Code of practice in Ireland on 'right to disconnect'

Source: Workplace Relations Commission, Ireland

On April 1st 2021, the Government of Ireland introduced a new Code of Practice that allows all employees the Right to Disconnect from work and have a better work-life balance. The Code of Practice needs employers and employees to work together to determine the appropriate working arrangements and policies. Given that the Code is flexible, employees will have more options to work outside of traditional hours, which many people have availed of during the pandemic. Furthermore, it reflects the fact that many Irish employees are part of a global network, requiring contact with colleagues around the world.

While placing the onus of management of working time on the employer is appropriate, individual responsibility on the part of employees is also required (for example: being mindful of other colleagues' right to disconnect or cooperating with any employer mechanism to keep a record of hours worked).

The 'right to disconnect' gives employees the right to switch off from work outside of normal working hours, including the right to not respond immediately to emails, telephone calls or other messages. There are three rights enshrined in the Code:

- the right of an employee to not have to routinely perform work outside their normal working hours,
- the right not to be penalised for refusing to attend to work matters outside of normal working hours,
- the duty to respect another person's right to disconnect (for example: by not routinely emailing or calling outside normal working hours).

If problems or issues arise, employees have the right to raise the matter with the Workplace Relations Commission.

Several other issues being brought up relate to privacy, health, and safety as well as the provision of IT equipment.

The ILO also recommends consolidating regulation on remote working, recommending similar parameters and concerns to those voiced by the EU. The ILO also recommends that a flexible, hybrid model is the best option moving forward, as opposed to a fully remote working arrangement. It is advising proactive action to develop appropriate policies, stressing the role of social partners in this effort.

In Malta, the issue of how far to retain remote/hybrid working models has emerged as a national debate.

In May 2021, the Malta Chamber of Commerce, Enterprise and Industry took a cautious approach, stressing that the concept of flexible working based on trust between employer/employee was here to stay, but also emphasising that they are not wholly in favour of 100.0 per cent remote work – some contact with the workplace is essential for productivity and efficiency. The Chamber did see the option as a contributor to increased female participation. Large companies, especially those in financial services and remote gaming, have stated a willingness to retain flexible arrangements, again stating a preference for a hybrid approach.

In this preference for hybrid over total remote work, this point of view is in line with that of most international organisations as well as data emerging from leading research institutes – this applies from both an employee well-being as well as a productivity/efficiency perspective.

On July 15th, 2021, the Principal Permanent Secretary launched a new policy on remote working in the public sector. This policy will offer full flexibility to ‘Public Service’ employees to carry out their work from different places beyond their formal office, on a regular basis. While the policy entered into force from 1st October 2021, there will be a transition period of 18 months to shift from the existing teleworking system to the new remote working policy. This will enable the necessary changes in equipment and training to take place. The policy will make it possible to switch both individuals and entire sections and departments to work remotely. The ‘Remote Working Policy’ also introduces guidance to ensure professional standards in service provision, data protection, employee well-being and use of technological equipment, as well as to safeguard laws, policies, and sectoral agreements currently in force. The policy will be embracing the principle of the right to disconnect.

Specific training on both management and technological aspects will be provided by the Institute for Public Services to employees and head of departments, to increase access to this new system of operation within the Public Service.

Focus groups

As expected, service-based businesses were more attune to flexible working arrangements. These companies were the first to migrate from on-site to off-site with several organisations accelerating their digital transformation to ensure business continuity in the face of the pandemic. When measuring productivity and efficiencies, a good number of business leaders argued that remote working will remain a reality as workers were able to find a better balance and increase their productivity. The effect on teams and human dynamics was discussed with participants taking a more hybrid approach. However, as expected, not all companies are able to offer such working arrangements and they fear that this might reduce the appeal to certain workers given this inability to offer such working arrangements. Companies stressed the need of support to further accelerate digital transformation. Table 6.5 synthesises the strengths and weaknesses that were brought up during the focus groups.

Table 6.5
Insights on flexible work
arrangements from focus groups

Strengths	Weaknesses
<ul style="list-style-type: none"> • Can support businesses in being more efficient and nimbler • Staff can achieve a better work-life balance • Companies can reach out for international talent when needed • Increased business resilience 	<ul style="list-style-type: none"> • Unregulated platform economy organisations can disrupt business models through abusing workers' rights • Need a clear policy and regulatory framework to ensure rights are safeguarded • Need more investment in digital skills • Demand for office space might be changed due to hybrid and hotdesking arrangements • Low-skilled workers are at a disadvantage especially in areas which can be automated

Looking ahead

The pandemic and technological change have entrenched remote working and ushered in a new normal for firms and workers. The ability for flexible work will have deep impacts on the world of work and on the way companies operate. This will also cause disruption and displacement for some occupations, especially the low-skilled ones. Yet, harnessing these changes can support companies strengthen their efficiency, productivity, and competitiveness. Policies need to support this transition by equipping organisations with the right frameworks to operate, workers with the right skills to thrive, and support to the people most at risk.





07

Recommendations

Malta has already achieved a lot over the past few years in relation to employment. With employment levels reaching all-time highs, the focus is now turning towards improving the quality of jobs and life. Having an industry-ready workforce will be critical for Malta's economic and investment attractiveness. Concurrently, efforts to strike a balance between having a well-trained local resource and a flexible system to deal with labour shortages and manage migrant workers need to continue. Cognisant of the challenges and opportunities Malta's labour market is facing, the Government is presenting forty recommendations as part of this National Employment Policy.

7.1 Preparing for tomorrow's workforce

Malta is at a turning point. In the seven years prior to Covid-19 pandemic, Malta's economy performed more strongly than expected. A strong economic boom led to a surge in employment with Malta's labour market reaching full employment levels and requiring migratory flows to sustain the demand for labour. In 2020, the Covid-19 pandemic resulted in a global economic shock of epic proportions, and economies all over the world, including Malta, are still reeling from this negative external disruption.

Several vulnerabilities have been exposed. There is increasing disparities in productivity levels between economic sectors. The pandemic and health concerns remain a dampening force on economic activity, and the investment needed by the Government to sustain and support the economy has also reversed Malta's public finances trends. Global uncertainties, such as international trade and tax developments, the implications of Brexit and other geopolitical risks, pose further challenges.

In addition, as seen, several driving forces will also be impacting Malta's economy and its structure in the years to come. The acceleration in the digital, technological and green revolution will continue to reshape firms, sectors, economies and jobs. The changes will impact various sectors and new areas will develop whilst others will be displaced. Whereas these revolutions require new jobs and skillsets, some others will be made redundant and therefore the challenge of reskilling becomes even more pertinent.

This Employment Policy is how the Government will help to prepare Malta for the challenges ahead and for the economy of tomorrow. Each year the steps to deliver on these ambitions, with the goal of building the resilience and the quality of Malta's labour force, will be set out. Building resilience means making sure that Malta is internationally competitive. Improving productivity will also require a well-skilled workforce and an inclusive and responsive labour market.

While the Government will work towards delivering on the ambitions in this Policy and other policy documents and strategies that it launched over the past few months, enterprises and workers need to also be ambitious for themselves, to prepare for the challenges ahead and to seek out new opportunities. In fact, this Employment Policy reflects considerable input from stakeholders and employees.

Given the island's circumstances and vulnerabilities, Malta's workforce needs to become future-proof by identifying those sectors that are vulnerable and the opportunities for the future and taking the necessary steps to make sure that people are as well-equipped as they can be to take up the jobs of the future.

This means ensuring how the industry-required skills are developed for the future economy. Malta's lifelong learning provision needs to be enhanced to help workers reskill throughout their working lives, especially those facing displacement. It is important to support employers in their training requirements, both reskilling and managerial capability, to build resilience and business continuity whilst supporting productivity gains.

In addition to investing in the right skills, the supply of labour is integral to Malta's economic capacity. In a recovering and growing economy, a shortage of labour can push up labour costs and threaten continued growth. Conventionally, jobs have been filled from the pool of existing workers and new entrants to the labour market. However, the demands from industry are outstripping the capacity to supply the market. Inward migration can support filling this gap however, Malta continues to compete with other countries for talented workers and there are limits to the numbers of people entering the workforce annually. It is therefore pertinent to explore all potential sources of labour and improve participation rates. Ensuring the most effective use of the economy's people is key to help bring more of the population into employment.

As a result, focus needs to be directed towards ensuring that Malta's labour market offers attractive, high-quality jobs, that people are enabled and incentivised to seek employment, and that barriers to participation are minimised.

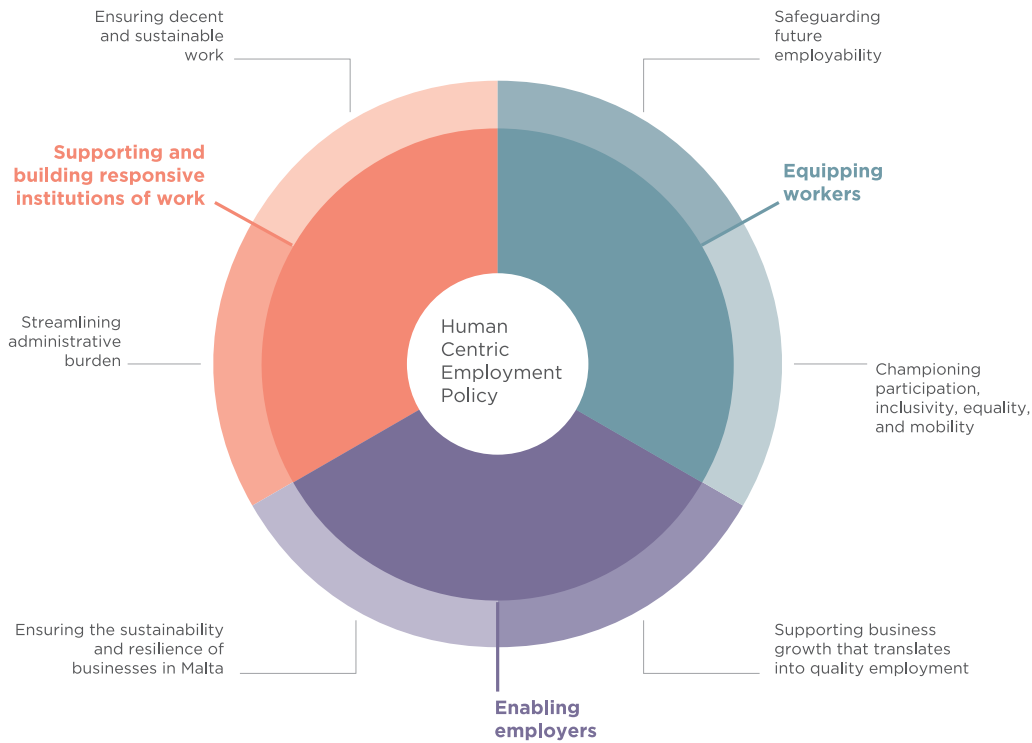
A human-centred approach

At this defining moment, the Government is launching an employment policy that places people and the work they do at the centre of economic and social policy, and business practice.

This approach focuses on three pillars of action, with each pillar further strengthened by two enablers. The first pillar is based on **equipping workers**. This is achieved by safeguarding workers' employability by investing in their capabilities, enabling them to acquire skills, reskill and upskill. It is also about supporting them through the various transitions they will face over their life course by championing inclusivity, equality, and mobility. Second, **enabling employers** and businesses to continue being important drivers of economic growth and employment. This is achieved by supporting business growth and by ensuring the sustainability and resilience of enterprises. By harnessing transformative technologies, demographic opportunities and the green economy, investments by businesses can be powerful drivers of equity and sustainability for the present and future generations. Third, by **supporting and building responsive institutions of work** to ensure decent and sustainable work and by streamlining administrative burdens for employees and employers alike. This human-centric approach to the future of work is outlined in Figure 7.1.

Figure 7.1
Recommendation Framework

Source: Economic Policy Department



This Employment Policy is built around the Government's vision to realign Malta's economic model towards a more human-centred growth and development path. It provides the opportunity to create decent work to raise household incomes and purchasing power needed to sustain improved standards of living. At a time of economic recovery and productivity, it offers the means to boost labour productivity and efficiency gains. It creates incentives that help individuals to achieve their full potential by placing education and skill acquisition as a key priority. It supports businesses to continue investing in employees and in new technologies. It supports the development of a responsive institutional and governance framework to ensure that the work landscape is focused on ensuring sustainable and decent work.

The Policy and agenda are forward-looking and focus on developing the human capabilities needed to thrive in a carbon-neutral, digital age. The Government is ambitious in this regard. It wants to enable the workforce and the private sector to embrace the transformations under way toward a future of work that is resilient, dignified, inclusive and equal. It is not only about employment, but worker development and growth. It supports people through transitions, seeks to take advantage of demographic opportunities, and contributes to a lifelong active society.

The Government's agenda also focuses on developing the institutional capabilities that provide the foundations for just societies. It means guaranteeing fundamental rights at work, ensuring that all workers are afforded dignified employment opportunities, that workers can thrive in an inclusive society and that the institutions are leveraging technology to support this vision.

Malta's Employment Policy sets out forty recommendations that are designed to achieve a vision for a quality-leap in Malta's labour market. These recommendations are built on the basis of an exhaustive process of engagement with employees, business leaders and social partners.

7.2 Equipping workers

Malta's people are its greatest asset, and they form the backbone of the island's workforce and economy. A well-skilled, adaptable, and innovative workforce can underpin improved living standards and the well-being for all over the longer term. The availability of skilled people is also one of Malta's key differentiators and attractiveness factors in the attraction of foreign investment. The workforce is also the main driving force of so many of Malta's SMEs which employ thousands of people across the islands.

It is precisely for this reason that equipping Malta's workers through this Employment Policy is pertinent. It is essential to ensure that workers upskill, get good jobs, and are provided with fair opportunities.

To reach this objective, two enabling priorities have been defined under this pillar:

1. Safeguarding future employability
2. Championing participation, inclusivity, equality, and mobility.

7.2.1 Safeguarding future employability

Having the right skills, future-proofs individuals. Without proper investment in skills, people will reduce their employability and countries can no longer compete for investment. Sustaining Malta's competitiveness and attractiveness can only be achieved by ensuring that all of Malta's citizens have access to the skills they need to succeed in life, and Maltese businesses have the people with the skills they need to grow. This is also critical to securing the island's recovery.

The following are the recommendations for how the future employability of Malta's workforce will be safeguarded.

Recommendation 1

Launch of a National Skills Census

As the economy and world of work are going through various disruptions driven by technology and other forces, it is going to become critical for any economy and its workforce to be equipped with the right skillset. The competition for talent is intensifying and, looking ahead, equipping the workforce with the right skillset for the future will play a key role in a country's attractiveness. The skill census will capture details on Malta's human capital and employment skills and shed light on skill gaps which can be targeted through policy development.

Recommendation 2

Establish a revamped Skills Policy Council

Over the past few years, skill shortages have resulted in the necessity to attract international talent. However, skill gaps and staff shortages persist. Together with the need to develop a national skills strategy, the Government is proposing the setting up of a revamped 'Skills Policy Council' which will also include a 'Future Skills Needs Committee'. The Council's main functions would be to bring together education and training providers with representatives from business, to effectively respond to skills needs, and to advise the Government on priority skills needs, the direction of skills and knowledge development in line with emerging global trends, and the opportunities and challenges for learning and work. On the other hand, the mandate of the Future Skills Needs Committee will be to provide evidence-based assessments of Malta's future skill requirements, as a basis for national planning, and for strategic decision-making of both employers and individuals.

Recommendation 3

Incentives for retired workers to offer training/mentorship programmes at their place of employment or in trade schools

Malta has a strong pool of talented workers that are nearing or in retirement. Business leaders expressed the need to further train young workers or new recruits especially in the vocational skillset. In view of this, the Government is recommending fiscal incentives to both the employee and employer that engage workers that used to work for the same company and utilise them for training or mentorship purposes. The same incentives will apply if the retired person is employed by an accredited educational institution as a trainer or mentor.

Recommendation 4

Develop a transversal skillset certification

A key objective of the skills strategy and employment policy is that people in Malta can gain the most up-to-date knowledge and acquire the most relevant skills for active participation in work and society. It appears from both the discussions with business leaders and the national survey with employees, that there remains a set of skills which formal education does not instil in students and workers. For this reason, the Government will be studying the possibility of launching a transversal skillset certificate that will prepare students and workers with the skills required for the future of work.

Recommendation 5

Develop an industry skills framework for all economic sectors

The analysis has shown that the acquisition of industry relevant skills is going to be critical. The Government will be working with industry to develop an 'Industry Skills Framework' which will collate key information on each sector in relation to career pathways, occupations, job roles, as well as existing and emerging skills required for the identified occupations and job roles. It will also help education providers in designing and tailoring training programmes accordingly. The industry framework will also be developed with the objectives of building an industry-ready workforce, enhancing business competitiveness, and supporting employment and employability.

Recommendation 6

Develop job disruption forecasts

Most jobs will face tremendous changes in the years to come based on the various global driving forces that are impacting all sectors. Digitalisation and automation are a clear example of such force. As students and workers progress in their career, it would be critical for people to be informed on what changes one would expect to occur in their career and how their occupation will look like in the future. The Ministry for Finance and Employment will start a process of documenting forecasts which will highlight the impact of digitalisation and the skills required to fulfil that job in the future.

Recommendation 7

Develop career pathways

Career Pathways show how the occupations and job roles in the various sectors are structured progressively based on sectoral norms. From the Career Pathways, users can identify vertical and lateral advancement opportunities and will give visibility to students and workers on how their career can develop and which skills they need. The Ministry for Finance and Employment will commence this sectoral exercise in parallel with the skills framework.

Recommendation 8

Greater recognition of workplace learning and building capacity for recognition of prior learning through revamped skill cards

Apart from formal accredited learning, workplace learning can take several forms including on-the-job training, work placements or work experience. The Malta Further and Higher Education Authority (MFHEA) has worked on issuing new guidelines for education institutions which would like to introduce a 'Recognition of Prior Learning Policy' as part of their 'Internal Quality Assurance Policy'. It is clear from the consultations that there is no common understanding of what Recognition of Prior Learning (RPL) is and what it can be used for, and this needs to be addressed through an industry-led process for a common approach and certification for RPL. This will feed into a new and revamped sectoral skill card that will support technical skills and occupations.

Recommendation 9

Provide high quality and timely response from education and training institutions to future skill requirements

Ensuring flexibility in skills provision is key to meet the needs of enterprise and to address how the wider education system responds to the needs of the future economy. The Government will spearhead a collaboration programme, through the Skills Policy Council, between industry and academia to ensure that courses are more labour market focused and responsive to skills needs. It will work on providing further programmes for reskilling and training, especially through the new European Social Fund. Educational institutions will also strengthen their collaboration with Malta Enterprise on a range of training initiatives that are critical to adapting to the skills needs of tomorrow.

Recommendation 10

Encourage lifelong learning and upskilling

Upskilling is no longer an option but a necessity for workers to remain relevant, for firms to remain competitive and for countries to remain attractive. The disruptions taking place across industries and jobs demand a mindset of lifelong learning. The levels of lifelong learning in Malta need to significantly increase to help ensure that the next generation of workers are equipped to meet tomorrow's requirements. SMEs are particularly affected by the issue of lifelong learning, as their staff can be less likely to participate in continuing formal education and training than larger firms. This suggests that there is a need for specific solutions focused on SMEs. The concept of mandatory continuous professional development for a number of occupations will also be discussed. It is important to enable enterprises and SMEs to invest in upskilling their workforce, including their managerial capacity and other softer skills needed to thrive in the digital age. Schemes like 'GetQualified' will continue and new initiatives will be launched through the funding programmes of the European Social Fund.

Recommendation 11

Foster participation in apprenticeship and traineeship programmes

Apprenticeships and traineeships provide a valuable channel for education. Such schemes will continue to be enhanced in order to increase take-up of these programmes, especially in areas where skills needs have been identified or in response to opportunities arising in sectors or subsectors. This will ensure that Malta's workforce is prepared for future requirements and that local enterprises have a continued pool of talent. Communication campaigns targeted at both potential apprentices/trainees and employers, along with a new online marketplace for apprenticeship opportunities will help to support Malta's ambitions in this area.

Recommendation 12

Improve career guidance and advice provision by launching a strategy on career guidance

In an ever-changing world, career guidance for young people and career advice for employees must be provided. This will help them to make better decisions about their career options. The Government identified the need for the development of a new long-term strategy encompassing lifelong career guidance. This is aligned with the ELGPN (European Lifelong Guidance Policy Network) Guidelines for Policies and Systems for Lifelong Guidance which indicate the need to develop national policies in this area.

7.2.2 Championing participation, inclusivity, equality, and mobility

Malta continues to have a tight labour market. Pre-Covid-19 pandemic, Malta's labour market was at full employment as there were more people employed in Malta than ever before. As the economy continues to recover, staff shortages are already being felt.

Growing demand for labour and skills is exerting pressure on structural constraints of the labour market. To respond to these pressures, the labour market must be responsive to the needs of Malta's citizens and businesses. A responsive labour market is one which enables the activation and participation of all in the labour market allowing people to sustain improved standards of living and supporting businesses to grow.

The following are the recommendations on how the Government will be supporting citizens to champion participation, inclusivity, equality, and mobility in the labour market.

Recommendation 13

Mentorship by retired people for vulnerable groups and long-term unemployed

As discussed earlier, in Malta there is a pool of people nearing retirement with a range of vocational skills. Vulnerable groups and long-term unemployed may also need to develop a range of skills that will enhance their employability. As part of a broader activation campaign, it is being recommended that Jobsplus works with people who have retired and would like to continue working by offering them the possibility to train and mentor specific cohorts. The Government will evaluate the possibility of providing fiscal incentives.

Recommendation 14

Encourage participation in the labour force through high quality early learning and care with a focus on night care

The free childcare scheme has been a major success in Malta's labour market and a main driving force of the increased female participation rate. This scheme will be retained and extended to support families on shift basis. The incentive will support childcare centres opening in the evening or at night to allow shift workers to send their children to early learning and care.

Recommendation 15

Foster participation in the labour force through flexible working solutions

As the nature of work and society changes, so must the way work is organised. The Government will develop guidance to facilitate employers to offer more family-friendly working options, promoting the adoption of flexible and / or remote working solutions and structures for parents. It will also commence a national consultation on the extension of flexible working options to all employees.

Recommendation 16

To introduce the concept of early engagement to support people with a disability to enter the labour market

The Government will apply the principle of early engagement across all illness and disability schemes. Early engagement means that people with a disability who can work and are interested in getting a job are offered every possible support at the earliest possible opportunity to fulfil their employment goals. In pursuit of this, an implementation and communications plan will be developed around applying the early engagement approach.

Recommendation 17

Incentivising industry-led training programmes for women who are re-entering the labour market with a focus on STEM careers

The Government will support industry-led training programmes especially designed for women re-entering the labour market to join STEM related careers. The aim behind the programme is to tackle two main challenges of Malta's economy: sourcing the talent and skills needed for greater industry growth and to help resolve the gender imbalance in sectors. Designed by industry, the programme will seek to deliver upskilling and career management supports, combined with the guarantee of a work placement.

Recommendation 18

Launch female entrepreneurship schemes

One way of addressing the gender employment gap and to also activate more women to participate in the labour market is to foster entrepreneurship development amongst women. The Government will develop incentives and enhancement of current initiatives for women entrepreneurs.

Recommendation 19

Tax incentives aimed at continued work after retirement

Whilst there are certain benefits provided to individuals who continue to work after retirement, it is recommended to further extend these benefits. To this end, the Government is recommending that incomes of retired people, that is pension income and work income, will not be added together for tax purposes therefore any income derived from employment will not be added to pensions.

Recommendation 20

Equivalence of overtime and part-time for tax purposes

In view of the beneficial tax rate of 15.0 per cent provided to part-time work, individuals are more likely to opt for part-time work with another employer, rather than consider working overtime with their current employer, creating significant lack of resources. To encourage individuals to consider overtime work with their current employer rather than seek a part-time employment with a separate, unrelated employer, it is recommended that a rate of 15.0 per cent is charged on overtime work, capped on total annual overtime income not exceeding €10,000. This proposal will bring the taxation of part-time and overtime work at a level playing field, hence incentivising individuals to work overtime rather than opt for another part-time job, which has its social issues too.

7.3 Enabling employers

Malta's economic and labour market performance has been driven by local firms that have continued to invest and employ people. The trust shown by business leaders, local and foreign, in the country has resulted in a buoyant performance and resilience in dealing with the pandemic. Going forward, the Government is committed to continue supporting employers that play a critical role in generating and creating employment and wealth.

Whilst already experiencing the fourth industrial revolution, its full impact is unlikely to be experienced for several decades. However, there is no room for complacency. Resilience is not built overnight. The deep technological revolutions not only present challenges but also new possibilities. Just as certain job roles will disappear or be redefined, new job roles will be required and will demand new and different skillsets. To reap these opportunities, enabling and encouraging innovation across sectors and firms is key. Significant work must be done to increase the absorptive capacity of SMEs and local businesses.

To this end, two enablers have been identified to support employers:

1. Supporting business growth that translates into quality employment
2. Ensuring the sustainability and resilience of businesses in Malta

7.3.1 Supporting business growth that translates into quality employment

Supporting business growth will not only ensure that Malta has a more competitive business landscape, but also allow firms to provide good, quality jobs for local workers. The ambition is to support employers transform their businesses to meet the new demands and stay nimble and capable, with a stronger local workforce and paying their employees better salaries. The Government has already issued several strategies to support businesses to flourish and to futureproof themselves in key and new areas.

The following are the recommendations of how to support business growth that translates into quality employment.

Recommendation 21

Establish a centralised internship and placement agency

Employers have stressed that to improve the availability of skilled talent, internships and placements should be promoted more and better managed. International research has highlighted that internship programmes do improve employment outcomes and skill acquisition; however, the success of such programmes depends very much on their management. Malta's educational institutions do have a job placement service; however, the take-up has been limited. The exception is an ICT-oriented programme run by MITA through the University of Malta. This appears to be led in tandem with industry and incentivises employers to take on interns from ICT courses from the first year onwards. The Government will start discussions with business leaders and educational institutions to set up a centralised internship and management system which is proactive and linked to industry. The Government will, in tandem, develop a national online mechanism for employers to advertise apprenticeship opportunities and for prospective apprentices to register interest and/or apply.

Recommendation 22

Due to the labour shortages envisaged, the Government will commence consultations to develop a National Economic Migration Policy

Economic Migration Policy is primarily aimed at ensuring a labour and skills supply whilst mitigating against potential adverse effects. The main aim of such a policy would be to reconcile short term and longer-term policy objectives over the coming years; by governing the employment permit system in a way that it should help meet, in the short to medium-term, the demand for skills and labour in Malta's economy without disrupting the labour market. The policy will be based on an in-depth socio-economic assessment of the current situation and will be based on industry engagement.

Recommendation 23

Develop migrant retention schemes together with employer associations and private sector organisations

To foster a greater culture of migrant retention and to reduce the need to recruit more frequently, it is being proposed that the Government will enter into discussions with employer associations, social partners, and business representatives to design retention schemes. Given the regional and global competition of talent, Malta needs to develop an attractive and competitive proposition for migrants to choose Malta as their destination country. The availability of labour remains a key component of business growth.

Recommendation 24

Increase the capacity of SMEs to engage in research and innovation

At present, research and innovation intensity in Malta is weak and below European averages. Capacity of local firms is weak, thus reducing their ability to innovate and to implement new technologies. It is vital that innovative SMEs, which have little or no experience, develop and build their capacity to engage in research and innovation. To address this need, placement programmes will be expanded, or new programmes established, to provide SMEs with the needed expertise when required. At the same time, the ability of local firms to absorb new knowledge will also require investment in knowledge-based capital and managerial skills.

Recommendation 25

Incentivise SMEs to invest in new technologies that sustain quality employment

Investment in capital equipment and new technologies is critically important for companies to improve their productivity, propensity to innovate and competitiveness. Tax and financial incentives are a critical lever for research in Malta which provides assistance across all enterprise sectors of the economy. However, schemes must be calibrated to support the creation of a research and innovation eco-system. Moreover, the current design of the schemes and tax credits may not be suitable for all SMEs. Therefore, to promote investment in technology by both SMEs and larger companies, further policies to encourage take-up of the R&D tax credit need to be considered. Also, support in new technology should not only consider the headcount increase in labour but look at the quality of jobs being created as the aim is to elevate the salaries of workers.

Recommendation 26

Enhance conditions for firm creation and growth

It is important that the Government policy enables new high-potential businesses to enter markets and expand unimpeded, and that the most productive firms thrive in the market. To enhance business dynamism and ensure Malta's continued competitiveness, some aspects of the regulatory environment for businesses requires reform and streamlining. The Government will continue with its drive to reduce and streamline the administrative burden on SMEs.

Recommendation 27

Tax credits for the creation of green jobs within the company

The transition to a low carbon economy requires the transformation of economies, workplaces, enterprises, and labour markets. Having the right skillsets and infrastructures is necessary to realise this opportunity. There are also opportunities to leverage European funding and Malta has in fact presented one of the 'greenest' 'Resilience and Recovery Plans to the European Commission. For instance, by providing financial incentives for green jobs.

7.3.2 Ensuring the sustainability and resilience of businesses in Malta

Operating in a fast-changing and complex environment is becoming the norm and the new waves of digitalisation and sustainability will impinge on businesses. Learning from the Covid-19 pandemic, it is important to ensure that Maltese businesses also have the capacity to deal with crises by shoring up their resilience and capacity to absorb shocks as well as bounce back stronger than before.

The following are recommendations of how to ensure the sustainability and resilience of businesses in Malta.

Recommendation 28

Encourage and incentivise industry-led technical training centres

Having an industry-ready employee and a pool of trained resources are important considerations when discussing the sustainability and resilience of local businesses. The consultations with business leaders have highlighted the need to have training courses which are more technical and vocational in nature as the industry is not finding such resources locally and must revert to foreign workers. The Government believes that sectoral cooperation will allow companies to work together, exploit synergies and create opportunities. To this end, building on successful models in countries like the United Kingdom, the Government will provide support if industry-led clusters come together to establish sector-specific training centres. Furthermore, it will commence discussions with stakeholders to launch guidance on such training centres but will support such initiatives through a specific scheme and through European funds.

The Government is proposing to recognise and co-fund 'Industry Skills Bodies', which would extend the leadership role of industry and employers across all vocational education. These new 'Industry Skills Bodies' would provide skills leadership, coordinating industry efforts to identify and plan to address future skills needs through certified and accredited training programmes. Support will be given for these centres to invest in state-of-the-art equipment to not only create learning environments but to allow SMEs and other companies opportunities to try and experience innovative equipment and processes, and prototype.

Recommendation 29

Improve leadership and management skills in SMEs

Possessing the right managerial skills can allow companies to maximise efficiencies and reap opportunities. However, consultations have highlighted that such managerial skills are relatively poor. This is an area where further training and skills are required to increase productivity in SMEs. The Government will work with educational institutions and governmental agencies to provide management development initiatives and will explore the concept of conditionality for funding or financing to ensure that local businesses and microenterprises have the right capacity to undertake productivity improvements and growth.

Recommendation 30

Tax incentives for workers contributing to R&D within the company

In order to incentivise further research and development, it is recommended to provide a 150.0 per cent tax deduction on costs relating to research and development incurred by a company. Up until 31st December 2018, the Income Tax Act provided for a similar deduction limited to expenditure on scientific research. The Government is recommended to reintroduce this tax deduction and extend it to all types of research and development.

Recommendation 31
Incentives to employ PhD's

The Government will discuss with stakeholders the possibility of offering financial incentives to the employer who engages an employee who holds a PhD.

Recommendation 32
Tax credit on courses that support green jobs

The provision of a tax credit for the total cost incurred by an employer when paying for courses which provide its employees the skills relating to green jobs. Should the tax credit be unutilised, it may be carried forward indefinitely.

Recommendation 33
Reducing seasonal employment in Gozo through the full credit of national insurance contributions

Gozo's labour market has suffered from seasonality. In order to support businesses to retain their seasonal workers during the year, the Government will be crediting in full both employer and employee national insurance contributions during the off-peak season, equating to 4 months in a year.

7.4 Supporting and building responsive institutions of work

Institutions of work ensure that labour is protected and treated with equality and dignity. They are critical for economies that are gearing at improving the quality of life of its workforce and include laws, regulations, employment contracts, employers' and workers' organisations, collective agreements, as well as labour administration and inspection systems. When well-designed and operational, they help labour markets and economies perform better. The development of these institutional capabilities is necessary for people to achieve their full potential.

The transformations under way in the world of work demand the strengthening and revitalisation of the institutions.

The Government has identified two main enablers that will support and build responsive institutions of work:

1. Ensure decent and sustainable work
2. Streamlining administrative burden

The governance and institutional aspect of employment and the world of work is becoming ever more crucial for Malta's competitiveness as an investment location and economy. To this end, the Government believes that a whole-of-Government approach to employment is taken to be able to truly deliver responsive institutions of work.

7.4.1 Ensure decent and sustainable work

The Government believes that work is a means to an end, supporting the achievement of a person's full potential. To this end, it is important to ensure that work is decent and sustainable and does not exploit workers. The significant rise in migration has also sparked off a debate on working conditions and possible abuse. The Government believes that several reforms can ensure that these conditions are kept and enforced.

The following are the recommendations of how to ensure decent and sustainable work.

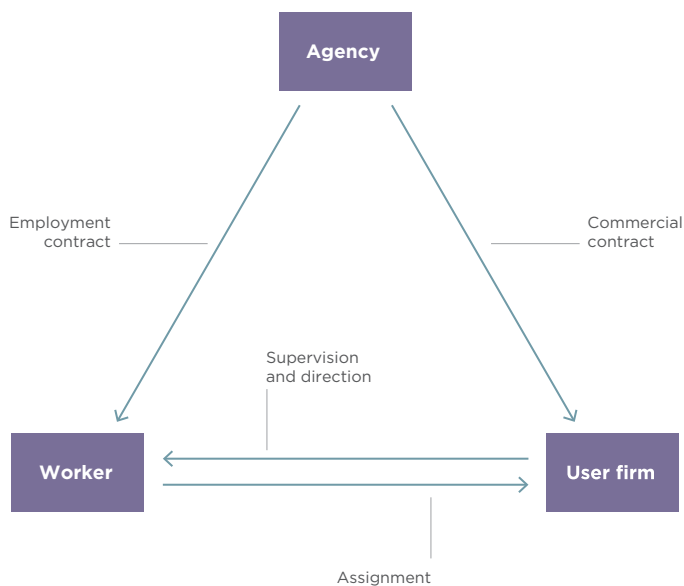
Recommendation 34

Develop and launch a regulatory and licensing framework for temporary work agencies

There are growing reports of migrants having to pay significant fees relating to permits. Even though many of the fees and costs are prohibited under international and domestic laws, there is little to no enforcement of these rules. New registration systems for labour recruiters and recruitment agencies could promote transparency.

Temporary agency work is triangular, which is to say that temporary work agencies, user firms, and temporary agency workers are all connected in the system as shown in the Figure 7.2 below.

Figure 7.2
The triangular relationship
of temporary work



Given this triangular relationship, temporary agencies take on a critical role in the process as they are intermediaries. If not properly regulated, such agencies can exploit workers and can also lead to wage pressures due to their bargaining power with the user firms. Currently there exists no regulatory framework for temporary working agencies and this has contributed to abuse of the system to the detriment of the worker. It is specifically for this reason that the Government will embark on a consultative process to establish a licensing regime for these agencies. The license will focus very much on regulating the relationship between the worker and the agency, as well as parameters on the commercial contract between the agency and the user firm.

Recommendation 35

Establish expert groups or commissions to determine whether migrant workers are truly needed by analysing labour market data and weighing the trade-offs that are inevitable in labour migration

Restricting labour migration programmes to sectors with actual labour shortages will better align the skills of migrant workers with labour market needs and prevent the misuse of the programmes by employers seeking to erode labour standards. The United Kingdom's 'Migration Advisory Committee' is a good model of this. The committee has improved the quality of the debate over the need for migrant workers by implementing a methodology for assessing employer labour shortage claims and by posing questions about the sensibility of proposed solutions. The Government will establish such expert groups within the Skills Policy Council.

Recommendation 36

Support unions and workers in temporary labour migration programmes to exercise their freedom of association

The Government will design policies, in consultation with unions and employer organisations, that make it easier for migrant workers to organise with other workers, and to join unions and other worker organisations that can collectively bargain with employers.

Recommendation 37

Integrate unions and worker organisations into the governance processes of temporary labour migration programmes

Unions and worker organisations can improve labour migration governance processes by providing critical insights on the workforce needs and realities in various industries and occupations.

7.4.2 Streamlining the administrative burden

A lot of work has been achieved in this regard with a drive to simplify bureaucracy and processes. However, the process needs to continue in line with the digital transformation of public institutions and the capacity of licensing agencies will increase to ensure that processes are all online.

The following are the Government's recommendations in this regard.

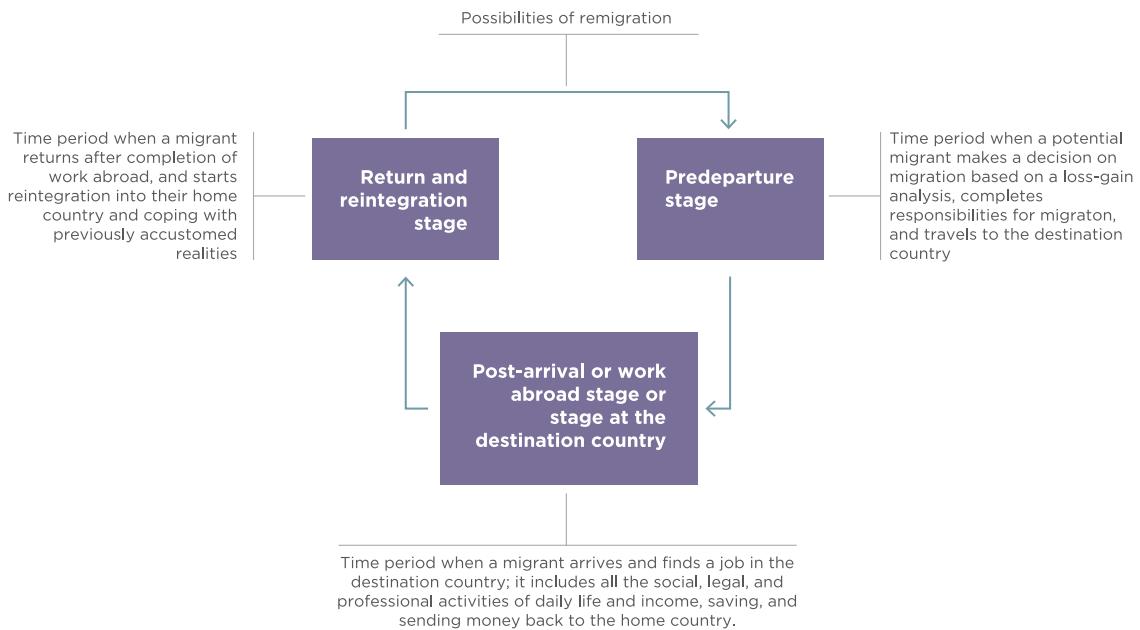
Recommendation 38

Develop a digital platform solution to support and facilitate the migration cycle

Migration is an ongoing phenomenon that occurs in various stages (predeparture, post-arrival, and return and reintegration) as per Figure 7.3 below. The three broad stages of the migration cycle are interlinked, and the application of technology is transversal and can support migration management at each and every stage.

Figure 7.3
Digitalisation of the migration cycle

Source: Adapted from ADB(2020) ²⁸



²⁸ Asian Development Bank (ADB). 2020. Strengthening Support for Labour Migration in Tajikistan: Assessment and Recommendations. Manila: ADB

The Government will commission a scoping study to develop such a system which will also allow employers to have visibility on the process.

Recommendation 39

To distinguish between temporary and circular migration with different processes and permits being issued.

Seasonality affects several economic sectors in Malta including hospitality where staff shortages are acting as a limiting capacity to business growth and performance. Some countries already have well-developed systems to regulate the entry of seasonal migrant workers to take up available jobs in certain seasonal sectors, including agriculture and hospitality. Seasonal worker programmes give employers access to a reliable pool of workers, who become more efficient and less in need of training with every year they choose to return. To this end, Malta should distinguish between temporary and circular migration. Temporary migration is taken to refer more to a single movement and then limited stay whilst circular migration may be considered in the context of a back-and-forth movement between the EU and the country of origin, which is enabled by, for example, simplified admission/re-entry procedures for this type of migrant. To this end, the Government will commission a tracer study to capture the amount of circularity in Malta and to design a process which will facilitate circularity in several critical sectors.

Recommendation 40

Collect and publish more data on temporary labour migration programmes

The Government needs more sufficient data on all labour migration programmes—including programmes that are temporary—to facilitate a well-informed debate about the impacts of temporary labour migration programmes and their effectiveness. Data should provide critical insights on whether programmes are successful in protecting workers' rights, elevating labour standards, addressing labour shortages, promoting development, and improving economic outcomes.



A woman is shown in profile from the chest up, facing right. She has dark hair and is wearing a gold hoop earring. Her top is black with a vibrant floral pattern of purple, yellow, and orange flowers. The background is dark with a strong blue light source, creating a grid-like pattern of light and shadow. The overall mood is contemplative and artistic.

08

Conclusion

The Employment Policy is more about people, than just about jobs. In today's and tomorrow's world, jobs and the world of work will continue to evolve, transform and be disrupted. This Policy is designed to equip the present and future workforce with the right skillset to thrive in the new economy. It is designed to enable and support employers invest in their business to employ more and better paying jobs. It is also designed at supporting and developing more responsive institutions of work.

Skills are going to be the determining factors in succeeding in tomorrow's world.

The pace of change, especially relating to technology disruption and integration of sustainability and all the interlinked impacts and effects, has accelerated post-pandemic.

As economies continue with their recovery and reforms, workers will face several challenges in the near future. With jobs being disrupted and the working relationship undergoing fundamental changes, individuals need to invest in their skillset more than ever.

The analysis has shown that tomorrow's industry will require a specific skillset and Malta's workforce, present and future, needs to be equipped accordingly.

This National Employment Policy is built around skills and equipping workers, and students with industry-demanded skills. It is about enabling workers to further and continue education as the analysis has shown that educational attainment is central in better wages. The establishment of a Skills Policy Council will support this ambitious agenda to deliver an industry-ready workforce that will support Malta in attracting investment and new economic and employment opportunities.

The Policy also looks at introducing various tax incentives that are aimed at activating more of Malta's population to work or to continue working. With an ageing population, Malta has a pool of talented resources which can continue contributing to the economy and preparing tomorrow's workforce.

Inclusivity and the participation of all remains core to the Government's vision for the labour market and this Policy also continues building on the successful 2014 National Employment Policy in this regard.

Aware of the labour shortage realities, the Government is conscious that migrant workers are required to sustain the demand for labour by Malta's private sector. Even here, the Government consulted and heard industry players and operators, and is putting forward several proposals that aim to support the local economy without disrupting the local labour force. Government is focused on ensuring sustainable and dignified work to all.

The Government is also focused on strengthening Malta's economic resilience and diversification. Opportunities lie in the digital and green sectors and the Employment Policy is closely linked to the broader vision the Government has for the economy, that of continued digital and green transformation.

Institutions of work is another core focus of the renewed National Employment Policy. Having responsive institutions is central to Malta's competitiveness. Regulatory frameworks will also be updated to better reflect current realities such as temping agencies and temping. Digital transformation will continue with the aim of supporting processes and alleviating administrative burdens.

The Government is ambitious when it comes to labour market. Employment is a means to an end. The Government truly believes that through meaningful work, individuals can reach their full potential, contribute to the economy, and sustain higher standards of living.

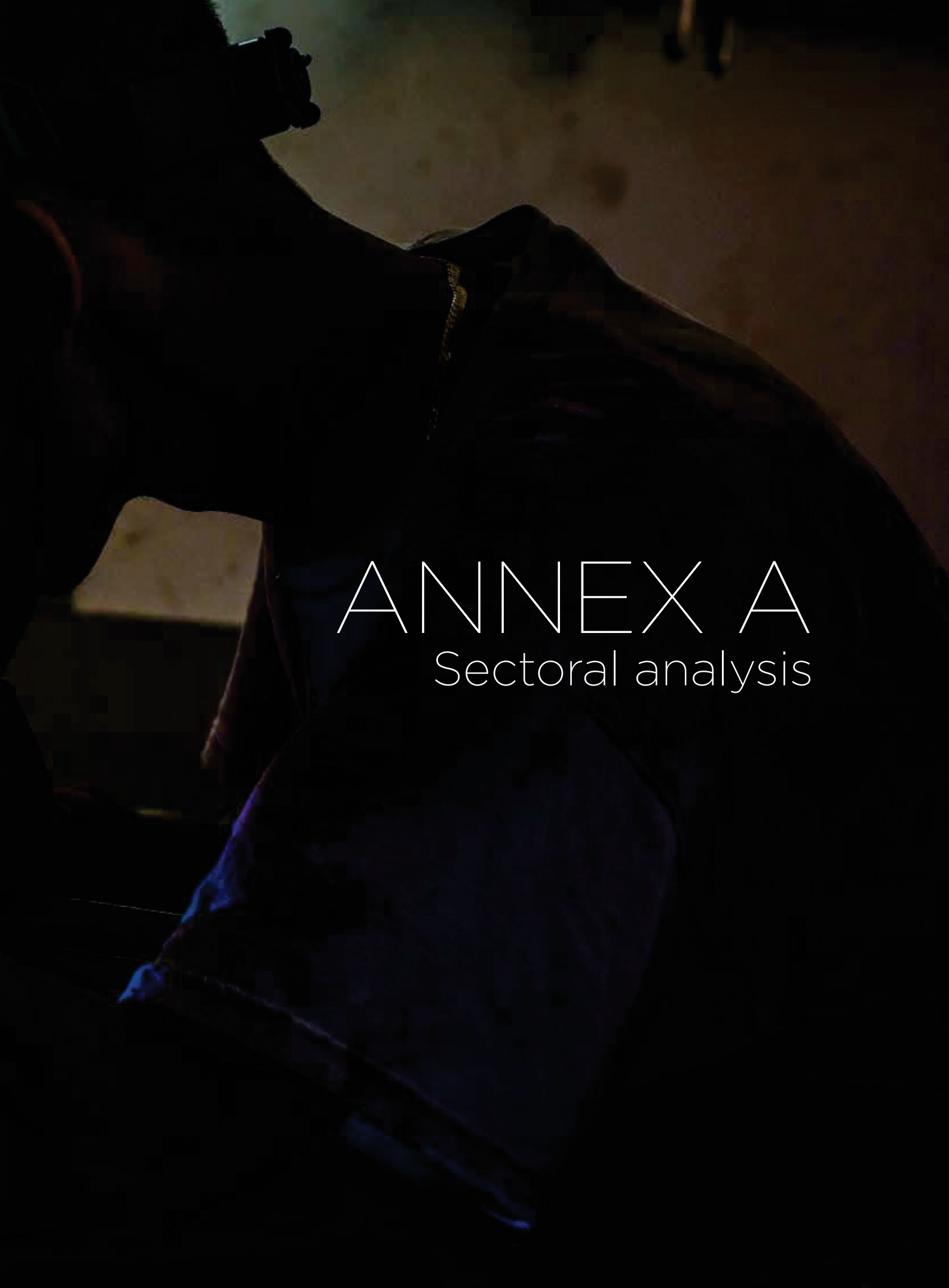
The future is challenging, yet opportunities abound.

The Government is determined, ambitious and conscious of the potential of Malta's labour force, present and future. The past successes are testimony to the collective effort of all.

As further challenges and disruptions are foreseen, the Government's vision for employment is outlined in this National Employment Policy 2021-2030.

The Government
is preparing to
welcome tomorrow,
today.





ANNEX A

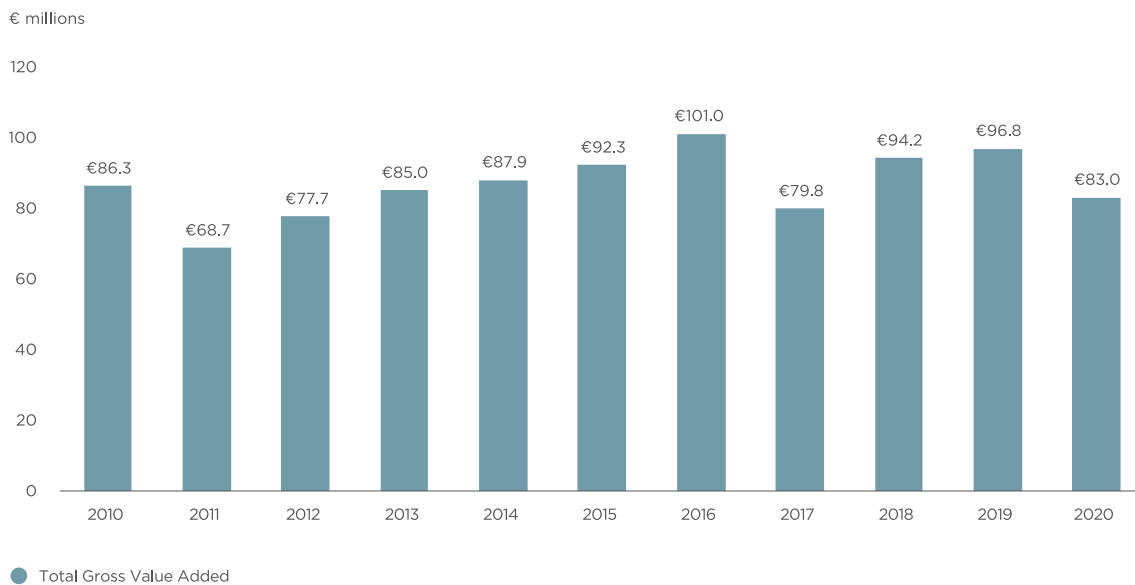
Sectoral analysis

The economic future of the country also depends on the attractiveness and competitiveness of each sector given that they remain important economic contributors to both value-added and employment. This Annex sheds light on the developments in each sector, and the analysis is guided by both quantitative data and qualitative insights gathered through the series of focus groups with sectoral representatives.

A.1 Agriculture and fisheries

The agriculture and fisheries sector has somewhat stagnated in recent years, as shown by the Gross Value Added (GVA) (see Figure A.1). Between 2010 and 2019 the sector's GVA grew by 12.2 per cent despite the general economic performance and the increased demand for food products by locals, foreign residents, and tourists alike. During 2020, when the brunt of the Covid-19 pandemic restrictions were in effect, the sector contracted.

Figure A.1
Agriculture & fisheries GVA
Source: NSO, 2021



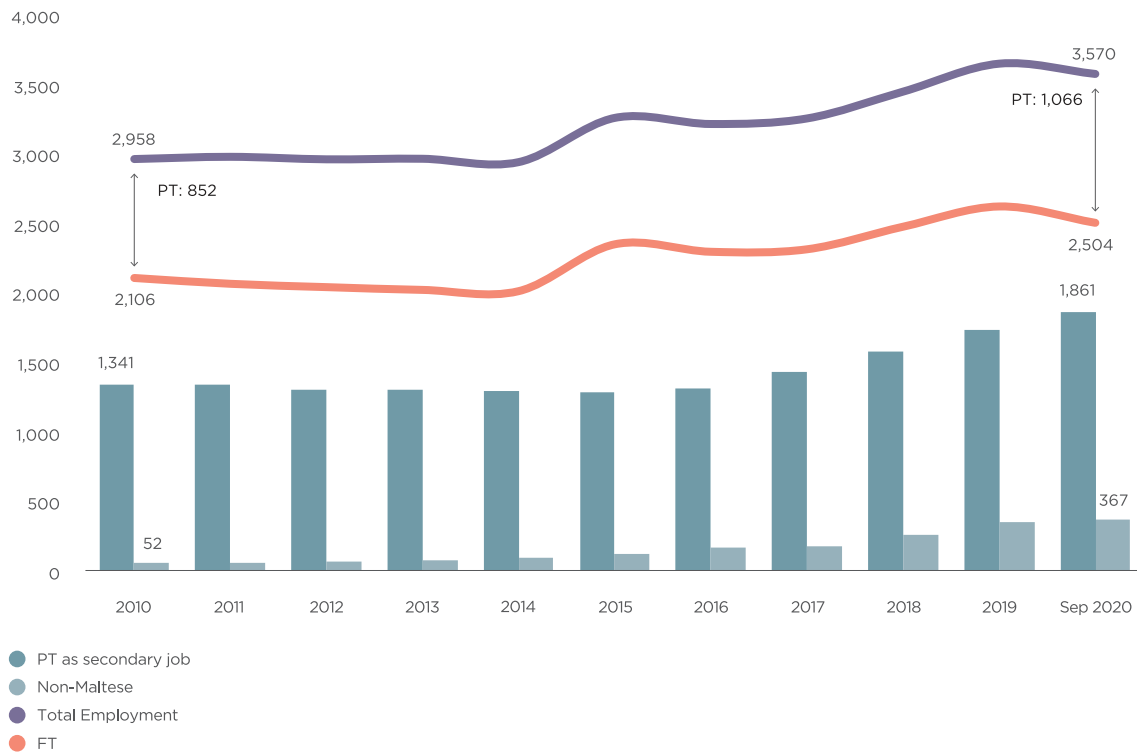
This sector is also diversified within, with aquaculture playing an even more important role in the sector and an important contributor to the sectoral GVA. Unlike other sub-sectors such as crop and animal rearing and husbandry, aquaculture has been an important driver to the sector. Nonetheless, the sector continues to lose its relative importance in the overall make-up of the economy with its share now below 1.0 per cent.

The dynamics of employment within the sector are shown in Figure A.2. Its sluggish output growth is also reflected in employment dynamics. Over the past ten years, employment in the sector grew by less than 1,000 people, with a good percentage of them being registered as part-timers, which can uncover a growing trend of landowners buying agricultural land and registering themselves as part-time farmers. On the other hand, the number of non-Maltese workers grew significantly in the industry confirming that Maltese workers are exiting the industry as they seek other sectors for employment. This is also reflective of numerous other challenges that the industry faces.

Figure A. 2
Employment in the
agriculture and fisheries sector

Source: Jobsplus, 2021

Employment levels



In reviewing the sectoral and several policies related to it, such as the National Agricultural Policy, and through the various consultation meetings held, several challenges and opportunities have been identified at the sectoral level (see Table A.1). In addition, these have been supplemented by key trends that will impact the industry going forward and will have ramifications on the performance and employment requirements should the industry embrace such trends.

Table A.1
Agriculture and fisheries sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Land ownership and transfer issues • Foreign imports • Water-use • Low-yield of crops due to lack of technology • Fisheries sector is highly seasonal • Aquaculture lacks critical infrastructure to scale • Environmental considerations of aquaculture 	<ul style="list-style-type: none"> • EU Budget and Green Deal for financing • Opportunity to introduce technology in the sector • Potential for Gozo to act as an agri-tech hub • Increased processing and value-chain climbing in aquaculture • Further internationalisation of aquaculture • More research and innovation
Employment-related	<ul style="list-style-type: none"> • Limited interest in sector due to physical hardship and low returns • Lack of technology skills 	<ul style="list-style-type: none"> • New breed of young, dedicated farmers • Growing scientific appeal for the sector • Tailor-made courses for fisheries and aquaculture
Future trends		
<ul style="list-style-type: none"> • Sustainable, minimising negative environmental impacts, conserving scarce natural resources and strengthening resiliency against future shocks • Efficient, producing adequate quantities of food while minimising post-harvest loss and consumer waste • Nutritious and healthy, enabling consumption of a diverse range of healthy, nutritious, and safe foods 	<ul style="list-style-type: none"> • Growing use of agri-tech and digital transformation of the sector • Sustainability of fishing stocks • Labelling and traceability of fish • Greater research and innovation in aquaculture, especially onshore farms 	

A.2 Manufacturing

As Malta's transformation into a service-based economy continues, the manufacturing sector's share of total output generated by the Maltese economy fell from 12.8 per cent in 2010 to 8.2 per cent in 2019. This said, manufacturing still grew by more than €200 million over this period and remains an important employer with roughly 24,000 employees or the equivalent of 9.1 per cent of the total share in employment. The sector has also been an important source of increased female participation over the past few years, as more female workers joined the labour market. The sector continues to be an important source of foreign direct investment into Malta, increasing by around €185 million in 2018 and €73 million in 2019 to reach a total stock value of more than €1.1 billion by the end of 2019.

Between 2010 and 2019, the manufacturing sector grew by 29.2 per cent or an annual average growth rate of 2.9 per cent, despite contracting in 2013 and stagnating in the following two years. Since 2016, the sector has experienced steady growth although still lagged other key economic sectors which have propelled Malta's economy in recent years.

Figure A. 3
Manufacturing GVA

Source: NSO, 2021

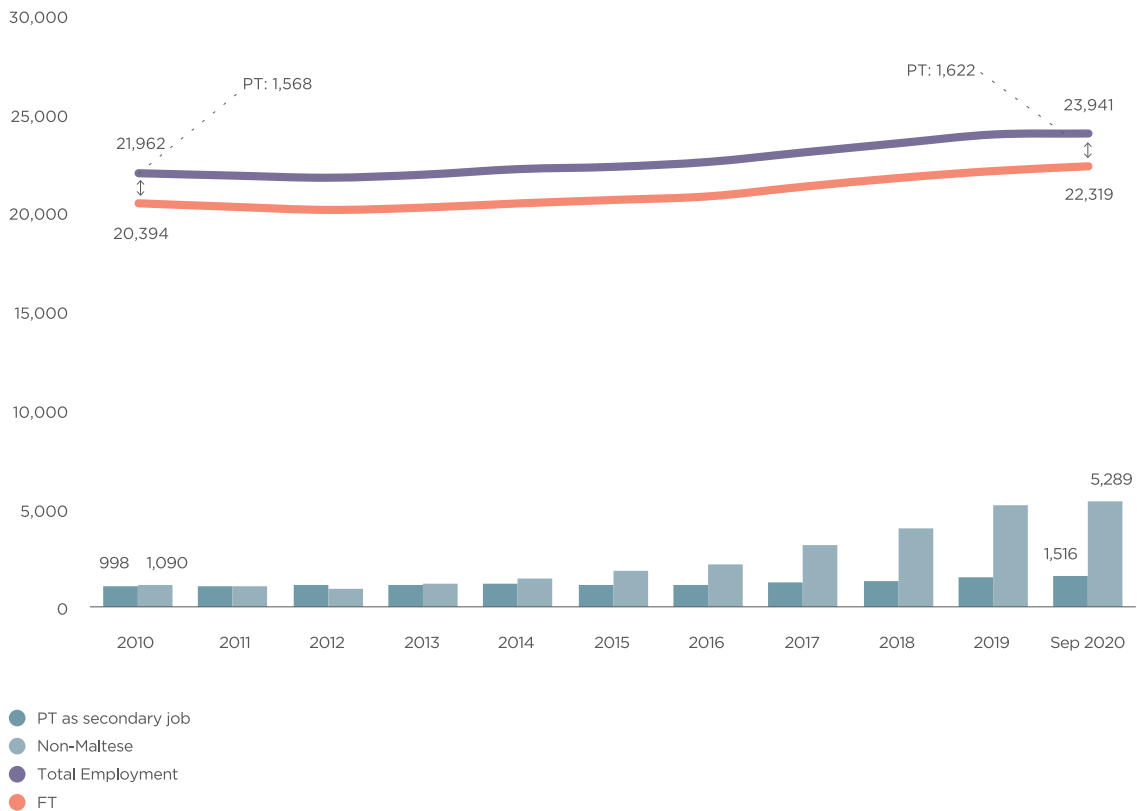


When it comes to employment, as seen from Figure A.4, growth has been rather flat, with an increase of only 8.8 per cent recorded for the period 2010 – 2019 or an annual average growth rate during this period of 0.9 per cent. The number of Maltese working in this sector fell by more than 2,000 during this period, supporting claims by various industry leaders that the Maltese have become more discerning in their choices of employment and tend to avoid working in industries that require shift arrangements. This shortfall has had to be compensated by foreign workers who by September 2020 made up for more than a fifth of total employment in the sector.

Figure A. 4
Employment in the manufacturing sector

Source: Jobsplus, 2021

Employment levels



The outbreak of the Covid-19 pandemic has had its impact on business operations and conditions within the manufacturing sector, as it faced some serious supply chain disruptions as well as postponement and cancellation of orders from both the local and international markets. It however appears that the sector is today more prepared to deal with crises following the 2008 global financial crisis and firms operating in the industry seem to have built up their internal resilience and contingency plans. To this end, the manufacturing sector has managed to maintain its 2019 GVA and employment levels against all odds in 2020.

At the same time, the pandemic has served to underline several pressing challenges faced by the sector in Malta in the medium to long term. The first issue relates to competitiveness undermined by rising costs and stronger international pressures. As illustrated in Figure A.5 below, Malta's labour cost index has risen significantly over the period between 2010 and 2019 and was slightly above the EU and EA average. Figure A.6 also shows that Malta's output price index for manufacturing has also been increasing over the years and is above the EU and EA average, reflecting higher output prices for Maltese manufacturing products.

The challenges are further heightened by Malta's insularity which leads to higher transportation costs for both inputs and outputs.

Figure A. 5
Labour cost index:
Manufacturing

Source: Eurostat, 2021

Labour cost index (2016=100)

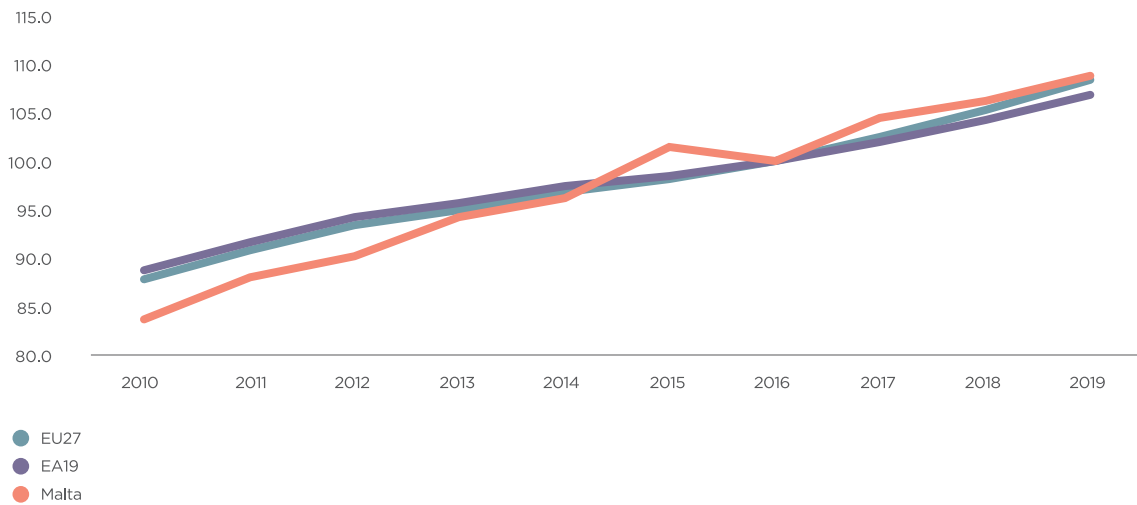
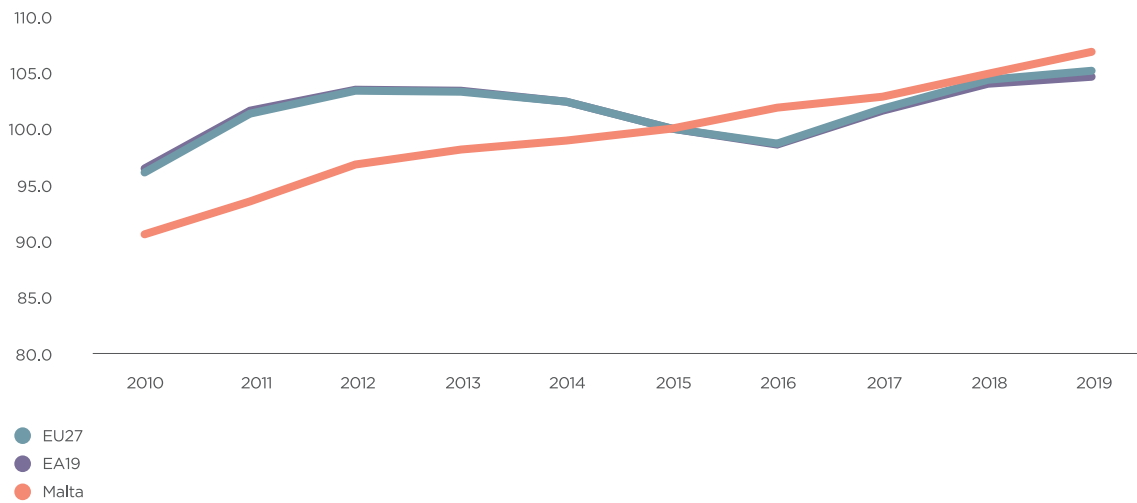


Figure A. 6
Output price index:
Manufacturing

Source: Eurostat, 2021

Output price (2015=100)



Furthermore, despite the growing levels of domestic and foreign investment within the sector, and despite the elevated levels of economic growth, research and development across all sectors in Malta continues to be extremely low with business expenditure on R&D falling in recent years (see Figure A.7).

Figure A. 7
Business R&D spending
(percentage of GDP)

Source: Eurostat, 2021

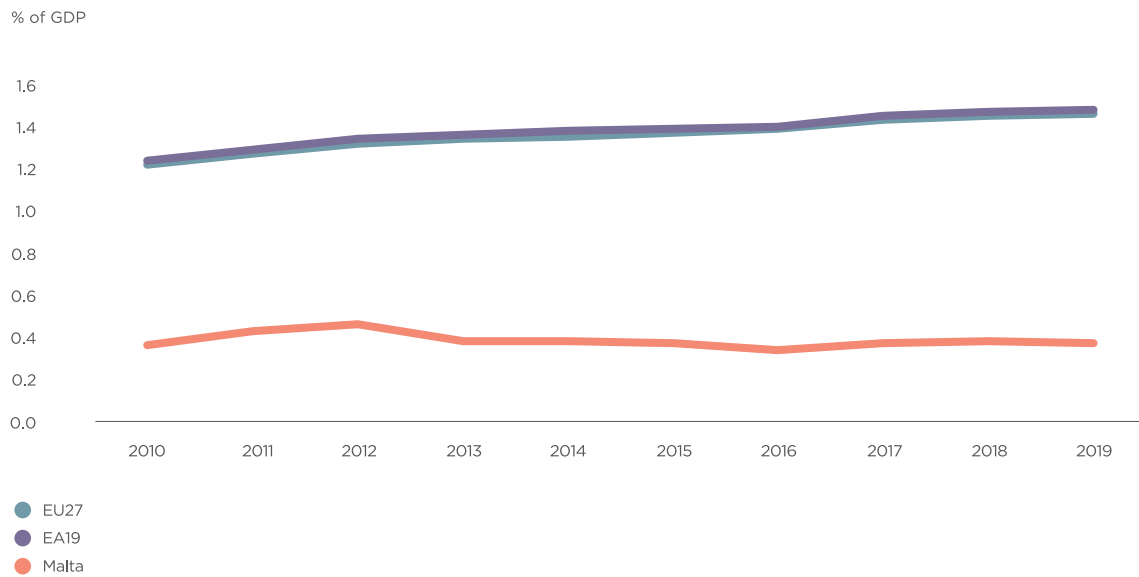


Table A.2
Manufacturing sector analysis

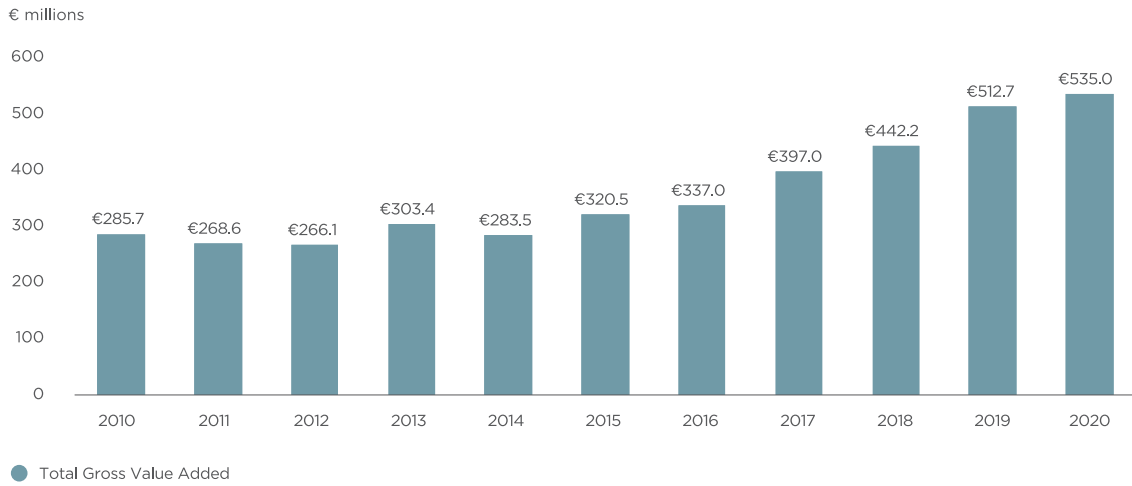
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Cost-competitiveness • Low productivity • Modest growth over the period 2010 – 2019, despite a booming economy • Low R&D expenditure • Logistics issues especially post-Brexit • Increased costs of freight and logistics 	<ul style="list-style-type: none"> • Industry 4.0, 3D printing and new technologies • Further diversification of manufacturing clusters • Additional regulatory-driven manufacturing niche sectors • Reduction in supply-chain dependence • New export markets • Further incentives to support local manufacturing companies
Employment-related	<ul style="list-style-type: none"> • Skill-gaps as manufacturing becomes more technology advanced • Lack of specialist skills • Lack of technical skills such as technicians • Growing need for foreign workers • Low uptake of STEM education 	<ul style="list-style-type: none"> • New sectors require new skillsets • Enhanced research initiatives with academia can improve industry take-up of graduates • More Industry 4.0 focused courses
Future trends		
<ul style="list-style-type: none"> • Industry 4.0 increasing automation • 3D printing allowing for mass customisation • Supply-chain disruption is a key concern 	<ul style="list-style-type: none"> • Circular economy and zero-waste • IoT will open new opportunities 	

A.3 Construction

The construction industry has long been seen as an important economic driver. Between 2010 and 2019 the sector’s GVA grew by 79.5 per cent or an annual average of 6.7 per cent. Nonetheless, in comparison to other key sectors, construction only accounts for 4.2 per cent of the total economy. The sector, however, is an important user of services provided by other sectors, namely real estate which grew by 7.2 per cent annually between 2010 and 2019, and professional services such as architects, notaries, tax advisors and financial planners which saw their collective GVA grow by an annual average of 15.1 per cent during this period.

Figure A. 8
Construction GVA

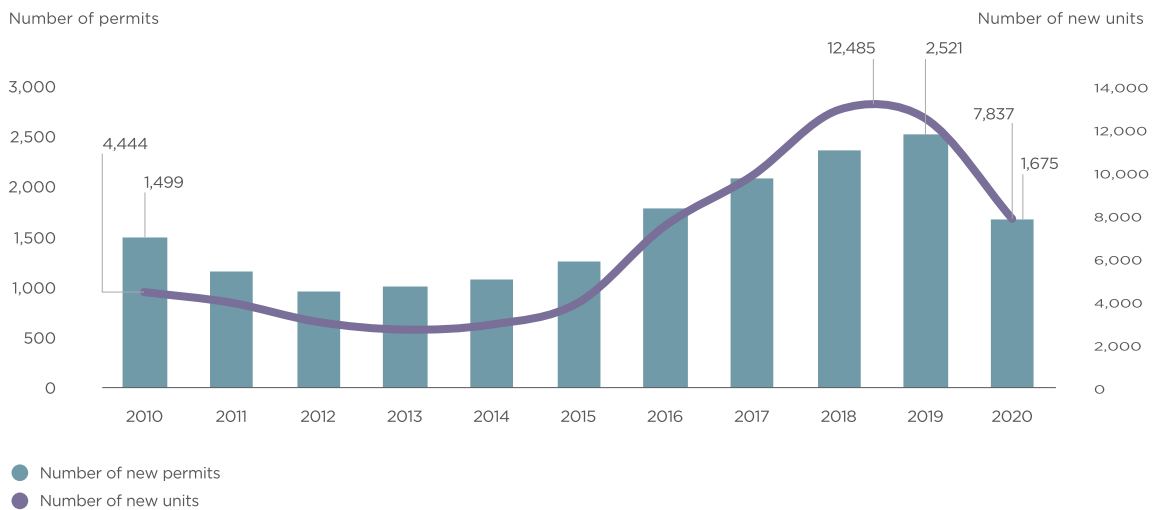
Source: NSO, 2021



Over the past few years, the sector has experienced an unprecedented boom with an increase in construction sites and a resulting increase in the supply of dwellings. As seen from Figure A.9 the number of new development permits for new dwellings issued per year has increased from 1,499 in 2010 to 2,521 in 2019, representing an increase of 68.2 per cent. The supply of new units resulting from these permits increased by 4,444 in 2010 to 12,485 in 2019, after having picked up significantly in 2015 by which time the trajectory increased exponentially.

Figure A. 9
Development permits over time

Source: Central Bank of Malta 2021, Planning Authority

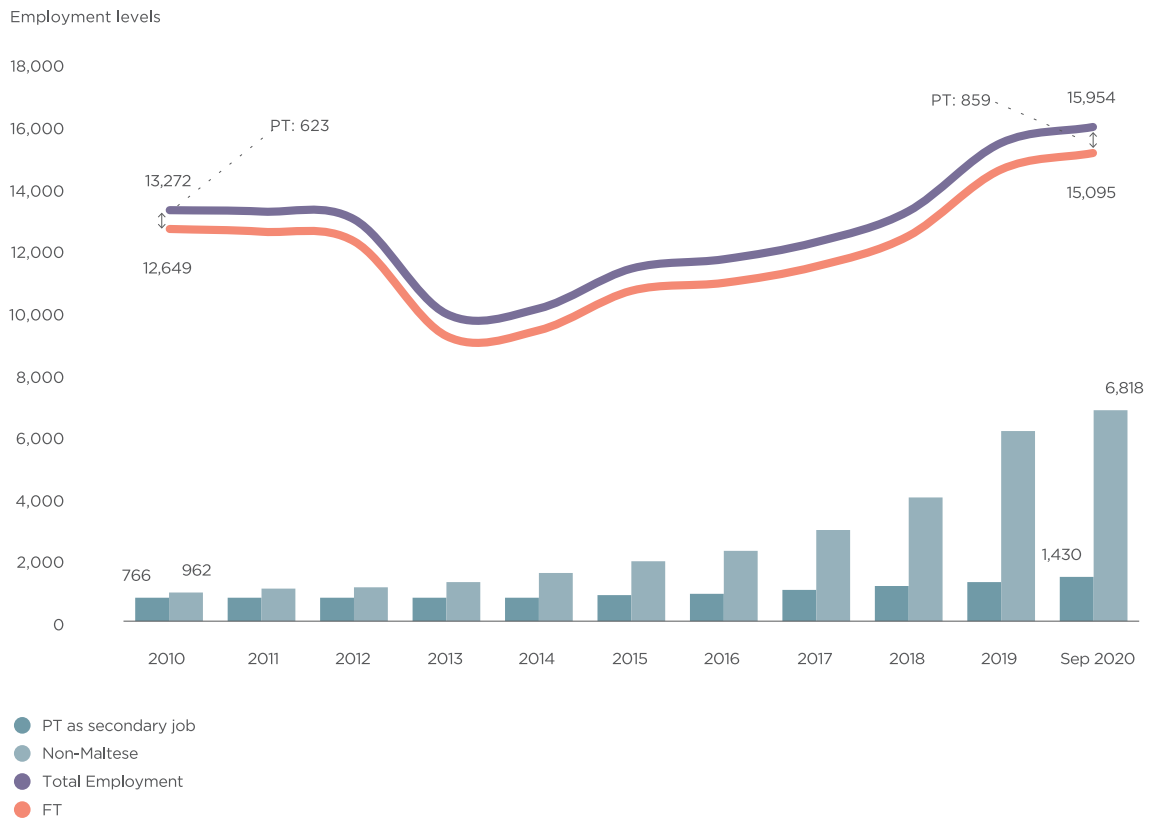


The construction industry experienced some disruption because of the Covid-19 pandemic crisis, albeit to a lesser extent when compared to other sectors, given that construction projects could continue despite restrictions introduced by the Government. The general economic slowdown has somewhat dampened investor confidence and consumer sentiment and while the sector still grew by 4.3 per cent in 2020, the number of new permits and units has fallen to pre-2016 levels, possibly reflecting growing concerns regarding oversaturation in the market considering muted economic conditions.

In terms of direct employment, growth has been rather flat at a rate of 1.7 per cent annually as opposed to the economy average growth of 4.6 per cent. Between 2010 and 2019, the number of registered Maltese employees working in the construction sector fell by around 1,100. Foreigners have compensated for this shortfall, namely non-EU nationals who by September 2020 accounted for roughly 29.5 per cent of total registered employed in the sector.

Figure A. 10
Employment in
the construction sector

Source: Jobsplus, 2021



From a macro perspective, the issue of planning and spatial planning, including estimation through demand and supply models, are becoming more critical to ensure the long-run sustainability of the sector and the broader economy. Intra-sectoral consolidation is also expected to happen between operators, with larger players crowding out smaller firms, pointing further towards the need for the sector to reinvent and transform itself. In view of the public's negative perception of the industry, there also needs to be a greater emphasis on quality rather than quantity, together with a greater commitment towards sustainability and environmental protection. To achieve this, the sector will have to focus more of its energies on regeneration rather than new developments, as well as the importance of circular economy concepts for the construction industry.

Table A.3
Construction sector analysis

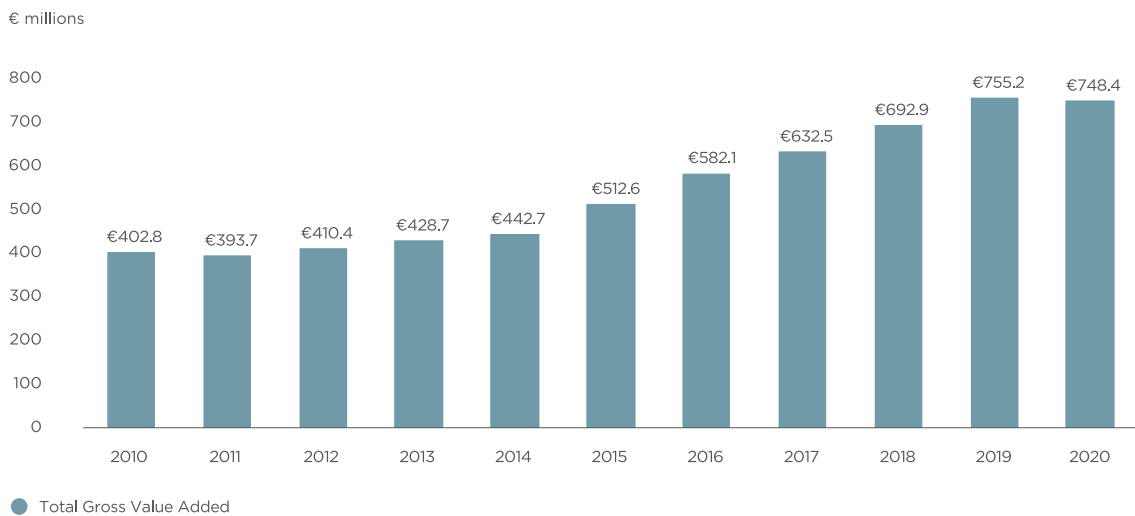
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Public perception of industry • Environmental impact • Concerns of oversaturation in the market • Health and safety concerns • Waste management 	<ul style="list-style-type: none"> • Smarter buildings • Greening the sector through new construction methods and material • Promotion of circular economy • EU Green Deal and funds • Potential of regeneration in certain localities
Employment-related	<ul style="list-style-type: none"> • Reliance on non-EU workers • New skillsets required as industry transforms itself 	<ul style="list-style-type: none"> • New certifications needed as buildings become smarter and greener • Increased collaboration between industry and academia • New regulations will require new occupational roles within the sector
Future trends		
<ul style="list-style-type: none"> • Smarter and greener buildings • Move towards more sustainable building methods 	<ul style="list-style-type: none"> • Modular construction methods and buildings • 3D printing for building 	

A.4 Real Estate

In line with improved economic performance over the past few years and on the back of a larger number of foreigners working in Malta, this sector experienced an unprecedented boom. With stronger demand for properties to rent and an increasing supply of units and new developments to sell, the real estate market went through a renaissance. The sector grew considerably over the past 10 years, with GVA increasing on average by 7.2 per cent each year between 2010 and 2019, and today accounts for 6.5 per cent of the total economy.

Figure A. 11
Real estate GVA

Source: NSO, 2021

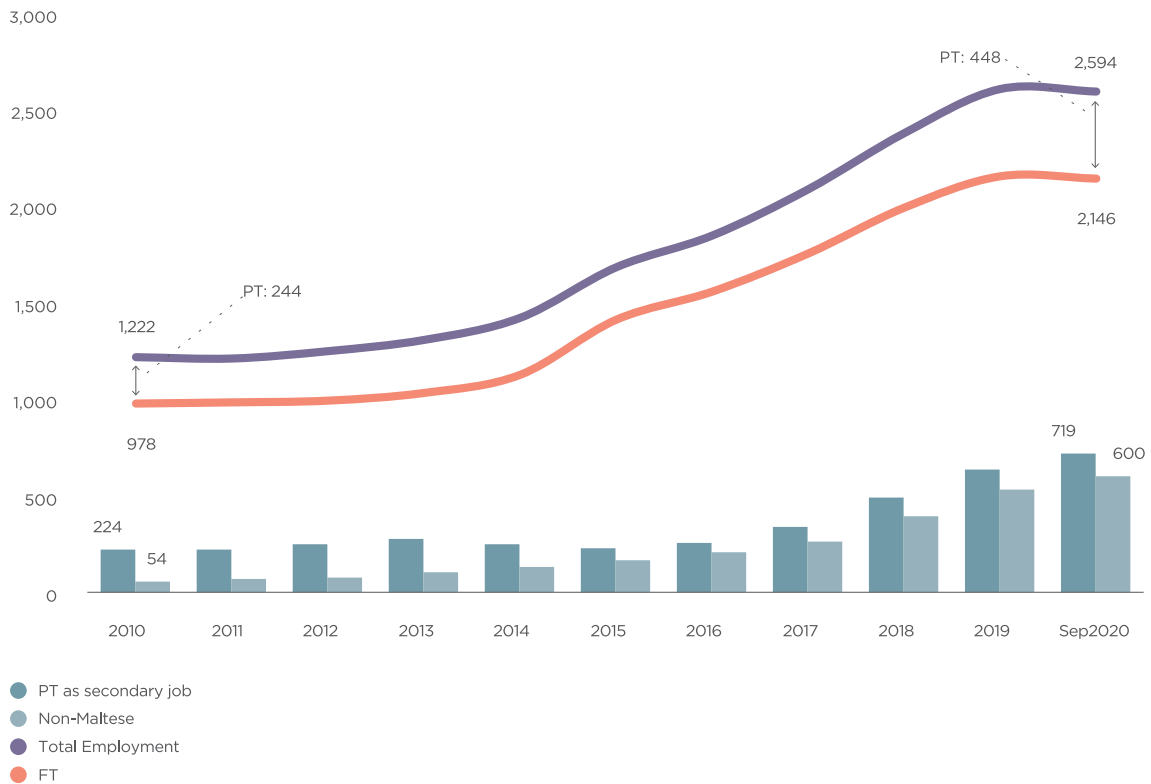


Meanwhile, employment grew at a faster rate of 8.8 per cent each year. However, the composition is peculiar to the industry with a high percentage of self-employed and part-time workers, the majority of which have another full-time job in another sector. In fact, as at September 2020, the number of part-timers whose job within the real estate sector was secondary amounted to 719.

Figure A. 12 Employment in the real estate sector

Source: Jobsplus, 2021

Employment levels



When the Covid-19 pandemic struck, the impact on the sector had been expected to be far-reaching on the premise of weakening demand. The latest GDP figures however show that the sector only contracted marginally by 0.9 per cent and has so far been able to cushion the impact as consumer sentiment gradually picked up during the second half of the year in response to the Government's reduction in stamp duty and income tax on property. Registered employment figures released by Jobsplus for September 2020 also confirm that numbers have been sustained.

Notwithstanding the above results, the sector remains heavily reliant on developments taking place in the labour market, especially those concerning the non-Maltese population who are seen to be bolstering the rental property market. It also continues to depend on general consumer confidence which remains somewhat overshadowed by the uncertainty surrounding this pandemic and which will ultimately determine consumer propensity to save as opposed to invest in illiquid assets. Tourism performance could also have a bearing on this sector with several property investments targeting Airbnb and short-term lets. The correction that could happen in the market, rental and possibly sales, because of these dependencies, will impinge on the sector and consolidations and retrenching will be expected to happen.

Table A.4
Real estate sector analysis

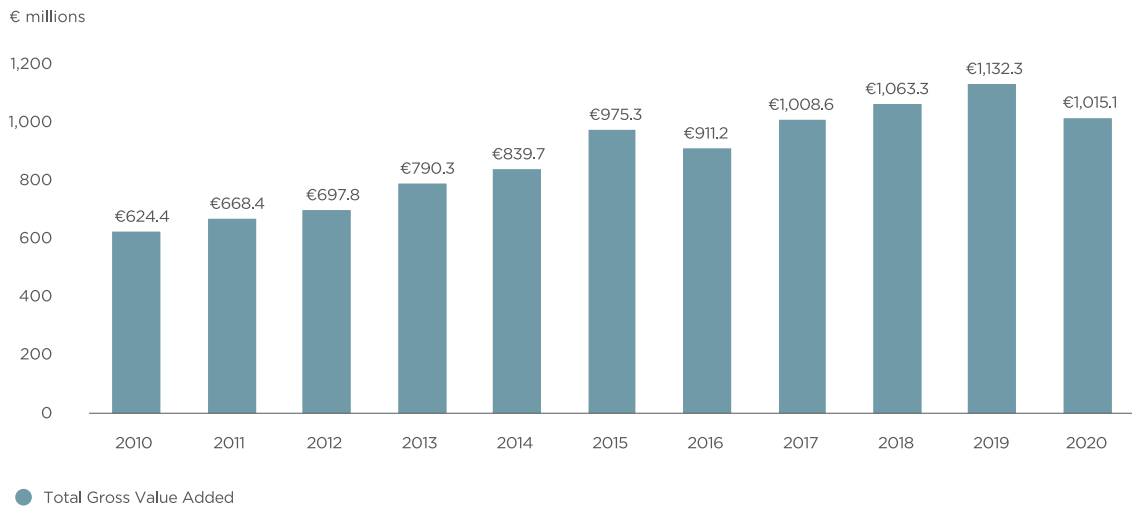
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Environmental concerns and public perception • Market has been robust • National infrastructure needs to be upgraded in line with the quality of developments 	<ul style="list-style-type: none"> • Smarter buildings and greener infrastructure • Use of technology to transform the sector • Improved service in the Government departments through technology • Blockchain can assist in property transactions • Improvements in general infrastructure • Promote Malta more to international investors
Employment-related	<ul style="list-style-type: none"> • Lack of training opportunities • Reliance on non-Maltese workers • Lack of resources in facility management 	<ul style="list-style-type: none"> • Integrate digital skills • The certification that has been recently launched will further professionalise the sector
Future trends		
	<ul style="list-style-type: none"> • Move towards smarter and greener buildings 	<ul style="list-style-type: none"> • Increased use of technology-driven services

A.5 Wholesale and Retail Trade

The wholesale and retail sector is an important driver of consumption activity in Malta, while also serving key intermediate goods and services to a variety of other sectors. Since 2010, wholesale and retail in Malta grew on average by 7.0 per cent annually on the strength of a growing population driven mainly by the increase in the number of foreign workers, as well as strong tourism performance. Between 2010 and 2019, the sector grew by 81.3 per cent. Private household consumption also grew annually by 5.5 per cent, or the equivalent of €1.5 billion between 2010 and 2019, boosting demand for retail trade including food and beverages, furnishings and appliances and clothing and footwear. The sector today accounts for 8.6 per cent of total GVA in the economy.

Figure A. 13
Wholesale and
retail trade GVA

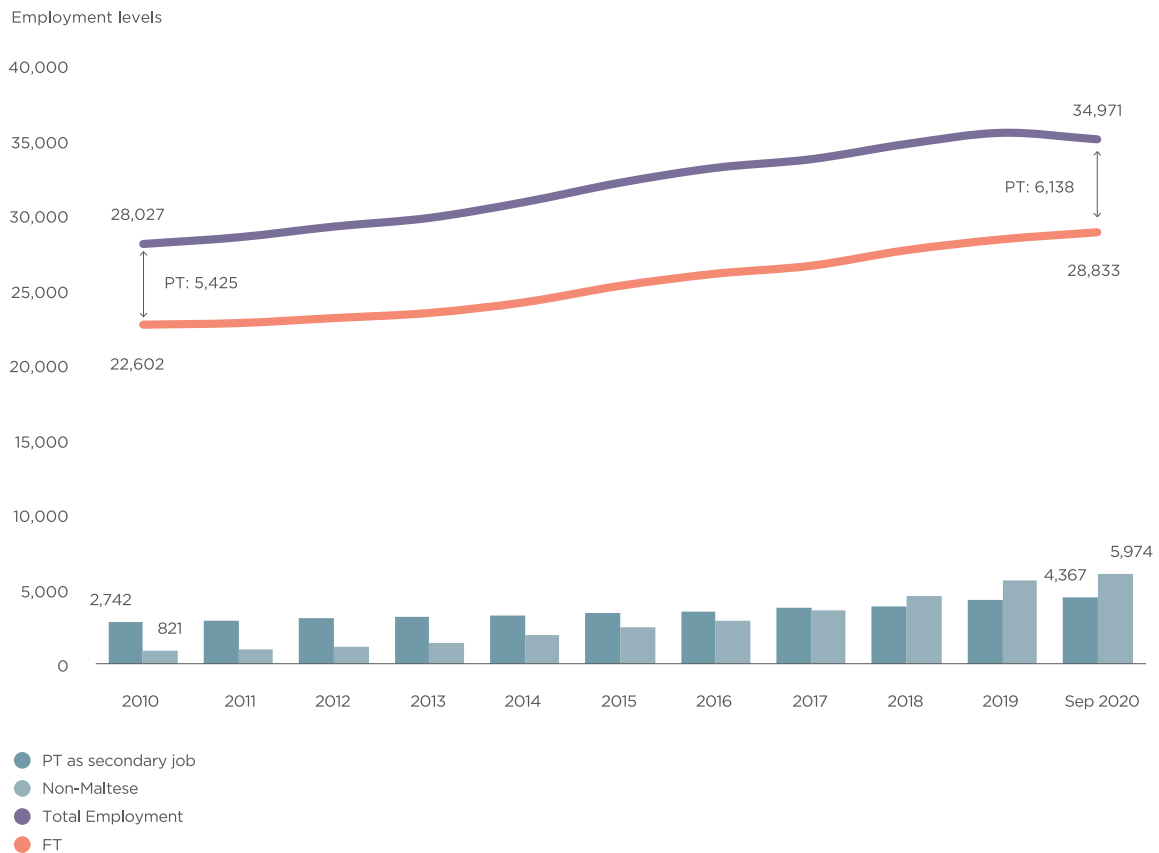
Source: NSO, 2021



The sector is also an important source of income for several employees which collectively make up 12.1 per cent of the total labour market. Employment growth in recent years has been steady, with the number of employees working in this sector increasing by 26.9 per cent between 2010 and 2019 or an annual average growth rate of 2.7 per cent. 17.6 per cent or 5,832 of those employed within the sector in 2020 were part-time, with an additional 3,924 having a part-time job within the sector which is secondary to another full-time elsewhere (see Figure A.14). The sector also employs a significant number of non-Maltese, which today account for roughly 17.6 per cent of the total workforce in the sector.

Figure A. 14
Employment in the
wholesale and retail trade sector

Source: Jobsplus, 2021



In the immediate term, the sector continues to grapple with the impacts of the Covid-19 pandemic and the resulting restrictions such as the temporary closure of non-essential retail outlets. The impact on the sector has been significant with GVA contracting by 9.8 per cent when compared to 2019. In contrast, employment levels have for the time being been sustained, clearly suggesting that the Government's support measures to prevent large scale layoffs have so far paid off. However, business sentiment among operators in the sector remains low, with the retail trade confidence indicator for Malta reaching 38.2 percentage points in March 2021, reflecting a pessimistic outlook for business conditions as the uncertainty of Covid-19 pandemic restrictions lingers.

The Covid-19 pandemic has also served to highlight the continued importance of digitalisation within the sector, which even before the crisis was a key disruptor and which during the pandemic served as a vital cog to business continuity. Continuous investment in digital technologies and e-commerce platforms, therefore, remains a top priority for the sector, not just as a business survival tool to improve back-end operations and improve efficiency, but as a driver of sales and a platform to unlocking new markets, both locally and abroad.

Table A.5
Wholesale and retail trade sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Foreign chains are disrupting the local market • Global e-Commerce firms are also disrupting the market • Low productivity • Increased transportation and logistics costs • Rising last mile and delivery costs • Possibly an over-supply of outlets, with more being planned with every large-scale development • Strong reliance on population growth fuelled by the increase in foreign workers as well as record tourist arrivals • Concept of retail might change post-Covid-19 pandemic 	<ul style="list-style-type: none"> • Sector consolidation and pooling in delivery • Further digitalisation of the sector to improve back-end operations • Improved use of existing e-Commerce technologies to drive sales and target new markets • Regional markets as North Africa picks up • Emergence of low-cost, direct marketing channels for customer engagement like social media
Employment-related	<ul style="list-style-type: none"> • Reliance on non-Maltese workers 	<ul style="list-style-type: none"> • Upskilling to embrace the digital transformation of the sector • Greater focus on customer experience, relying heavily on soft skills
Future trends		
<ul style="list-style-type: none"> • Digital marketplaces becoming key forces • Greater dominance of foreign websites • Sector consolidation 	<ul style="list-style-type: none"> • Increased use in technology to achieve efficiencies • Changing role of retail shops and how it co-exists with online • Customer journey and experience are going to become even more important 	

A.6 Transport and Storage

The transportation sector in Malta is highly diverse, incorporating several subsectors including land transport but also maritime and aviation, as well as warehousing, support services and logistics. Thus, the transportation sector plays an important role in Malta's development as a modern economy. The sector has developed over time but thanks to the strategic location of the island, it is today a major regional transshipment hub. In addition, Malta's success in asset registration and management; primarily aircraft and ship, has created an ecosystem around such services and assets.

As seen in Figure A.15 below, the transportation sector in Malta has experienced steady growth in recent years, growing by 105.9 per cent between 2010 and 2019, or by an average annual growth rate of 8.4 per cent. By the end of 2019, the sector accounted for 5.8 per cent of Malta's total GVA. Notable growth was recorded in key transportation sectors, particularly air traffic passengers which have more than doubled between 2010 and 2019 (Figure A.16) and maritime transport tonnage volumes handled, which increased by 36.9 per cent during this period (Figure A.17). Air freight traffic on the other hand has remained relatively constant falling somewhat significantly in 2019 (Figure A.18).

Figure A. 15
Transport and storage GVA

Source: NSO, 2021

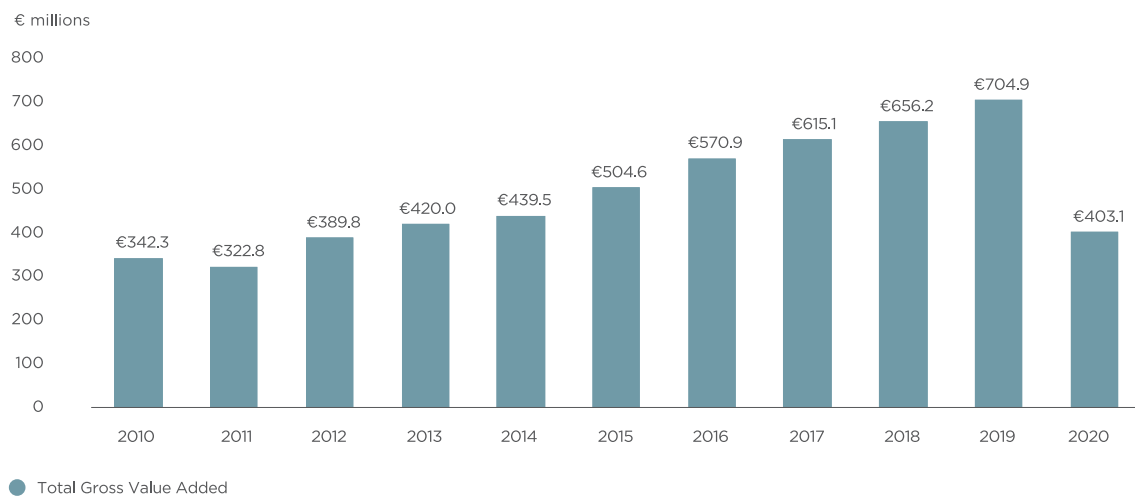


Figure A. 16
Air passenger traffic in Malta

Source: Eurostat, 2021

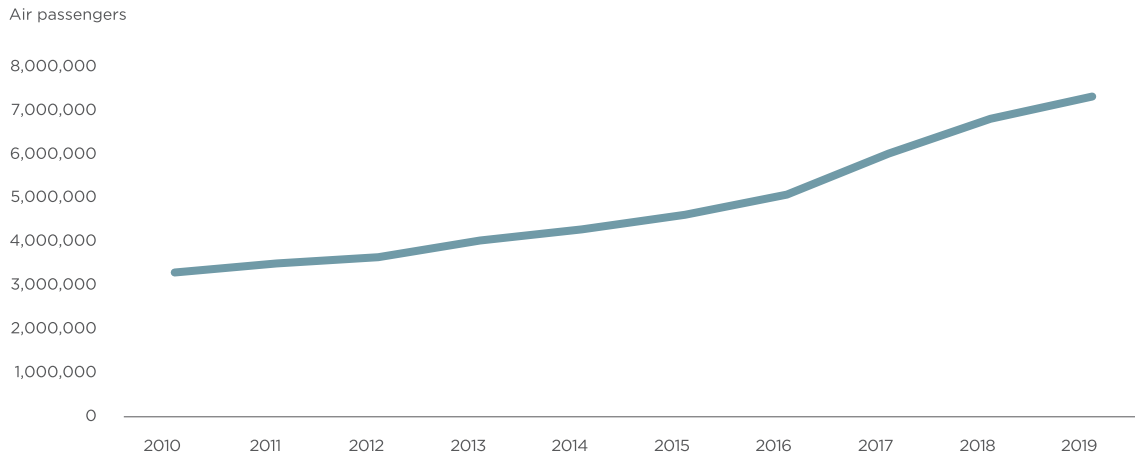


Figure A. 17
Air freight and mail in Malta

Source: Eurostat, 2021

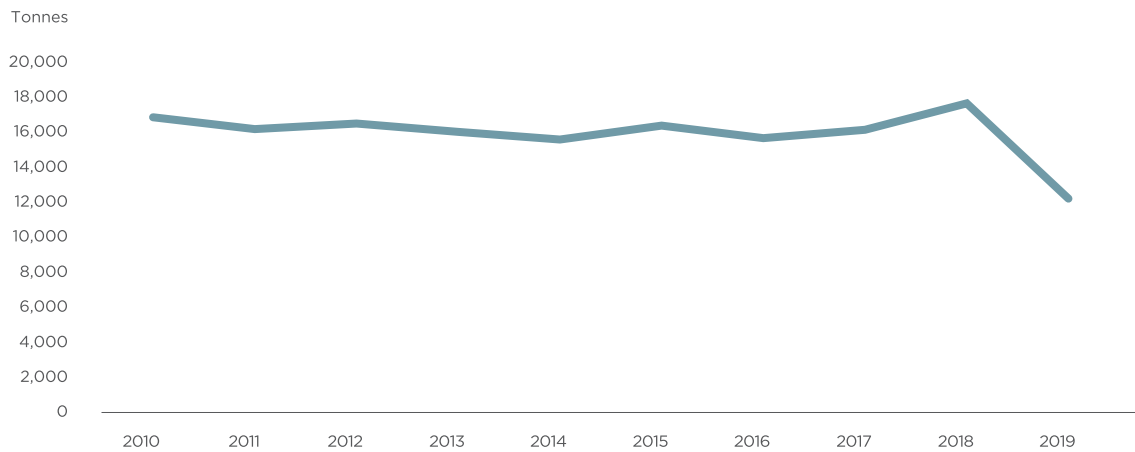
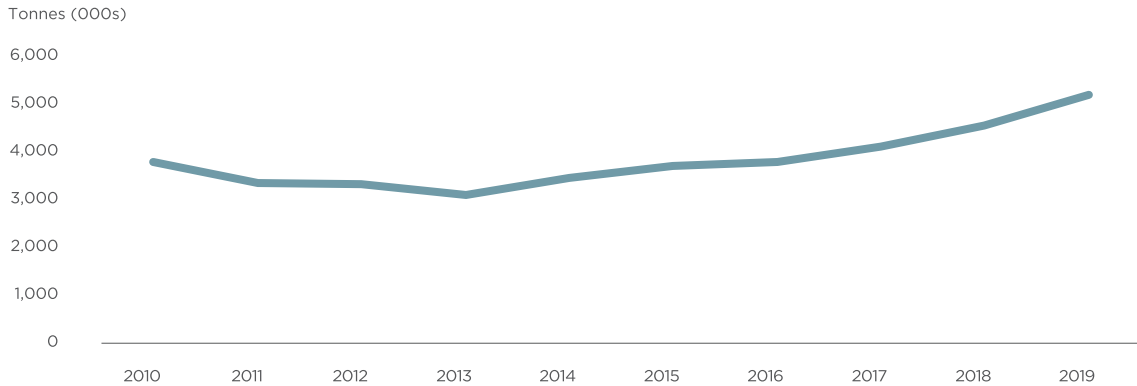


Figure A. 18
Gross weight handled
in all ports in Malta

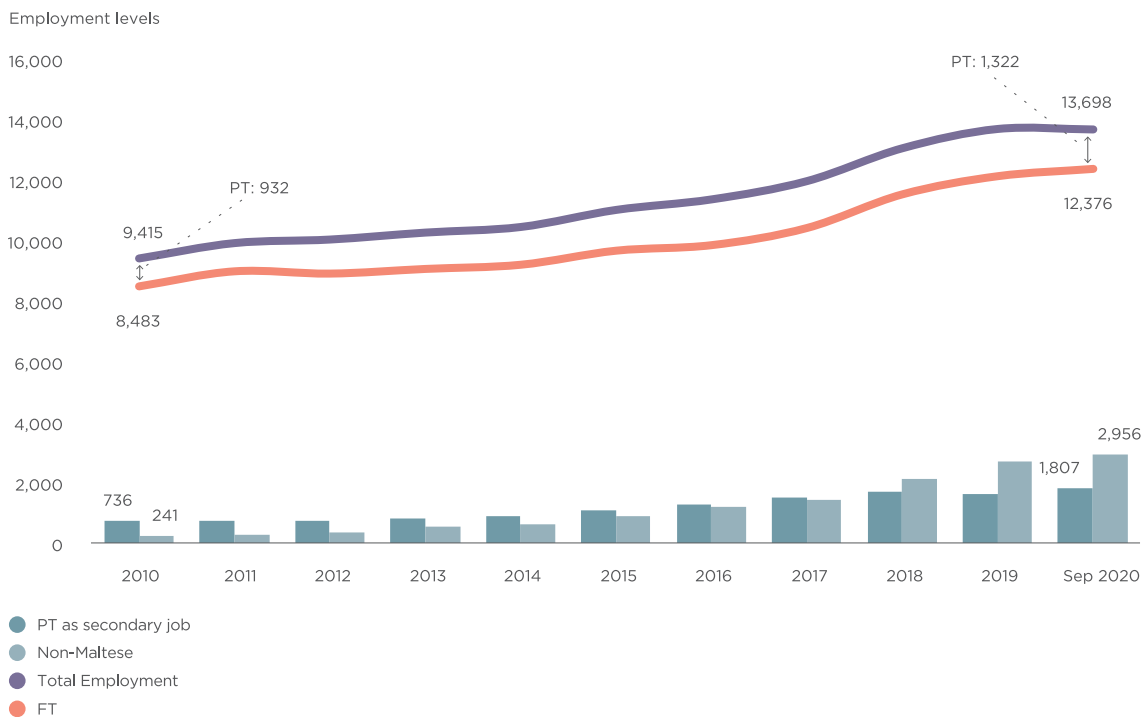
Source: Eurostat, 2021



When it comes to employment, the sector has increased in line with GVA, growing on average 4.3 per cent each year during the period between 2010 and 2019. The sector now accounts for roughly 5.3 per cent of the total workforce in Malta.

Figure A. 19
Employment in the
transport and storage sector

Source: Jobsplus, 2021



In the immediate term, the transportation sector has been hit hard by the Covid-19 pandemic, with these impacts likely to persist in the medium term on the expectation that air and maritime travel, as well as muted demand conditions, which are affecting freight and goods transportation, will take time to pick up and return to pre-Covid-19 pandemic levels. The sector GVA during 2020 was the second worst hit, after the accommodation and food services sector, contracting by 42.8 per cent in absolute terms and losing 2.3 percentage points in the overall share of the Maltese economy. As is the experience with all other sectors, employment has so far been spared.

The industry faces several long-standing challenges including the turnaround of Air Malta. Another critical challenge faced by the domestic road freight industry is the new Mobility Package, which was approved by the European Council in July last year, and which is expected to have significant negative repercussions locally by way of increasing freight costs.

In the medium to long term, policies aimed at curtailing emissions from the transportation sector are expected to be ramped up, especially considering climate goals set out in the Green Deal for carbon neutrality by 2050. In particular, the prospect of introducing an EU-wide climate tax on air travel has been raised, which would have a considerable impact on air passenger traffic, while the debate surrounding a carbon tax on shipping has been going on for several years. In addition, discussions are already underway regarding the new emission standards for heavy-duty, light-duty and passenger motor vehicles, which are expected to introduce more stringent requirements.

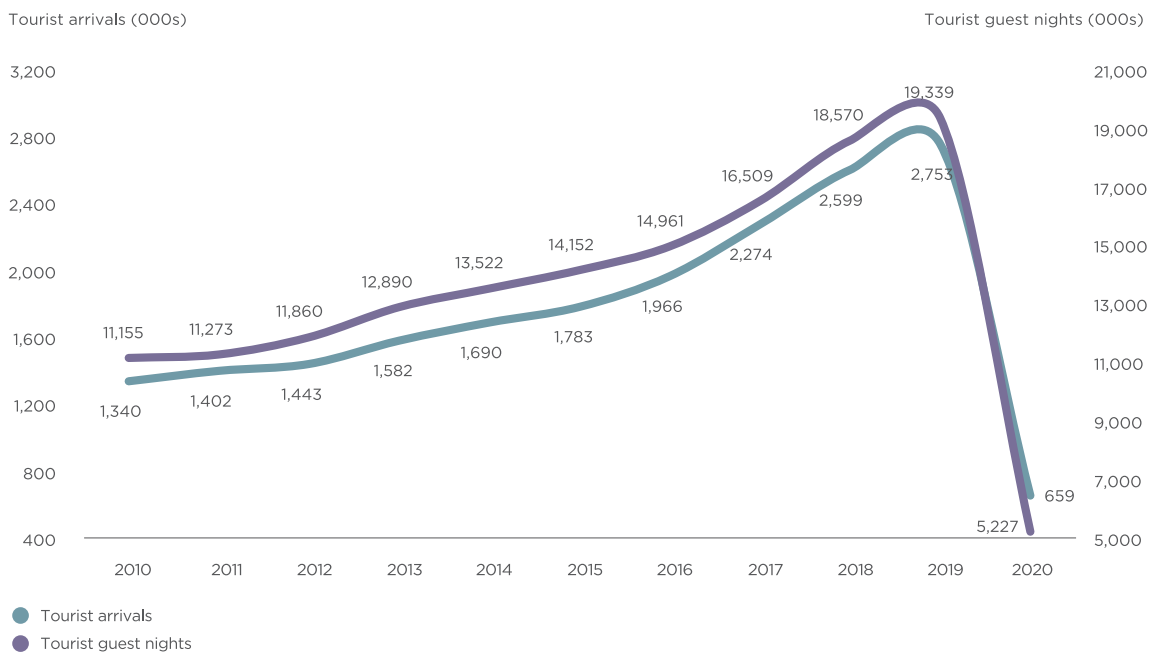
Table A.6
Transport and storage sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Significant cost element for companies • Strong reliance on tourism activity • Last-mile delivery is becoming an issue • Disruption in the industry through the platform economy • Possibility of taxes and EU directives which will impinge on costs • Emission targets and carbon lock-ins 	<ul style="list-style-type: none"> • Digital transformation • Logistics and delivery aggregation models • Infrastructural capital investment • Move to cleaner and electric vehicles • Need for a centralised logistics hub
Employment-related	<ul style="list-style-type: none"> • Reliance on non-Maltese workers • Hard to find workers especially for logistics • Quality concerns 	<ul style="list-style-type: none"> • Upskilling to embrace the digital transformation of the sector • Greater focus on customer experience and journey requires soft-skills
Future trends		
<ul style="list-style-type: none"> • Move towards technology-driven apps • Move to cleaner and electric/hybrid vehicles 	<ul style="list-style-type: none"> • Last-mile delivery is going to be critical due to online shopping • Multi-modal transport models will be central 	

A.7 Accommodation and Food Services

Tourism in Malta has long been one of the main pillars of the economy and in recent years experienced unprecedented levels of growth with all key players reporting strong performances. Its strength has ultimately been reflected in the country's overall economic development. The number of tourist arrivals during the period between 2010 and 2019 increased by 1.4 million to reach a record number of 2.7 million tourists by the end of 2019. Similarly, bed nights increased by more than 8 million during this period (see Figure A.20). The key underlying drivers behind this success include increased connectivity, diversification of tourist offering, significant investment in the sector and development of niche markets such as English language travel and diving.

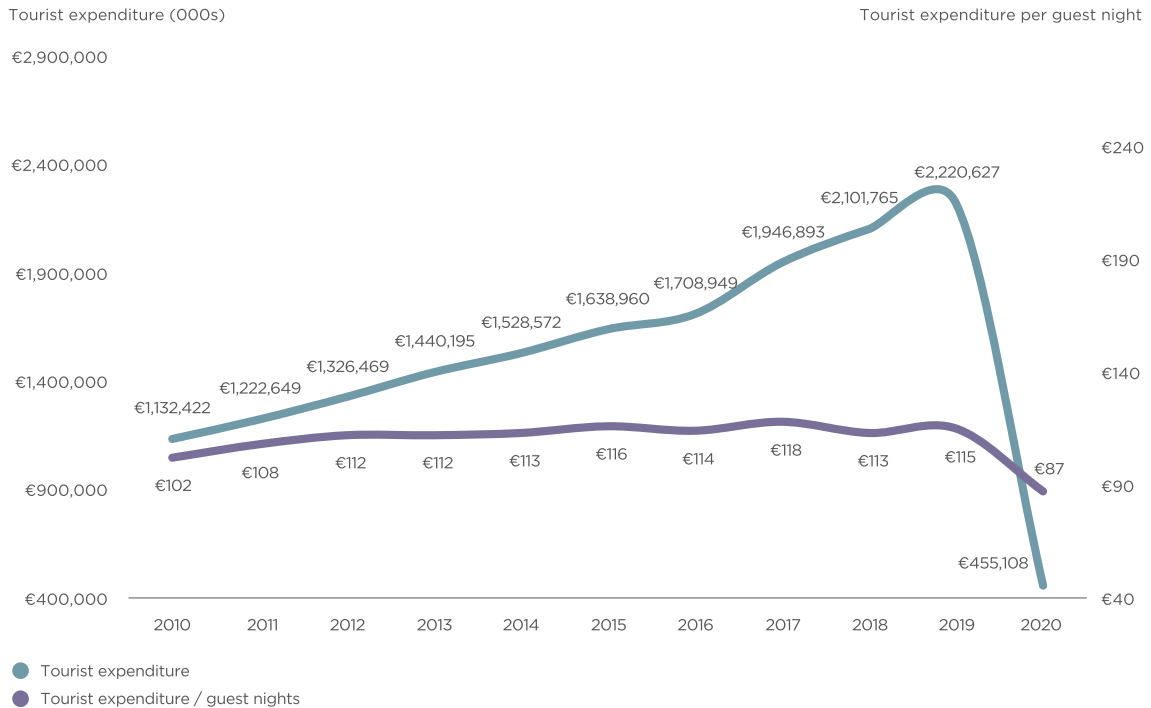
Figure A. 20
Tourist arrivals
and guest nights
Source: NSO, 2021



In view of these results, tourist expenditure grew by €1.1 billion over the ten years between 2010 and 2019 to reach €2.2 billion by end of 2019 (see Figure A.21). However, the increase in expenditure has been primarily driven by volume rather than spend, with tourist expenditure per guest night remaining rather flat for the past years. This said, travel costs have been on the decline because of low-cost carriers and more out of tourist expenditure was being directed to other expenditure items, including accommodation and restaurants.

Figure A. 21
Tourist expenditure

Source: NSO, 2021



To this effect, the accommodation and restaurant sector has been growing on average by 8.1 per cent annually during this reference period and by 2019 accounted for 4.9 per cent of the total economy (see Figure A.22). To meet this increased demand, registered employment within the accommodation and restaurant sector also increased substantially by more than 5,200 employees. Most of these new jobs in the sector were however taken up by EU and non-EU nationals as the number of Maltese employed within this sector fell by around 2,500 during the period between 2010 and 2019. As a result, only 53.0 per cent of the sector’s workforce today is Maltese (see Figure A.23). Whilst tourism is estimated to directly account for around 4.9 per cent of the economy, the industry feeds into multiple other sectors. Retail trade, for example, is a major recipient of tourism activity. So is transport and the entertainment sector. Considering these indirect effects results in an overall contribution towards the economy of around 12.0 per cent.

Figure A. 22
Accommodation and food services GVA

Source: NSO, 2021

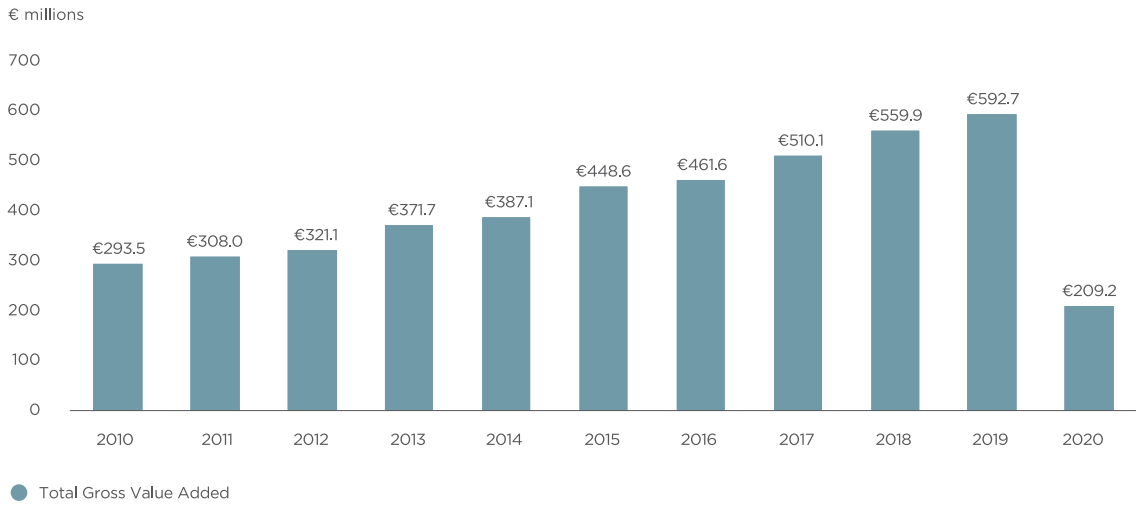
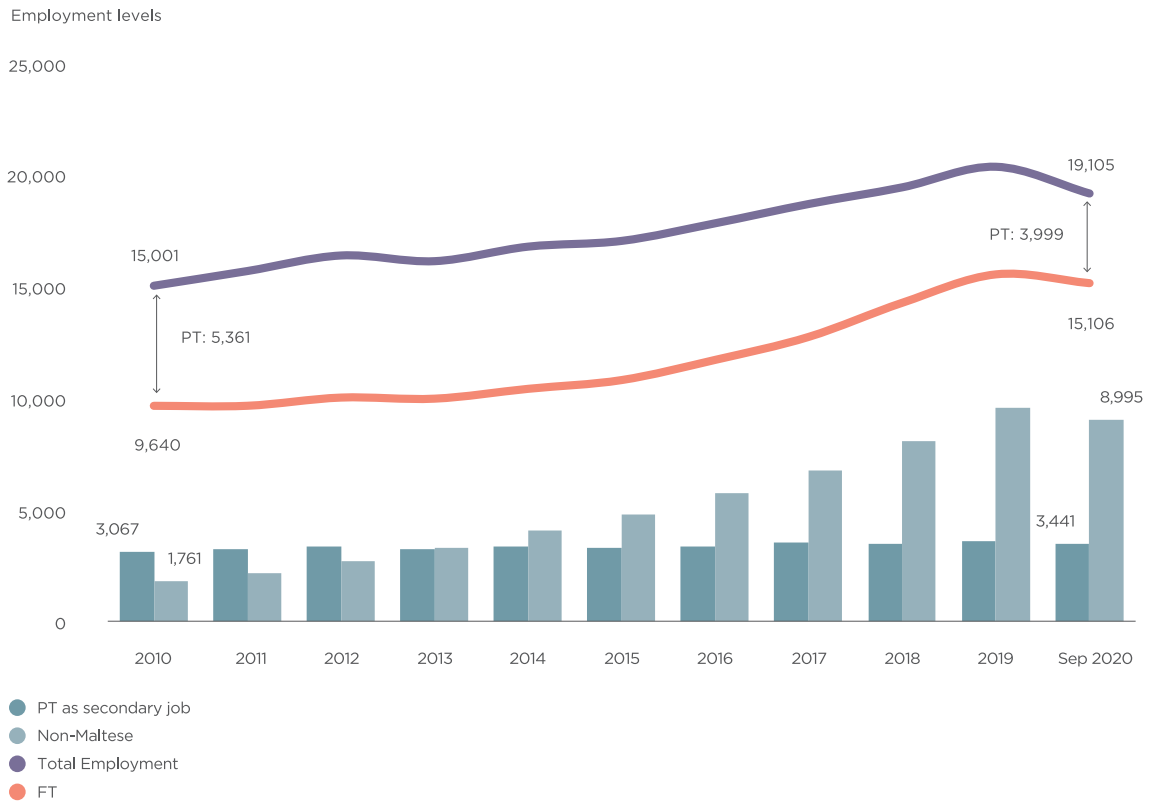


Figure A. 23
Employment in the accommodation and food sector

Source: Jobsplus, 2021



As one can infer from the above charts, after experiencing sustained annual growth, tourism has arguably been the worst-hit sector, taking the full brunt of the crisis. With travel bans in place for the most part of the year, tourist numbers and bed nights fell to an all-time low, reporting just above 600,000 tourists and 5 million nights in 2020. Tourist expenditure plummeted from €2.2 billion in 2019 to €455 million in 2020 with the sectors GVA contracting by more than 79.3 per cent. As a result, the sector's share of the total economy in 2020 stood at just 1.8 per cent, down by 3.1 percentage points over the previous years.

The measures announced to help save jobs have so far been successful with no significant drops in employment levels. Uncertainty however abounds. Hotel profitability had already plateaued in 2018, because of the ever-growing shift towards non-hotel accommodation and compounded further by the increase in hotel bed stock supply. Non-hotel accommodation increased by 165.6 per cent over the ten years between 2010 and 2019 and before the pandemic accounted for close to 47.9 per cent of total guest nights. On the other hand, guest nights in hotels increased by a far more conservative 31.4 per cent over the period under review (see Figure A.24). At the same time, the number of hotel beds increased by more than 7,000 over the period between 2013 and 2018, with the number set to continue increasing as more hotel development permits were approved before 2020 (see Figure A.25).

Figure A. 24
Tourist accommodation

Source: NSO, 2021

Tourist guest nights (000s)

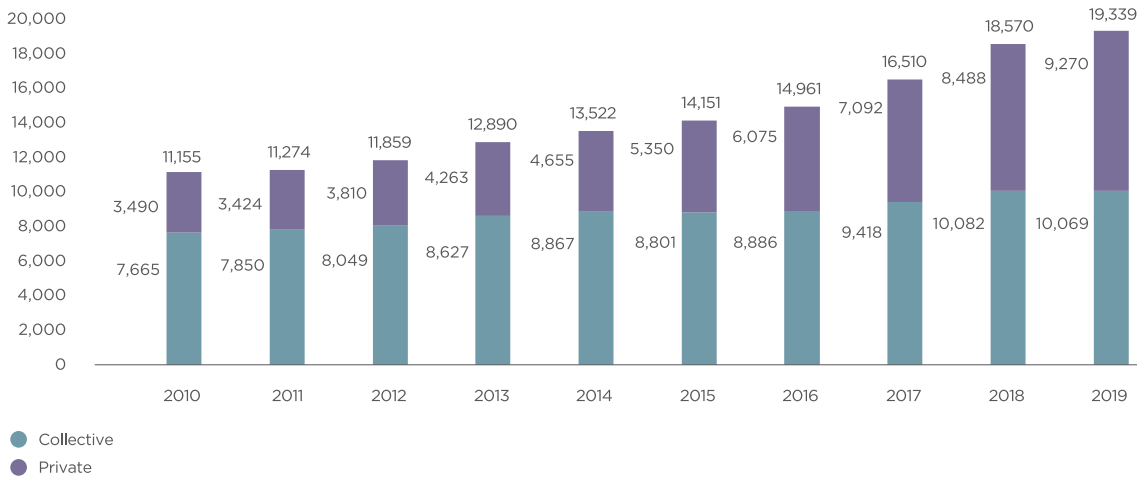
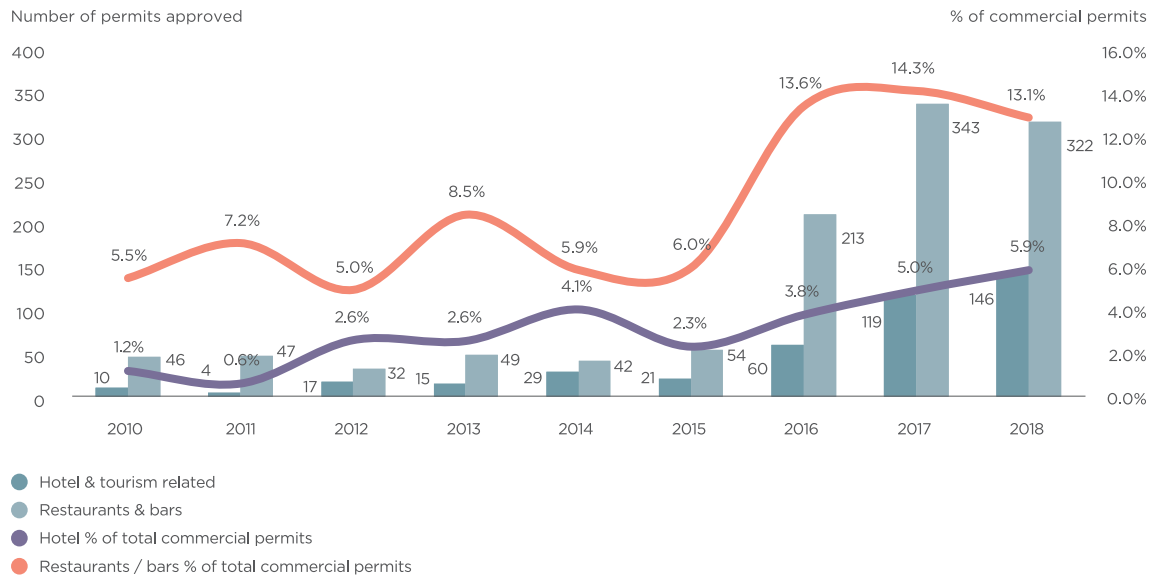


Figure A. 25
Number of tourism-related development permits approved

Source: Central Bank of Malta 2020, Planning Authority



The sector is diverse and includes many other businesses that are dependent on tourism. Event organisers, English language schools, transportation companies and others are also facing the strain. The resurgence of the tourism sector is dependent on several factors. Apart from Malta reopening its airport, the tourism industry will ultimately depend on other airports and flights connecting to Malta, and on the willingness of people to fly and go on holiday amidst the looming uncertainty. There might also be intra-sectoral consolidation. However, there needs to be a focused strategy on recalibrating the tourism sector with a renewed vision especially considering excess supply concerns and changing business models.

Table A.7
Accommodation and food services sector analysis

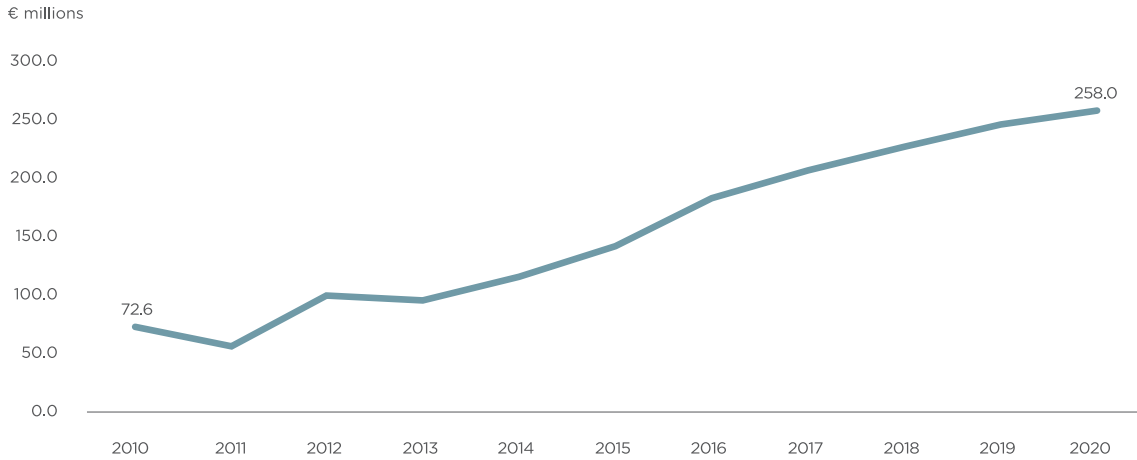
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Worse hit during Covid-19 pandemic • Recovery to reach pre-Covid-19 pandemic numbers is long • Learning to live with Covid-19 pandemic and the social distancing rules which might become habitual • Possibly an over-supply of beds and outlets • Buy-to-let boom had an impact on collective accommodation • Environmental pressures including climate change 	<ul style="list-style-type: none"> • Change in business models to survive including take-outs and home-kits • Consolidation within the sector • Need to find new niches areas to develop competitive advantages • Increase in quality and standards especially with respect to rating of properties
Employment-related	<ul style="list-style-type: none"> • Shortage of staff had to resort to non-Maltese workers • Wage increases • Focus so far has been on quantity and not quality 	<ul style="list-style-type: none"> • Upskilling in quality of service and food knowledge • Need more specialist courses in the area • Need to have digital skills
Future trends		
<ul style="list-style-type: none"> • Platform economy for accommodation • People want to move to pay per service model • Tourism and perception towards it might change particularly in light of the climate change debate 	<ul style="list-style-type: none"> • People are after experiences and becoming more discerning • Increased use of Augmented Reality (AR) and Virtual Reality (VR) in tourism • Market off-peak tourism with a focus on culture, history, outdoor activities etc. 	

A.8 Information and Communication

The information and communication sector is one of the relatively new sectors that Malta successfully targeted as part of its strategy to transform the economy towards a diversified base of service sectors. The sector has picked up significantly since Malta joined the EU, also because of other emerging sectors, such as remote gaming and fintech. Figure A.26 shows the total investment that has taken place in the sector between 2010 and 2020, increasing by 255.4 per cent during this period.

Figure A. 26
Gross fixed capital formation
in the information and communication sector

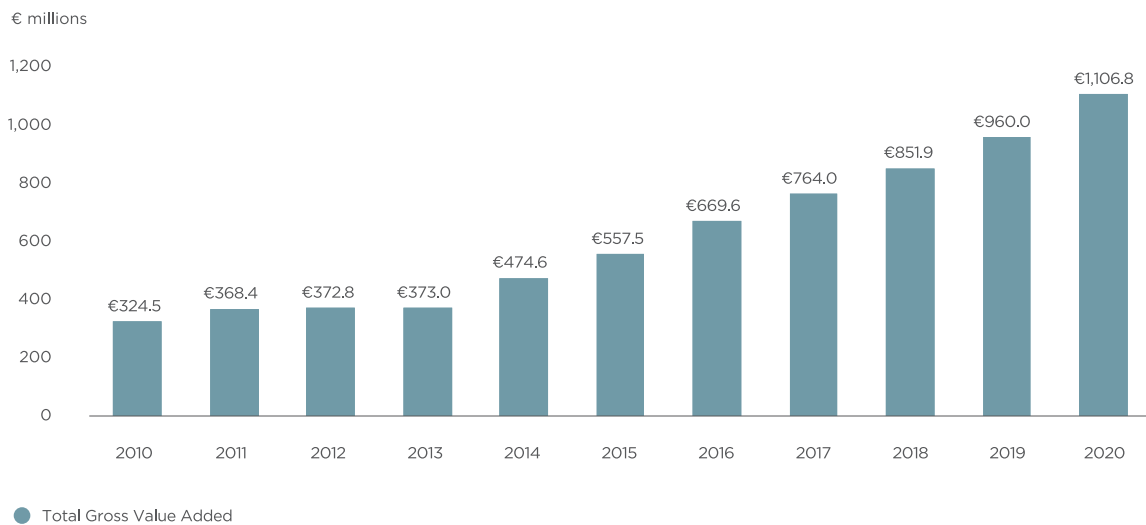
Source: Eurostat, 2021



Between 2010 and 2019 the information and communication sector in Malta grew by more than €630 million which translates into an annual average growth rate of 12.8 per cent (see Figure A.27). Today the sector accounts for 9.6 per cent of the total economy, second only to the professional services sector which also experienced significant growth on the strength of elevated economic conditions.

Figure A. 27
Information and
communication GVA

Source: NSO, 2021



Malta's economic transformation into sectors such as this one has also provided the economy with some much-needed resilience in the wake of the current crisis. The pandemic and related social distancing restrictions have brought to the fore the role of digital transformation. This has had a positive impact on the sector, with a surge in demand to support companies in a makeshift and emergency digital transformation. Numerous companies required solutions for employees to work remotely and several client-facing businesses have sought to transform their brick-and-mortar shops into eCommerce platforms. However, some large-scale projects are believed to have been postponed by clients due to uncertainty. All in all, the sector registered the highest growth in 2020 when compared to other sectors of the Maltese economy with the sector's GVA growing by more than 15.0 over the previous year to exceed for the first time the €1 billion mark.

The sector expects a maintained strong level of activity over the foreseeable future as more companies continue to focus on digital transformation in the wake of realities concerning the working world and the office which have permanently changed because of the Covid-19 pandemic. The sector expects to see an increase in demand for cloud services and services relating to remote working. Also, retail outlets are focusing more on their online presence by not only improving their social media presence, but also the customer experience on their online platforms.

Another important element of this sector

is that it has translated into high-value employment, with an annual growth rate standing at 5.9 per cent between 2010 and 2019 and with higher-than-average salaries, providing for stronger spending powers that boost private consumption at household levels. With more than 19.5 per cent of the total workforce in the sector being EU nationals, this sector has supported other important industries including the rental market, entertainment, and hospitality.

Figure A. 28
Employment in the information and communication sector

Source: Jobsplus, 2021

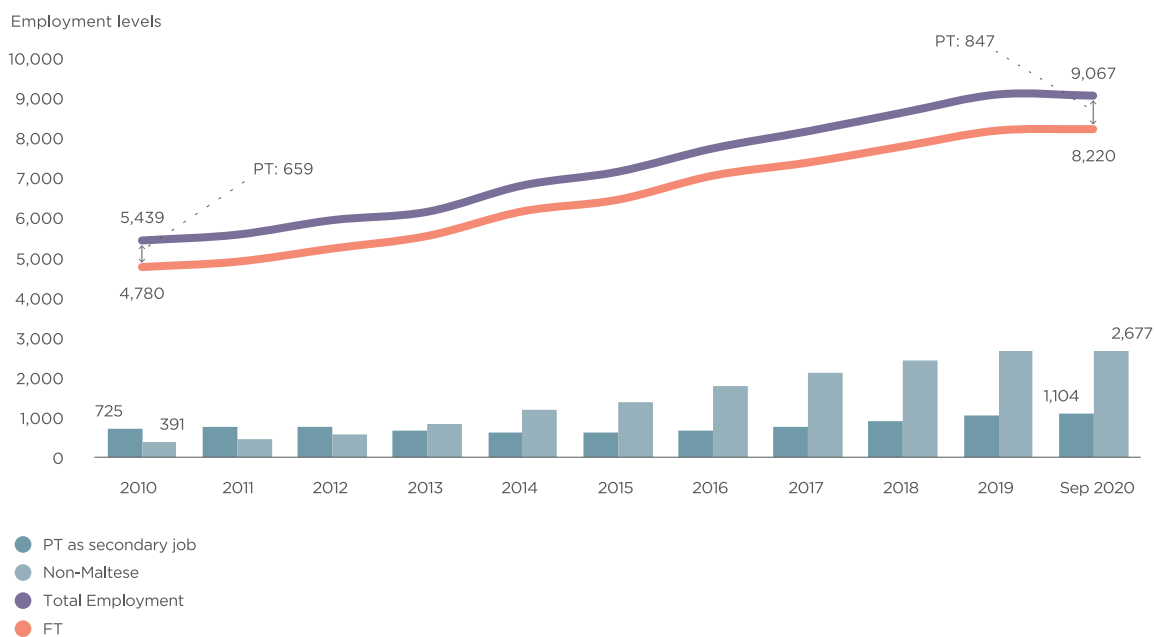


Table A.8
Information and communication sector analysis

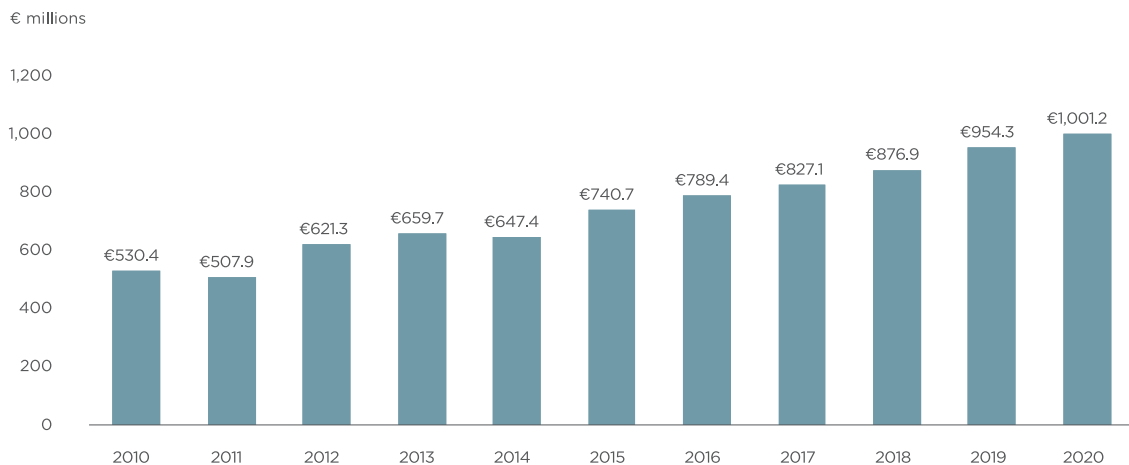
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> Lack of resources Wage growth Infrastructure related to emerging technologies including cyber security Need a more conducive ecosystem 	<ul style="list-style-type: none"> Strong demand for technology services Regulatory innovation to support new niches, also in other sectors such as FinTech Ability to employ remote workers Malta is building a reputation within the sector
Employment-related	<ul style="list-style-type: none"> Need a stronger pipeline of students Workers are becoming more expensive with a reliance on foreign workers Mismatch between industry requirements and available skills and qualifications 	<ul style="list-style-type: none"> Digital nomads can attract key talent Various incentives to attract quality talent through schemes such as the Highly Qualified Persons (HQP) rules
Future trends		
<ul style="list-style-type: none"> Digital transformation will remain pervasive across all sectors AI will be a key technology together with AR and VR and will impact daily lives and jobs Data will be the new gold 	<ul style="list-style-type: none"> Cybersecurity will be critical for companies and countries Digital infrastructure will be a key competitiveness driver 	

A.9 Financial Services

The financial and insurance services sector has emerged as one of the most important economic sectors developed in Malta over the past two decades. In recent years, the sector has continued to grow and develop, with an average of 6.7 per cent each year between 2010 and 2019, reaching a gross value added of €954 million or 7.9 per cent of the total economy in 2019 (see Figure A.29). Over the years, the sector developed beyond the traditional banking services and today includes a strong capital market and the offering of several digital financial instruments. Growth was also driven by insurance and pension funding which more than doubled over this period with innovative regulations governing the establishment of Protected Cell Companies, being a key element in attracting several captives and cell companies to Malta.

Figure A. 29
Financial services
and insurance GVA

Source: NSO, 2021

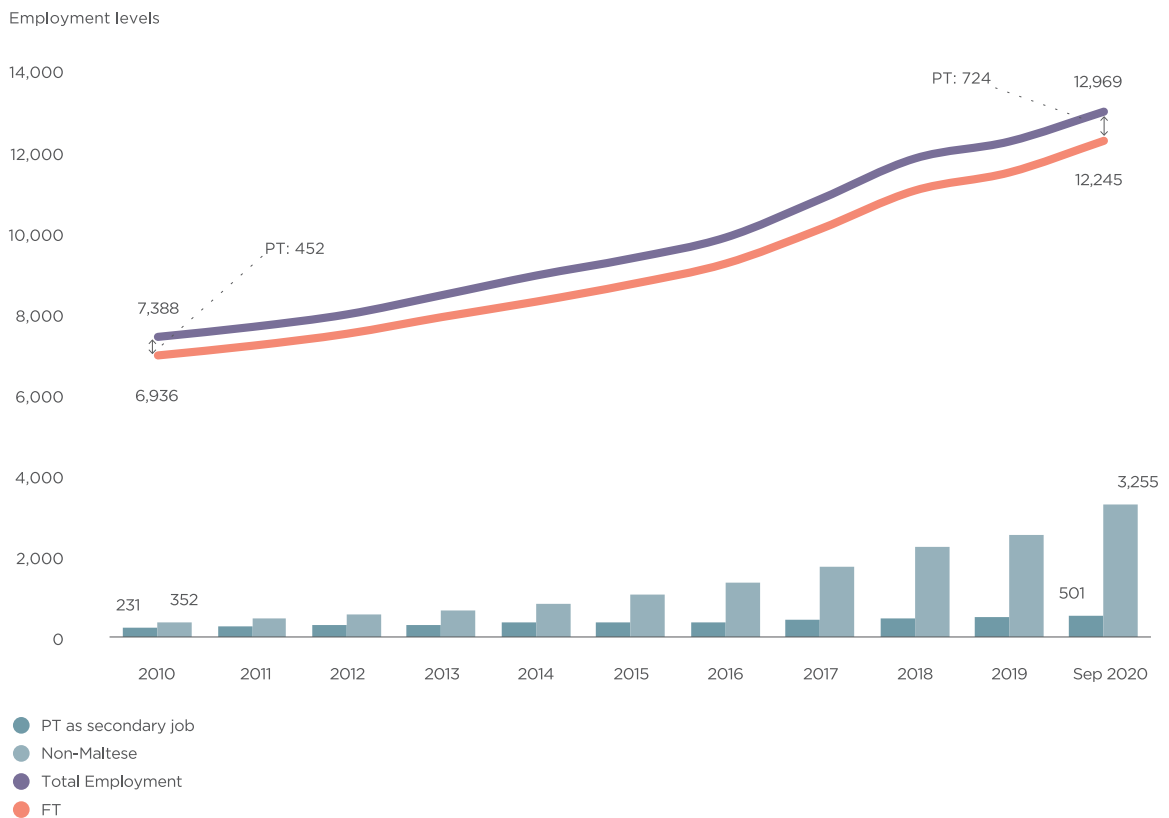


The financial services' sector is built around dealing with volatility and the sector has an in-built resilience to exogenous shocks. Companies operating in the sector have long been at the forefront of digitalisation and have likewise been quick to adapt to changing realities brought about by the Covid-19 pandemic. As a result, the sector still registered a growth of 4.9 per cent in 2020 to exceed a GVA of €1.0billion.

Financial services and insurance activities are also the main drivers behind inward foreign direct investment accounting for 87.0 per cent of total FDI flows into Malta in 2019 and over 97.0 per cent of the total value of FDI stocks in Malta by the end of 2019 which stood at €183.3 billion.

In line with the above developments, the sector continued to generate new jobs and attract talent. Employment levels during the period between 2010 to 2019 increased by more than 4,800 at an average annual rate of around 5.8 per cent. Like most other knowledge-based sectors, financial services in Malta also attracted a considerable number of non-Maltese workers, namely from EU countries, which today account for around 16.0 per cent of the total workforce in this sector with another 9.1 per cent coming from non-EU countries (see Figure A.30).

Figure A. 30
Employment in the financial services and insurance sector
 Source: Jobsplus, 2021



The sector continues to play a key role in supporting the general economy and players need to ensure that they can access funding instruments that are available to support local companies. For banks and credit institutions, the short-term challenges revolve around the ability of clients to meet their debt obligations, while at the same time continue providing liquidity to businesses.

Currently, liquidity within the domestic banking sector is solid, with total household deposits reaching €16.3 billion in February 2021, up from €14.66 billion in February 2019, while in Q4 2020 the loan to deposit ratio stood at 79.5 per cent, compared to the 96.3 per cent average recorded in the Euro Area. This confirms the relative strength of the domestic banking sector liquidity (ECB 2021).

Challenges relating to reputational issues and FATF requirements for additional reforms remain pressing and these reforms need to take place to re-establish Malta as an international regional finance hub. At the same time, monetary authorities must keep a close eye on the banking sector's exposure to certain sectors, particularly as liquidity and potential solvency issues could arise in the aftermath of the Covid-19 pandemic.

Table A.9
Financial services and insurance sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Reputation issues surrounding the jurisdiction • FATF decision to place Malta under enhanced monitoring • Regulatory and compliance impact • Administrative delays in processing and excessive bureaucracy • High staff turnover at authorities impacting service delivery • EU stance on financial transaction tax 	<ul style="list-style-type: none"> • Mature sector with significant FDI • Increased use of technology and digital tools • Sector has potential to further transform itself and attract new business through innovative regulation
Employment-related	<ul style="list-style-type: none"> • Lower productivity because of compliance • Lack of resources that are industry-ready • Reliance on non-Maltese workers 	<ul style="list-style-type: none"> • Need to attract experienced talent through HQP • More industry collaboration with educational institutions to have courses that reflect changing industry needs • Opportunities within finance for non-finance graduates from ICT and STEM
Future trends		
	<ul style="list-style-type: none"> • Regulatory innovation is key • Compliance and AML will continue dominating the industry 	<ul style="list-style-type: none"> • Digital services will also transform the industry and create new niches requiring finance and non-finance skills

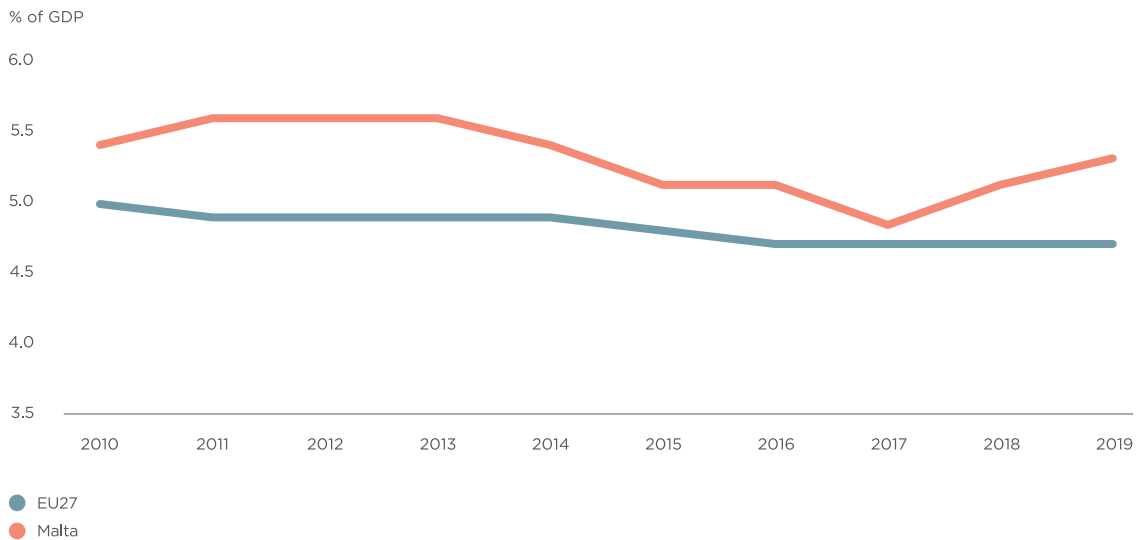
A.10 Education

Education is seen as the foundation of economic growth and human development. In essence, no country can achieve sustainable economic development without substantial investment in human capital. Education enriches people's understanding, improves the quality of their lives, and leads to broad social benefits to individuals and society. Education drives productivity and creativity, and promotes entrepreneurship and technological advances. It thus plays a very crucial role in securing economic resilience and social progress, and improving income distribution.

Since Malta lacks natural resources, labour remains the only natural factor of production the economy can deliver and nurture locally. For this reason, consecutive Governments have invested heavily in the country's educational system and allocated resources towards increasing the knowledge and skills of its labour force. In this regard, the Government expenditure on education as a percentage of GDP in Malta exceeded the EU average throughout the years (see Figure A.31).

Figure A. 31
Government expenditure on education as a percentage of GDP

Source: Eurostat, 2021



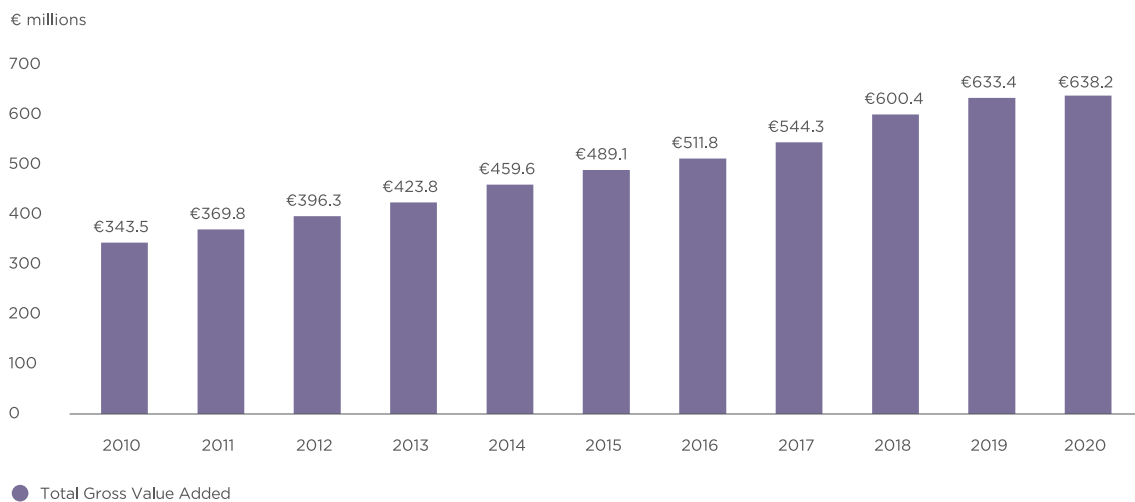
With unemployment levels decreasing steadily over the past years, reaching an all-time low of 3.6 per cent in 2019 (NSO 2021), and the emergence of new specialised knowledge sectors, one can attest that this increased investment in education has borne fruit by contributing to a more employable workforce, across all sectors and levels of employment. Notwithstanding this investment, the European Commission has repeatedly brought to the attention of the local authorities that persistent figures of high early school leaving and underachievement of the Maltese students will have both long-term economic and social implications.

From a private investment point of view, the education sector is also prospering, largely due to the presence of several English Language Teaching (ELT) schools for foreign students, as well as the establishment of several education institutes and training centres with affiliations to reputable universities and industry leaders abroad. Schemes such as childcare support and the increase in the number of non-Maltese working in Malta have also motivated private investment in this sector. The sector continues to be well placed to create opportunities for UK-based institutions facing the EU as well as serve as a centre for specialised areas and a regional hub for North Africa once the region picks up.

Between 2010 and 2019 the education sector grew steadily recording an annual average growth rate of 7.0 per cent. Despite disruptions to the educational system stemming from Covid-19 pandemic related restrictions, the overall sector still grew, albeit marginally, by 0.8 per cent, in 2020. The ELT sector, on the other, suffered significantly on the same lines as the tourism sector as travel restrictions were introduced and uncertainty proliferated.

Figure A. 32
Education GVA

Source: NSO, 2021



Employment within the educational sector has grown by an average rate of 3.2 per cent per annum between 2010 and 2019, reflecting the sector’s overall growth during this period. Education now accounts for 7.9 per cent of Malta’s gainfully occupied population.

Figure A. 33
Employment in the education sector

Source: Jobsplus, 2021

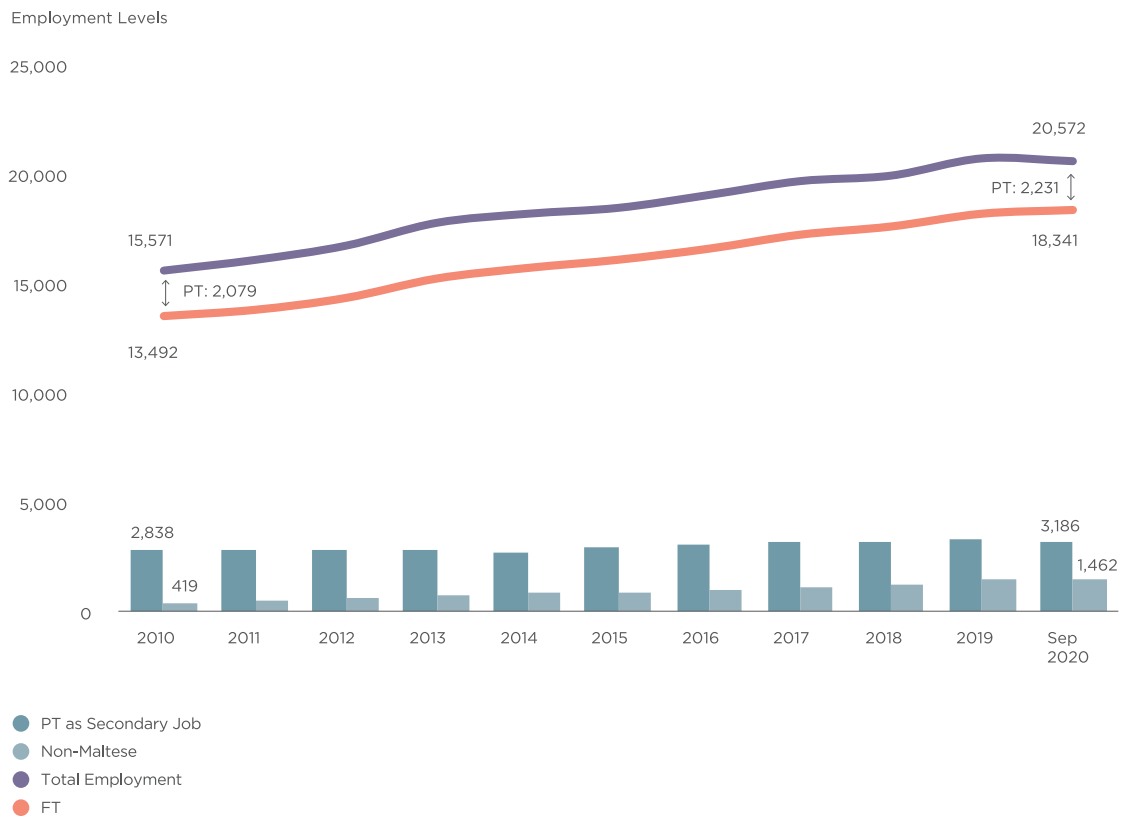


Table A.10
Education sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Covid-19 pandemic has impacted the ELT sector • Rising accommodation costs for students • Increases in wages in the sector • Lacks international schooling facilities especially for expats • Not enough resources being devoted to technical and vocational skills 	<ul style="list-style-type: none"> • Digital transformation of the sector • Brexit can create opportunities for UK-based institutions to target EU • Malta can be a regional hub as North Africa picks up • Establish Malta as a centre for specialised areas • Schemes such as childcare support have allowed private investment • Need for international schooling facilities • Reduce gaps between academia and industry
Employment-related	<ul style="list-style-type: none"> • Wages and employment packages are not attracting students to the teaching profession • Not enough resources for ancillary positions such as LSEs, childcare assistants, etc • Online education requires new approaches to teaching 	<ul style="list-style-type: none"> • New markets through online learning • New sectors like childcare created new opportunities for learning
Future trends		
<ul style="list-style-type: none"> • Online learning will remain pervasive • Executive education increasing in importance 	<ul style="list-style-type: none"> • Industry-led certifications will play a key role • Important to cater for upskilling of current workforce through tailor-made courses 	

A.11 Health

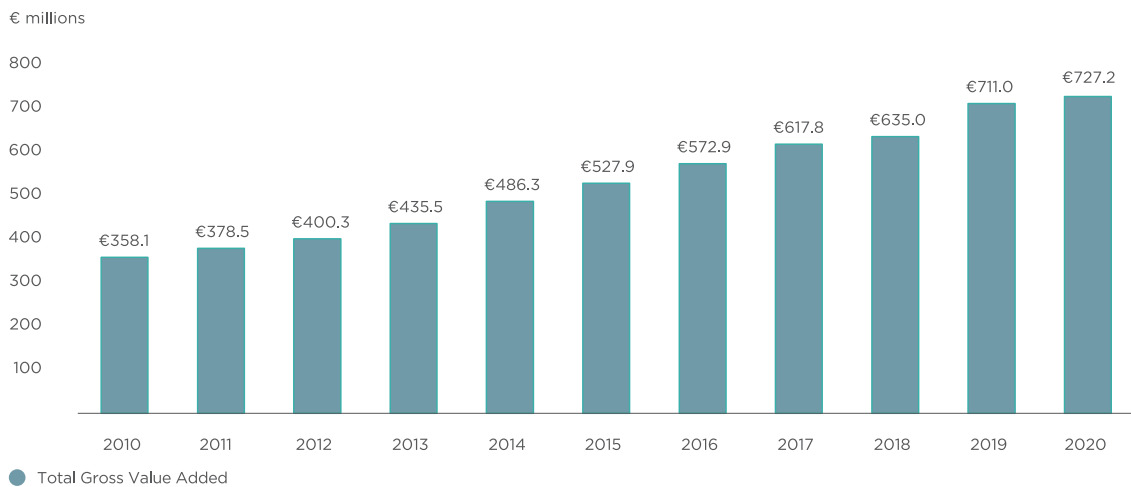
As is the case with the education sector, the health sector is also seen as one of the foundational elements of economic and human development. The Covid-19 pandemic has probably been a good eye-opener to the mantra that no matter how much money one has, or the rate of GDP a country records, health has the ultimate bearing on one's well-being. As experienced over the past year, the Covid-19 pandemic has put to the test health systems around the world. Malta was no exception, and it too felt the strains of this health crisis as cases spiked from time to time. However Malta's health system was prepared to take on the challenge.

As a fundamental human right, most Governments around the world have recognised the importance of investing inadequate healthcare infrastructure. Malta is no exception in this regard, whereby the total amount of expenditure by the Government on healthcare, as a percentage of GDP, has also been increasing throughout the years.

In fact, according to the 2019 World Health Organisation (WHO) report on Malta, the country has recorded “one of the largest increases in per capita health expenditure in the EU over the last decade”, increasing by over 60.0 per cent in 2017 when compared to 10 years earlier, which in nominal terms equates to an additional €2,732, spent per individual (European Commission, 2019). Figure A.34 shows that in terms of GVA the health sector grew steadily between 2010 and 2019 with an average annual growth rate of 7.9 per cent. As expected, the sector continued to grow during 2020 on the back of investments undertaken in response to the Covid-19 pandemic and today the sector accounts for roughly 6.3 per cent of the total economy, up from 5.9 per cent in 2019.

Figure A. 34
Health and social work GVA

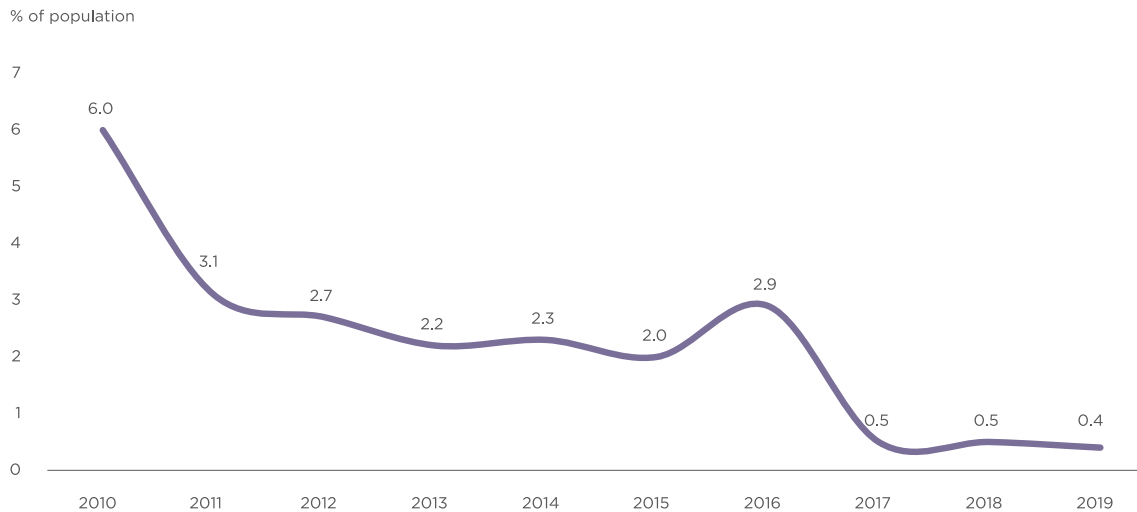
Source: NSO, 2021



Through the provision of free healthcare, successive Governments in Malta have served as catalysts to ensure the availability of healthcare to all individuals, irrespective of which level of society they come from. Recent statistics from 2019 indicate that Malta ranks amongst the lowest countries with unmet medical needs, standing at just 0.4 per cent of the total population (see Figure A.35). This trend has been consistently decreasing throughout the past 10 years.

Figure A. 35
Percentage of declared
unmet medical needs

Source: Eurostat, 2021



However, Malta has over the past years seen some very rapid socio-economic and demographic shifts presenting new challenges to the sector, not least from a human capacity point of view. With a growing population, primarily triggered by the influx of migrant workers, demands for health services have followed suit. Demographically, Malta is also experiencing an ageing population, and this has long been having pressures on some sectors of the healthcare profession, particularly nurses and carers. Changes to our lifestyles and way of living are also starting to leave their mark on the country's overall state of health, particularly mental well-being, which despite all efforts by key stakeholders continues to fall under the radar.

In line with these developments, the sector today employs close to 22,000 healthcare professionals, which accounts for roughly 7.8 per cent of the total Maltese labour force. To complement existing human resource shortages, the sector also employs around 4,200 non-Maltese, which has increased significantly over the past decade from just 392 in 2010 (see Figure A.36).

Figure A. 36
Employment in the health and social work sector

Source: Jobsplus, 2021

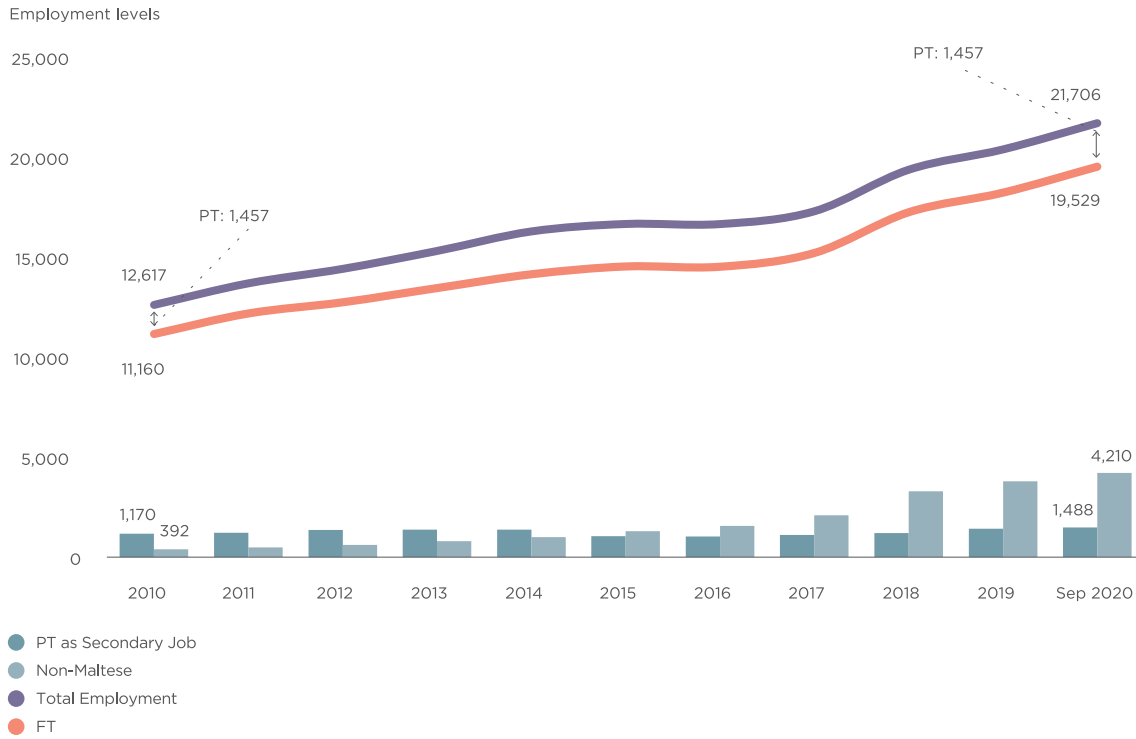


Table A.11
Health and social work sector analysis

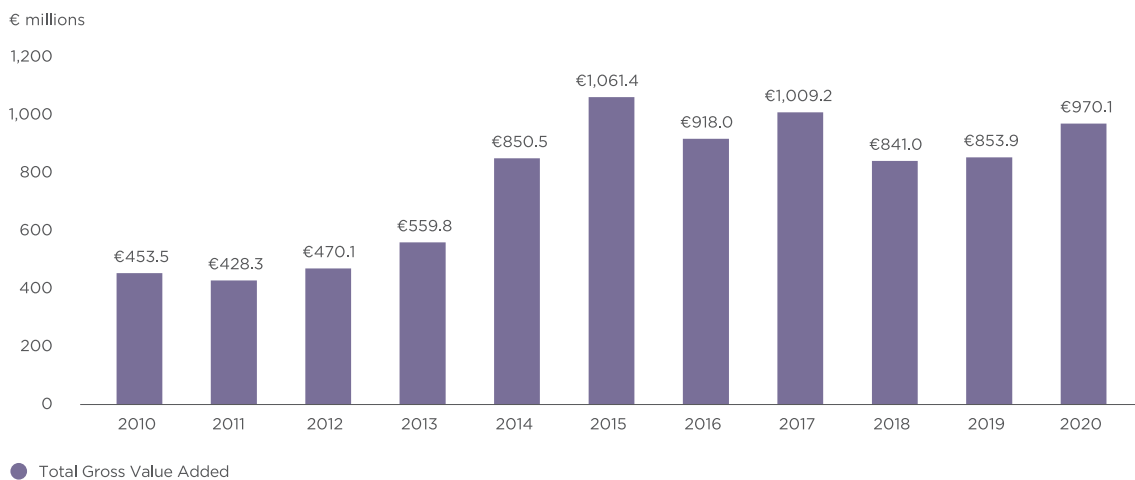
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> Limited space and resources Covid-19 pandemic has put a strain on the system Mental health remains a key challenge Additional investment is required in community and primary care Health prevention is a key concern 	<ul style="list-style-type: none"> Medical tourism Additional Public-Private Partnership in the sector Move towards healthcare and well-being Telemedicine can open up export markets too Use of technology can help reduce the stress on the system
Employment-related	<ul style="list-style-type: none"> Lack of local resources for some professions Reliance on non-Maltese workers Conditions remain challenging especially in public sector 	<ul style="list-style-type: none"> Need to get more resources both local and foreign Increased digital transformation requiring specific skills Need more multi-disciplinary courses
Future trends		
<ul style="list-style-type: none"> Personalised medicine Growth of telemedicine around the world 	<ul style="list-style-type: none"> Greater interest in well-being and health care Role of technology and AI in healthcare and prevention 	

A.12 Gaming

The Maltese gaming sector, as we know it today, started as one of the new services' sectors that Malta was beginning to explore as part of its targeted strategy to attract new diversified and novel areas of economic activity. The first online gaming businesses arrived in Malta in the late 1990s, well before the online boom. Nowadays, the Maltese gaming sector has grown into one of the largest contributors to the economy and hosts several prestigious names in its portfolio of companies based here. Between 2010 and 2019 the sector grew by more than 88.3 per cent or an average annual growth rate of 7.3 per cent and today accounts for 8.4 per cent of the total Maltese economy. The gaming sector is an important user of services provided by other sectors of the Maltese economy, namely professional services, and information and communications, boosting further economic activity. To this end, the sector's contribution goes up to more than 12.0 per cent of the economy if one considers the indirect and induced effects.

Figure A. 37
Gaming GVA

Source: NSO, 2021

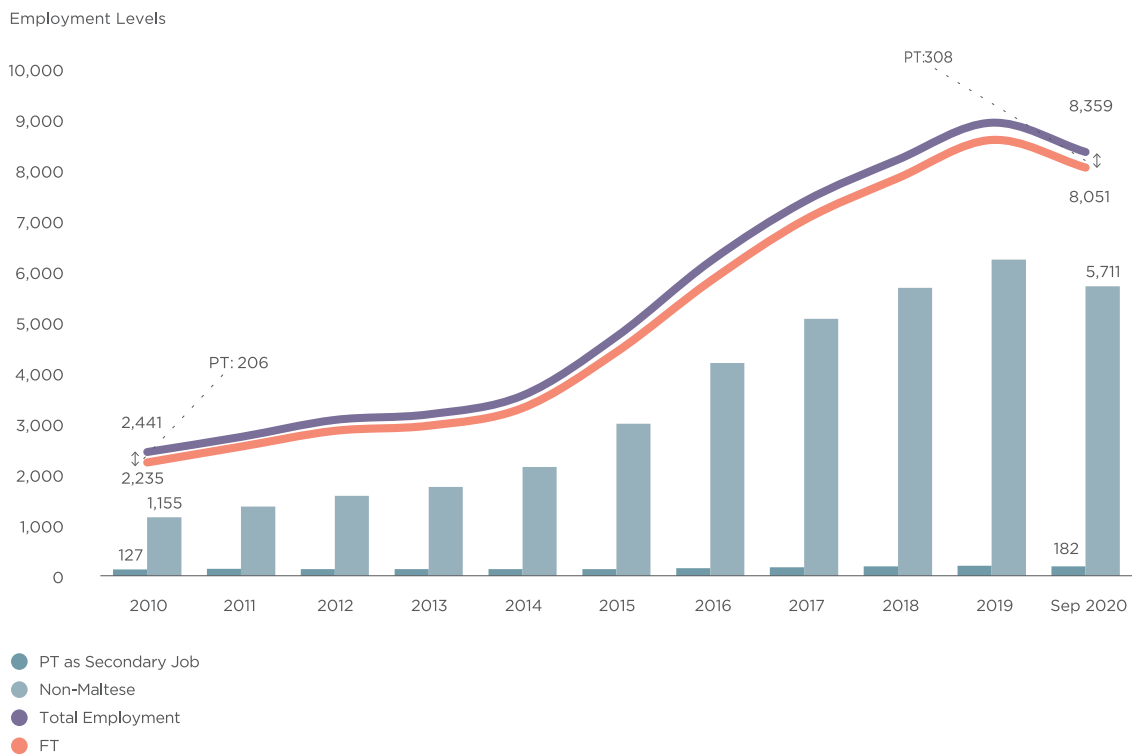


The pandemic and the related social distancing restrictions have brought to the fore the role of digital transformation. Various companies within the remote gaming sector have successfully leveraged their digital systems to facilitate the transition towards remote working, thus limiting business interruptions. At the same time, firms that were heavily focused on sports betting have been hard-hit, with some experiencing a shift in traffic from sports betting which has stopped due to the cancellation of all sporting events to other forms of betting including casinos, poker and esports. Overall, the sector however registered significant growth in 2020 to the tune of 13.6 per cent in GVA, surpassed only by the information and communications sector.

Employment growth has been similarly impressive, as shown in Figure A.38 below, with the total workforce increasing by an average of 15.5 per cent annually between 2010 and 2019. Today, the gaming sector directly employs more than 8,000 full-timers and provides for a significant number of professionals who indirectly support the industry through ancillary services.

Figure A. 38
Employment in the Gaming Sector

Source: Jobsplus, 2021



In 2020, employment levels fell by almost 600 employees, but this is not related to an economic slowdown but owing to M&A (mergers and acquisitions) transactions that are quite prevalent in this sector. It is also a general reminder that despite its success, the sector remains highly volatile and thus it is important to continue innovating by way of new regulatory practices and a renewed vision.

Table A.12
Gaming sector analysis

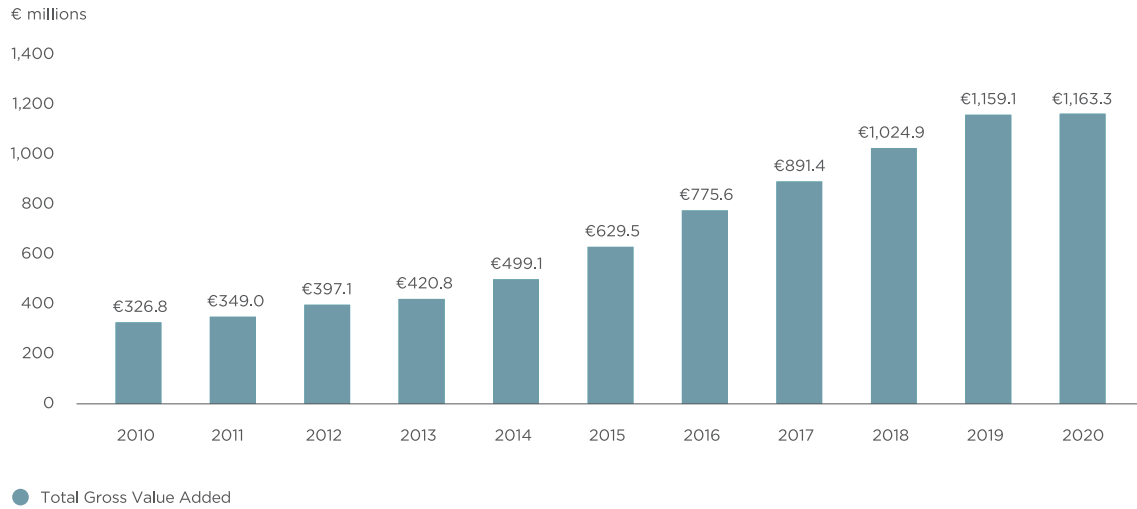
	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Compliance and KYC • Responsible gaming requirements • Multi licensing requirements • Reputational issues • Supporting infrastructure which is at times inadequate 	<ul style="list-style-type: none"> • New niche sectors such as esports • Technology developments such as machine learning, AI and blockchain • New markets to conquer, such as Africa • Development of a holistic ecosystem around the industry • Renewed vision for the sector
Employment-related	<ul style="list-style-type: none"> • Lack of home-grown skilled resources • Competitiveness issues due to increasing wages and rising costs • Educational courses are not yet aligned with industry requirements • Reliance on non-Maltese workers for specific skills and international c-suite experience 	<ul style="list-style-type: none"> • More collaboration between industry and educational institutions • Improved schemes and incentives for highly qualified people • Incentives for training
Future trends		
<ul style="list-style-type: none"> • New areas such as e-sports will dominate • New markets such as Latin American (LATAM) and Africa will launch 	<ul style="list-style-type: none"> • Regulatory developments will continue • Enhanced use of technology 	

A.13 Professional and Administrative Support Services

The professional services' sector has been the top contributor to GDP growth in recent years, growing by more than €830 million between 2010 and 2019 or by an average annual growth rate of 15.1 per cent (see Figure A.39). Today the sector, which encompasses a wide range of key business support functions, including legal and accountancy services, advertising, consultancy and other scientific and technical services, accounts for 9.6 per cent of the total Maltese economy. The sector's performance during this period mirrors elevated levels of growth recorded in other sectors of the Maltese economy like construction, remote gaming and financial services which have strong sectoral linkages to the professional services sector as users of intermediate inputs.

Figure A. 39
Professional services GVA

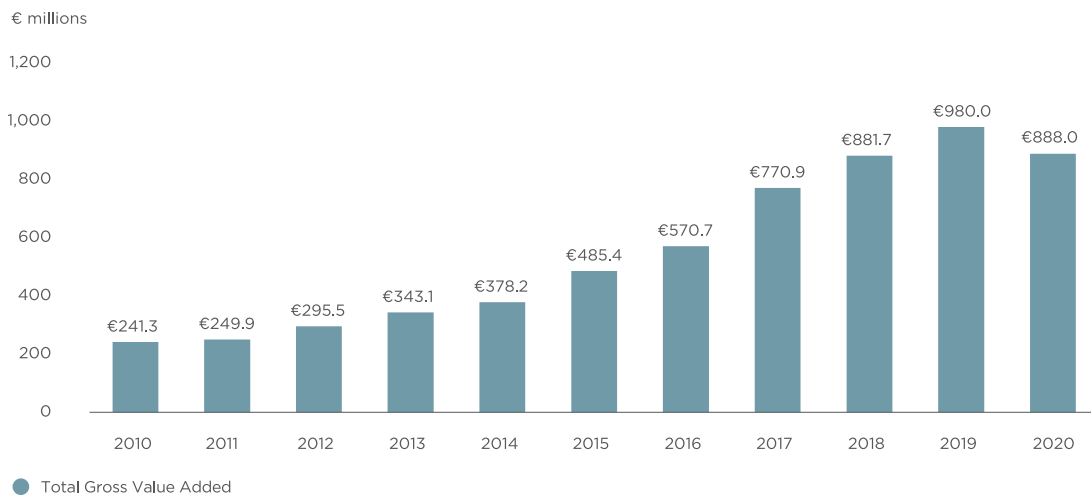
Source: NSO, 2021



On the back of strong economic performance in the professional services sector, but also in other key sectors such as remote gaming and financial services, the administrative and support services' sector, which includes an array of activities that support general business operations such as leasing activities and office support, registered impressive growth during this period. Indeed, in this latter sector, GVA increased from €241 million in 2010 to €980 million in 2019 (see Figure A.40). With an average annual growth rate of 16.9 per cent, the sector's performance outpaced any other sector of the Maltese economy, though it is essentially important to keep in mind that growth is intrinsically dependent on growth in these other sectors.

Figure A. 40
Administrative and support services GVA

Source: NSO, 2021



Sectoral growth in both the professional services and administrative and support services has directly translated into more jobs which collectively increased by more than 28,000 since 2010, to reach 19,211 employees in the professional services sector (Figure A.41) and 26,494 head counts in the administrative and support services sector (Figure A.42) by September 2020. Both sectors also employ a good number of non-Maltese workers, again an important source of revenue for other critical sectors of the Maltese economy.

Figure A. 41
Employment in the professional services sector

Source: Jobsplus, 2021

Employment Levels

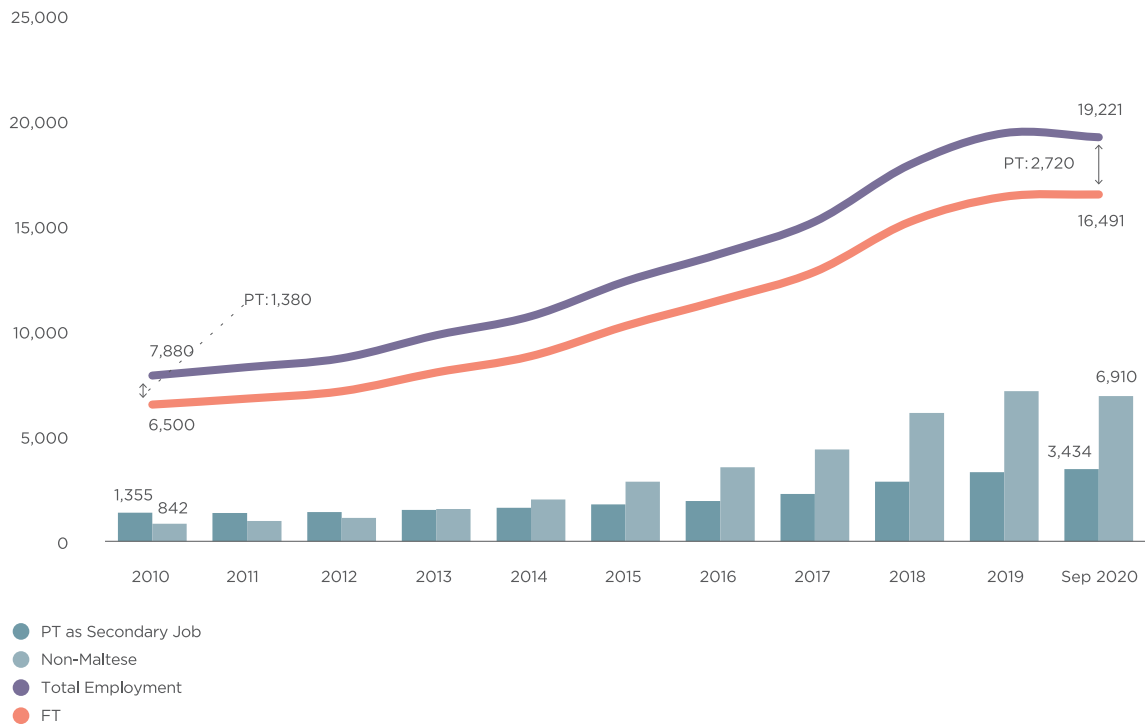
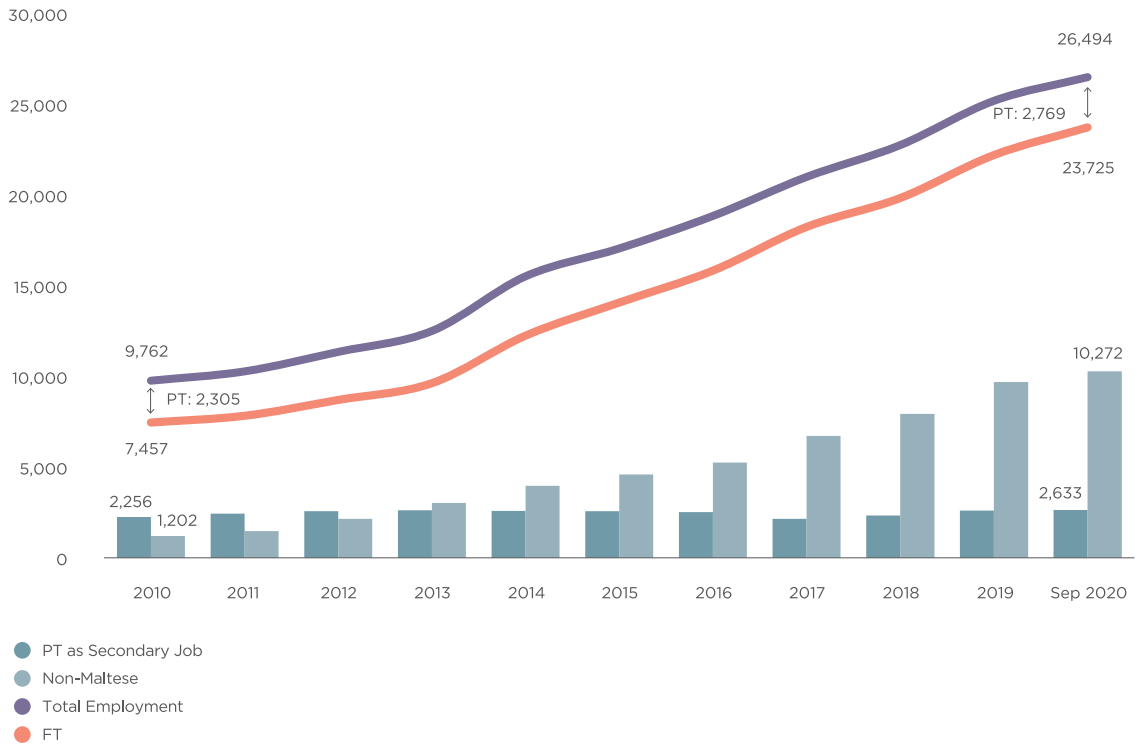


Figure A. 42
 Employment in the administrative and support services sector

Source: Jobsplus, 2021

Employment Levels



In the immediate term, the professional services' sector has been indirectly affected by the impact of the Covid-19 pandemic, mainly due to the slowdown in other key sectors and only registered marginal growth in GVA. In contrast, the administrative and support services sector contracted by 9.4 per cent, further confirming the strong links that this sector has to the performance of the overall economy. In employment terms, both sectors maintained their 2019 positions. In the medium to long term, both sectors remain averse to the potential after-effects of the pandemic with the service confidence indicator in March this year still very much in negative territory at -11.1, deteriorating from -5.3 at the beginning of 2021 (European Commission 2021).

Table A.13
Professional and administrative support services sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> Regulatory and compliance impact Administrative delays in processing and excessive bureaucracy High staff turnover at authorities impacting service delivery Reputation issues surrounding the jurisdiction Significant reliance on non-Maltese workers 	<ul style="list-style-type: none"> Increased use of technology and digital tools Sector has potential to further transform itself and attract new business through innovative regulation Various opportunities to support transition to digital and green economy Near-shoring can be an opportunity for the island in an era of enhanced remote working
Employment-related	<ul style="list-style-type: none"> Lower productivity as a result of compliance Lack of resources which are industry-ready Reliance on non-Maltese workers Lack of multi-disciplinary approach Certain traditional specialisations may become redundant in the future in the wake of AI and other technology disruptions 	<ul style="list-style-type: none"> Need to attract experienced talent through HQP More industry collaboration with educational institutions to have courses which reflect industry needs
Future trends		
	<ul style="list-style-type: none"> Sector will continue being transformed through technology 	<ul style="list-style-type: none"> Regulatory innovation will be key for the sector

A.14 Arts and Creative Sector

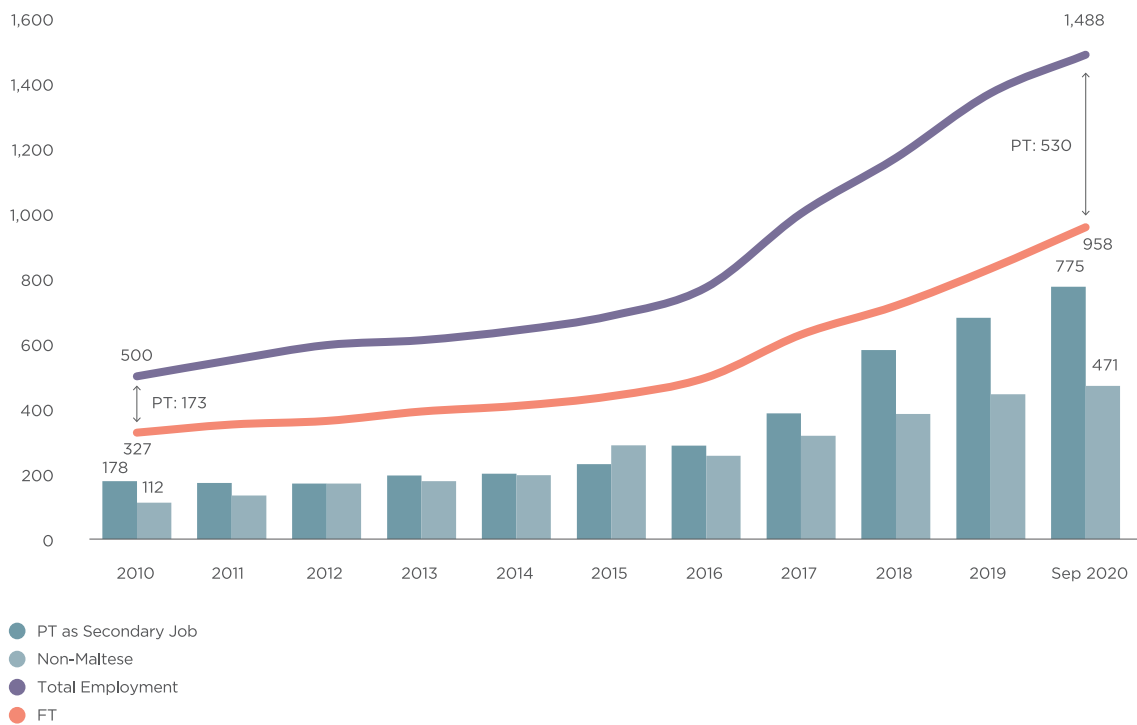
The creative industry has the potential to become a strategic sector to boost competitiveness, productivity, employment, and sustainable economic growth. Besides being used more frequently to promote social integration, social values, and cultural promotion, its dynamic character has shown how its implementation could help to boost other industries in uncertain periods. Companies related to creativity and new communication methods are in continuous expansion and with time their social and economic role is becoming more important. The value of a product is becoming increasingly more reliant on its originality, uniqueness, performance and appearance. For this reason, the creative industry is seen as a tool for innovation that can be implemented in many other industries, creating synergies with these sectors. Likewise, creative people with communicative skills and problems resolution are growing high in demand in the labour market.

In Malta, the creative sector is still very much in its infancy, employing just over 1,480 people by September 2020, 35.6 per cent of which are on a part-time basis (see Figure A.43). Notwithstanding these numbers, the sector is ripe with the opportunity to become one of Malta's novel niche markets, especially post recovery and has been showing signs of vigour, with employment levels more than doubling in the period between 2010 and 2020. The sector is already a major contributor to key economic sectors, such as gaming which banks on several creatives for the artistic design of games, as well as the tourism industry which draws on activities, festivals and other cultural events organised by homegrown artists to promote an authentic Maltese experience. The creative sector also comprises the film industry which has over the years attracted film producers of international repute and presented Malta as a backdrop for several Oscar nominations and award-winning movies.

Figure A. 43
Employment in the arts and creative sector

Source: Jobsplus, 2021

Employment Levels



In more recent years, particularly in the run-up to Malta holding the title of European Capital of Culture for 2018, the sector started receiving more support, and its importance is today widely acknowledged by both private and public sectors. The sector however continues to face diverse challenges which relate to financing constraints, limited vocational training, lack of knowledge in other sectors on how to create synergies with the creative sector and other structural problems that continue to need investment within the parameters of a holistic vision for the sector.

Table A.14
Arts and creative sector analysis

	Challenges	Opportunities
Sector-related	<ul style="list-style-type: none"> • Covid-19 pandemic has hit-hard the sector • Sector is not yet seen as important as other economic sectors • Lack of funding; dependent on subventions and not self-financing 	<ul style="list-style-type: none"> • Need for a holistic vision and transformation of sector • Increased contribution to the economy especially post-recovery • The film industry in Malta continues to present a lucrative niche for Malta's economy • Increased use of technology and digitalisation
Employment-related	<ul style="list-style-type: none"> • Market is small impinging on interest • Covid-19 pandemic likely to negatively affect perception towards industry from an employment perspective 	<ul style="list-style-type: none"> • New opportunities in the sector have increased, so has talent and the quality of productions • Various initiatives are supporting people in the industry • Growing local talent pool of people with international training and experience
Future trends		
	<ul style="list-style-type: none"> • Increased use of technology such as AR and VR • Arts being used in various other sectors especially skills related to creativity and design 	<ul style="list-style-type: none"> • Arts becoming increasingly important to teach soft skills so much required by professions employed in other economic sectors





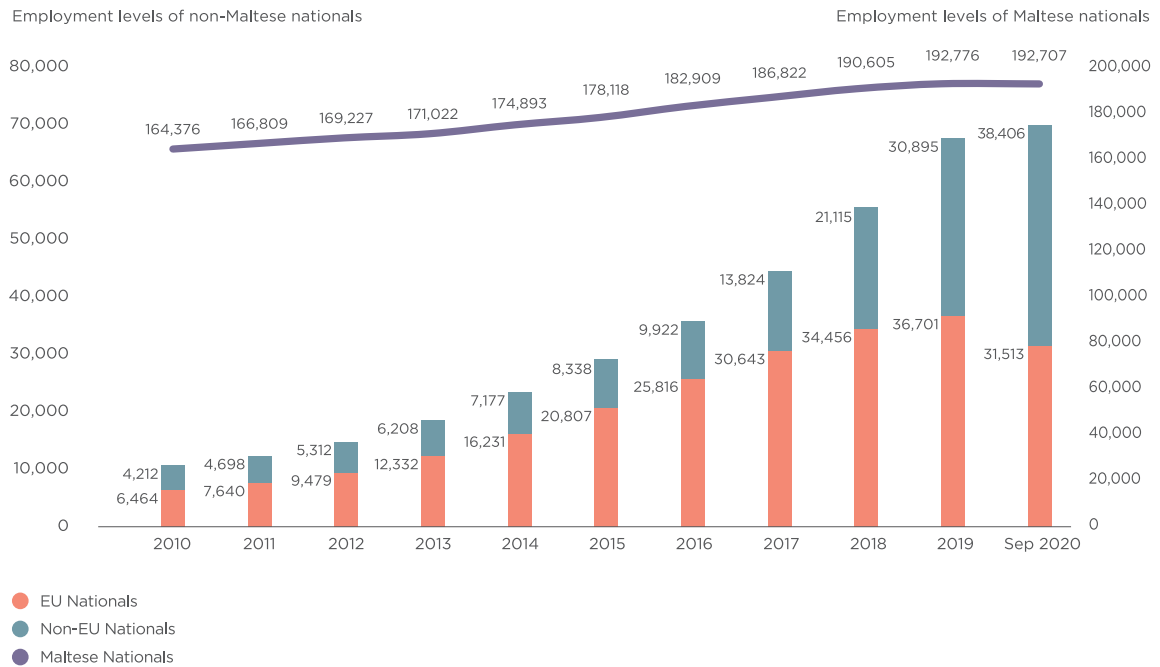
ANNEX B

Non-Maltese workers

As already observed earlier, the non-Maltese workforce has been the largest contributor to Malta's labour force growth and has also contributed by no small manner to the overall economic performance.

Figure B. 1
Total employment by nationality

Source: Jobsplus, 2021



Between 2010 and 2019, the non-Maltese component of the labour force exhibited the fastest average annual growth rates. Whereas the Maltese cohort grew on average by 1.8 per cent each year, the non-EU national cohort registered an average annual growth rate of 24.8 per cent closely followed by 21.3 per cent registered by the EU national category. As a result, the non-EU nationals share in the labour force continued to increase over the years and as at the end of September 2020 exceeded the EU nationals working in Malta (see Figure B.1). On this account, 26.5 per cent of the total Maltese labour force as of September 2020 (Jobsplus) is comprised of non-Maltese nationals.

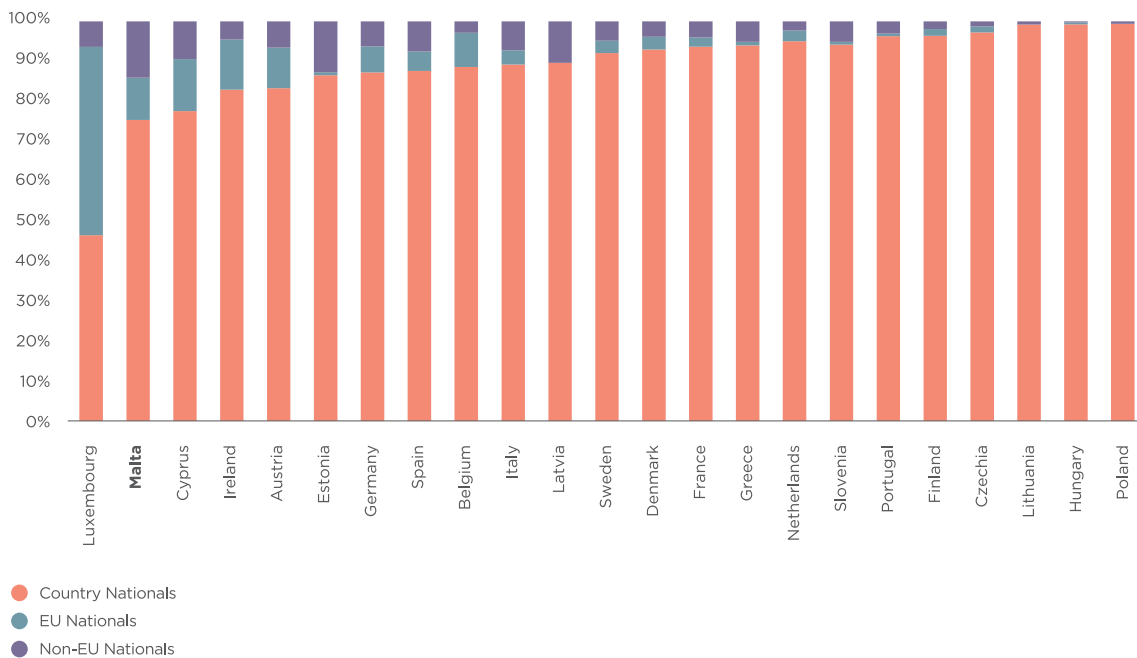
Compared to the other EU27 countries in 2019, Malta had the second-highest share of non-Maltese employed in the labour market, following Luxembourg which had a staggering 53.5 per cent of its labour force which were foreign, the majority of which (47.2 per cent) coming from other EU countries. Cyprus came close third to Malta with 22.5 per cent of its total employed being non-Cypriot. Other EU countries with a relatively high share of foreigners in the labour force include Ireland (17.1 per cent), Austria (16.7 per cent) and Estonia (13.5 per cent).

Of all the EU member states, Malta however has the highest share of non-EU nationals making up its labour force, which as of 2019 accounted for roughly 14.0 per cent of the total employed. In contrast, only 6.4 per cent of total employment in Luxembourg were non-EU. Estonia had the second-highest share of non-EU nationals in the labour market at 12.7 per cent, followed by Cyprus at 9.5 per cent.

Figure B. 2
Share of employment
(aged 15-64) by nationality (2019)

Source: Jobsplus, 2021

Share of employment by nationality



Against general expectations, registered employment data as at September 2020 published by Jobsplus does not seem to suggest that the supply of non-Maltese employment has been significantly impacted in the wake of disruptions to the economy and heightened uncertainties, triggered by the Covid-19 pandemic. On the contrary, by September 2020 overall employment levels increased by more than 2,200 employees, the majority of which were non-Maltese (Table B.1).

Notwithstanding, certain sectors, notably the accommodation and food services sector lost roughly 5.7 per cent of the 2019 staff complement on account of both Maltese and non-Maltese employees leaving the sector during this period. This corroborates the shortage of staff challenges that many operators in the catering industry are claiming to be facing as they eagerly open up for business. Other sectors which experienced significant reductions in the number of non-Maltese employees were the gambling and betting sector and the professional services. All other sectors registered growth in the number of non-Maltese employed during this period, notably and expectedly the health sector, as well as the financial services' sector which has been transforming the face of impending sectoral reforms. In other sectors, such as manufacturing and wholesale and retail trade, the sustained increase in the number of non-Maltese workers during 2020 has compensated for supply shortfalls created by the reduction of Maltese employees as a result of retirement or churn to other sectors.

Table B.1
Movement in sectoral employment
by nationality (2020/2019)

Source: Jobsplus, 2021

Movement in sectoral employment by nationality 2020 vs 2019	Maltese Nationals	Non-Maltese Nationals	Total change	Change as a % of 2019 sectoral employment
Agriculture & fisheries	-42	21	-21	-0.6%
Manufacturing	-363	194	-169	-0.7%
Construction	-128	659	531	3.3%
Wholesale & retail trade	-562	398	-164	-0.5%
Transport & storage	-311	257	-54	-0.4%
Accommodation & food services	-606	-548	-1,154	-5.7%
Information & communication	-55	5	-50	-0.5%
Financial & insurance	104	756	860	7.1%
Real estate	131	69	200	8.4%
Professional, scientific and technical	-375	-227	-602	-3.0%
Administrative & support services	727	590	1,317	5.3%
Public administration	177	48	225	0.7%
Education	-188	24	-164	-1.3%
Health & social work	1,253	421	1,674	13.6%
Gambling & betting	-51	-527	-578	-6.5%
All sectors	-69	2,323	2,254	0.9%

B.1 Analysis by nationality

Today, Malta has a diversified international workforce. At present the top 15 countries from both the non-EU and EU cohort are shown in Table B.2 and Table B.3, respectively. Given the diverse nationalities and cultures that Malta currently hosts in such a small area, a holistic integration strategy and policy must be enacted.

Table B.2
Top 15 non-EU
nationalities

Source: Jobsplus, 2021

Nationality	Total
Philippines	5,726
United Kingdom	5,482
India	5,400
Serbia	4,172
Nepal	2,527
Albania	1,477
Macedonia (F.R.Y.)	1,305
Pakistan	1,064
Turkey	940
Libya	684
Ukraine	612
Bangladesh	600
Russian Federation	502
China	488
Nigeria	430

Table B.3
Top 15 EU
nationalities

Source: Jobsplus, 2021

Nationality	Total
Italy	10,628
Bulgaria	2,530
Romania	2,187
Germany	1,593
Hungary	1,586
Spain	1,551
Poland	1,419
France	1,402
Sweden	1,320
Greece	713
Netherlands	652
Portugal	501
Ireland	492
Finland	458
Latvia	458

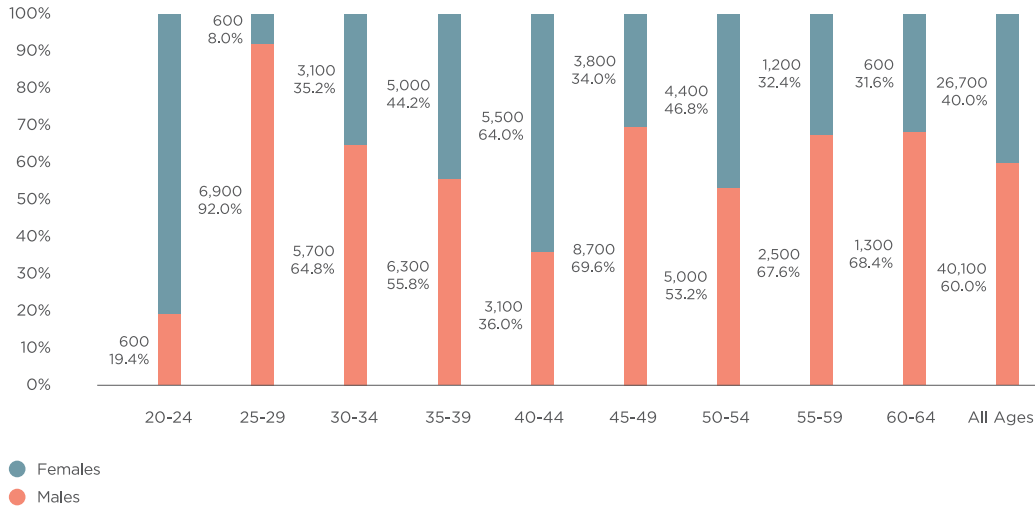
B.2 Analysis by gender and age

As depicted in Figure B.3 below, 60.0 per cent of non-Maltese employees in 2020 were males and this trend is more or less reflected across the majority of all the different age groups. In the 25-29 age bracket, the share of males goes up to 92.0 per cent of all non-Maltese in that age group. On the other hand, female non-Maltese employees are predominant in the 20-24 age cohort and the 40-44 age bracket, respectively accounting for 80.6 per cent and 64.0 per cent of all non-Maltese within the reference age group.

Figure B. 3 Non-Maltese employment by gender and age (2020)

Source: Jobsplus, 2021
Statistical note: Gender data for ages lower than 20 and 65+ is unavailable.
Employment numbers have been rounded up at source

Distribution of non-Maltese by gender and age

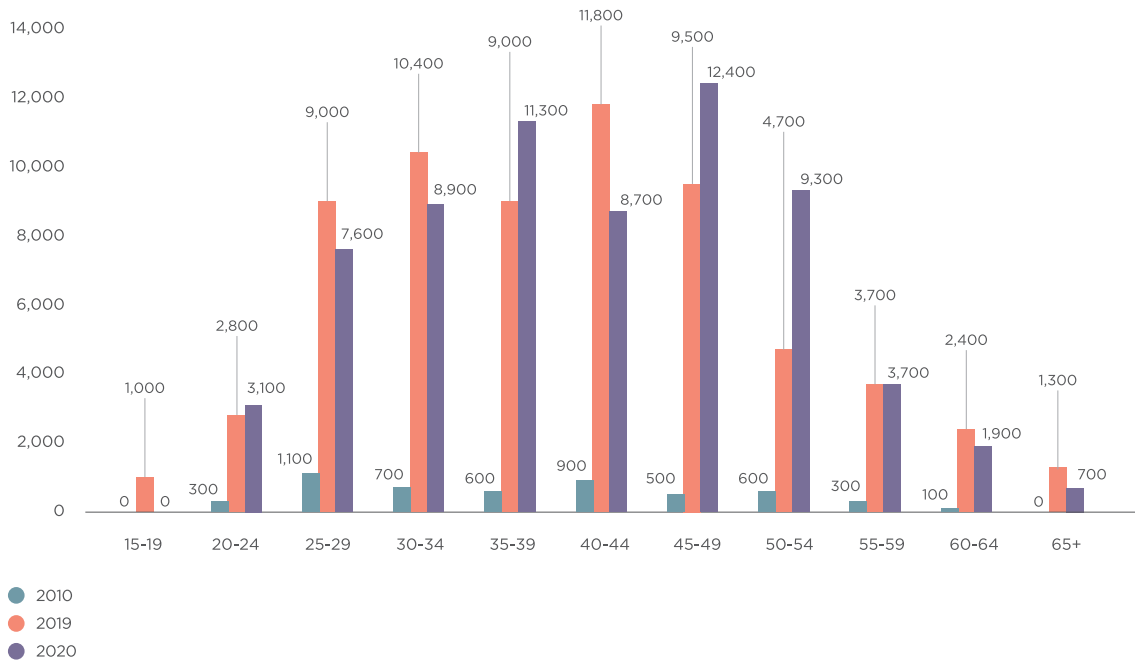


The inward migratory flows of workers that Malta has been receiving in large numbers over the past decade have come in all ages, although predominantly – 48.5 per cent of all non-Maltese in 2020 - fall within the 35-49 age bracket. To this end, the number of non-Maltese aged between 45 and 49 amount to 44.0 per cent of all employees (including Maltese nationals) falling within this age bracket. The second most prevalent is the 50-54 age cohort, followed by the 35-39 age bracket, with 39.6 per cent and 31.9 per cent of all employees in these two respective age groups being non-Maltese. This corroborates previously held observations that the Maltese workforce is ageing and thus the influx of foreign workers is sustaining the level of labour supply required for the local economy. In fact, during 2020, these three age groups continued to experience substantial growth in the number of non-Maltese workers.

Figure B. 4
 Number of non-Maltese employed by age (total)

Source: Eurostat, 2021

Employment levels (rounded up)



Developments are more pronounced for some age categories when looking into the number of non-Maltese split by gender. For instance, the percentage of non-Maltese employees in the 45-49 age bracket goes up to 51.8 per cent for males only. The share of non-Maltese is then substantially high among females in the 40-54 age brackets, hovering around 40.8 per cent of all female employees in these age groups, mirroring the fact that whilst local female participation rates have increased over the past 10 years, they remain relatively low in the upper age brackets when compared to the EU average.

Figure B. 5
 Number of non-Maltese employed by age (Males)

Source: Eurostat, 2021

Employment levels (rounded up)

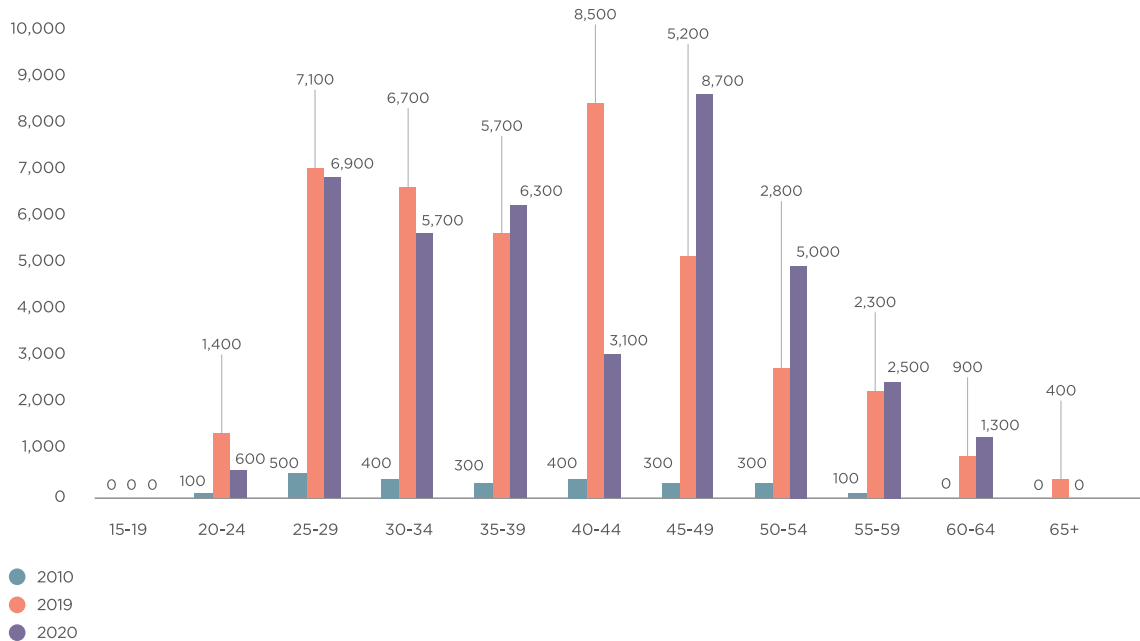
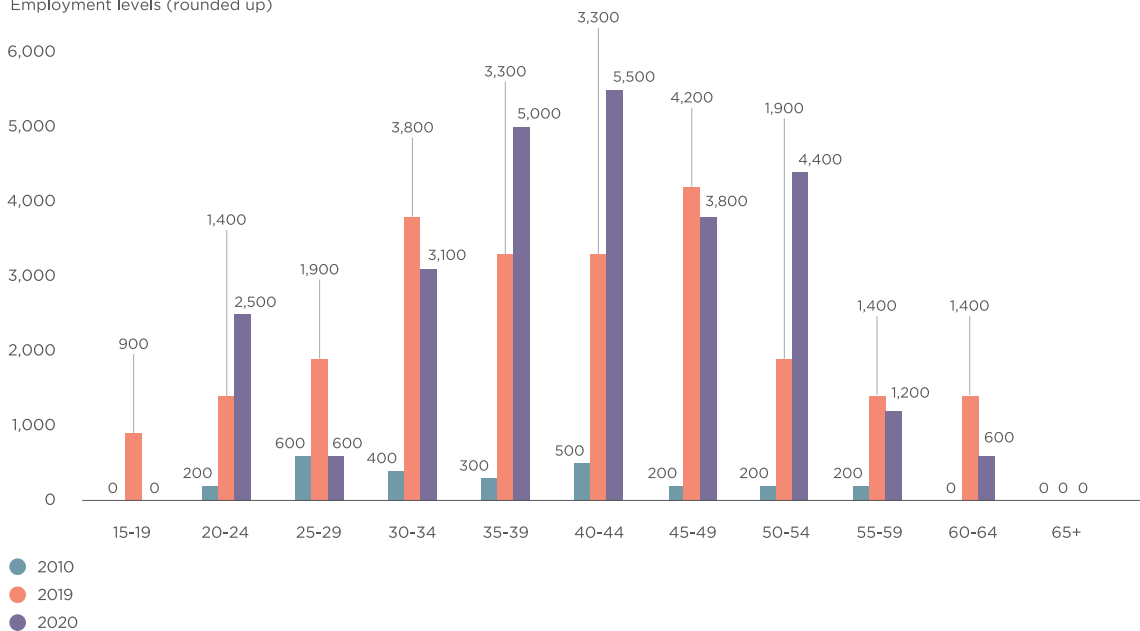


Figure B. 6
 Number of non-Maltese employed by age (Females)

Source: Eurostat, 2021

Employment levels (rounded up)

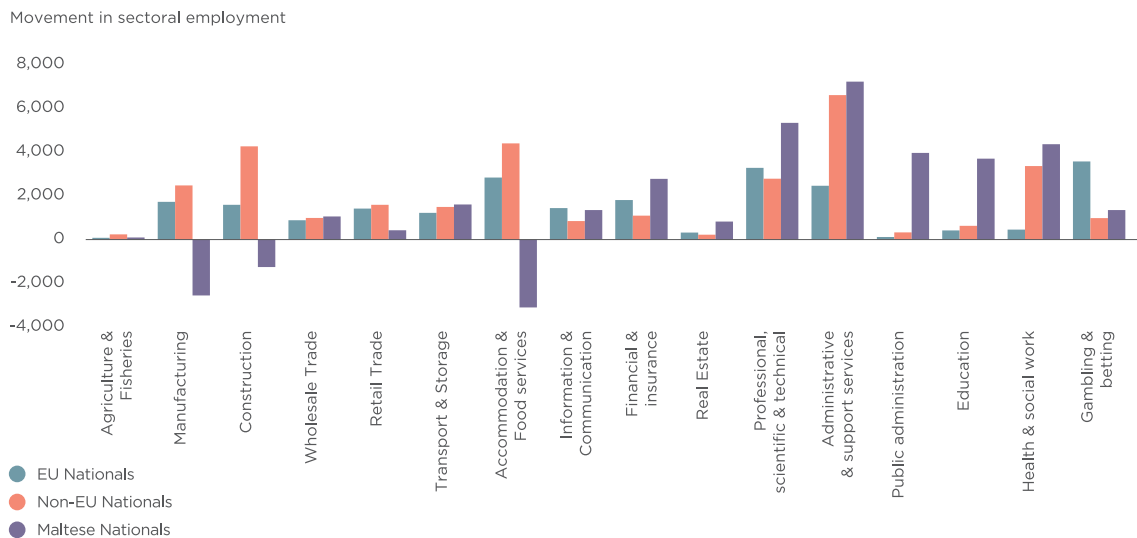


B.3 Analysis by sector

The movement in employment positions by non-Maltese nationals was positive across all sectors. As demonstrated in Figure B.7, non-Maltese nationals took up positions which the Maltese did not and given that there was a retrenchment of Maltese workers in three sectors; manufacturing, construction, and accommodation and food services, the number of non-Maltese employees more than compensated for this leakage. In fact, in all three sectors, the additions were much more than the withdrawal of Maltese.

Figure B. 7
 Movement in sectoral employment
 by nationality 2020 vs 2010

Source: Jobsplus, 2021

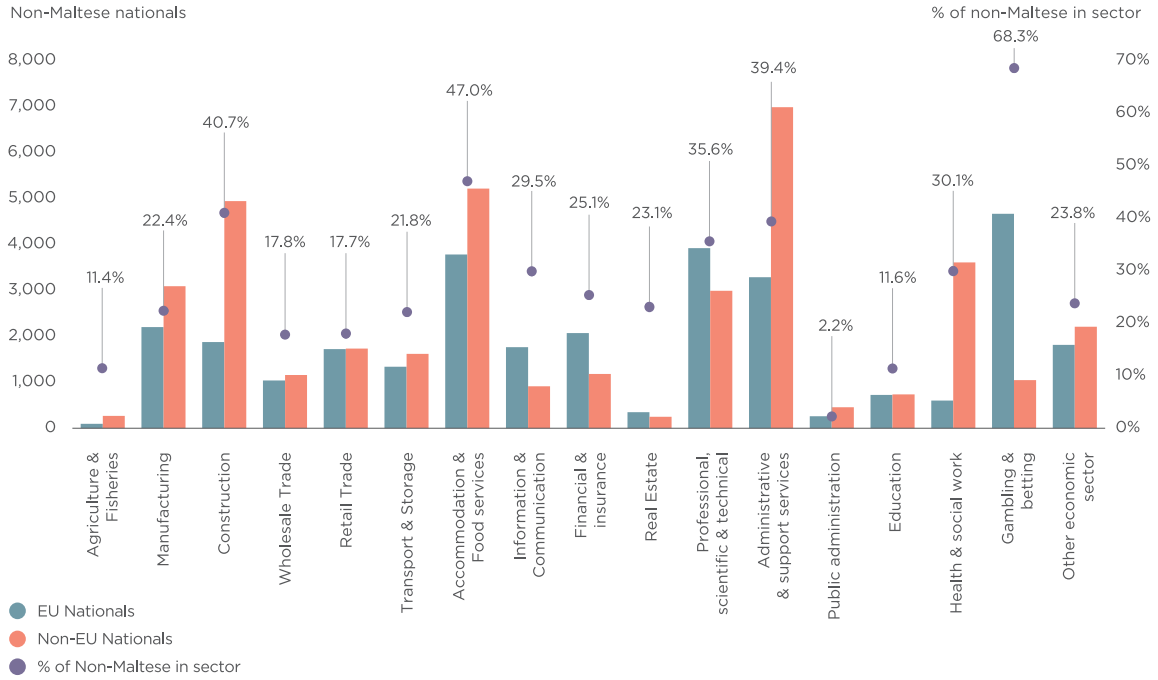


There is also a clear pattern in which sectors EU nationals are mostly employed when compared to the non-EU. The information and communications; financial and insurance; professional, scientific and technical; and gambling and betting all employed more EU nationals than non-EU, although the latter increased too. Non-EU nationals experienced strong growth across all sectors with the largest increases being registered in the administrative and support services, accommodation and food services, construction, and health and social work.

This growth has led to non-EU nationals contributing significantly to the overall percentage of non-Maltese in the labour force. Non-Maltese nationals today occupy on average 27.5 per cent of the labour force. Several sectors are way above this average, most notably the gambling and betting sector where 68.3 per cent of its workforce is non-Maltese (see Figure B.8). Close to half of the workforce in the accommodation and construction sectors are also non-Maltese with the majority being non-EU.

Figure B. 8
Share of non-Maltese employees
by sector (September 2020)

Source: Jobsplus, 2021



However, the majority of sectors gravitate towards the average with public administration having the least number of non-Maltese in its labour force standing at just 2.2 per cent.

Table B.4
Share of non-Maltese employees
by sector 2010 vs. 2020

Source: Jobsplus, 2021

	2010	Sep 2020
Agriculture & fisheries	1.9%	11.4%
Manufacturing	5.0%	22.4%
Construction	7.9%	40.7%
Wholesale trade	3.5%	17.8%
Retail trade	2.8%	17.7%
Transport & storage	2.6%	21.8%
Accommodation & food services	11.7%	47.0%
Information & communication	7.2%	29.5%
Financial & insurance	4.8%	25.1%
Real estate	4.4%	23.1%
Professional, scientific and technical	10.5%	35.6%
Administrative & support services	12.3%	39.4%
Public administration	1.0%	2.2%
Education	5.3%	11.6%
Health & social work	6.8%	30.1%
Gambling & betting	47.1%	68.3%

It is evident that non-Maltese form an important element of the labour force across all of the local economic sectors. With some sectors becoming even more reliant than others, it is going to be critical for the economy to sustain its presence locally and to support the administrative processes related to non-Maltese, especially the non-European.

The influx of non-Maltese workers is also playing a major role in some of the key developments taking place in the local labour market, particularly self-employment. It has already been revealed that the total number of self-employed increased considerably between 2010 and 2020 and today account for 16.0 per cent of the total employment market, up from 13.6 per cent in 2010. Of the total number of self-employed in 2010 only 5.3 per cent were non-Maltese, the majority of which EU nationals. According to data provided by Jobsplus, the percentage share of non-Maltese self-employed by September 2020 had increased to 18.8 per cent, split 12.9 per cent EU nationals and 5.9 per cent non-EU nationals.

This increasing trend reflects several recent developments, shaped primarily by the emergence of the platform economy and the start-up drive, as well as the increasing number of non-Maltese workers being engaged on a contract basis which could be giving rise to the risk of precariousness.

The share of non-Maltese self-employed as a percentage of total sectoral self-employed is most prevalent in the information and communication sector at 39.4 per cent, and the arts, entertainment and recreation sector at 31.4 per cent, which also includes the gaming sector. This is likely to be indicative of the growth in the number of foreign tech start-ups and the

drive towards attracting more digital nomads and creatives to the islands. Other sectors with a relatively high share of non-Maltese self-employed include the education sector at 29.8 per cent on account of the significant number of non-Maltese English teachers working in the English Language Travel (ELT) sector, financial and insurance at 27.0 per cent, the administrative and support services sector which includes the activities of employment placement agencies at 26.5 per cent, the accommodation and food services, and professional services both at 25.7 per cent of the total number of self-employed in the respective sectors.

Table B.5
Percentage share and number
of non-Maltese self-employed by sector

Source: Jobsplus, 2021

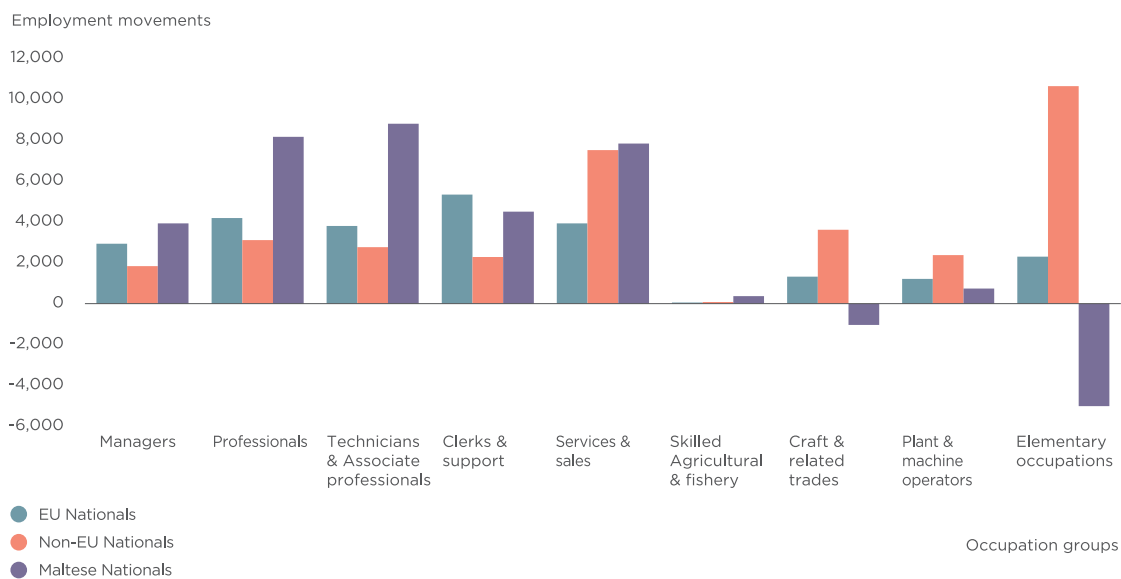
	2010				Sep 2020			
	EU	Non-EU	Total non-Maltese share	Absolute number of non-Maltese self-employed	EU	Non-EU	Total non-Maltese share	Absolute number of non-Maltese self-employed
Agriculture & fisheries	0.2%	0.0%	0.2%	5	0.3%	0.5%	0.8%	19
Manufacturing	1.8%	0.2%	2.0%	34	7.4%	2.6%	10.1%	225
Construction	3.5%	2.8%	6.3%	188	12.3%	8.9%	21.2%	905
Wholesale & retail trade	1.7%	0.7%	2.5%	158	6.8%	3.1%	9.9%	678
Transport & storage	0.4%	0.2%	0.7%	9	8.4%	8.5%	16.9%	424
Accommodation & food services	10.0%	1.4%	11.4%	146	17.0%	8.6%	25.7%	597
Information & communication	13.7%	1.5%	15.3%	40	29.4%	10.0%	39.4%	371
Financial & insurance	9.3%	0.0%	9.3%	8	18.0%	9.0%	27.0%	48
Real estate	3.7%	0.6%	4.3%	15	16.4%	4.9%	21.3%	267
Professional, scientific and technical	7.0%	1.0%	8.0%	108	19.9%	5.9%	25.8%	938
Administrative & support services	15.9%	1.2%	17.1%	153	20.2%	6.3%	26.5%	550
Education	11.7%	1.7%	13.4%	77	15.6%	14.2%	29.8%	263
Health & social work	5.3%	1.0%	6.3%	26	13.4%	7.5%	21.0%	184
Arts, entertainment & recreation	25.9%	0.8%	26.7%	132	24.5%	6.8%	31.4%	486

B.4 Analysis by occupation

Clear patterns also emerge when looking at the movements in occupations by nationality (see Figure B.9).

Figure B. 9
Employment movements in occupation by nationality 2020 vs 2010

Source: Jobsplus, 2021

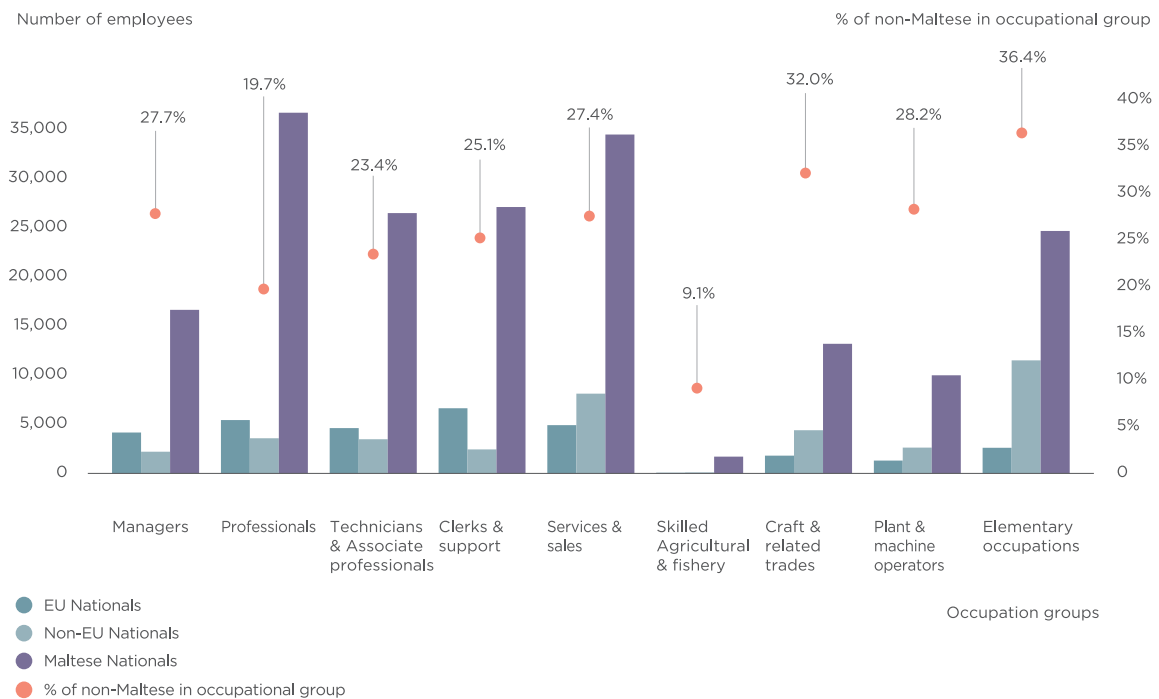


There is a clear distinction between the EU and non-EU nationals in terms of employment by occupation. The EU nationals outperformed non-EU nationals in the occupational categories related to managerial and professional status as well as in the technical and clerk roles, accounting for 66.1 per cent of the total number of workers that come from EU countries as opposed to just 30.4 per cent non-EU workers that fall within these grades. On the other hand, the non-EU nationals took the lion's share of the more manual and vocational occupations primarily the elementary occupations, craft and related trades, and plant and machine operators. Accordingly, 48.2 per cent of all non-EU nationals working in Malta in 2020 fell in one of these three occupational grades.

On average, a quarter of workers in each occupational structure is foreign (see Figure B.10). As expected, the presence of non-Maltese is more dominant in some occupations especially in the elementary grades and the craft and related trades workers with the percentage share exceeding 30.0 per cent. The occupation which is still dominated by Maltese workers is the skilled agricultural and fisheries whereby only 9.1 per cent are non-Maltese but this might be skewed on account of Maltese landowners registering themselves as farmers rather than working in that occupation.

Figure B. 10
Employment levels by occupational structure (September 2020)

Source: Jobsplus, 2021



Tables B.6 and B.7 below show the number of EU nationals and non-EU nationals by occupation and sector, as well as the share of EU and non-EU nationals expressed as a percentage of total employment in the respective sectors and occupations, as of September 2020. The data for this analysis was provided by Jobsplus, which compiles labour market information through administrative sources. As a result of late submissions or lags in data revisions, the information may not possibly reflect the latest employment movements between sectors and across different occupations, but still provides solid insights on developments and trends emerging in the labour market.

As already intimated, EU nationals are critical to the occupational categories related to managerial and professional status in key economic sectors generating high value-added, such as the gaming sector (captured under arts, entertainment and recreation), with EU nationals accounting for 45.1 per cent of all managers and 39.3 per cent of all professionals in the sector. This is followed by professional services with 30.7 per cent of all managers in the sector being EU nationals, the information and communication sectors (27.8 per cent), the financial and insurance sector and the administrative and support sector both at 21.0 per cent and the accommodation sector with 19.5 per cent of all managerial posts held by EU nationals.

Non-EU nationals are also critical to some of these key economic sectors, filling several elementary occupations which are nonetheless important to support the level of activity registered in these sectors. The professional services sector, for example, which had been growing on average by 15.1 per cent annually between 2010 and 2019, employs more than 700 non-EU nationals in elementary occupations, accounting for 53.1 per cent of all employees in this grade in the sector. Similarly, non-EU nationals account for a significant share of all elementary occupations in the administrative and support sectors (48.7 per cent), accommodation and food services (45.6 per cent), construction (32.3 per cent) and health (25.0 per cent). Against popular misconception, non-EU nationals also occupy some very important managerial roles in the gaming sector, with 15.8 per cent of all managers in this sector coming from non-EU countries, professional services and information and communication both occupying 13.6 per cent of all managerial functions within these sectors, and financial and insurance services with 13.5 per cent of all managers being non-EU nationals.

Table B.6
EU nationals by occupation and sector

Source: Jobsplus, 2021

	Number of EU nationals employed (September 2020)								
	Managers	Professionals	Technicians & associate professionals	Clerks & support workers	Services & sales	Skilled agriculture & fisheries	Craft & related trades	Plant & machine operators	Elementary occupations
Agriculture & fisheries	11	6	24	4	6	19	11	8	9
Manufacturing	214	183	357	81	103	7	442	589	224
Construction	112	64	115	42	20		769	63	692
Wholesale & retail trade	408	201	311	172	1,262	6	185	46	277
Transport & storage	133	67	205	242	83	10	17	491	89
Accommodation & food services	495	38	607	260	1,776	4	40	8	552
Information & communication	362	752	255	318	37		28	3	9
Financial & insurance	400	396	349	832	48	1	18	6	22
Real estate	45	17	219	14	27		5	1	22
Professional, scientific and technical	845	1,450	746	504	139	11	56	31	136
Administrative & support services	355	320	523	1,194	402	9	82	31	371
Education	67	390	100	36	91	1	25		15
Health & social work	23	175	108	13	219			2	61
Gambling & betting	603	1,117	477	2,858	213	7	74	6	54

	EU nationals as a % of total employment by occupation & sector (September 2020)								
Agriculture & fisheries	12.8%	10.9%	35.3%	8.7%	4.8%	1.4%	6.4%	11.0%	0.7%
Manufacturing	13.3%	11.2%	11.7%	6.2%	10.2%	25.0%	7.5%	10.7%	6.2%
Construction	10.7%	10.4%	8.5%	5.9%	8.1%	0.0%	11.5%	8.3%	13.1%
Wholesale & retail trade	8.5%	10.1%	10.0%	4.9%	9.6%	7.5%	6.8%	5.9%	5.8%
Transport & storage	16.6%	11.6%	13.3%	8.8%	10.1%	34.5%	4.3%	10.4%	4.7%
Accommodation & food services	19.5%	11.0%	19.8%	21.3%	24.4%	13.3%	13.9%	6.3%	13.0%
Information & communication	27.8%	19.5%	14.5%	21.9%	13.5%	0.0%	16.8%	7.5%	4.2%
Financial & insurance	20.8%	19.4%	14.6%	14.3%	20.3%	12.5%	12.0%	10.0%	6.6%
Real estate	12.4%	8.3%	17.0%	7.3%	9.7%	0.0%	12.5%	5.3%	10.9%
Professional, scientific and technical	30.7%	19.7%	18.7%	20.2%	17.1%	32.4%	15.0%	13.8%	9.9%
Administrative & support services	21.1%	20.1%	20.6%	22.2%	10.1%	8.5%	9.0%	3.5%	4.1%
Education	13.3%	5.6%	10.8%	3.8%	4.0%	4.5%	23.8%	0.0%	1.9%
Health & social work	6.1%	5.3%	6.7%	1.5%	3.4%	0.0%	0.0%	2.0%	4.9%
Gambling & betting	45.1%	39.3%	26.8%	60.2%	30.7%	31.8%	35.2%	15.4%	11.7%

Table B.7**Non-EU nationals by occupation and sector**

Source: Jobsplus, 2021

	Number of Non-EU nationals employed (September 2020)								
	Managers	Professionals	Technicians & associate professionals	Clerks & support workers	Services & sales	Skilled agriculture & fisheries	Craft & related trades	Plant & machine operators	Elementary occupations
Agriculture & fisheries	12	2	6	2	11	50	66	22	98
Manufacturing	105	125	266	66	68	4	773	994	688
Construction	85	67	201	45	23	2	2,643	171	1,704
Wholesale & retail trade	287	117	239	251	962	12	302	82	854
Transport & storage	64	49	102	107	40	2	53	1,037	165
Accommodation & food services	247	38	795	203	1,916	5	49	17	1,945
Information & communication	177	461	119	89	22		23	3	19
Financial & insurance	259	190	190	323	41	1	71	26	82
Real estate	18	22	87	10	35		7	3	68
Professional, scientific and technical	380	737	425	192	305	9	99	114	731
Administrative & support services	206	275	230	505	1,082	4	187	110	4,386
Education	56	414	97	26	77	3	21	2	41
Health & social work	28	402	145	28	2,688		2	4	312
Gambling & betting	212	260	328	557	85	3	33	3	69

	Non-EU nationals as a % of total employment by occupation & sector (September 2020)								
Agriculture & fisheries	14.0%	3.6%	8.8%	4.3%	8.7%	3.8%	38.6%	30.1%	7.7%
Manufacturing	6.5%	7.7%	8.7%	5.0%	6.7%	14.3%	13.2%	18.0%	19.2%
Construction	8.1%	10.9%	14.8%	6.3%	9.3%	7.4%	39.4%	22.6%	32.3%
Wholesale & retail trade	5.9%	5.9%	7.7%	7.1%	7.3%	15.0%	11.0%	10.4%	17.9%
Transport & storage	8.0%	8.4%	6.6%	3.9%	4.9%	6.9%	13.3%	22.0%	8.6%
Accommodation & food services	9.7%	11.0%	25.9%	16.6%	26.4%	16.7%	17.0%	13.4%	45.6%
Information & communication	13.6%	12.0%	6.8%	6.1%	8.0%	0.0%	13.8%	7.5%	8.9%
Financial & insurance	13.5%	9.3%	7.9%	5.6%	17.4%	12.5%	47.3%	43.3%	24.7%
Real estate	5.0%	10.8%	6.7%	5.2%	12.6%	0.0%	17.5%	15.8%	33.8%
Professional, scientific and technical	13.8%	10.0%	10.7%	7.7%	37.5%	26.5%	26.5%	50.7%	53.1%
Administrative & support services	12.2%	17.3%	9.1%	9.4%	27.2%	3.8%	20.5%	12.3%	48.7%
Education	11.1%	5.9%	10.5%	2.7%	3.4%	13.6%	20.0%	4.3%	5.2%
Health & social work	7.4%	12.1%	9.0%	3.2%	42.0%	0.0%	8.3%	4.0%	25.0%
Gambling & betting	15.8%	9.1%	18.4%	11.7%	12.3%	13.6%	15.7%	7.7%	15.0%

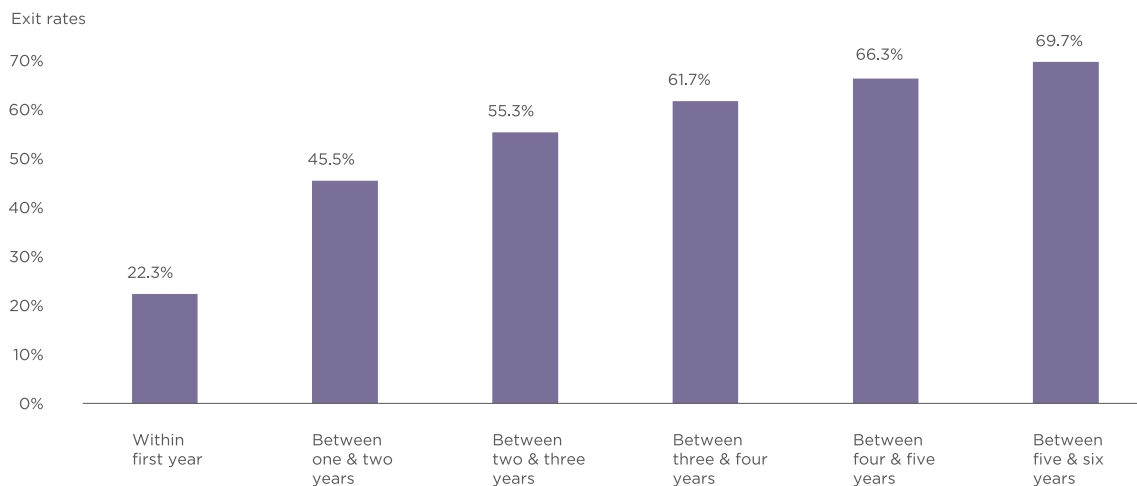
B.5 Analysis by the length of stay

A Central Bank of Malta paper on the length of stay of foreign workers in Malta published in 2019 (Central Bank of Malta, Ian Borg, January 2019) determined that over the period 2002 to 2017, on average, 22.3 per cent of non-Maltese workers exited the labour market within the same year of engagement, which then goes up to 45.5 per cent by year two. Moreover, the study shows that only 30.3 per cent remained engaged in the Maltese labour market more than 6 years after their first engagement (see Figure B.11). In 2017 the average length of stay of non-Maltese workers was calculated at 3.5 years, remaining relatively unchanged throughout the period under investigation.

This said it has to be observed that although the length of stay has been rather stable over time, the economic impact of rather short stays has increased over time. For instance, the average absolute number of leavers within the same year for the period 2002 to 2012 stood at roughly 840 per year, around 0.5 per cent of the labour supply. As of 2017, the number of non-Maltese workers that left within the same year was close to 4,000, or around 1.8 per cent of the labour supply, thus the issue of labour transience bears higher economic implications.

Figure B. 11
Average exit rates²⁹ of
non-Maltese employees

Source: Central Bank of Malta, 2019



Meanwhile, delving into the characteristics that determine the length of stay, the study establishes that EU nationals tend to stay for shorter periods when compared to non-EU nationals. Typically, the cost of migration and re-migration of EU nationals is relatively low, both due to relatively short distances involved, but more importantly due to free movement within the EU.

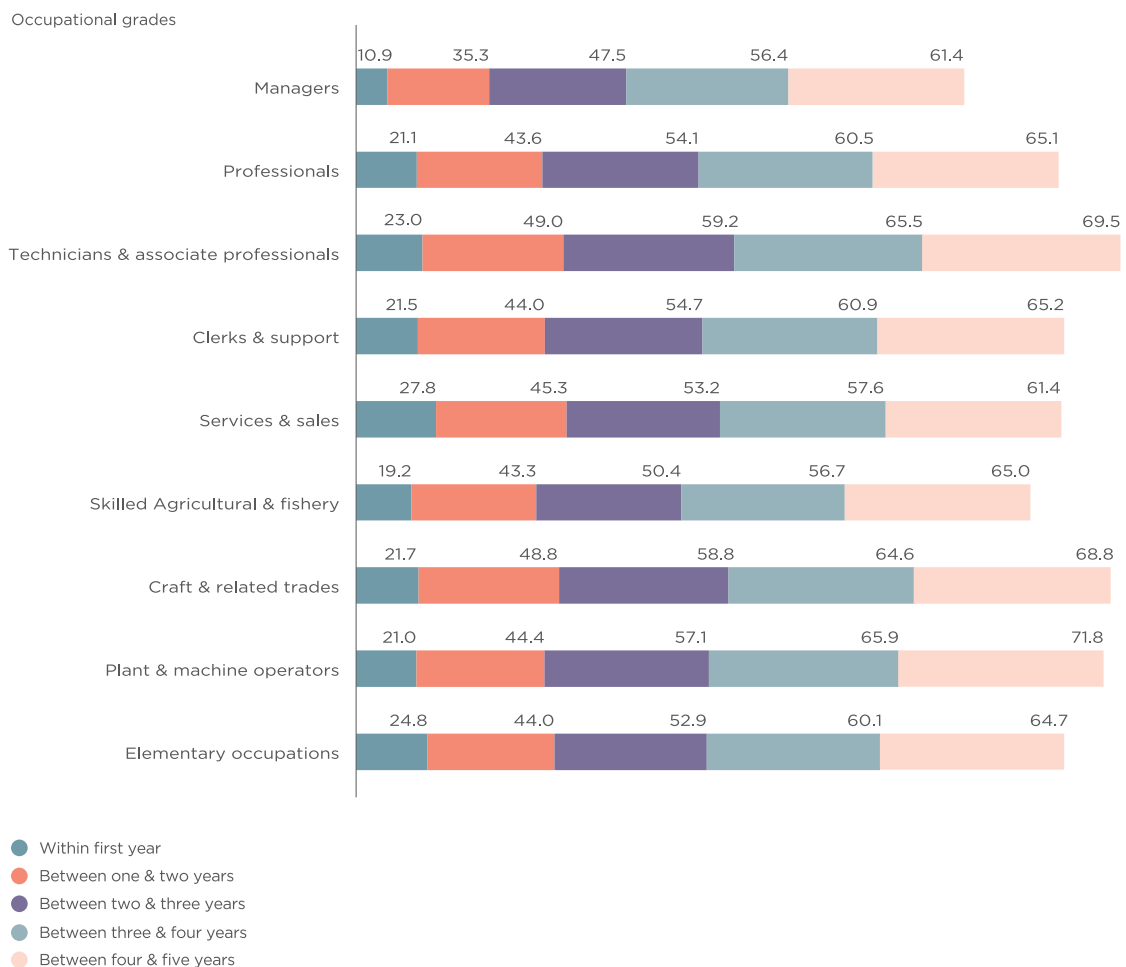
²⁹ Asian Development Bank (ADB). 2020. Strengthening Support for Labour Migration in Tajikistan: Assessment and Recommendations. Manila: ADB

To this effect, the percentage of EU nationals that exit the labour market within the first year of first engagement is around 6.0 percentage points higher than for non-EU nationals. The percentage of EU nationals that exist between one and two years after coming to Malta is 3.0 percentage points higher. These rates tend to converge for longer durations.

Furthermore, the relationship between skill and the length of stay is largely positive. Figure B.12 shows that managers have the lowest exit rates throughout the different durations. These are followed by those engaged as agricultural workers and professionals. Foreign workers employed in services and sales have the highest exit rates for the shortest duration, probably reflecting the fact that some are engaged in the accommodation sector, which is highly seasonal. Over longer horizons, exit rates tend to converge, although managers maintain the lowest exit rates, while those employed as plant and machine operators have the highest exit rates.

Figure B. 12
Average exit rates of non-Maltese employees by occupational grades

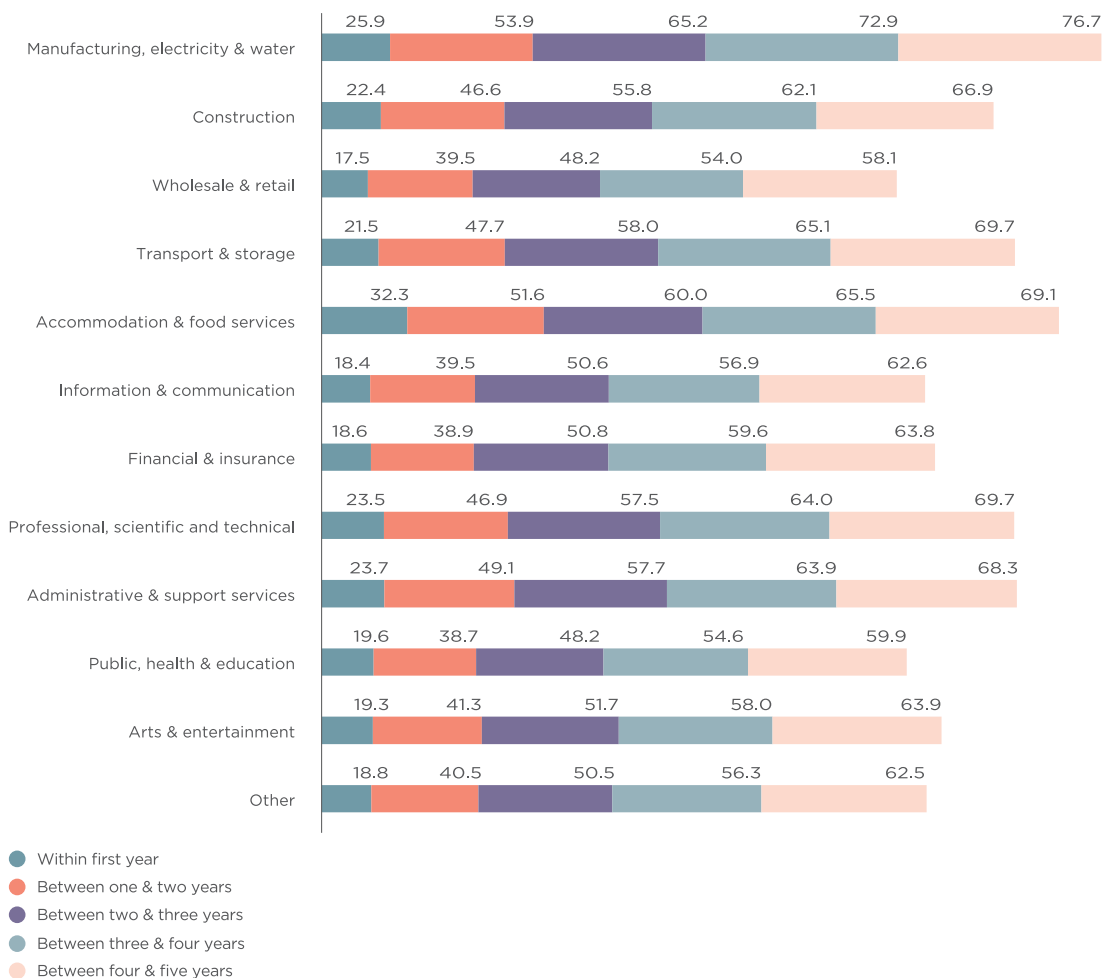
Source: Central Bank of Malta, 2019



The study also derives exit rates for different sectors of the economy, with results showing that there is significant sectoral heterogeneity (see Figure B.13). At 17.5 per cent the wholesale and retail sector has the lowest exit rates of foreign workers for the shortest duration, followed closely by sectors which traditionally employ high skills such as information and communication at 18.4 per cent, financial and insurance services at 18.6 per cent and the arts and entertainment (which also includes the gaming sector) at 19.3 per cent. Nevertheless, those engaged in the professional services sector typically have lower retention rates. With an exit rate of 32.3 per cent, the accommodation sector tends to have the highest percentage of foreign workers that exit the labour market in the same year of engagement. Foreign workers engaged in the manufacturing sector also tend to have very low retention rates at the shortest duration.

Figure B. 13
Average exit rates of non-Maltese employees by sector

Source: Central Bank of Malta, 2019



Sectoral discrepancies can be explained by several considerations, namely sector-specific factors such as the seasonality in the accommodation sector and the project-based work in the construction sector, which could lead to shorter durations, as well as wages. The study concludes that there is a positive relationship between average wages and the length of stay, indicating that individuals with higher earnings are more likely to extend their stay in the labour market. Likewise, sectors that typically pay higher salaries, such as information and communication, financial services and gaming tend to have better retention rates than lower-paying jobs, as evidenced by the average exit rates computed for each sector.

Expectedly, the relatively short length of stay of foreign workers in Malta poses several economic and policy challenges. In particular, it makes it difficult for foreign workers to achieve economic assimilation, that is the convergence of their wage levels to the native population. This could be critical to ensuring that new inflows of foreign workers stay in the labour market for extended periods, especially as Malta's place in the world as the global expatriate destination of choice dropped to the bottom 10 places, at 50th according to the 2021 Expat Insider survey³⁰, on account that expatriates are particularly dissatisfied with their working life and financial aspects.

The short length of stays is also likely to be impeding productivity growth which is in part dependent on the accumulation of human capital which in turn depends on learning by doing, on-the-job training and experience gained through an organization and its employees. The study shows that the share of foreign workers that utilize any gains in skills and experience in the Maltese labour market is low, with firms finding it difficult to hire foreign workers who have already obtained experience in the Maltese job market. Similarly, in an environment where the staff tends to leave after a year or two, the incentives for employers to train and promote employees inevitably declines, further curtailing productivity improvements.

In addition, low retention rates generate additional strain on training and hiring costs which could impinge more significantly on local firms which are typically small and do not have standalone human resource departments.

Ultimately, the increasing reliance on a segment of the labour market force that tends to be erratic and unstable can impact the cyclical nature of the country's potential output. Indeed, certain key economic sectors could be potentially experiencing this realization, more so in the aftermath of the Covid-19 pandemic, which drove several non-Maltese workers out of these sectors and out of Malta, and are now struggling to find workers to keep up with renewed activity. In essence, while not having to face higher unemployment during a crisis may be seen as positive, the effects on the country's potential output could be more long-lasting which may also dampen the pace of economic recovery.

³⁰ <https://www.internations.org/expat-insider/>

B.6 Other considerations

Malta remains inherently limited in scale and despite the investment in human capital, supporting services and infrastructure over the past decades, growth in certain service sectors has outpaced this development. Moreover, the development of a diversified base of niche services sectors created a new demand for qualified and highly skilled human resources which are not necessarily available or will ever be, locally. On these two accounts, it is today widely acknowledged that the influx of foreign workers has played a key role in transforming Malta's economy and in sustaining the level of economic growth registered in recent years.

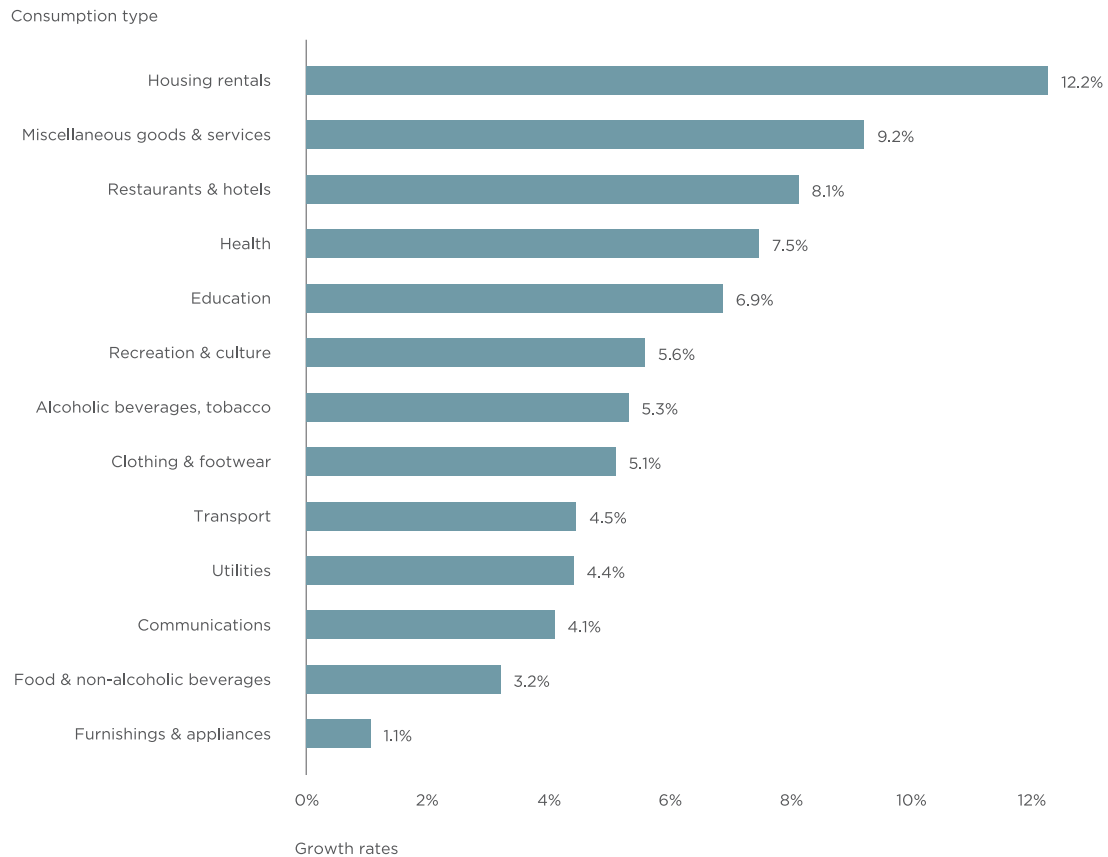
The above analysis, corroborated by observations made during the focus group sessions by industry leaders and business operators, also confirms that foreign workers are employed at either end of the labour market – the higher end where skills and international/large company experiences are scarce and lower end where jobs are no longer that attractive for Maltese workers.

Besides, it has also been concluded that foreign workers have not just been sustaining Malta's economic growth and development but have also fueled economic activity. A good number of foreign workers are employed in sectors where higher than average salaries are paid, such as gaming, information and communication, financial and professional services. This provides for stronger spending powers that boost consumption at household levels. In fact, between 2010 and 2019 private domestic consumption expenditure increased by more than 60.0 per cent which is equivalent to roughly €2.8 billion or an average growth rate of 6.0 per cent per year. Expats are seen to be an important source of economic activity for the retail, restaurant and entertainment sectors, which have indeed registered elevated demand during this period (see Figure B.14).

Figure B. 14

Average annual growth rates (2010 -2019) of final domestic consumption expenditure by consumption purpose

Source: NSO, 2021



Some expatriates settle in Malta with their whole families. In this case, the spin-off to economic activity, particularly by way of consumption is even higher. Between 2015 and 2019 the number of foreign children (less than 16 years of age) living in Malta more than tripled to reach 11,014 by the end of 2019. This is increasingly driving demand for educational services, with household consumption on education and related expenditures increased on average by 6.9 per cent per year during the period between 2010 and 2019.

Expats also attract a significant amount of visits from family and friends which in turn contribute to the tourism sector. For example, tourist arrivals from the non-traditional Scandinavian market, which is one of the main source markets of the gaming expatriates in Malta have increased by 34.0 per cent between 2010 and 2019 to reach a record level of 124,411 arrivals by the end of 2019.

The influx of foreign workers is also seen to be bolstering demand for the rental market of residential units. As shown in Figure B.14 above, private household expenditure on rentals has been increasing by an average of 12.2 per cent per annum with total annual rental expenditure growing from €49.1 million in 2010 to almost €150 million in 2020. The recently published annual Malta residential rental study by the Housing Authority³¹ finds that 83.0 per cent of all lessees in Malta are foreign.

Meanwhile, the direct economic impact of the increase in net migration has been estimated in a research paper published by the Central Bank of Malta (Central Bank of Malta, Aaron Grech & Ian Borg, January 2019). The study explains how domestic output essentially depends on three main factor inputs, namely capital, labour and total factor productivity. The capital stock is a function of investment flows, while total factor productivity refers to the portion of output unexplained by changes in the amount of labour and capital. The labour component on the other hand is a function of the working-age population, hours worked, the participation rate, and a measure of structural employment. Keeping all these variables constant and applying different working-age population projections based on EUROPOP-2015 Eurostat published data finds that on average the medium-term potential output growth for the period 2016-2020 ranges between 4.4 per cent to 4.8 per cent, while for the period 2021-2025 the potential output growth will be closer to anything between 3.3 per cent to 3.6 per cent.

In addition to their significant contribution towards economic growth, foreign workers have also been contributing towards improving public finances. Another study carried out by the Central Bank of Malta (Understanding the Macroeconomic Impact of Migration in Malta, Aaron Grech, December 2015) shows how the amount of income tax and national insurance contributions paid by foreign workers increased from €15.3 million in the year 2000 to more than €103 million in 2014, accounting for more than 10.0 per cent of the total personal income tax revenue and social security contributions collected by the Government in 2014. This has also been acknowledged in the pension strategic review document³² published for consultation in December last year, which shows an increasing positive balance in a notional Social Security Contribution Fund³³ on account of the increased number of Maltese persons active in the labour market (in terms of increased female participation, increased participation of persons aged between 61 and 63 years of age, etc.); the increased contributions paid by persons born 1962 and over; as well as the high number of non-Maltese citizens gainfully occupied in Malta.

The influx of foreign workers to Malta however also has its downside. To start with, the increase in population because of this influx is exerting considerable pressures on the environment, on the general infrastructure as well as supporting services, which could then negatively affect potential output growth in the absence of adequate investment.

³¹ The Annual Malta Residential Rental Study (2021): <https://rentregistration.mt/wp-content/uploads/2021/06/The-Annual-Malta-Residential-Rental-Study-First-Edition.pdf>

³² Strategic Review on the Adequacy, Sustainability and Solidarity of the Pension System as Mandated by Article 64B of the Social Security Act. 2020 Pensions Strategic Review Document for Public Consultation, The Pension Strategy Group, December 2020.

³³ A notional Social Security Contribution Fund had the total contributory revenue been ring-fenced to meet the objectives of the contributory social security obligations as against contributory revenue being placed in the Consolidated Fund.

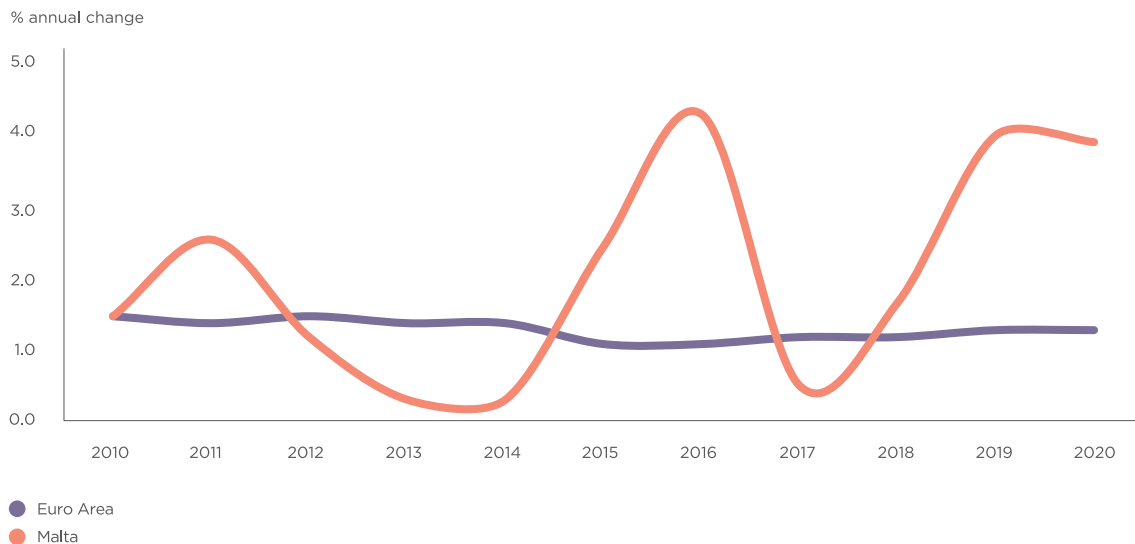
Furthermore, it has already been suggested, that the steep rise in the share of the non-Maltese population in the labour supply might add cyclical in potential output, as foreign workers may be more prone to leave the country in the face of negative economic shocks.

In the meantime, it has also been argued that the elevated economic activity, triggered in part by a growing population, has also increased the overall cost of living. Indeed, consumer price levels have increased by 11.7 per cent between 2010 and 2019. Notwithstanding, general price levels in Malta are 12.8 per cent lower than the EU average. However, comparing price indices of different goods making the average household basket shows varying trends in price developments. Food prices, for example, increased by close to a quarter over the last 10 years and are today 12.4 per cent higher than the EU27 average. According to the last Household Budgetary Survey 2015, food accounts for roughly 20.0 per cent of the average household weekly expenditure and therefore the increase in food price levels weighs heavily on purchasing powers. Price levels of other non-food commodities increased on average by 15.0 per cent over the past ten years. In this regard, Malta continues to enjoy a relative price competitive advantage in comparison to the EU27 average. Clothing and footwear stand at just 1.5 per cent higher than the EU average, respectively. Additionally, recreation and culture, and dining out in Malta are on average 11.5 per cent more affordable in comparison to EU27 price levels.

On the other hand, housing rents in Malta are reported to have soared in 2016 to 4.4 per cent. These developments contrast sharply with the situation in the Euro Area, where housing rental movements are observed to be stable, hovering around the 1.5 per cent annual benchmark. This situation has raised some serious concern amongst certain segments of the Maltese population who are now seeing their rents shoot up to unaffordable market levels, some even facing constitutional challenges and possible eviction. As a result, rental inflation rates in 2019 and 2020 have returned to 2016 growth levels (see Figure B.15).

Figure B. 15
Annual average rate of change in housing rental prices

Source: Eurostat, 2021



Another important consideration is the effect foreign workers have had on wage growth. Evidence from Maltese data is mixed and while some attempts have been undertaken to understand whether the increased availability of workers has dampened wages, different trends make this matter hard to decipher. A Central Bank of Malta report (Understanding the Macroeconomic Impact of Migration in Malta, Aaron Grech, December 2015) for instance shows that the large rise in the share of foreign workers in construction between 2010 and 2014 coincided with a decline in wage growth in the sector. However, the study also confirms that when there had been a similar rise in foreign employment between 2002 and 2006, wage growth was much higher than it was between 2010 and 2014. In other sectors such as financial services, information and communication, real estate, and professional and administrative support services a large net inflow of foreigners between 2010 and 2014 has coincided with a significant rise in wage growth. There is evidence that in some sectors, such as in construction and hotels, restaurants and catering, foreign employees may have acted as substitutes for local workers, but it is hard to deduce whether, in the absence of foreign workers, firms would have been able to induce more Maltese workers. Similarly, the report also suggests that in some sectors, like professional services, ICT and gaming, the absence of foreigners could have resulted in too high a shortage of labour to be accommodated by simply raising wages to attract more effort.

B.7 Concluding remarks

Migrant workers have supported the economy on multiple fronts. Over the past years, they have been an important contributor to labour supply, economic performance through domestic demand and have also supported our pension system through their contributions. They have also supported the growth of industries that required skillsets which were locally unavailable. Business leaders have all highlighted the importance of foreigners in the labour market especially their role in filling in labour shortages, both from a number and skill perspective.



A photograph of a desk setup. In the foreground, a black keyboard is visible. To its right is a large, dark computer monitor. In the background, a white mug with the name 'Anthony' and some text is on the desk. The background is slightly blurred, showing a window with blue blinds. The overall lighting is dim, with a blue tint.

ANNEX C

SAMM Methodological Note

This section provides an overview of the Economic Policy Department's Structural Annualised Econometric Model for Malta (SAMM) and a note on the simulation scenarios considered for the New Employment Policy.

C.1 SAMM Overview

SAMM is a macro-sectoral model built around the Keynesian tradition of macroeconomic models, where output and employment are driven by the expenditure components of aggregate demand.

The model contains 7,740 input variables and produces almost 7,500 forecast variables. Moreover, it contains 5,244 exogenous assumptions, mostly tax-related variables such as effective tax rates. The model forecasts are based on 887 endogenous variables and 1,206 identity equations. The endogenous variables are mostly determined based on behavioural equations in error-correction specification and follow the Box-Jenkins methodology of estimating the error correction model. Nevertheless, in view of the sheer number of equations in the model, most estimation processes are automated in the model code which runs on the EViews platform. The automation allows the user to benefit from parameter restrictions which improve the predictability of the model and exclude significant parameter and forecast instability. Other variables are constructed based on convertor matrices.

The model incorporates the use of static supply and use tables (SUTs) and symmetric input-output tables (SIOT). Such tables show the economy's inter-industry linkages. Since these tables are held fixed over time, the model assumes static technology in its solution.

SAMM contains annual data dating back to 1973. One of its main advantages is that it incorporates a high level of disaggregation covering the whole economy - 51 export and import products, 51 industries, 27 consumer products, 18 investment products, 14 Government revenue categories, and 10 Government expenditure categories. The emphasis on structure makes it feasible to address a variety of policy questions and to measure the direct and indirect effects of unforeseen economic shocks. Hence, this model is appropriate for the assessment of the impact of different structural changes on the Maltese economy.

It should be noted that SAMM does not include the latest available data; it contains historical data up to 2016. Since SAMM is a large-scale model, it is resource and data-intensive. Therefore, its updating is not done regularly. However, projections after 2016 were adjusted to mimic trends in actual data. Moreover, since the historical data has not yet been updated, some of the presented aggregate projections were scaled to actual data until 2020.

C.2 Skills Module

The Skills Module was introduced within the SAMM model in 2018. The Skills Module aims to generate projections for indicators that can inform analysis of the changing demand for different kinds of skills and how that matches the expected supply. In particular, the Skills Module can be used to test the implications on labour utilisation of alternative industrial growth strategies. One of the main advantages of the Skills Module is its high level of disaggregation, as it can estimate skill mismatches across 42 occupations and 3 qualification levels.

SAMM distinguishes between replacement demand (job openings created by people leaving the labour force) and expansion demand (job openings due to growth) for workers. The number of jobs by occupation is derived by converting full-time equivalent employment by industry to jobs by occupation:

$$OEO = OYC * YEO$$

where YEO is full-time equivalent employment by industry, OYC is a conversion matrix that transforms employed workers by industry to employed workers by occupations (using Jobsplus data), and OEO depicts the number of jobs by occupation. The change in OEO over time measures expansion demand for each occupation.

Jobs by occupation are then converted into jobs by qualification level using a converter matrix (WOC) derived from the Labour Force Survey (LFS):

$$WEO = WOC * OEO$$

where WOC converts employed workers by occupation to employed workers by qualification level and WEO is the number of employed workers by qualification level. The change in WEO over time measures expansion demand for each qualification level.

The replacement demand for each occupation is calculated by applying a proportion vector to the levels of jobs by occupation in the previous year:

$$OEO_OUT = OC_OUT * OEO(-1)$$

where OEO(-1) is the number of jobs by occupation in the previous year, OC_OUT is the proportion vector, and OEO_OUT is the number of jobs in each occupation made vacant by the jobholder leaving the occupation. OC_OUT is consistent with the European Centre for the Development of Vocational Training (Cedefop) for Malta.

Job replacement demand by qualification is derived by applying WOC to replacement demand by occupation:

$$WEO_REP = WOC * OEO_REP$$

where WEO_REP is job replacement demand by qualification, and OEO_REP is jobs replacement demand by occupation.

In terms of labour supply, the size of the labour force is determined by applying labour market participation rates by age group and gender to the working-age population:

$$LF = LFR * LPOP$$

where LPOP is the working-age population, LFR is the participation rate by age-group and gender, and LF is the labour force. The projections of population and activity rates are taken from the European Policy Centre's Working Group on Ageing Populations and Sustainability. However, the labour force is not used in the skill gap analysis as the skill gap includes all the skills available, including the skills of the inactive as explained below.

The potential number of workers (including the inactive) by occupation and skill-level is derived independently of the labour force as follows:

$$\text{OPOP} = \text{OWC} \times \text{WPOP}$$

where WPOP is the sum of the working-age cohort by qualification level, OWC transforms the working-age population by skills to the population by qualification for each occupation, and OPOP estimates the number of potential workers by occupation. OWC is sourced from LFS, by the International Standard Classification of Occupations (ISCO) and the International Standard Classification of Education (ISCED).

It should be noted that the model does not produce projections for OYC, WOC, OWC, and OC_OUT. Therefore, when solving the model, SAMM assumes the same values as the last available observation. This means that the assumptions about the composition of labour demand and labour supply are static (i.e., constant) and reflect the structure of the labour market in 2016.

It is also pertinent to note that since, in estimating the skill gap, the model includes the skills available even for the inactive. As a result, the potential supply of skills in the model generally exceeds demand. However, the actual supply of skills is probably less than demand and requires the importation of skills from abroad. Indeed, it is reasonable to assume that yearly it is difficult to encourage inactive persons to enter the labour market, thus effectively creating a skill shortage in the labour market. For this reason, we report the results in terms of the increase in the skill gap, assuming that there is no increase in the participation rate among the inactive. This may exacerbate the change in the skill gap in periods where the participation rate in the labour market is changing substantially over time.

It is also worth noting that the model does not distinguish labour supply by nationality (i.e., the model does not distinguish Maltese nationals from foreign workers). All individuals, including migrants, are included in the population and the population projections but are not distinguished by nationality.

C.3 Scenario Analysis

C.3.1 Baseline scenario

The baseline scenario is a “no action” scenario, showing a future state of the economy that is in line with previous trends, adjusted to account for the impacts of the Covid-19 pandemic and the Government support measures. The purpose of the baseline scenario is to serve as a benchmark for the analysis of proposed policy action. Hence, the alternative scenarios described in the next section are compared to the baseline scenario. Overall, the baseline scenario is characterised by an increasingly service-oriented economy driven by the digital sector, tourism, health, and construction, with weakening demand for financial services, manufacturing, and wholesale and retail. The baseline scenario can be considered as the most probable outcome in the absence of any policy change. Nevertheless, it is not necessarily equivalent to the official macroeconomic forecasts conducted by the Government, which is based on a different model and using different data.

C.3.2 Alternative scenarios

This section describes the five alternative scenarios considered for the New Employment Policy. Each scenario targets a significant change in the share of Gross Value Added (GVA) of a given sector to total GVA, to simulate a substantial change to the economic structure of the Maltese economy. Table C.1 below summarises the five alternative scenarios, providing an overview of past trends in GVA shares, baseline scenario shares in 2030, and each scenario's target shares.

Table C.1
Alternative scenarios

Source: Economic Policy Department

	Baseline GVA shares (%)				Target (%)	Difference
	2010	2016	2019	2030	2030	(percentage points)
Scenario 1 - Weakening Traditional Services Scenario						
Accommodation	2.8	3.5	4.2	4.7	4.0	-0.7
Food Services	1.9	2.0	2.6	3.2	2.5	-0.7
Transport	5.4	6.2	6.5	7.2	6.5	-0.7
Wholesale and Retail	10.7	12.4	11.9	9.8	9.1	-0.7
Scenario 2 - Strengthening Financial Services Scenario						
Financial and Insurance	7.5	6.1	7.2	5.2	6.1	0.9
Professional and Administrative	9.3	7.8	7.2	6.0	6.9	0.9
Scenario 3 - Prolonged FATF Scenario						
Financial and Insurance	7.5	6.1	7.2	5.2	4.3	-0.9
Professional and Administrative	9.3	7.8	7.2	6.0	5.9	-0.9
Scenario 4 - Reverse Digitisation Scenario						
Gaming	7.9	10.0	10.9	13.4	12.5	-0.9
IT services	5.5	6.4	7.1	7.9	7.0	-0.9
Scenario 5 - Strengthening Manufacturing Scenario						
Printing	1.0	1.0	0.9	0.8	1.2	0.4
Pharmaceuticals	1.6	0.9	0.9	0.8	1.2	0.4
Computer and Electronics	2.8	1.6	1.4	0.9	1.3	0.4

Scenario 1

Weakening Traditional Services Scenario

In the baseline scenario, the tourism sector is shown to continue to be one of the most important contributors to the Maltese economy. In particular, the shares of accommodation services, food services, and transport services are projected to increase until 2030 (refer to Table C.1). Scenario 1 models an economy that is less dependent on tourism. Therefore, this scenario models a share of accommodation services that is less than 2019, a share of food services and transport services that are identical to 2019, and a share of wholesale and retail that is deteriorating over time.

Scenario 2

Strengthening Financial Services Scenario

The baseline scenario incorporates a weaker demand for financial services, which to a certain extent reflects the anticipated impacts of financial regulation and the FATF greylisting on the Maltese economy in line with past trends. This is reflected by a decline in the shares of financial and insurance services, and professional and administrative services until 2030, which is in line with past trends (see Table C.1). This scenario models a situation where Malta fast-tracks action to protect the financial services sector and its reputation as a diligent and competitive jurisdiction. Hence, this scenario models a positive shock to the Maltese economy, where the share of financial services in 2030 returns to the share in 2016, and the share of professional and administrative services returns to the share in 2019.

Scenario 3

Prolonged FATF Scenario

This scenario considers a FATF scenario that is worse than the baseline scenario. This scenario assumes that Malta remains greylisted for a long period, leaving a permanent negative impact on the Maltese economy, especially on financial and related services. Hence, this scenario assumes that the shares of financial and insurance services and professional and administrative services are substantially low.

Scenario 4

Reverse Digitisation Scenario

The baseline scenario displays a strong potential for growth in the digital economy, where the shares of gaming and IT services are shown to continue following previous accelerating trends, resulting in productivity gains. In particular, the GVA share in gaming increased by 3.0 percentage points from 2010 to 2019, while over the same period, the share of IT services increased by 1.6 percentage points. Scenario 4 models a more pessimistic outlook, where the Maltese economy faces significant challenges to a successful digital transformation (e.g., lack of expertise, skill shortages, etc.). Hence, this scenario models GVA shares in gaming and IT services that are closer to the shares in 2019. By reversing the signs of the reported impacts, the effect of digitisation can still be inferred from this scenario. Given the high labour productivity reported in these sectors, this scenario is akin to a positive labour productivity shock which is synonymous with an increase in research and innovation.

Scenario 5

Strengthening Manufacturing Scenario

The baseline scenario depicts a weakening manufacturing sector. Yet, although certain sub-sectors within the manufacturing sector have been experiencing considerable challenges (e.g., worker retention, foreign competition, high transportation costs, etc.) which were further exacerbated during the pandemic, other sub-sectors remained resilient – mainly, printing, pharmaceuticals, and computer and electronics. Hence, the scope of Scenario 5 is to model a positive shock to these productive sub-sectors in manufacturing. This scenario is also akin to a positive labour productivity shock which is synonymous with an increase in research and innovation.

