

Policy Report

# **The Labour Market in 2018 and Beyond**

DEMOGRAPHICS AND TRENDS CHARACTERISING  
MALTA'S LABOUR MARKET AND WORKABLE PROPOSALS  
TO ALLEVIATE LABOUR GAP PRESSURES

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## Executive Summary

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This report provides an analysis and evaluation of the current and prospective domestic labour force in Malta. In the first section, the study examines the trends and statistics characterising Malta's demographics and labour markets such as births, retirements, labour force composition, ordinary-level exams registrations, graduate students and employed foreign nationals. The figures show a likely persistent shortfall in labour supply as more jobs are created every year than new people enter the labour market.

At such a critical time for the country to secure sustainable growth in the long-term, the Malta Chamber of Commerce, Enterprise and Industry puts forward a number of proposals aimed at alleviating the many labour-related pressures being experienced at present. The availability of adequate human resources, both in terms of quantity and quality is of primary importance if the country is to maintain positive economic performances.

To this end, the report's second section details the Malta Chamber's short-term and long-term recommendations. Since the Chamber is convinced that Maltese workers will continue to play a primary role in the country's success in the long-term, a number of recommendations focus on increasing domestic labour supply and enhancing the skills of Maltese workers, through additional active labour market policies and education reform amongst others. Since such policies will take time to bear fruit, the Chamber also recommends a number of recommendations that can improve the situation immediately, namely through efforts to increase the attraction and retention of foreign nationals to work in Malta, thereby supplementing Maltese workers and bridging the labour gap more effectively.

Therefore, the report is aimed at policy makers and intends to serve as an as an effective blueprint to improve labour supply during this period of rapid economic expansion. Besides the recommendations to policy makers, the report also highlights the potential contribution by the Malta Chamber and the private sector it represents.

# Section 1

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## 1.1 Introduction

In recent years, the Maltese Economy has experienced unprecedented year-on-year growth. There have been many factors that have contributed to the country's economic success, namely the thriving financial services, IT, hospitality and gaming industries resulting in continued increases in employment, domestic demand and disposable income.

Malta's achievements have led to unprecedented challenges. These challenges are related to numerous aspects of both society and the economy. The challenges most relevant to the business community are the labour market challenges being experienced by all employers.

The country presently enjoys the largest labour force in its history, a significant increase in the domestic supply of productive hours, the largest cohort of foreign workers and the lowest level of unemployment rates.

Despite this, Malta's employers face a severe lack of labour supply further aggravated by falling levels of productivity. Employers are in constant, fierce competition to attempt to recruit the personnel necessary for operations to adequately meet demand. They are forced to contend with decreasing productive man hours per worker due to an increasing number of vacation days and other leave allowances, traffic and many other factors. These contribute to increased labour costs for less productive hours. Furthermore, labour shortages are also encouraging employees to become less proactive because they do not feel that their jobs are at risk and for similar reasons, employers are finding it harder to implement corrective action where and when necessary.

All in all, these factors do not paint a very promising picture, especially if the present trend of measures intended to keep employees away from the workplace more often continues.

The Malta Chamber of Commerce, Enterprise and Industry is acutely aware of the many issues resulting from the country's lacking human resource and falling productivity and has consistently made such representations to the relevant authorities. Numerous workable recommendations have been put forward in recent years – some of which have been implemented and others which continue to be overlooked despite their proven success in other economies.

Therefore, at this crucial time for Malta's continued growth and development, this report intends to provide policy makers with a blue print of effective policies designed to ensure that the most fundamental resource required for continued and sustainable economic growth is readily available and well-equipped with the many diverse skillsets that are of fundamental importance to Malta's economy and competitiveness.

## 1.2 Setting the Scene

### *Trends and Forecasts in Demographics, Employment and Education Statistics*

According to Jobsplus, the economy is creating between 7,000 and 8,000 new jobs every year. This growth is the main driver behind the country's economy success, however, Malta's limited human resource is unable to meet such levels of new demand every year.

A number of statistics, such as the birth rate, the age cohort percentages, ordinary level examinations registration figures, tertiary education enrolment data, graduate figures, labour market participation rates, retirement rates, immigration and emigration rates, as well as the number and duration of foreign nationals in Malta, among others, clearly depict a situation in which the country is unable to depend on its own resources to meet the demands of the economy – a reality that threatens sustainable growth.

### The Working Population

The Labour Force Survey<sup>1</sup> estimates indicate that, during the third quarter of 2017, total employment numbered 200,636 (Figure 1), accounting for more than half the population aged 15 and over. Unemployed persons stood at 8,377 (Figure 2), calculated at 2.3%, while inactive persons totalled 161,164. Out of every 100 persons aged between 15 to 64, an average 68 were employed. The male employment rate in this age bracket stood at 80.1% while that for females stood at 55.6%.

Figure 3, depicting the employment rate of females in the 25 to 54 and 55 to 64 age brackets, portrays a slight but steady increase. However, when compared to Eurostat data this figure is 15% lower despite the numerous positive and financially advantageous active labour market policies aimed at increase female participation rates introduced in recent years.

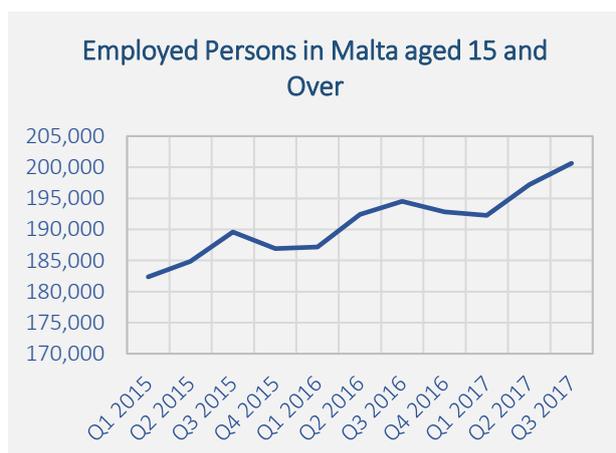


FIGURE 1

SOURCE: NSO LABOUR FORCE SURVEY NEWS RELEASES

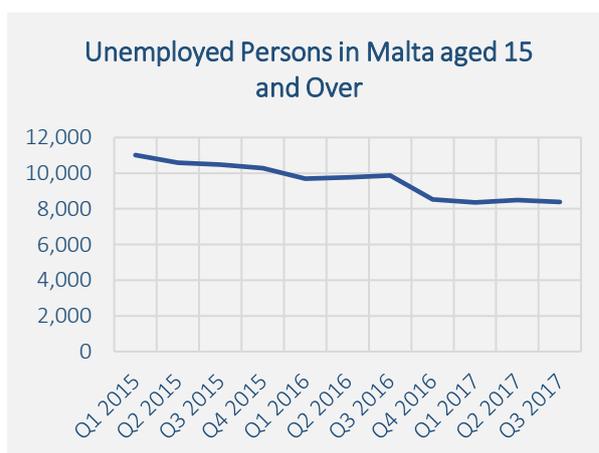
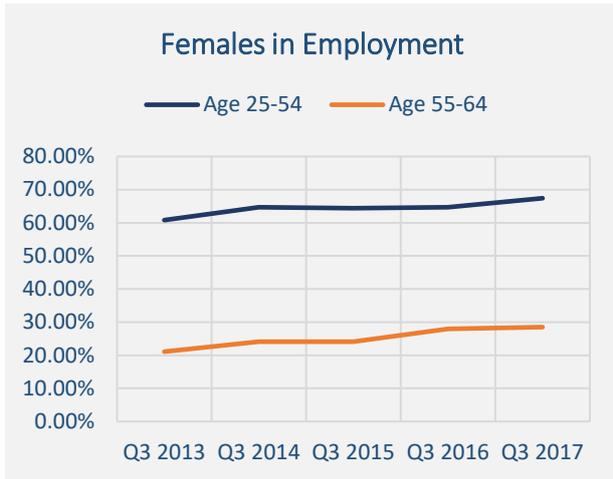
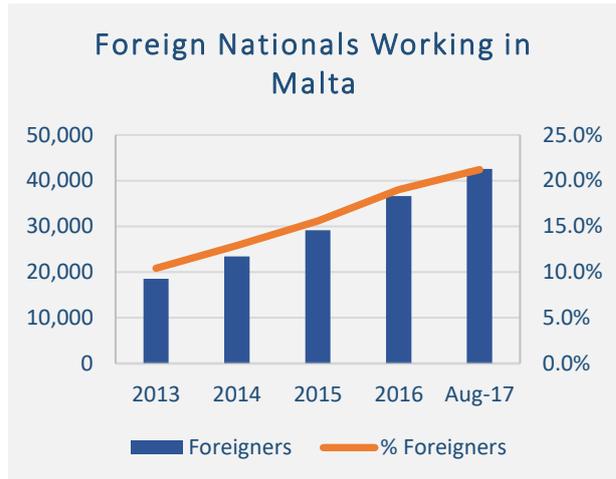


FIGURE 2

SOURCE: NSO LABOUR FORCE SURVEY NEWS RELEASES



**FIGURE 3**  
SOURCE: NSO LABOUR FORCE SURVEY NEWS RELEASES

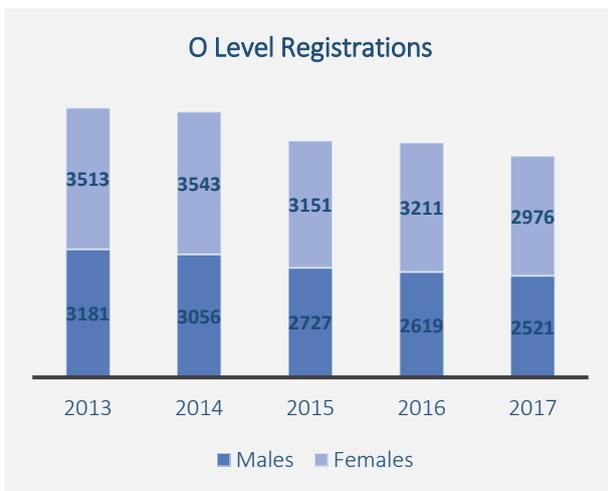


**FIGURE 4**  
SOURCE: JOBPLUS

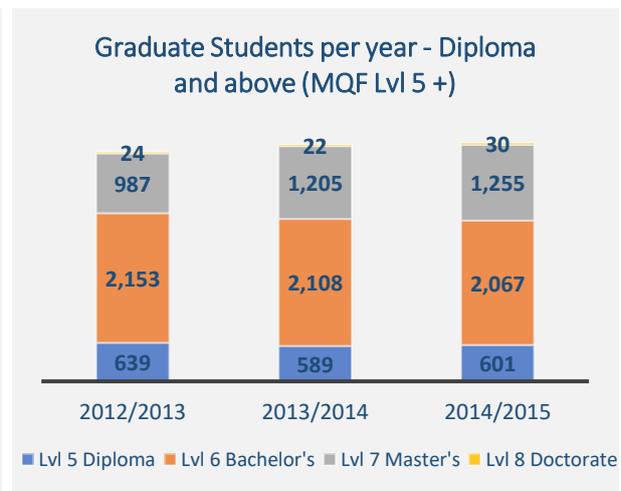
Jobsplus' figures relating to the population of foreign workers in Malta (Figure 4) depict a rapid increase from 18,540 in 2013 to 42,559 in August 2017.

This data strongly supports the notion that the economy is expanding at a faster rate than its own resources allow. This can be deduced from a steadily increasing total employment figure that greatly outpaces the reduction of unemployed persons and the number or women (re)entering the active labour market.

Employers today have no option other than to resort to recruiting foreign nationals. In the case of third country nationals (TCNs), this process is a necessary last resort due to the costs, bureaucracy and delays involved in the process. The data below shows that employers may continue to face this unfavourable situation for months and years to come, hence emphasising the need for urgent and strong action.



**FIGURE 5**  
SOURCE: MATSEC



**FIGURE 6**  
SOURCE: NSO GRADUATE STUDENTS NEWS RELEASES

Graduate students (Figure 6) were notably stable between 2013 and 2015, however, one may note a declining trend when analysing Ordinary level examination registration figures (Figure 5). In a few years, this decline will translate to similar declines in the number of graduates. Such a scenario is contrary to what ideally occurs in a developed country - which must produce more and better-educated people as a result of the greater capital available to invest in education and in preparation for the greater demand of a continuously growing economy.

The combination of factors characterising Malta's demographics and the nature of the economy will result in employers continuing to resort to recruitment of foreigners. It will remain the only solution to labour shortages for the foreseeable future, since the numbers in Malta alone simply do not add up to the number of new jobs being created.

However, as a small island with significantly limited resources and an already alarming population density, Malta must look beyond this short-term measure and implement long term sustainable practices that ensure the labour market is adequately supplied.

With this scenario in mind, the proposals elaborated hereunder aim to alleviate labour market pressures in the long term along with improving the condition to attract and retain foreign workers to supplement domestic supply in the short term.

## Section 2

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The Malta Chamber is certain that Maltese workers are central to the country's continued growth and success. Maltese employers have always believed in and heavily relied on the talent and traditional work ethic of Maltese workers. In recent years employers have had to resort to foreign workers due to the sheer shortages of Maltese nationals in the labour market across all levels of employment i.e. managerial, technical and various blue-collar categories.

The Chamber's primary focus is to increase domestic labour supply both in terms of quantity and in terms of productivity/quality, while supplementing this supply with foreigners in the short term until certain policies take effect and render the desired results.

### 2.1 Increasing Domestic Labour Supply and Cost-Effectiveness

The Malta Chamber firmly believes that the only sustainable long-term solution is to minimize dependence on ever-growing quantities of foreign labour by increasing the supply of productive and cost-competitive labour. To this end, the Malta Chamber recommends introducing additional active labour market policies, promoting active ageing and transferring excess public-sector employees back into the private sector following a comprehensive public-sector manpower survey.

It is also essential for Malta to maximize the efficiency and productivity of every man-hour at its disposal. The introduction of additional days of vacation leave and other leave allowances resulting in workers spending more time at home while receiving compensation, together with increasing work hours wasted due to traffic and transportation inefficiencies, all serve to erode the country's competitiveness. The Chamber has gone on record to state that as long as the rate of increase in the cost of labour continues to outpace productivity, Malta shall soon out-price itself to the competition and will face painful consequences.

#### Active Labour Market Policies

In recent years, numerous active labour market policies such as the tapering of social benefits, the In-Work Benefit and the Free Childcare schemes were successful in increasing Malta's female participation rate in the labour market. This shows that the Maltese, in general, are willing to work and enhance their quality of life when it pays to do so. However, the Malta Chamber notes that despite the aforementioned schemes, Malta's female participation rate remains below EU averages.

Government must therefore strive to increase the number of active labour market policies and other incentives aimed at cohorts wherein there still exists potential to increase employment rates, such as women and the retired. Extending child care facilities to cater for shift workers may be very effective in attracting additional women, particularly low-skilled or unskilled women, to the labour market, thereby eliminating the significant dependence on costly and possibly unreliable foreign labour at these skill levels.

The success of Active Labour Market Policies does not depend solely on expenditure levels but most importantly, on effective design and implementation of the measure. An important objective of active labour market policies should be to mitigate the moral hazard resulting from generous unemployment benefits and insurances. It must not be financially beneficial for one to be unemployed. Active labour market policies have other positive factors such as increasing the degree of competition for the available jobs, making applicants more competitive thus driving the unemployed to improve their skills.

Active labour market policies are key to Malta's sustainable economic growth. Recent years have shown their applicability to the local labour market while there are numerous other areas and cohorts that can be tackled by ALMPs. These would reduce the country's present over-dependence on the successful attraction of foreign labour, thereby ensuring sustainable economic growth in the long-term.

### Active Ageing

With Malta's ageing population, a growing, yet untapped resource is its elderly cohort. Many past retirement age are willing and able to continue working and contributing to society both directly or indirectly.

Through the *National Strategic Policy for Active Ageing: Malta 2014-2020*<sup>2</sup>, government committed itself to achieve a society for all ages by adopting specific measures to transform the country into an age-friendly nation. The strategy notes that advances in healthy life years improves the well-being of the elderly, extends working lives, provides incentives for economic growth, and most importantly decreases the pressure on health and social care systems. It also acknowledged the opportunity for the business community as the ageing population present both a larger recruitment pool as well as an expanded customer base.

One of the three pillars on which the strategy is built is in fact to increase the number of older workers in the labour market whilst enabling persons above statutory pension age to remain in or re-enter employment. This realisation of this increase is also critical to achieve long-term sustainable growth without over-reliance on foreign labour.

Continuous vocational training for older adults, very attractive fiscal benefits for active agers and mentoring schemes are all ways of keeping the older and ageing engaged in the workforce, which in turn has numerous benefits both on society and on the economy.

Employers are increasingly recognising the strengths, experience and contributions of their ageing employees. Fellow employees are also becoming increasingly conscious of older workers' vast experience. The development of a mentorship programme and culture will encourage co-workers to connect with the elderly both on a personal and professional level. While the younger workers, and hence the organisation, will benefit from the transfer of expertise, older workers will attain a renewed sense of purpose, develop new relationships and fulfil personal goals.

The Chamber strongly recommends the creation of a public campaign highlighting the valuable contributions that older workers provide as mentors and role models to the many younger employees that are expected to hit the ground running straight out of education. This is also an excellent way to

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<sup>2</sup> <https://family.gov.mt/en/Documents/Active%20Ageing%20Policy%20-%20EN.pdf> - Accessed 6<sup>th</sup> March 2018.

bridge the growing skills gap between education and the real world of work in many areas. Financial assistance for enterprises implementing such mentoring structures should be made available as part of the country's National Active Ageing Strategy.

### Public Sector Human Resources

The present increased demand for goods and services in all industries has also been experienced in the public sector. As the economy grows, more customers require the services of a number of government entities which may have arguably led to the growth experienced in the public sector's employment figures, as shown in Figure 7 below.

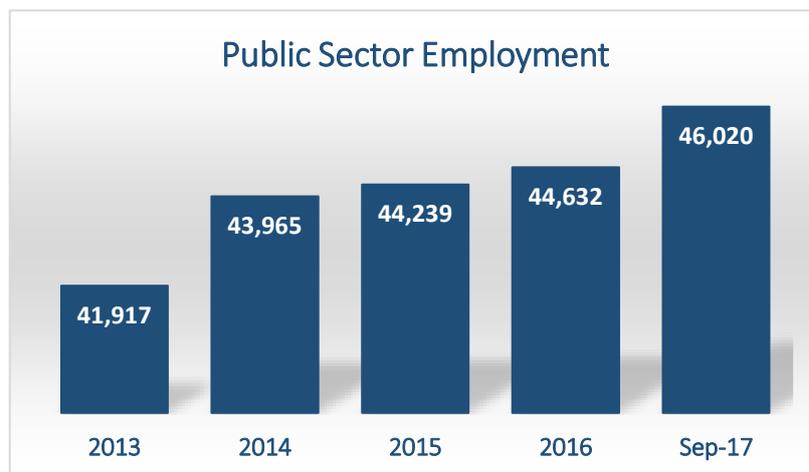


FIGURE 7 - PUBLIC SECTOR EMPLOYMENT 2013 - SEP-17  
SOURCE: NSO GAINFULLY OCCUPIED POPULATION NEWS RELEASES (REVIEWED FIGURES)

The Malta Chamber has repeatedly called for an urgent and comprehensive manpower survey in the public sector in order to enhance the effectiveness and efficiency of public sector services. Such a survey will identify areas and categories of employment-levels categorised according to public entity experiencing staff shortages and others with surplus manpower and allow a redistribution of resources to match the workload. In the event that such a survey concludes that surplus or manpower shortages do exist in certain levels and entities, the overall efficiency of the public sector can be further improved through effective redistribution of resources. Any further surplus manpower in possession of valid skills applicable to the private sector must be supported and incentivised to shift to the private sector.

Such a situation would serve as a macroeconomic benefit for government as workers relocated to the private sector contribute more to the economy in terms of value added, hence generating increased public revenue along with savings on the public wage bill.

### Labour Cost Efficiency

The introduction of a number of family friendly measures, new leave entitlements and compensation for public holidays falling on a weekend mean businesses will struggle to meet demand. Workers will be spending less time at their workplace which in turn raises the cost of production to simply maintain

the level of output. This is a textbook definition of the term 'unsustainable'. Economics dictates that higher production costs lead to a loss in competitiveness and ultimately job-losses.

The above-mentioned initiatives come at a time when Maltese employers are struggling to meet demand and have to contend with rising complacency levels amongst employees. This combination of factors will force businesses to invest in automation and to replace traditional labour, with an aim to maintain/improve cost-competitiveness and meet demand.

Hence, argumentation that such family friendly initiatives will contribute to increased employment and productivity is inherently flawed. The European Union and Malta in particular are already the best places to work in, due to the very high level of social policy and work conditions, leading the Malta Chamber to question why politicians in government and the EU are prioritising additional paid time away from work. Policy makers must not underestimate the potential impact of such initiatives on businesses, employment and growth.

## 2.2 Bridging the Skills Gap

Employers currently face fierce recruitment competition between themselves and must deal with rapidly inflating remuneration expectations of candidates. In order to avoid this situation from having lasting, harmful effects on Malta's labour market and economy, the Malta Chamber recommends implementation of the proposals detailed hereunder. The proposals aimed at lowering the need for urgent recruitment by enhancing skills and better-utilising the **current and future** domestic workforce, both on a national level and at company level.

### Skills Gap Analysis

At company level, a skills gap analysis helps identify the skills required in order to meet strategic goals. It guides employee development and recruitment needs. At a national level, a skills gap analysis reveals the demands of the economy in terms of the increasingly diversified set of skills required to enable companies to meet market demands. The conclusions of a skills gap survey must then serve as the basis for both the necessary policies, initiatives, updates and reforms.

Skills gap surveys coupled with data and figures such as gainfully occupied trends, birth and death trends, immigration and emigration trends, student enrolment figures, examination results and other relevant statistics reveal both present and future resource gaps. On one hand, present gaps can be tackled effectively in the short term through initiatives and incentives driving lifelong learning, upskilling, reskilling and active ageing. On the other hand, future gaps can be mitigated through reforms to education as well as the incentives required to channel students towards skills and careers demanded by the economy and its continued development.

### Skills Auditing and Skills Forecasting

A workforce skills audit can be used to identify the skills that an organisation currently possesses amongst its staff, and where the skills gaps lie, thus helping an organisation meet its strategic objectives. Each and every employee has a dynamic and unique skills base. It is important for an

organisation to know the skills set and skills levels of its employees and, more importantly, to assess whether these skills are being utilised in the most productive way possible. On average, employees spend a quarter of their working week on activities outside their core specialisation<sup>3</sup>, time which would be better utilised and which may reduce the need for recruitment.

Skills audits are typically carried out bi-annually and are used to identify gaps in the organisation, identify strengths and weaknesses of individual staff or teams, enable training and development expenditure to be better directed, help staff members recognise the skills they need to develop and to better define present and future recruiting needs, in the case that any remain after staff reorganisations resulting from the audit. The exercise will often result in the realisation that a number of employees' skills and roles are actually mismatched, or there exists significant potential for an employee to quickly learn and fit into a new role.

Ultimately therefore, the process encourages an organisation to focus on identifying skills and bolster resources in the areas of key strategic importance to the business. The same can also be applied to the national labour market in general.

Skills auditing and forecasting on a national level can also lead to better targeting of lifelong learning and active ageing strategies, as explained above. Constant analysis of labour market needs, gaps, trends, supply and demand, coupled with effective implementation of any necessary updates, amendments, incentives, policies and schemes are fundamental to ensure continued, sustainable and inclusive economic growth.

### National Skills Council

The National Skills Council, formally established in 2017 after a decade of calls by the Malta Chamber, must take on this 'skills-auditing' role in order to ensure that the country's education system is producing people with the right skills, in the right quantities and at the right time. Forecasting plays a big part in this, since career-focused education is typically a 10-year process spanning from age twelve to successful completion of tertiary education in one's early twenties.

The Chamber firmly believes that the primary role of the National Skills Council should be to operate sector specific working groups wherein industry and academia experts may carry out the necessary skills forecasting, identify gaps and recommend ongoing updates to relevant education paths and courses. To this end, the Chamber reiterates its calls for such working groups to be established without further delay. Through its thematic committees and specific sectoral representative groups known as 'Business Sections', the Malta Chamber would be willing to participate in the formation of such working groups. The Chamber is well positioned to identify a number of experts in every field, given that it has always represented the majority of private sector players.

Successful sectoral working groups in other countries provide integrated industry intelligence and advice to the Ministry for Education, government agencies and enterprises/institutions engaged in workforce development. They also actively support the development, implementation and continuous improvement of high quality and relevant education and training.

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<sup>3</sup> <https://www.ft.com/content/12d3effc-6277-11e3-bba5-00144feabdc0> Accessed 7th March 2018

## Education Reform

A longer-term approach to resolving the widening labour gap is to conduct the necessary reforms to the country's education system. The system remains inflexible and too oriented towards traditional career paths. It is not producing the skills required by an economy experiencing rapid transformation and modernisation. This situation is evidently the result of a lack of the necessary foresight, planning and ability to react nimbly to the demands of the economy.

The recent Eurostat publication on post-compulsory education exacerbates this situation as it reveals that Maltese students are the second least likely to proceed to post-compulsory education levels i.e. sixth form, higher education and university. Improvements in this regard are desperately required, particularly in the number of students enrolling in vocational education courses of a more manual nature and other fields experiencing, or expected to experience, the largest gaps.

Education reform must also introduce greater emphasis on entrepreneurship, work ethic and soft skills for the world of work from a young age. These qualities defined the generation of Maltese business people that established the strong foundations of today's economy and remain as important as ever if Malta's economy and human resource is to maintain its strong reputation.

## Career Guidance

Effective career guidance also has a momentous role to play. It is imperative that career guidance counsellors are provided with frequently updated information on the opportunities on offer and the skills and qualifications in demand. Government must urgently establish effective communication channels between industry, higher education, secondary education, guidance teachers and the National Skills Council.

## Stipends

Stipends already play an important role in attracting students to post-compulsory education. However, the Chamber urges government to recognise the opportunity at hand to better utilise stipends as an instrument that guides students into following rewarding career paths in demand by the present and future economy.

## Work-Based Learning

As advocated in numerous previous documents, the Malta Chamber is strongly in favour of all forms of work-based learning (WBL). The European Commission describes WBL as a win-win situation, confirming benefits for both the individual learners and the participating companies. The Chamber's members continually express their perceived effectiveness of apprenticeship, internship and work placement programmes as a means of improving the overall skill set of young people, especially with regards to otherwise lacking soft skills.

It is a priority that an absolute majority of Malta's students further their education to post-secondary level. In this way only can the labour market become as dynamic as required by a rapidly growing and transforming economy.

The Chamber believes that the success of WBL systems and policies in other advanced economies must incentivise all education institutions in Malta to introduce elements of work-based learning

across all types and levels of post-secondary education. Students must be given the opportunity to learn in a classroom, while also applying and expanding their knowledge at the workplace.

The reform to the country's WBL framework, through the coming into force of a Work-Based Learning and Apprenticeship Act in February 2018, is fundamental to improve the success of newly qualified job-seekers, while also serving to narrow the skills gap by increasing the number of apprentices and interns in the job-market and improving the quality of WBL experiences. With the initial step of revising and upgrading the legal framework surrounding work-based learning, it is now down to effective implementation of the Act by the Ministry for Education and Employment and all relevant stakeholders in education and industry.

## 2.3 Attracting Foreign Labour

Running in parallel to the proposals mentioned above in sections 2.1 and 2.2, the country must also seek to mitigate the labour gap in the short term. To this end, the Malta Chamber proposes further facilitation, simplification and acceleration of work permit processes, an international marketing campaign showing Malta as a career destination, conclusion of Jobsplus' agreements with non-EU national job agencies as well as strengthening Jobsplus to provide basic training to foreign workers.

### Work Permits

Facilitation of recruitment of foreign nationals must commence with urgent simplification and acceleration of bureaucratic processes linked to the application for a work permit. The significant investment and improvements already implemented in Identity Malta's operations remain insufficient as permitting processes last many weeks. The agency requires immediate strengthening of resources, particularly in terms of personnel with a good command of the English language, so as to deal with the sheer volume of applications in a timely manner. The private sector needs to operate with peace of mind that excessive delays in permitting processes will not continue to lead to loss of business.

Furthermore, a number of proposals advocated by the Malta Chamber aimed at simplifying work permitting processes continue to be overlooked. Firstly, the Chamber firmly believes that a fast-track processing system, similar to the Key Employment Initiative, could serve to alleviate significant commercial losses resulting from a lack of specific skills in the domestic labour market. This could be particularly effective with a lower threshold and if targeted at the technical manual skills employment segment such as technicians.

Secondly, improved timeliness can also be achieved through digitalisation and centralisation. An online platform for employers to submit applications on behalf of third country nationals (TCNs) is mandatory in light of the demand for work permits and the lack of human resources to receive and process applications. An online tracking and notification system accessible to all applicants would also alleviate significant time wastages caused by applicants that presently seek status updates through any means possible. An online system must also allow submissions of 'Change in Address' or 'Change in Job', similar to the system currently in place to notify Jobsplus of an employee's 'Change in Job'.

Thirdly, a review of the guidelines and required documentation, particularly for the 'Proof of Effort', is well-overdue. Recruiting a TCN is a last resort for employers due to the costly, lengthy and

bureaucratic process involved together with the risk and uncertainty of the longevity, skills and work ethic of the foreign worker. Hence, requesting for 'proof of effort' is redundant.

Furthermore, documentation submitted to Identity Malta as part of the requirements for the work permit process must be shared with entities requiring the same documentation further along the process. Once a work permit is issued for a TCN, said TCN must then obtain a Visa to travel to Malta. Often, the closest Embassy or consulate require the applicant to and submit, usually in person, all necessary documentation. It is frequently the case that the closest embassy/consulate is in a neighbouring country, or even further away. This adds to the delay in the commencement of employment of a TCN and can easily be resolved with improved communication channels and sharing information/documentation between different public-sector departments that serve as links in the same chain. It is recommended that a temporary visa valid for 3-6 months is issued as part of the single work permit. This would allow TCNs to submit documentation necessary to obtain a full permit while already working in Malta.

### International Marketing Campaign

Marketing is fundamental for the growth of any operation. This is evident from Malta's results in terms of tourist arrivals, with many successful international advertising campaigns contributing to year-on-year increases in tourist arrivals. Labour supply can also stand to benefit from similar treatment. Advertising campaigns showcasing employment opportunities and social life in Malta may prove successful if targeted effectively in countries and regions with the right skills and demographic factors such as southern Italy including Sicily, Hungary, Bulgaria and Romania – all of which are EU member states. The aforementioned improvements to Identity Malta's work-permit process are an essential prerequisite for the eventual success of such campaigns.

### Agreements with National Job Agencies

The Malta Chamber strongly supports the initiatives by Jobsplus to strike agreements with international counterparts to transfer quantities of workers in certain job categories to Malta. Hence, the Chamber recommends timely conclusions to such agreements and looks forward to their urgent implementation.

Such a system may resolve significant gaps in the labour market by bringing sizeable groups of workers to Malta. This can be particularly effective in increasing the labour supply in areas that are fundamental to business operations but in which domestic labour supply is lacking.

For such agreements to operate with maximum efficiency, prospective workers must be evaluated by Jobsplus' international partners on the ground while the necessary fast-track work-permitting process runs almost in parallel with the screening and recruitment process.

### A re-dimensioned Jobsplus to provide basic training to foreign workers

For the aforementioned system to render the best results and the most productive employment, Jobsplus must also be re-dimensioned to provide workers coming to Malta with training to arm them with employability skills such as basic English language and numeracy skills that allow them to hit the ground running in their new jobs in Malta.

Once such training programmes are established, Jobsplus should also target immigrants with humanitarian status already present in Malta. This cohort may prove to be a resource with significant untapped potential for skills and employment in Malta but desperately requires initial assistance to enter the labour market.

## 2.4 Retaining Foreign Labour

The next fundamental step after successfully attracting foreign workers is to ensure they remain in Malta and engaged in the labour market. Table 1 clearly depicts that one quarter of foreign workers leave within the same year of arrival, while half are no longer present one year after arriving to work in Malta. It is evident that Malta's current positive economic period is exerting unprecedented stress on numerous factors that contribute to Malta's attractiveness as a career destination. To ensure that Malta does remain attractive for foreign workers to stay in employment for as many years as possible, the Malta Chamber calls for improvements in the incentives and general infrastructure that are crucial to the overall attractiveness and quality of life of foreigners in Malta.

		Still present in year							
		2010	2011	2012	2013	2014	2015	2016	2017
Year of Arrival	2010	70.4%	45.3%	36.1%	29.3%	23.8%	18.2%	11.2%	7.0%
	2011		74.1%	52.1%	40.4%	31.3%	24.2%	14.0%	8.8%
	2012			75.2%	51.7%	39.1%	28.1%	16.5%	9.5%
	2013				73.8%	49.7%	33.6%	18.9%	11.4%
	2014					74.4%	45.4%	26.3%	15.9%
	2015						73.4%	37.3%	23.6%
	2016							66.4%	42.0%

TABLE 1 - RETENTION RATE OF FOREIGN WORKERS

SOURCE: JOBSPLUS

### Incentives and Adequate Infrastructure

As a means of increasing the retention of foreign workers employed in Malta for longer periods of time, a set of incentives, access to social benefit entitlements and adequate infrastructure to cater for foreigners are required.

Tax incentives already play a part in helping to attract certain categories of foreign labour to Malta, however, a more holistic and attractive set of incentives aimed at talent of economic priority for Malta are necessary. The Chamber also believes it goes without saying that foreign workers working in Malta and paying income tax and national insurance must always have access to social benefit entitlements.

In terms of infrastructure, the availability of private/international schooling, healthcare services and both luxury and affordable accommodation are primary factors in a foreign worker's evaluation process. The country must strive to enhance these factors in order to be attractive in a holistic manner.

Any public expenditure in this regard will be well spent as the country in general stands to gain both from the investment and from additional foreign workers remaining in Malta for longer periods. They will establish deeper roots, acquire movable and immovable assets, drive domestic demand, travel in and out of the country frequently, cause family and friends to visit Malta as tourists and countless other multiplier effects.

Employers invest significant portions of their overheads in order to train their human resources and improve their skills. At present, due to numerous factors such as rental costs and inadequate infrastructure, employers tend to experience low returns on their investments on foreign human resources. A significant share of foreign workers tend to leave Malta within the first two years, before they truly become productive and provide a steady return on the investment made by the employer.

## Conclusion

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Through this report, the Chamber has sought to provide context as to the trends and demographics characterising the single largest issue faced by Maltese employers at present. It lays out a blueprint for both short and long-term measures targeted at increasing the quality and quantity of the domestic labour supply, as well as the attraction and retention of foreign workers to supplement the domestic supply and meet the demands of the country's evolving economy.

While most proposals put forward in the report place the ball in government's court, the Chamber also recognises the role both it and the private sector it represents may play in overcoming this challenge of unprecedented scale. To this end, the Chamber may certainly play a role in:

- Contributing to the modernisation of career guidance through coordination of company visits for students, teachers and career guidance counsellors;
- Collaborating with the National Skills Council to ensure a constant 2-way communication with industry;
- Contributing to the proliferation of work-based learning in Malta, through the drafting of a comprehensive strategy and assisting with implementation;
- Organising and participating in career days for students, for workers looking to shift/further their careers and for active agers;
- Exploring the feasibility of a potential Public-Private Partnership to provide affordable accommodation for foreign workers.
- Facilitating the sourcing of interns and workers through Erasmus+ and other international recruitment platforms.

# Summary of Proposals

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## Increasing Domestic Labour Supply

1. Introduce additional **active labour market policies** and **other incentives** aimed at cohorts wherein there still exists potential to increase employment rates.
2. Incentivise **active ageing** through continued employment and mentorship programmes.
3. Conduct a comprehensive **manpower survey across the whole public service** to identify areas with staff shortages and surpluses. Provide public servants with support and incentives to shift to the private sector.

## Bridging the Skills Gap

4. Encourage both company level and economy-wide **skills audits** to identify skills gaps and organisational strengths and weaknesses, to enable training and development, to define present and future recruitment and to prompt any necessary staff restructuring.
5. The National Skills Council must operate **sector specific working groups** wherein industry and academia experts may carry out the necessary skills forecasting, identify gaps and recommend ongoing updates to relevant education paths and courses.
6. Conduct the necessary reforms to the country's **education system**.
7. Establish active communication channels between industry, higher education, secondary education, guidance teachers and the National Skills Council to ensure that students are provided with realistic and **effective career guidance**.
8. Better utilise **stipends as an instrument** that guides students into following rewarding career paths in demand by the present and future economy.
9. With the initial step of revising and upgrading the legal framework surrounding **work-based learning**, it is now down to effective implementation of the Act by the Ministry for Education and Employment and all relevant stakeholders in education and industry

## Attracting Foreign Labour

10. Facilitate recruitment of foreign nationals through urgent simplification and acceleration of bureaucratic **processes linked to work permits**.
11. Implement a **fast-track processing** system on the lines of the Key Employee Initiative for specific areas with critical demand.
12. Enhance the permitting process through **centralisation, digitalisation** and an accessible, up-to-date **online submission and tracking system**.
13. Include a **temporary work visa** valid for 3-6 months as part of the work permit.
14. Establish clear communication and documentation sharing lines between Identity Malta and Visa Unit.

15. Create an **international marketing campaign** showcasing employment opportunities and social life in Malta.
16. Seek urgent **agreements with National Job Agencies** to bring quantities of workers to Malta.
17. Re-dimension Jobsplus to **provide basic training and induction** for foreign workers successfully attracted to Malta through agreements with foreign counterparts.

### **Retaining Foreign Labour**

18. Introduce a set of incentives and invest in adequate infrastructure to maximise attraction and retention of foreign workers.
  19. Commence dialogue to address spiralling costs of accommodation and certain anomalies experienced by tenants, particularly regarding utility bills.
  20. Increase accommodation for foreign workers through upgrading/retrofitting of dilapidated public property or through temporary compound-style accommodation facilities installed on public land.
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