

Third Country Nationals in the Local Labour Market

“Like high-performing economies such as the UK, Germany, Australia and the US, Malta should seek and embrace foreign talent, and not fear it.”



THE MALTA CHAMBER



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Introduction

The national discussion on labour market policies launched in January 2021 has placed Third Country Nationals (TCNs) firmly on the agenda, with three out of the 12 challenges that have been identified by the Ministry for Finance and Employment being specifically linked to TCNs, namely: -

- 1. The volume of TCN workers and the correlated increase in infrastructural, education, healthcare, and housing needs.**
- 2. The demand of specific industries, primarily the health and elderly care sector, construction and tourism, for TCN workers.**
- 3. The impact of TCNs on salaries.**



The Economic Background and Our Economic Vision

The volume of TCNs workers, particular in the private sector, has indeed increased exponentially in a short span of time which has coincided with a period of unprecedented economic growth (2013-2019) and the retirement of the baby boomers. Foreign nationals in the workforce doubled every three years during this period, with TCNs accounting for two-thirds of the increase over the latter three years.

Foreign Nationals Years	Dec-13	Dec-16	Dec-19
EU National	12,089	25,167	35,290
Full-time	9,870	20,916	30,419
Part-Time	2,219	4,251	4,871
EEA & EFTA	165	302	430
Full-time	154	288	401
Part-Time	11	14	29
EU Dependent	124	369	981
Full-time	102	285	821
Part-Time	22	84	160
Third Country National	6,207	9,900	30,895
Full-time	5,488	9,103	30,075
Part-Time	719	797	820
Grand Total	18,585	35,738	67,596

Source: Jobsplus

The importation of foreign labour together with the activation of the largely female inactive population was imperative to be able to achieve such growth at a time when a substantial portion of the working population reached retirement age. It also played a role in funding pensions. Yet, it is evident that the influx of foreign labour, and particularly TCNs who overtook EU nationals in full-time employment by 2020, has placed considerable demands on the infrastructure, education, healthcare and housing that were underestimated at outset.

The crucial realisation that imported labour not only contributes to output, taxes and pensions, but places a strain on a country's resources, and that the strain placed by lower income foreign workers (as are most TCNs) can be disproportionate to their contribution to taxes and pensions in particular is now staring us in the face. It certainly calls for **a thorough assessment of the carrying capacity of the country and of the investment in infrastructure, education, health and elderly care and housing that needs to be undertaken to support the native population as well as any foreign labour that will be required to attain the levels of economic growth and quality of life that we aspire for.**

There are clearly qualitative decisions to be made in terms of the niches that we focus on in the various industries that we have developed over the years and that provide us with a diversified economy that we have come to appreciate more than ever before. It is not a matter of which industries to support and which to abandon, but more a question of which niches to target – a process that requires identification of those segments of the global market in each industry that are best suited to our size, geographical position, historical and natural endowments, industrial and communications infrastructure, skills base, ability to develop regulatory frameworks for emerging markets ahead of larger jurisdictions, and ability to attract investors that value a highly responsive policy environment. This applies with respect to all sectors in which we have something to build on: tourism, manufacturing, logistics,



financial services and gaming, and possibly healthcare, elderly care, education and construction – to the extent that we can view the latter four sectors as potential sources of sustainable economic activity beyond that required to sustain the resident population.

No discussion on labour supply can be divorced from considerations of carrying capacity that ultimately determines the sustainable growth potential of the country, and the suitability of the various niches within each sector depending on their resource implications. But curtailing the inflow of Third Country Nationals that are legitimately required to meet present human resource requirements, whether systematically or by targeting specific sectors or skills levels, will only trigger wage inflation in the impacted sectors that will have a ripple effect in other sectors.

It must be borne in mind that artificially induced wage increases at the lower end of pay scales will have a domino effect on higher wages in industries where wages and salaries are largely determined by collective bargaining, and induce further informal employment in sectors that are less regulated and more likely to resist wage increases. The bottom line is that the growing wage differentials that are of greatest social concern will only grow bigger, also because the bargaining power of the better qualified and higher skilled is always stronger in an economy that is trying to make a qualitative leap and in which specialised skills are in very short supply and educational attainment levels are inadequate for a substantial portion of the population.

There are strong indications that the private sector has been losing local personnel to the public sector in recent years, particularly when it comes to unskilled and semi-skilled employment. This is evidenced by a much stronger presence of TCNs in the lower ranks of the private sector than of the public sector. It is evident that the private sector has had to rely increasingly more on TCNs to man its lower ranks, to a greater extent than would be required to support its growth in the absence of such crowding out by the public sector.

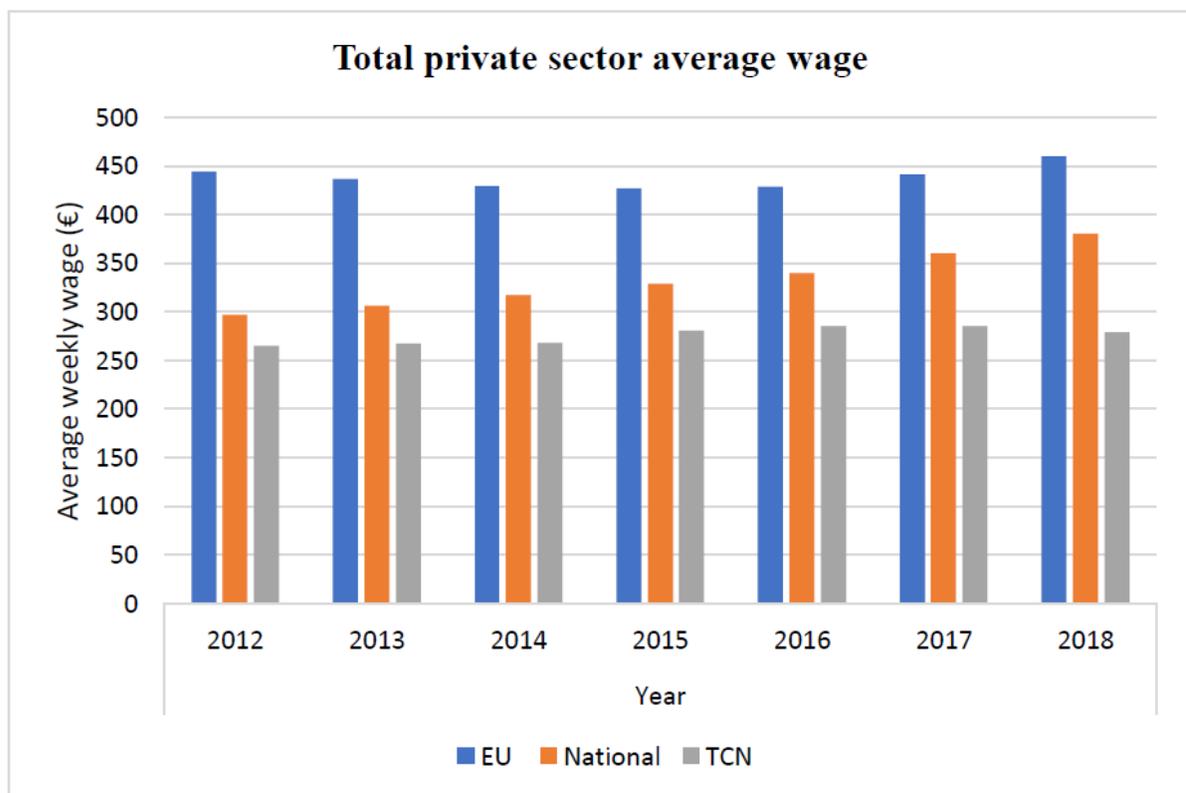
The attractiveness of unskilled and semi-skilled public sector jobs for the local population compared to jobs of the same level of skill in the private sector merits serious consideration. The long-term economic repercussions on national productivity and wage expectations resulting from the proliferation of superfluous entry level jobs in the public sector is not to be underestimated. A scheme that incentivises the secondment of unskilled and semi-skilled public sector workers to the private sector could help rationalise the allocation of such resources. The quantum of the incentive required for uptake of such a scheme would be indicative of the perceived productivity differentials between public sector and private sector jobs of this level.



Average Wages in the Private Sector

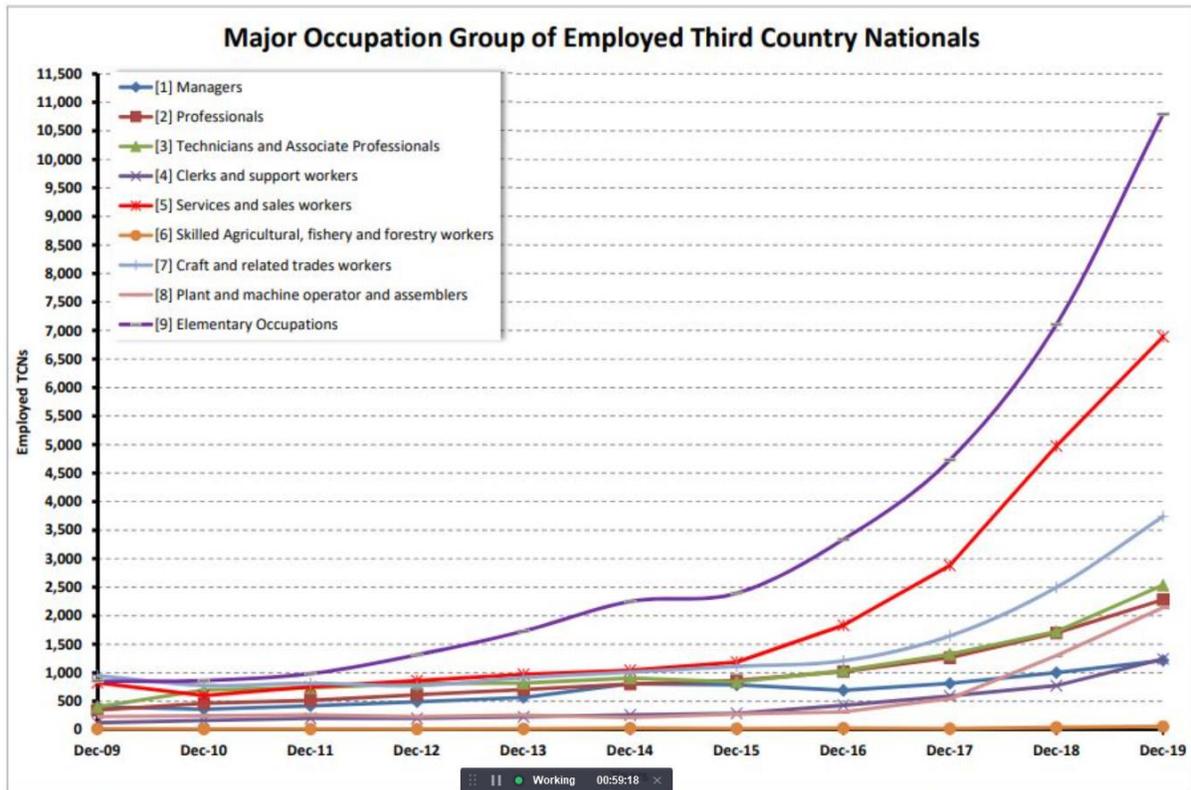
While the proportion of TCNs in the private sector has increased steadily since 2013, salaries of Maltese nationals have also increased substantial over the same period, reducing the gap between the average wages of Maltese and EU nationals. The average wages of TCNs increased only marginally, while those of EU nationals were only marginally higher in 2018 than what they were six years earlier. Clearly, Maltese nationals advanced most in the private sector during this period, and this is not surprising. The labour market has been characterised by high labour turnover and a flow of foreign labour that is often here for a couple of years at most, partly because Malta is perceived as a steppingstone to employment in larger EU countries, and partly because rental costs relative to wages do not entice foreign workers to settle here.

In such a scenario, an adequately qualified Maltese national is the employee of choice, with foreign workers being an option when Maltese nationals lack the required skills or qualifications, or Maltese nationals are not willing to take up certain jobs typically because of the nature of the work or the working hours involved.



Source: Spiteri (2020)

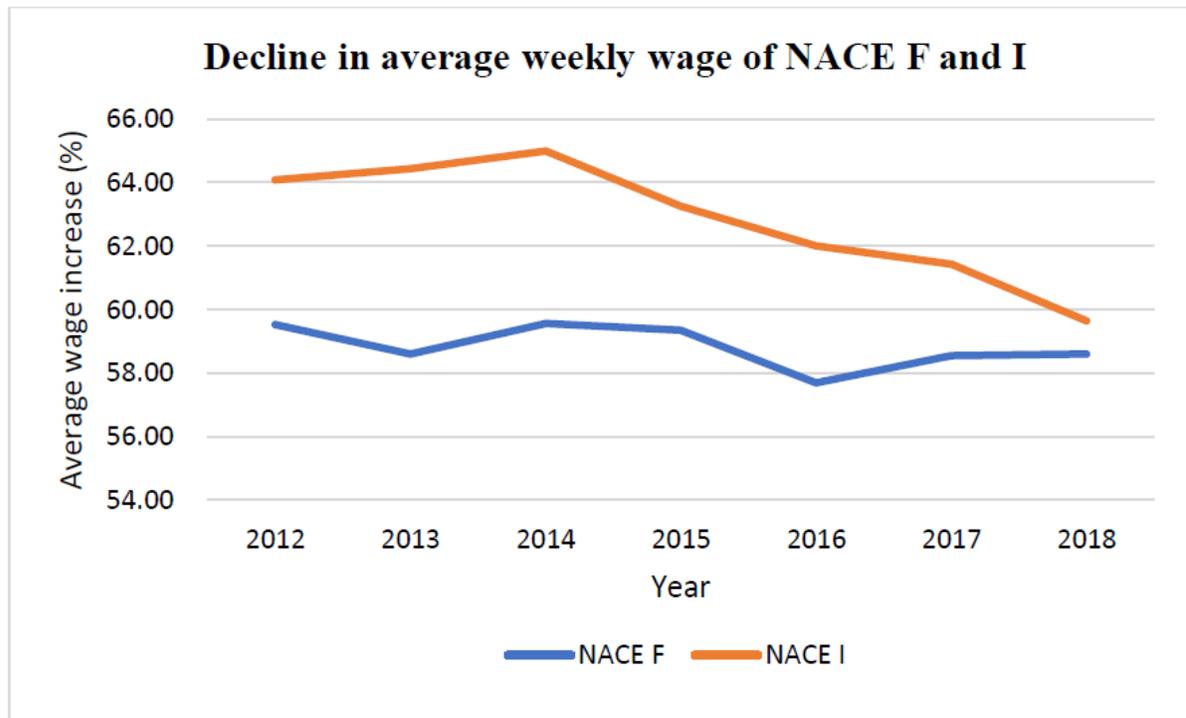
The lower and relatively stagnant average wages of TCNs reflects the fact that the greater portion of TCNs is employed in elementary jobs. Yet, it must be said that TCNs are also being sourced to fill in skills gaps in higher level jobs, and the contribution of TCNs at higher levels of employment should not be underestimated.



Source: Jobsplus

As the above chart illustrates, the growth in employment of TCNs in elementary occupations and as services and sales workers has been far more pronounced, particularly between 2017 and 2019, and does beg the question whether the economy has really evolved in such a way as to really require so many more unskilled workers in such a short span of time. This merits investigation quite independently from any wage implications that it might have because it ties in directly with issues of carrying capacity and the impact on health services and education provision, as well as public transportation, that a disproportionate increase in unskilled TCNs is bound to have. It also has labour productivity implications and suggests that economic operators may be shying away from investment in more sophisticated methods of production and supply of goods and services, relying even more heavily on unskilled resources instead. This has clearly undesirable repercussions on product quality and international competitiveness.

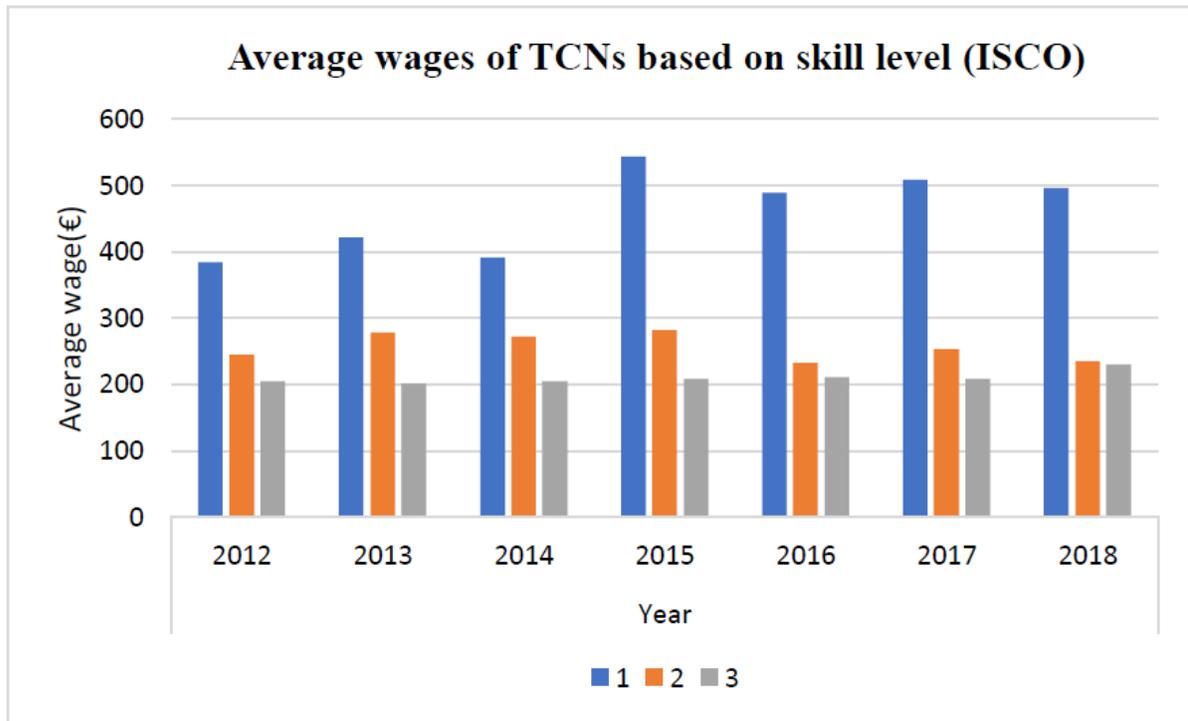
A 2020 dissertation on the impact of TCNs on local wages (Spiteri, 2020) singled out construction (NACE F) and tourism (NACE I) as two sectors that employ a high concentration of unskilled TCNs and set a priori expectations that the high concentration of unskilled TCNs in these sectors exerts downward pressure on the wages of natives working in these sectors. The focus of the study is on relativities and in fact plots the average wages of a nationals in these sectors relative to average wages. Since wages in these sectors have not increased at the same pace as wages in some other sectors, it is argued that the concentration of unskilled TCNs in these sectors has exerted a downward pressure on the wages of nationals working in these sectors.



Source: Spiteri (2020)

What the data really bears out is that salaries have increased across all sectors and levels, albeit at a slower rate among the unskilled. While it is tempting to argue that because wages have increased slowest in the sectors and levels where the proportion of TCNs is largest, then TCNs are exerting downward pressure on salaries, such an argument is extremely simplistic and could lead to misguided policy decisions that would backfire in the context of the economic vision that fuels the country's growth ambitions. It is also a potentially dangerous trend of thought to promote since it fuels racist sentiments towards TCNs among lower income groups.

The same dissertation shows that wages for skilled TCNs increased considerably during the same period, further strengthening the argument that workers lacking skills face low and stagnant wages, irrespective of their nationality. This is the single, most important message that needs to be communicated loudly and clearly to lower income earners and upcoming students. The economic returns of a proper education over one's lifetime, not just for the country but even more so for the individual, need to be communicated openly and emphatically, and used to incentivise people to pursue an education and seek to upskill themselves. Messages that suggest that TCNs are here to take the lower end jobs and keep the wages of the unskilled down are not motivational but fuel resentment and a sense of entitlement to better pay irrespective of skills and ability.



Source: Spiteri (2020)

It must be said that in a globalised world, it is impossible to isolate the Maltese labour market from the international one, and particularly the EU labour market. The demand for highly qualified, skilled, and specialised labour has increased faster than that of unskilled labour in all advanced countries and will continue to do so. Such labour is inherently more career ambitious and mobile than unskilled labour, and international competition for such resources is high. This is the primary reason why salaries of highly qualified, skilled, and specialised continue to grow at a faster rate than those of unskilled workers, not just in Malta, but internationally.

The spread of wages has widened due to acute skills shortages that have enabled highly skilled people to fetch much higher wages as they bounced from one job to another. Another factor which contributed to this uneven increase in wages is the fact that value added in a couple of sectors – notably gaming, IT, financial services, and real estate – is considerably higher than in other sectors, thereby allowing for higher wage increases. It must be observed that growth in these sectors was supported by favourable regulatory frameworks and policies that encouraged people to invest heavily in property, including near zero interest rates and a steady inflow of foreign workers looking for rental accommodation.

Many Maltese nationals happily supplemented or even traded their income from unskilled or semi-skilled employment with the rental income from rooms they could spare, properties they inherited and refurbished, floors they built over their homes, and tiny apartments into which they put their life savings. It is plausible to think that even for the average citizen, the prospect of a loss in rental income due to fewer foreign workers being required to support a post-Covid economy is more worrying than the prospect of job losses, from which the national population has so far been completely insulated.



Are Local Unskilled Workers Really Competing for the Same Jobs as Unskilled TCNs?

It is also important to consider the extent to which the unskilled portion of the local labour force is really competing with TCNs for lower-end jobs. While a detailed analysis requires access to data that is not publicly available, the following observations can be made from anecdotal evidence and data that is publicly available:

- 1) Tourism and construction employ a significant portion of unskilled TCNs. Several of the remaining local workers in tourism and construction have been promoted to supervisory positions, overseeing teams of TCN workers that often move on to other jobs or other countries after a while.
- 2) A significant portion of low-end jobs in tourism are seasonal and involve working in the evenings and during weekends – working times that are not generally favoured by the local workforce. These jobs were formerly taken up largely by local students, more for the experience than for the pay, but they seem to be less inclined to take up part-time employment in catering nowadays.
- 3) The pandemic has seen many TCN workers in tourism shift to food delivery jobs. Local workers who were underemployed during the pandemic were less inclined to take up food delivery jobs. Many argue that this is because they are paid very little for such jobs. Crucially, many of the consumers of such services are themselves relatively low-income earners and the demand for such services rests heavily on the charge being minimal. Additionally, the food delivery services that came on the market during the pandemic enabled the food industry to survive. Among the beneficiaries were other relatively low-income earners in the food industry who were hence able to hold on to their jobs.
- 4) Most low-end jobs in construction involve significant physical labour that most local workers are not inclined to take up.
- 5) Several manufacturing employees have resorted to employing TCNs because of the lack of predisposition of local workers to work shifts. Among these TCNs working in manufacturing is a mix of unskilled, semi-skilled, and technically skilled workers commanding a range of salaries due to their availability, reliability, technical aptitude, and eagerness to learn job-specific skills.
- 6) Larger employers of TCNs in both tourism and manufacturing tend to make use of subcontractors employing several hundreds if not thousands of TCNs and pay such subcontractors at hourly rates that are significantly higher than minimum wage, but opt to do so because they provide the flexibility to meet seasonal demands and fluctuations in production demands that cannot otherwise be met.
- 7) Subcontractors who employ such TCNs typically provide training and shift workers from one activity to another according to demand from season to season.
- 8) The jobs provided by such subcontractors are typically unattractive for local workers not just because the rates of pay are low, but also because there is no culture of temping. Local workers would rather be doing the same job at the same workplace permanently, then shift from one job and workplace to another according to seasonal demands.
- 9) A significant portion of unskilled TCNs are employed by private individuals as resident carers for the elderly. These are jobs which are unlikely to be filled by local workers who have a family of their own to take care of.



- 10) Other operative jobs that are increasingly being taken up by TCNs are in transport and retail. Again, jobs in these sectors have become unattractive for local workers because of the working hours and the high levels of traffic congestion that delivery people need to deal with continuously on the roads.
- 11) Similarly the Care Home industry is overwhelming populated by TCN care workers and nurses, with preliminary studies by The Malta Chamber indicating that as many as two-thirds of workers in these fields are third country nationals. Whilst the nursing industry is still an area in which Maltese nationals do express desire to work, the supply of Maltese nurses and carers is exceeded by far in demand, meaning that these nurses and carers often have first pick of where to work. In this respect, the Care Home industry is often looked upon unfavourably by these nurses and carers who choose to work in areas they consider to be more interesting.

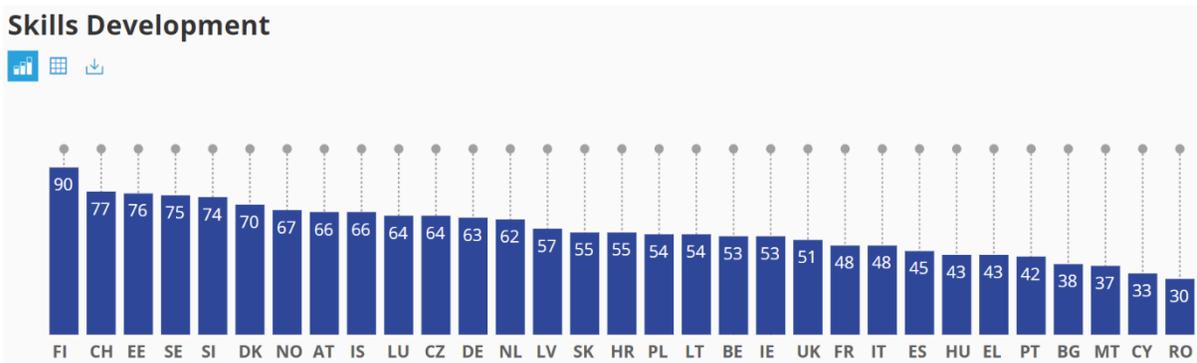
In summary, many of the jobs being done by unskilled TCNs are jobs that the local workers do not want to do, quite irrespective of any pay that may be reasonable attached to them. We do not have an unemployment issue with unskilled local workers. We also need to keep in mind that some of the local low-income earners may be: (i) people who simply do not declare all their income; (ii) people who are working reduced hours due to family responsibilities; (iii) people who suffer from significant physical and/or cognitive impairments or mental health issues that greatly restrict their employment possibilities; (iv) early school leavers who have just started working and are completely unskilled and inexperienced.

With regards to the latter group, what matters is not so much the wage at which they enter the labour market, but the pace with which they progress to better paid jobs. It may be the case that some people remain stuck in unskilled jobs with no prospects for upskilling indefinitely, possibly because they are reluctant learners on the job just as much as they were within the educational setting.



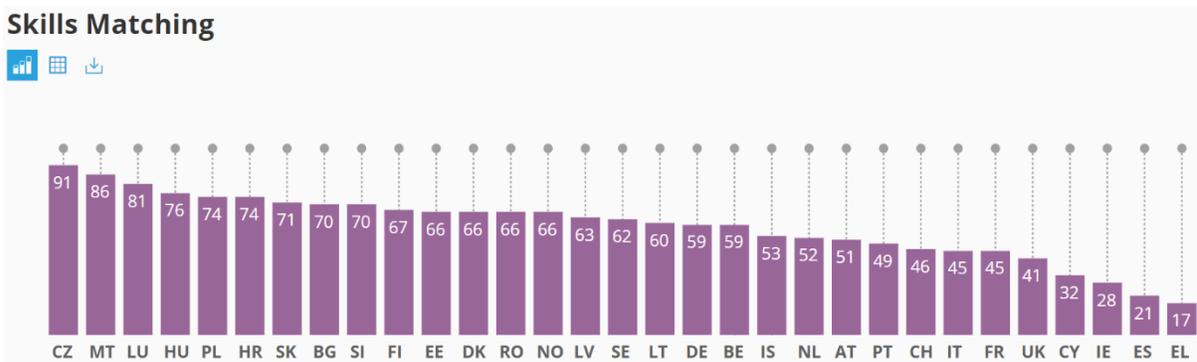
Skills Really Matter

Many of the answers to bridging the income gaps of the unskilled lie in upskilling the current workforce and ensuring that the upcoming workforce does not leave formal education empty handed. The European Skills Development Index (2020) places Malta at the bottom end of the scale, improving marginally since 2018, with only Cyprus and Romania performing worse. Malta scores extremely low on upper secondary attainment due to the high rate of early school leavers; and in terms of reading, maths and science scores reflecting deficits in basic education.



Source: [European Skills Index | Cedefop \(europa.eu\)](https://europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg_4.4.1)

Yet Malta is among the best performers in terms of skills matching (both in 2020 and 2018), indicating that the labour market is functioning well, and people are generally finding jobs that are well matched to their skills and qualifications.



Source: [European Skills Index | Cedefop \(europa.eu\)](https://europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg_8.4.1)

With respect to the upskilling of the current workforce, Malta has registered significant progress between 2018 and 2020 largely due to increased rates of participation in the labour market. So not only do we have among the lowest unemployment rates within the EU, but we have also achieved significant growth in labour market participation in a short span of time.



The Real TCN Issues

The volume of TCN workers grew roughly by a factor of 1.5 year-on-year between 2016 and 2019, with the Philippines, Serbia, India, and Nepal emerging as the dominant source countries. This growth far outpaced GDP growth in the same period, and hence resulted in a decline in labour productivity. The key question is the extent to which these TCN have really been absorbed by the labour market, and whether they are still actively employed in productive jobs following the Covid outbreak and the resultant dip in output across several sectors, but particularly in the tourism industry which employed a significant portion of TCNs. Pertinently, the volume of TCNs increased even during 2020, albeit at a slightly slower rate. The only country which registered a decline in TCN presence in Malta in 2020 is Serbia.

Rank	Country	Dec-16	Dec-17	Dec-18	Dec-19	Sep-20
2019	TOTAL	9,900	13,824	21,115	30,895	38,406
1	PHILIPPINES	1,817	2,696	3,976	5,298	5,726
	UNITED KINGDOM					5,482
2	SERBIA	1,575	2,565	3,706	4,644	4,172
3	INDIA	505	1,001	2,436	4,337	5,400
4	NEPAL	29	243	1,247	2,273	2,527

Source: Jobsplus

The TCN figures for 2020 need to be considered in the context of Brexit and the consequential inclusion of UK workers with TCNs. Yet, over the course of a year in which GDP shrunk by close to 9% and around a third of private sector employees were supported by Government wage supplements (mainly in tourism and related activities), the volume of non-UK TCNs increased by 2,029 between December 2019 and September 2020.

NACE	Sep-20	Dec-19	% Increase
Accommodation and food service activities	5,215	4,738	10%
Agriculture, forestry, and fishing	269	229	17%
Arts, entertainment, and recreation	1,550	867	79%
Construction	4,941	4,196	18%
Financial and insurance activities; real estate activities	1,433	580	147%
Manufacturing, quarrying and utilities	3,469	2,850	22%
Other services	1,111	852	30%
Professional, scientific, technical, administration and support service activities	9,977	8,846	13%
Public administration, defence; education; human health and social work activities	4,803	3,707	30%
Wholesale and retail trade; transportation and storage; information and communication	5,638	4,030	40%
Total	38,406	30,895	24%

Source: Jobsplus



Occupation Major	Sep-20	Dec-19	% Increase
[1] Managers	2,201	1,216	81%
[2] Professionals	3,574	2,282	57%
[3] Technicians and Associate Professionals	3,467	2,536	37%
[4] Clerks and support workers	2,441	1,242	97%
[5] Services and sales workers	8,111	6,890	18%
[6] Skilled Agricultural, fishery and forestry workers	97	57	70%
[7] Craft and related trades workers	4,393	3,739	17%
[8] Plant and machine operator and assemblers	2,619	2,143	22%
[9] Elementary Occupations	11,503	10,790	7%
Total	38,406	30,895	24%

Source: Jobsplus

The increase in employment of TCNs was dramatic in managerial, professional, technical and office jobs, presumably due to the UK effect, while relatively small in elementary occupations. With the inclusion of UK workers with TCNs, the skills profile of TCNs becomes more varied and more reflective of the fact that TCNs are now filling gaps at all skills levels, and that a steady inflow of skilled TCNs is required to bridge the existing skills gaps. The above data also seems to suggest that a significant portion of elementary occupations filled by TCNs are in fact in accommodation and food service, i.e. tourism.

What certainly needs addressing with respect to TCNs are irregular employment practices that create an unlevel playing field between employers who abide by the law and those who do not. It is such practices that result in abusive working conditions, lack of adequate training, and occupational accidents that cost lives and damage the reputation of our industries. Such employment practices bear a direct relationship to housing affordability by such TCNs and create a market for shared accommodation arrangements that pushes rental rates of entry level properties beyond the budget of low to middle-income earners. The spiralling of property prices fuelled by abusive practices that were left unchecked, against the backdrop of near-zero interest rates, motivated average citizens to take out loans and put their life savings into buy-to-let apartments to supplement their income. New policies, as well as enforcement of existing policies, that will reduce the number of resident TCNs will inevitably have implications for the rental market – some of which may be desirable.

This brings us back to the point that TCNs cannot be seen in isolation. The issues that are apparently linked to a presumed oversupply of unskilled TCNs are more complex than simply a labour market that is operating freely in terms of inflow of TCNs. They are related to economic activities that extend way beyond ordinary employment of TCNs by businesses that are facing human resource shortages at all skills levels in the local labour market and have no option but to source labour overseas. They have to do with how the local recruitment industry has evolved and operates in a completely unregulated manner, and the economic incentives associated with bringing over unskilled TCNs to the country in terms of the accommodation setups that they accept to live in and the rents they pay for shared accommodation that remains unregulated even following the rent reform.

Unpublished Sources

Spiteri, Kelly (2020): 'The Impact of Third Country Nationals Immigrants on Wages of the Receiving Country: a Maltese Perspective', unpublished dissertation submitted in partial fulfilment of the requirements of the Degree of Bachelor of Commerce (Honours) in Economics at the University of Malta.



Key Recommendations by the Malta Chamber

The unprecedented economic boom that Malta is experiencing has seen the population grow by approximately 60,000 within a seven-year period – a 14 per cent increase since 2012. Labour statistics estimate that 16 per cent of the gainfully employed are foreign workers; that is, EU citizens as well as TCNs. Economic growth is dependent on talented and skilled human capital. Hence, importing talented and skilled migrant workers is necessary to strengthen and expand Malta's base of human capital. In turn, this will allow it to meet the demand to spur an expansion of in-place economic sectors as well as to be able to build new ones. Like high-performing economies such as the UK, Germany, Australia and the US, Malta should seek out and embrace foreign talent, and not fear it. The Chamber notes that the Government has taken steps to rationalise and streamline the issuance of residency permits to foreign employees.

However, further reforms are required. For example, given the continued need in a growing economy for human capital, TCNs should be given more flexibility with regard to finding a new job in Malta once they terminate employment with an employer. During their employment, they would have acclimatised to the Maltese culture. For example, some might have learnt English and Maltese, others, together with their families, will have settled in accommodation and integrated into society. These are essential elements required for a successful multicultural society.

The Chamber recommends that Malta make more productive use of migrants who seek refuge in Malta on humanitarian grounds. Their productive engagement is likely to lessen potential emerging tensions in a fast-changing culture in Malta. The Government, however, must ensure that, prior to being engaged productively in the economy, these persons are provided with language training in Maltese and English, and cultural training in Maltese and European values and other socio-cultural aspects that are key to successful assimilation. The Chamber has a zero-tolerance policy towards employers who exploit foreign workers by providing them with employment conditions that do not meet legislative requirements. The Chamber recommends that a policy of name-shaming should be introduced concerning foreign human capital exploitation, and the Government should strengthen its enforcement and sanctioning regime in this regard.

A primary concern that employers face with foreign workers is the high rate of turnover. After entering the market, approximately 46 per cent of new EU workers and 42 per cent new TCN workers leave between one and two years later. Of all new entrants, 54 per cent leave between one and two years, and 62 per cent leave between two and three years. In this context, 23 per cent of technicians leave in the first year, and 49 per cent of associate professionals leave between one and two years after starting.¹ This state of play is creating high direct and indirect costs to employers, including, among others, replacement and training costs, productivity costs, and knowledge accrued. Chamber members recommend that this high – and unsustainable – rate of turnover may predominantly result from the high cost of living in Malta, which is spurred primarily by the price of rentals.²

In addition to other factors, the large increase in migrant labour human capital and the resultant rapid growth of the population in a short period have created bottlenecks in the housing market. As demand outstripped rental housing supply, the cost of rentals has increased exponentially. The resultant impact is not limited to rental housing stock. Over the past few years, the cost of purchasing a first home has ballooned. The risk exists that first-time buyers are being outpriced when attempting to get onto the property ladder. The cost of rentals (primarily relating to foreign workers) and the need to pay more to own a property (primarily relating to Maltese workers) have triggered a wage

¹ Borg, Ian, 'The Length of Stay of Foreign Workers in Malta', Policy Note, Central Bank of Malta, January 2019. <https://www.centralbankmalta.org/file.aspx?f=72312>.

² Economic Vision for Malta 2020 – 2025, Page 34



inflation spiral. Workers are requesting increased pay and when they do not get it, they quit – either by exiting the labour market or by taking new employment elsewhere in Malta or abroad. The results are an increasing cost base, diminishing competitiveness, or, with regard to the domestic market, a spill over of costs to consumers and clients, thereby increasing the cost of living.³ This issue is one of the key factors that is impinging upon Malta’s ability to attract and retain the highest quality of skilled and unskilled TCNs in the workforce, and as such The Malta Chamber highlights the importance of implementing mitigating measures as described in its response to the Government’s 2019 White Paper “Renting as a Housing Alternative”.⁴

Furthermore, as contemplated in The Chamber’s policy paper on the “Stimulus Package for Mini Budget of June 2021 - Safeguarding essential TCN Workers”, The Malta Chamber calls on authorities not to introduce any measures or policies which discourage any single permit renewals of key Third Country Nationals (TCNs).⁵ In addition the Malta Chamber recommends that these TCNs who have already gained essential experience should be encouraged to remain in the workforce through measures such as subsidised courses for spoken and written English, schemes for acquiring local driving licence, education in cultural diversity as well as streamlining of processes towards the extensions of residency visas for workers as well as their dependants. Special attention should be given to those workers who are highly skilled or included under the Key Employee Initiative (KEI) but also those lower skilled workers who would not be easily replaced by EU or Maltese nationals in several segments. Some essential services which have a key role in the economy could come to a complete halt if such policy direction is implemented across the board. The aim of this proposal is to safeguard the interest of TCN employees as well as their expertise that would render it very difficult to replace. It is also important to simplify the new application process for employers to apply for work permits, sectors like Retail, Hospitality, Export, Care Homes Operators and Aquaculture, amongst others, are such examples requiring TCNs. These will be referred to in the next section.

As part of its holistic approach to improving the TCN sector in Malta, The Malta Chamber also proposes the introduction of a legal mechanism for skilled TCN employees to become Maltese citizens after years of being a working resident in Malta. It is time for the Government to create a clear pathway for key persons to become Maltese nationals.⁶ This proposal could prove essential to the vitality of the Care Home Industry, amongst others, who are in constant competition for third country care workers and nurses. Whilst ideally these positions would be filled by Maltese nationals, the scale of the human resource shortage in this industry requires a holistic approach which takes into account the country’s aging population and the universality of these shortages in most European countries.

³ Economic Vision for Malta 2020 – 2025, Page 36

⁴ A Set of Recommendations by The Malta Chamber of Commerce, Enterprise and Industry in Response to “Renting as a Housing Alternative” White Paper, January 2019

⁵ Making a Success of the New Norm Mitigating COVID, Stimulating a Long-Term Innovative Economy (Stimulus Package for Mini Budget of June 2020), Page 13

⁶ A Smart Sustainable Island Driving the Wealth and Wellness of Society Recommendations for The Annual Budget 2021, Page 48



Sectoral Concerns with Regard to TCNs

English Language Teaching (ELT)

Third Country Nationals (TCNs) play a very important role financially in the profitability of local ELT schools during the off-peak period as the duration of their stay is generally between three to nine months.

Hospitality and Retail

Employing third country nationals is becoming a problem, as they are mostly being expatriated due to an inability to shift from one company to another. It is understood that regulations stipulate that companies affecting redundancies will not be allowed to employ third country nationals anymore (this is making one consider making a Maltese person redundant instead of a TCN). Maltese people are mostly working in other sectors, having a labour pool deficiency in Spring 2021. Therefore, if the Maltese Government still intends on attracting foreign investment, it is important to ensure that the government is practical and ensure flexibility with the renewal of trained foreign staff and the possible importation of new foreign human resources - where Maltese workers are not showing any initiative to fill up.

Exporters

Repeated governments have failed to recognise the positive impact that highly skilled third-country nationals have had on the economy and specifically export businesses. In fact, many leave for other EU countries where they have the potential to become EU nationals in a defined period of time. Presently there is no mechanism for these people to become Maltese nationals after years of being resident in Malta. It is time for the government to create a clear pathway for keypersons to become Maltese nationals.

Care Home Operators

Surveys conducted by The Malta Chamber with its members indicate that TCNs could compose up to 71% of the nurses and 68% of the care workers employed in private care homes. This industry is facing an exodus of third country nationals with no offsetting influx of national or EU workers. The Malta Chamber is proposing the streamlining and simplification of the process of obtaining a permit to allow for a three-year work permit at reduced cost to TCNs working as care workers or nurses in the private sector. This proposal is reflecting the conditions currently enjoyed by nurses working in the public sector. Furthermore The Malta Chamber is asking for recognition of the unique importance of these workers, particularly care workers, who might not be considered skilled workers and do not attract high wages but who are still essential to Malta's economic needs and who often struggle to meet the thresholds necessary at law to allow family reunification.



The Role of TCNs in Shaping Malta's Economic Future

As referenced in the previous sections of this paper one cannot divorce the subject of the role of third country nationals in the workforce from its sociological, environmental and infrastructural impacts. In setting out Malta's vision for the role of TCNs in our economic future, the government must consider the cost/benefit analysis of expanding sectors of the economy not only on the basis of their impact on GDP and the labour market, but also taking a holistic approach which sees TCNs as a finite resource, limited by the carrying capacity of a geographically challenged nation.⁷

The Malta Chamber therefore recommends that a full and comprehensive study is carried out on Malta's optimal and sustainable carrying capacity, highlighting the benefits of limiting population growth in terms of housing, schooling, social security, infrastructure and environmental concerns, whilst also taking into account the economic benefits of utilising skilled and unskilled TCNs in certain sectors of the economy to ensure the vitality and growth of different key areas. This study must take a comprehensive view of the labour market including current and predicted trends in the quantity and educational background of Maltese nationals entering the workforce, the migratory patterns of EU nationals relocating to Malta on a semi-permanent or permanent basis as well as the seasonal influxes of tourists who also exert their own strains on the island's resources.⁸

However, carrying out this study on the carrying capacity of the island must be followed up with a truly incisive, introspective, and innovative approach to shaping and restructuring Malta's economy to suit the country's future needs. TCNs should no longer be seen as a quick fix solution for industry, nor should they be seen as a threat to the livelihood of nationals in the workforce, rather they should be seen as a valuable resource capable of driving much needed economic regeneration. While the presence of TCNs in those sectors of the economy that are transitioning into further automation and growth beyond man hours is a necessary and indispensable consideration, this must be seen as a temporary solution. The ultimate goal must be that TCNs will supplement those skilled sectors of the workforce that drive economic prosperity, as well as those sectors such as caring professions which whilst not highly skilled will increasingly become sociological and economical imperatives.

The government must work together with industry and its representatives to shift paradigms in the workforce, boosting technological development in sectors structured around manual labour, targeting niche sectors of the economy that provide greater economic output per capita and capitalising on the acceleration in remote working precipitated by the COVID-19 pandemic to facilitate the contribution of TCNs to the Maltese economy even whilst working from their country of origin, thus lessening the negative impacts on the country's limited resources.

⁷ Marguerite Camilleri, 'Environmental Capacity of a Small Island State: Planning for Sustainable Development in Malta' [2004] 75(1) The Town Planning Review 88

⁸ Janne Liburd and others, Tourism and Quality-of-Life: How Does Tourism Measure Up?. in Uysal and others (eds), Handbook of Tourism and Quality of Life Research (Springer 2012) 109