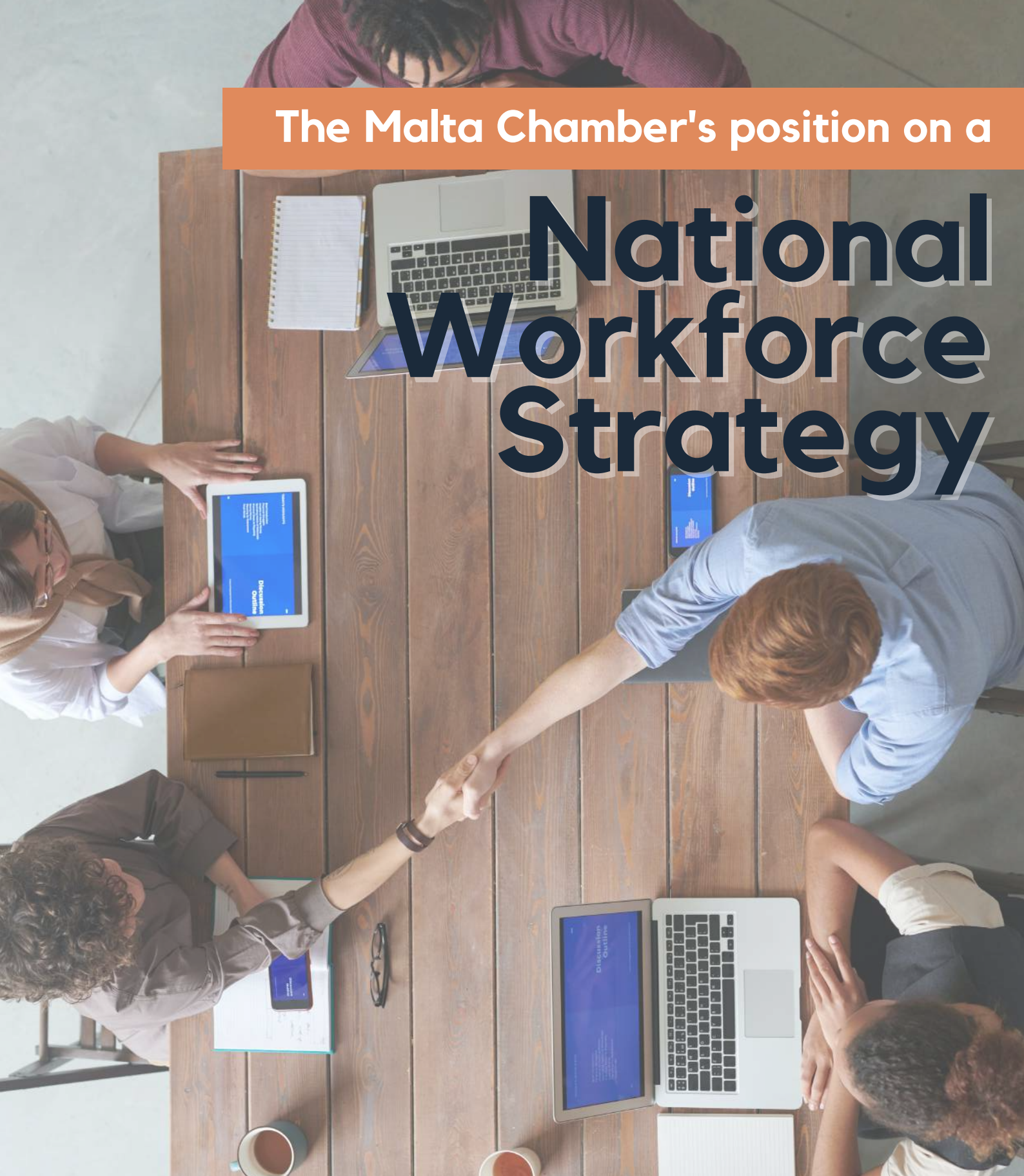


The Malta Chamber's position on a

National Workforce Strategy



Policy Recommendations
August 2021



THE MALTA CHAMBER



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The Malta Chamber of Commerce, Enterprise and Industry, in collaboration with RSM Malta, has drafted a number of policy recommendations in response to a National Workforce Strategy being contemplated by the Ministry of Finance and Employment. In this regard, this position paper seeks to present a set of recommended strategic actions which focus on strengthening the capability of our workforce in the next few years.

While recognising the robust economic growth witnessed over recent years, such reality has been disrupted predominantly by the Covid-19 pandemic leaving a fair share of ramifications across different industries and business sectors. Notwithstanding the negative repercussions of the pandemic, Malta is also required to address serious workforce limitations. If such limitations are not timely and properly dealt with, the country's future wealth and prosperity will be compromised.

The core which underpins the framework for the recommended strategic actions is 'Talent'. The framework revolves around four interlinked and reinforcing policy priorities for nurturing, upskilling, attracting, and retaining talent. These policy themes aim to:



Attract:

Increasing active labour market participation by tapping into pools of available talent



Retain:

Improving Malta's competitiveness in keeping talent minimising turnover and brain drain



Upskill:

Identifying critical skills gaps and future requirements while generating solutions



Nurture:

Addressing systemic skills gaps and mismatches

Focus and resources are recommended towards strengthening the active labour market participation namely through the increased participation of females, ageing workers and early school leavers including NEETS. Furthermore, skills gaps and mismatches should be tackled taking in consideration the critical lack of talent shortages across multiple industry sectors. Malta's ability to attract and retain talent requires actions to address not only local workers but also foreign talent. Finally, the document proposes policy actions to improve the productivity and value-add of our workforce, including the issue of underemployment and inefficiencies in certain sectors.

Recommendations to tackle each of the priority areas have been proposed, for both the short and medium-term timeframes. These are complemented with success measures against which performance results can be gauged.

Immediate action is to be taken to ensure for a more competitive and resilient economy. The necessary skills in the workforce need to be provided to further boost sustainable innovation across different industries. The flexibility and adaptability of the workforce is at this day and age even more critical to address taking in consideration the present and future shifts in the world today. A holistic approach to strengthen the human capital must happen immediately ensuring that no talent is left behind while maximising the country's future potential for progression.



Immediate action is to be taken to ensure for a more competitive and resilient economy.

In recent years, the Maltese Economy had been experiencing 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.

However, the COVID-19 pandemic in 2020 shook the economic model we were used to, to its core. A highly uncertain outlook for the labour market followed suit accelerating the arrival of the future of work. As a new global recession brought on by the COVID-19 health pandemic impacts economies and labour markets, millions of workers have experienced changes which have profoundly transformed their lives within and beyond work, their well-being and their productivity. One of the defining features of these changes is their asymmetric nature – impacting already disadvantaged populations with greater ferocity and velocity. Malta is no exception. According to the National Statistics Office (NSO) [1], Malta's economy reported an unemployment rate of 4.5% in June 2020 falling to 3.6% in June 2021 (see Figure 1). Predominantly, Malta was severely hit due to the international impact on the tourism sector.

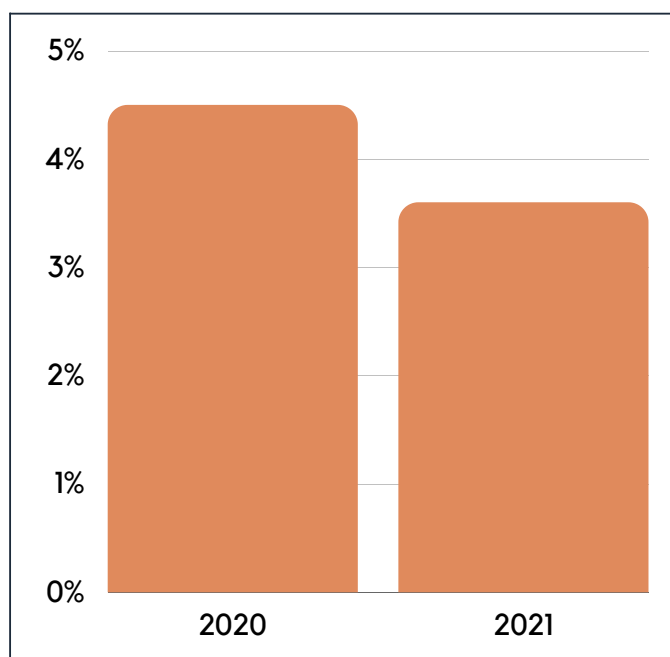


Figure 1 Unemployment Rate as of June 2020 and 2021

[1] https://nso.gov.mt/en/News_Releases/Documents/2021/07/News2021_135.pdf

Notwithstanding the repercussions of the pandemic, Malta has long been experiencing workforce supply issues in certain industries. Despite the influx of expats and an increased participation of women in the labour workforce, challenges with workforce supply coupled with skills shortage are keeping businesses from expanding and thriving as desired. Understaffed industries are not able to provide the level of service expected, in turn affecting reputation and possible ability to attract business. In the recent CEO Confidence Index survey carried out by the Malta Chamber of Commerce in collaboration with Vistage, 77% of businesses reported having trouble finding employees of varying skills, subsequently impacting their respective operations [2]. Consequently, out of a total number of 199 businesses, 61% experience hiring challenges which are limiting their company's ability to operate at full capacity. Furthermore, 64% reported that staff were looking for higher salaries. In view of skills, 40% struggled to find skilled workers and additionally, 40% stated that they were having challenges to find professional staff. Such challenges are thus putting a further strain on businesses throughout a number of sectors.

Despite the above local concerns, a recent global survey conducted to around 6000 young people aged between 16-25 (Gen Z), shows that the majority of respondents (82%), are optimistic about finding work and addressing global challenges in 2030 [3]. Additionally, 85% show confidence in their ability to use technology whereby respondents believe trends such as automation of work and shifting work norms will have a positive impact on their working experience. In fact, 74% of respondents report a sense of optimism about the effects of automation on their career prospects. Conversely, most respondents were critical of their experience with distance learning during the pandemic, particularly owing to the uninspired application of platforms to existing educational models. This disruption in education could very well further exacerbate the drain observed from our educational institutions, highlighting the need for serious reforms in this area, to ensure future talent quality and supply.



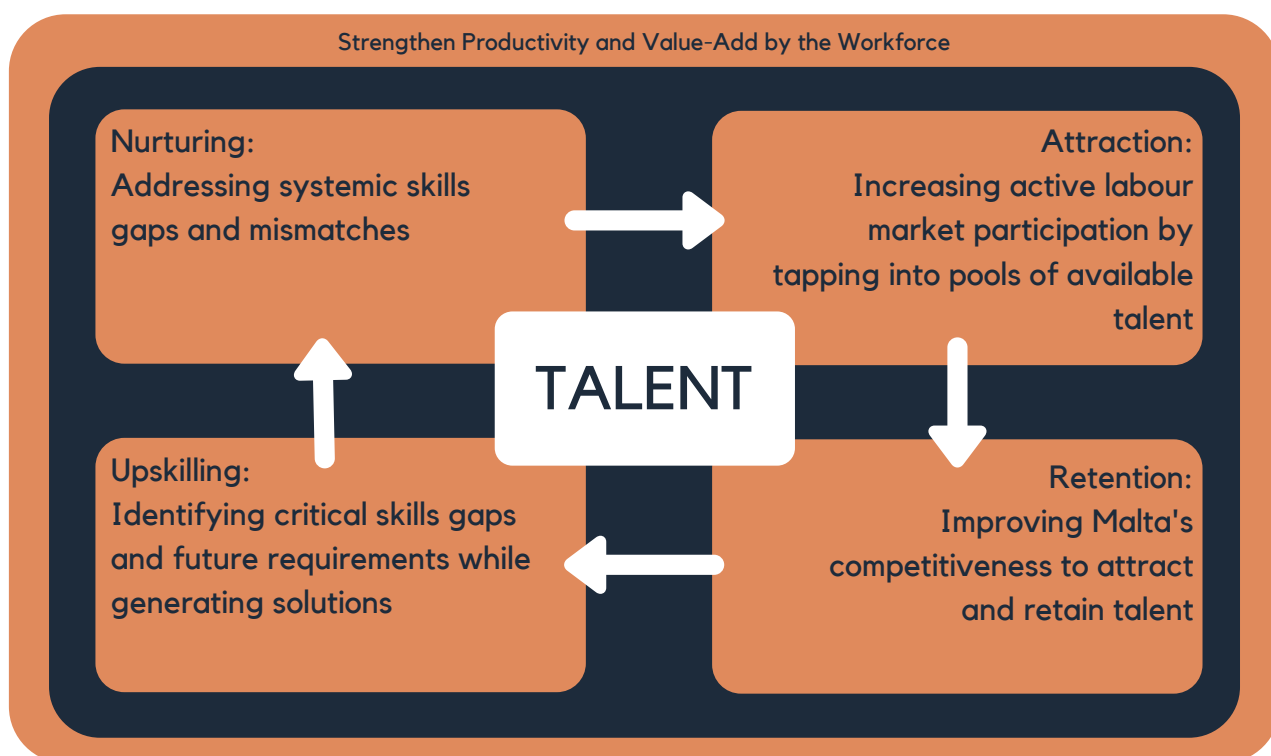
There is no doubt that the economic, social and environmental landscapes will change permanently, and these will have an effect on the trajectory of industries and the way they do business in the future. Although this pandemic has brought with it many challenges, it also offers new opportunities for the taking. These will bring into the forefront transformed requirements, particularly pertaining to the most essential industry resource: our people. At such a critical time for the country to secure sustainable growth in the long-term, the Malta Chamber of Commerce, Enterprise and Industry is putting forward its recommendations for consideration by the Government in developing its National Workforce Strategy. Securing the availability of adequate human resources, both in terms of quantity and quality is of primary importance if the country is to build and maintain a positive economic momentum.

[2] Full Confidence Index Report & Global Comparison for Q3 2021 – Malta; Vistage Malta in collaboration with the Malta Chamber

[3] https://www.ey.com/en_gl/corporate-responsibility/how-business-and-education-can-help-gen-z-reframe-the-future

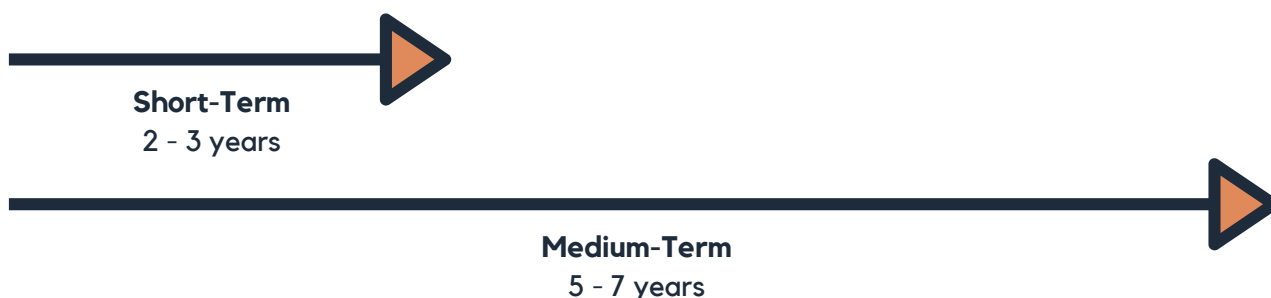
Talent Core to the Recommended Strategic Actions

The core underlying the framework for the recommended strategic actions is Talent. Talent is the central pillar, acting as a driving force of four fundamental elements which serve to strengthen productivity and value-add by the workforce. The first of these elements is the attraction of talent which is increasingly becoming the key driver for economic growth and is no longer viewed as an employer branding exercise that a business undertakes. The retention of talent is also critical, and Malta needs to be at the forefront as the destination of choice for expat talent seeking new opportunities away from their country. Effort must be made to increase our country's attractiveness in order for this talent to remain on the island. The third element pertains to upskilling. This is another essential factor which focuses on preparing our current workforce to gain those skills required for industry to grow and thrive. Finally, nurturing future talent will be a key component to secure the skills required by industry in the future by ensuring that our educational policies are aligned to and in support of these needs. Albeit focusing on different areas, all four elements mentioned are interlinked and interdependent on one another, collectively intertwining to have a direct positive impact on the nature, calibre and extent of talent on the islands.



Implementation Timeframes

The implementation timeframe for the recommendations presented in this report have been divided into the short-term and medium-term, defined below:





Summary View: Strategic Responses in the Short-Term



NURTURING

- Introduce measures that promote Early Intervention – for e.g. children whose parents are not socioeconomically active or in education are excluded from the Free Childcare Scheme, despite being most in need of additional support and being most likely to benefit from similar programmes.
- Undertake continual tracer studies to identify at-risk students so that policy and action efforts are appropriately targeted. There is also a need to capture where NEETS are ending up.
- Extend employment services to underemployment and not limited to unemployment only.

Success Matrix:

- Decrease the rate of early school leavers to below 10% which is the target set by the EU by 2025.
- Increasing the total percentage of individuals who complete at least post-secondary education by 10% by 2025.

ATTRACTING TALENT

- Introduce adjustments in the tax-benefit system by overhauling the Married tax rate category, which, in its current structure, disincentivises the second spouse (traditionally female) from gainful employment.
- Introduce measures that encourages older employees active in the black market economy to transition into the mainstream economy. An example of such measure would be to subsidise in-house child care and family support arrangements for families. This will have two-fold advantage: encourage more female participation in the workplace and encourage current individuals providing such services into formal employment.
- Create personal taxation structures that are designed in a way that attracts not detracts foreigners from working in Malta.
- Introducing tax and other fiscal incentives aimed to attract individuals in possession of certain critical skills e.g. expanding the parameters of the Key Employment Initiative scheme.
- Launching an international marketing campaign showcasing Malta as a career destination.
- Tax breaks for the first 5 years when highly qualified Maltese working abroad return to Malta.
- Provide more access and openness of information to the applicant employer to track status and communications between diplomatic channels.

Success Matrix

Attain the Europe 2020 target of a 75% employment rate for both women and men by 2025.

Increase the total percentage of females who occupy full-time positions or self-employment by 10% by 2025.

Increase the total percentage of those 55 years+ in active employment by 5% by 2025.

Improvement in the ranking of Malta in future Expat Attractiveness surveys.

Positive reports from the Skills Mapping and Forecasting showing Maltese talent returning to Malta from overseas and active in the business community and labour market.

Decrease the average duration of obtaining a work permit from the current average of 6-8 weeks down to 4 weeks.

Decrease the average duration of family relocation administrative approvals from the current 8 months to 2 months.

RETAINING TALENT

- Introduce measures or incentives that encourage more balanced utilisation of leave entitlements between women and men after childbirth. This will ensure more balancing of parenting-related leave uptake between the genders.
- Introduce fiscal incentives to encourage females in part-time employment to switch to full-time.
- Introducing fiscal incentives targeting older employees to return or stay in the labour force for as long as possible. Central focus should be on changing the current measure of workers losing out on pension eligibility from the age of 61 to official retirement age if they decide to continue working.
- Identify educational pathways for certain roles that can be occupied by older individuals who have the experience but not necessarily the formal certification that can offer a fast track into employment.
- Improve the current work permits process including facilitation, simplification, and acceleration of process and incorporating digitalisation.
- Facilitate an improved process for family-relocation for approved work permit applicants.
- The work permit should be renewable every 3 years, following the first successful year of a TCN.
- Address adequacy of salary requirements being asked for TCNs who wish to relocate their family to Malta. The current benchmark is higher than what the average Maltese employee earns to support his family.

Success Matrix

Increase percentage of foreign employees who remain in employment beyond the second year to 30%.

UPSKILLING





In order to increase the opportunities for females to avail themselves of upskilling/reskilling opportunities to progress in their career or remain employable, Government should also seek to extend the Free Childcare Scheme to complement such initiatives.

Introduce incentives directed towards older individuals who are out of work to pursue further studies and earn remuneration during the studies. This remuneration should be considered within the national social security system.

Setting up of a National Skills governing body with executive powers as the national coordinator between education and industry for skills, responsible to set the strategic direction on the basis of continuous research aimed at the development of education and training to meet the constantly changing skills needs of industry.

There is a dire need to have 'live' structured skills mapping and forecasting that point towards and shed light on current and evolving skills needs. It is recommended that a Skills Mapping and Forecasting Observatory, which is comprehensive, ongoing and easily accessible is pursued. This initiative should be digital-by-design and powered by agile structures. The inputs would consolidate various sources that unearth the demand and supply of skills in Malta. The outputs would include current assessments but more importantly talent forecasts.



-  Government should develop a National Skills Strategy which will focus on recommendations to address the skills gaps identified through the Skills Mapping and Forecasting Observatory. Through the vision, actions and targets set out within the strategy, Malta will be able to support the development of an educated and appropriately skilled workforce, which is adaptable to future changes in the world of work.
-  Embark on an awareness campaign to educate all stakeholders involved on the need to upskill and the cost of not upskilling. The intent behind the different campaigns would be two-fold; 1) to educate all stakeholders on the need to upskill and the risks of not upskilling and 2) to disseminate information on the various schemes and incentives set by Government in order to achieve the national skills strategy.
-  Introduce fiscal incentives to support those already in the workforce who decide to undertake a mid-career break to enhance their skills.
-  Introduce the concept of demand-driven training (DDT): Introduce more holistic, publicly funded skills development initiatives that are customized to respond directly to critical in-demand requirements. DDT links skills development explicitly with the job market, through employer engagement i.e. employers define what type of training is necessary and drive training providers to provide such training. Expertise, especially for emerging, niche areas must be developed through national policy.

Success Matrix

The setting up of a National Skills Governing Body at the earliest possible timeframe.

Launch and implement a coherent strategic approach for producing and interpreting skills' market intelligence.

Launch a series of training and development initiatives clearly linked to the reported critical and priority skills gaps/mismatches that are hampering the development of higher value-add in core local sectors.

Development of a National Skills Strategy, based on the Skills Mapping and Forecasting data obtained to provide vision and position action to work towards the future skill sets required on a national level. This should be created in close collaboration with industry players.

Using data gathered from the Skills Mapping and Forecasting Observatory, report reductions in the gaps and mismatches between the skills demand and supply.

Using data gathered from the Skills Mapping and Forecasting Observatory, report a progressive positive shift in the skills or job profile of local workers.

At least 40% of the workforce is reported as active in continuous professional development.

Include and track underemployment as one of the economic indicators.

Execute publicly supported DDT programmes in line with the in-demand and forecasted skills requirements arising from the Skills Mapping and Forecasting Observatory through the active recommendations of the business community.

PRODUCTIVITY AND VALUE-ADD



WJ Improve policies and financial incentives that promote investment in technologies, research and development, and experimentation by businesses.

WJ Improve funding schemes to provide comprehensive support for business to re-orient technology as core in their business model. Eligibility criteria are to be adapted to ensure funding is available for 'as-a-service' - type business models.

WJ Undertake a comprehensive manpower survey in the public sector 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.

Success Matrix

Achieve a steady increase in TFP year on year that is at least at par, or better than the EU average.

Improve Malta's performance on the Innovation Scoreboard.

Improvement in the participation at tertiary levels of education, in particular those programmes that are reported as critical and in under-supply in the Skills Mapping and Forecasting Observatory.

Improve Malta's performance on the Human Capital Index and decrease the Learning Poverty making Malta more competitive vis-à-vis the European region.

Conclude a comprehensive manpower survey of the public sector to identify pockets of skills shortages and oversupply.



Summary View: Strategic Responses in the Medium -Term



NURTURING

- Introduce fiscal and advisory support to employers to plan and manage a comprehensive framework for remote working and other new forms of working - that addresses the various components required (practices, processes, skills and behaviours, measurement and tech-enablers).
- Undertake measures to decrease the stigma surrounding the employment of older workers by introducing mentorship schemes and public campaigns endorsed by employers. These would highlight the valuable contributions that older workers can provide as mentors and role models to younger employees.
- Strengthening Vocational Programmes by primarily working on removing structural barriers of current programmes, incentivise employers to invest time to develop and train students and to participate more actively in such initiatives. These should focus on both career and educational formation. Such programmes should also be extended to students without formal qualification to provide them with opportunities of development.
- Strive to create opportunities for work placements within the post-secondary years so that students are better prepared upon entering the world of work as adults.
- Gradually increasing the age of compulsory education to 18, including at least 2 years post-secondary education. The gradual implementation is paramount to mitigate impacts on labour force.
- Introducing Whole School Approaches that prevent ESL and that improve student engagement more generally.
- Social structures need to be given an elevated role in distributed education outside the typical educational curriculum, especially targeting at-risk students.

Success Matrix

Decrease the rate of early school leavers to below 10% which is the target set by the EU by 2025.

Increasing the total percentage of individuals who complete at least post-secondary education by 10% by 2025.



ATTRACTING TALENT

- Introduce measures to attract Maltese nationals working and living abroad to return back to Malta.
- Introduce restart programmes for older employees who have lost their employment or who are interested in a career change. Such programmes will be held in collaboration with industry who will provide apprenticeship opportunities for these employees who require experience. Such opportunities should be considered within the national social security system.
- Introduce integration programmes for foreign workers and provide them with systematic support during their stay in Malta. Such programme would also cover training modules in e.g., English language, numeracy, IT etc.

Success Matrix

Attain the Europe 2020 target of a 75% employment rate for both women and men by 2025.

Increase the total percentage of females who occupy full-time positions or self-employment by 10% by 2025.

Increase the total percentage of those 55 years+ in active employment by 5% by 2025.

Increase in the number of persons who reached pensionable age and remained in employment by 10% by 2025.

Improvement in the ranking of Malta in future Expat Attractiveness surveys.

Positive reports from the Skills Mapping and Forecasting showing Maltese talent returning to Malta from overseas and active in the business community and labour market.

Decrease the average duration of obtaining a work permit from the current average of 6-8 weeks down to 4 weeks.

Decrease the average duration of family relocation administrative approvals from the current 8 months to 2 months.



RETAINING TALENT






- Enable greater flexibility and scope of local childcare services, schools, after-school, and academic recess programmes. Working parents should be given the opportunity to choose the location which makes most sense to their work/life circumstances, the programmes should be a hybrid model of online and physical. For physical programmes the transport facilities should be improved. The type of content should ensure more inclusive and varied education. Government should facilitate comprehensive education clusters in each locality, that operate beyond the current school hours and offering flexible schedules.
- Introduce retention policies for TCN's e.g. retirement income schemes, private health insurance or support with transport and accommodation.
- Introducing pathways for permanency i.e., a clear and structured route to citizenship.
- The cost of accommodation is steep when compared to average salaries in Malta. The cost of rent should be tax deductible especially for certain cohorts of workers for which there is a shortage of e.g. health care workers etc.
- Measure, track, and report underemployment.
- Build sustainable wraparound and demand-driven solutions to address underemployment. Wraparound services represent a medium to longer-term process to ensure that people are supported to retain and advance their employment.

Success Matrix

Increase percentage of foreign employees who remain in employment beyond the second year to 30%.

UPSKILLING

- Introducing reskilling/retraining programmes, particularly digital skills specifically targeting older employees.
- Renewing training systems across various age and experience cohorts, emphasising the skills needed for emerging jobs.
- Strengthening Work-Based Learning programmes. Any programmes must be inter-linked with industry demands and financial incentives for employers to invest in developing their employees must be provided e.g., tax refunds. Eligibility for such training should be related to the development of the business i.e., that enables the business to stretch to new grounds.
- A comprehensive reform and ongoing review of the primary and secondary schooling is critical. The system remains inflexible and oriented towards traditional career paths. The output from the secondary level of education needs to be strengthened as the supply and quality shortages emanating from this pool is crippling the tertiary level potential. More alignment to industry and economic requirements, in terms of skill-set focus is sought.

- 
 Introduce incentives to private training academies who offer courses for skills that are in shortage and to employers and employees who invest and/or participate in these said courses.
- 
 Computer Science should be considered as one of the science subject options available for specialisation in secondary schooling.
- 
 Create digital career pathing programmes on a large-scale, maximising on AI and predictive analytics that build on the Skills Mapping and Forecasting initiative.
- 
 Introduce a National Skills Development Programme that aim to provide businesses and individuals with choices to maximise their skills on a continuous basis, regardless of their existing knowledge base or starting points.
- 
 Emphasise the employment of high-end recruitment of Maltese talent in the assessment of FDI applications and incentivise knowledge-transfer to upskill home-grown talent.

Success Matrix

Launch and implement a coherent strategic approach for producing and interpreting skills' market intelligence.

Launch a series of training and development initiatives clearly linked to the reported critical and priority skills gaps/mismatches that are hampering the development of higher value-add in core local sectors.

Development of a National Skills Strategy, based on the Skills Mapping and Forecasting data obtained to provide vision and position action to work towards the future skill sets required on a national level. This should be created in close collaboration with industry players.

Using data gathered from the Skills Mapping and Forecasting Observatory, report reductions in the gaps and mismatches between the skills demand and supply.

Using data gathered from the Skills Mapping and Forecasting Observatory, report a progressive positive shift in the skills or job profile of local workers.

At least 40% of the workforce is reported as active in continuous professional development.

Conclude a comprehensive manpower survey of the public sector to identify pockets of skills shortages and oversupply.

Include and track underemployment as one of the economic indicators.

Execute publicly-supported DDT programmes in line with the in-demand and forecasted skills requirements arising from the Skills Mapping and Forecasting Observatory through the active recommendations of the business community.



PRODUCTIVITY AND VALUE-ADDED

- Introduce incentives that would encourage industry players to release their brightest minds to carve in time to educating, teaching and mentoring the future generation.
- Introduce initiatives to support businesses to build new skills and capabilities to inform and innovate all aspects of their business: the product and service portfolio, open up new sales channels, enhance operational processes, and leverage ecosystems of stakeholders through digital platforms and marketplaces.

Success Matrix

Achieve a steady increase in TFP year on year that is at least at par, or better than the EU average.

Improve Malta's performance on the Innovation Scoreboard.

Improvement in the participation at tertiary levels of education, in particular those programmes that are reported as critical and in under-supply in the Skills Mapping and Forecasting Observatory.

Improve Malta's performance on the Human Capital Index and decrease the Learning Poverty making Malta more competitive vis-à-vis the European region.

2. Increasing Active Labour Market Participation



The structure of the labour market is a fundamental determinant of Malta's economic sustainability and its impact on long-term productivity and economic output. The decision to participate in the labour market is determined by a myriad of socio-economic factors, dependent on the particular circumstances of that specific demographic profile. Implementing measures that 'break-down' these obstacles would help to drive participation, enabling industry players to tap-into already available pools of talent.

In this document, we shall focus attention on those recommendations that stimulate increased labour market participation for females, ageing workers and early school leavers, including NEETS.



2.1 Increasing female worker participation rate

Current Outlook

Despite encouraging signs for a more equal society and labour market, progress towards full gender participation equality remains slow. Female labour participation in Malta has been traditionally lower than that of males due to several factors, including traditional gender roles particularly those related to the upbringing of children. In this regard Government has, over the past few years, introduced several family-friendly measures and fiscal incentives which have successfully boosted the labour activity rate amongst females.

Female labour participation in Malta has been traditionally lower than that of males due to several factors.

This effort succeeded to increase the female participation rate in Malta, from a low of 34.5% in 2004 to 64.2% in 2020 – an overall increase of 29.7% (see Figure 2) [4]. Positive signs in this regard continue to be visible. In Q1 of this year, the female participation rate stood at 65.7%, registering a further increase of 1.5% from the previous year [5].

[4] https://nso.gov.mt/en/News_Releases/Documents/2021/03/News2021_054.pdf

[5] https://nso.gov.mt/en/News_Releases/Documents/2021/06/News2021_112.pdf

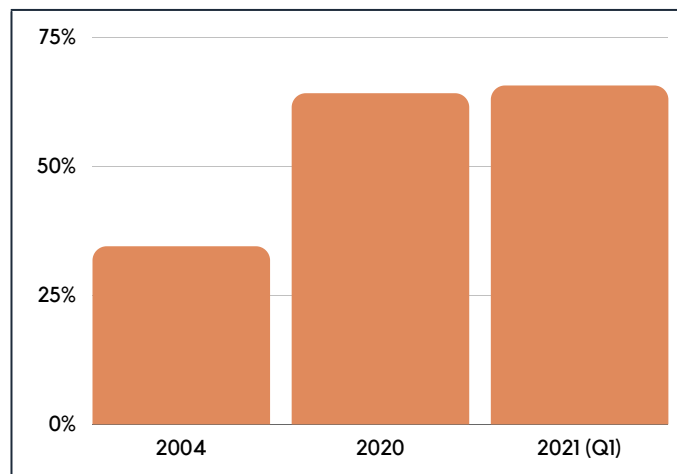


Figure 2 Female Participation Rate over the years

Nonetheless, more work remains to be done. The Malta Chamber notes that despite these efforts, Malta’s female labour participation rate remains below the EU 2020 target of 75%. According to the Eurostat for 2020, the total percentage of females active in the labour market stood at 68% as opposed to that of 85.7% of males. Thus, the labour activity rate of males is currently 17.7% higher than that of females (see Figure 3) [6].

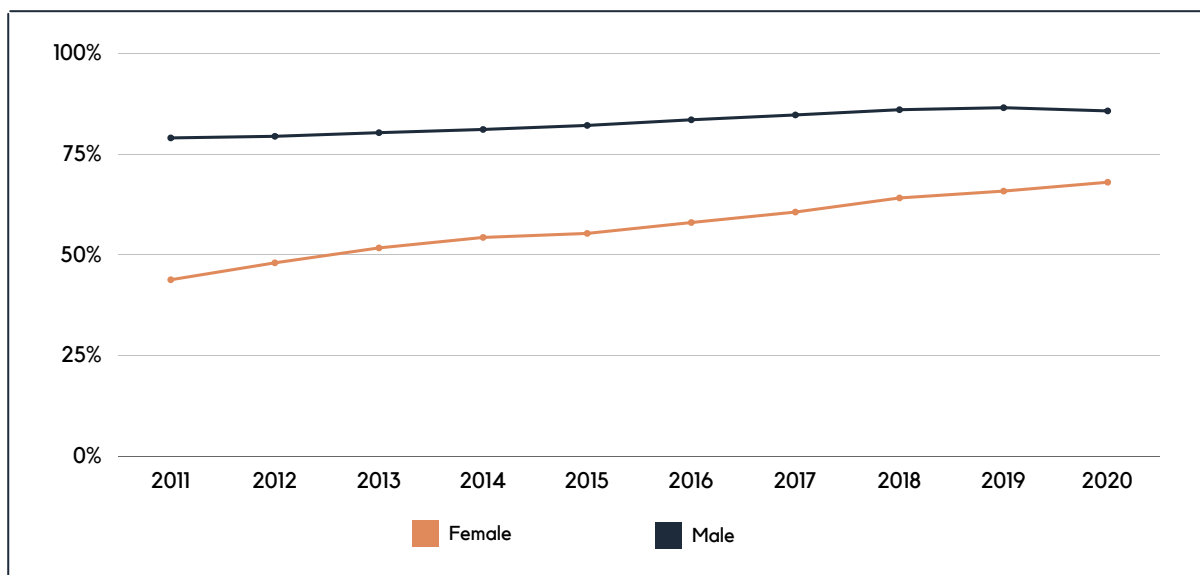


Figure 3 Male and Female in Employment Rate from 2013 to 2021

Moreover, even when women do participate in the labour market, they tend to work fewer hours, work in lower-paying sectors, and occupy lower-ranking positions than men, resulting in considerable gender pay and earnings gaps. In fact, when looking at females in employment 80.3% occupy a full-time position, in contrast to 93.6% of men. Conversely, 19.7% of females hold a part-time job as their main occupation, as opposed to 6.4% of men (see Figure 4). Furthermore, if one takes a closer look at full-time and part-time employment in 2020, one immediately notices a stark difference between males and females. In fact, taking the age bracket synonymous with the child-bearing years, that between 25–44, there were 84,349 males in full-time employment as opposed to 2,292 males in part-time employment.

[6] <https://ec.europa.eu/eurostat/databrowser/view/tesem010/default/table?lang=en>

In contrast, within the same year, there were 50,303 females in full-time employment as opposed to 10,903 females in part-time employment [7].

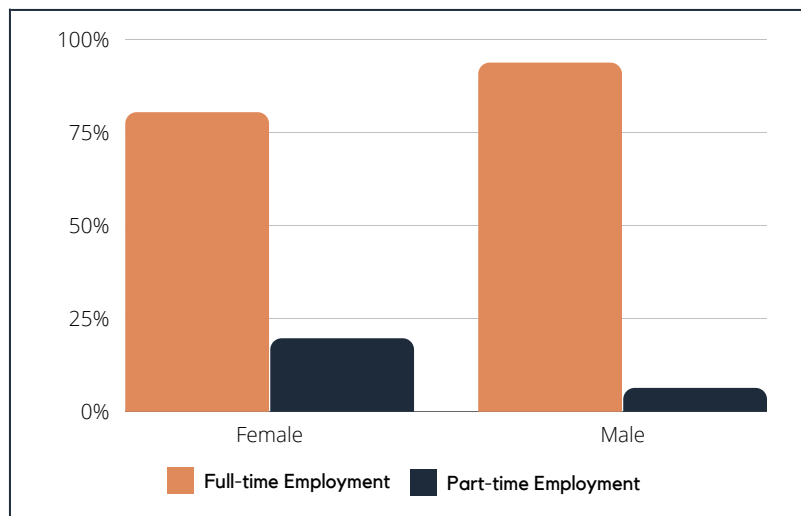


Figure 4 Full-time and Part-time Employment by Gender

Recommendations

Short-Term

- Introduce measures or incentives that encourage more balanced utilisation of leave entitlements between women and men after childbirth. This will ensure more balancing of parenting-related leave uptake between the genders.
- Introduce adjustments in the tax-benefit system by overhauling the Married tax rate category, which, in its current structure, disincentivises the second spouse (traditionally female) from gainful employment.
- In order to increase the opportunities for females to avail themselves of upskilling/reskilling opportunities to progress in their career or remain employable, Government should also seek to extend the Free Childcare Scheme to complement such initiatives.
- Introduce fiscal incentives to encourage females in part-time employment to switch to full-time.

Medium-Term

- Enable greater flexibility and scope of local childcare services, schools, after-school, and academic recess programmes. Working parents should be given the opportunity to choose the location which makes most sense to their work/life circumstances, the programmes should be a hybrid model of online and physical. For physical programmes the transport facilities should be improved. The type of content should ensure more inclusive and varied education. Government should facilitate comprehensive education clusters in each locality, that operate beyond the current school hours and offering flexible schedules.
- Introduce fiscal and advisory support to employers to plan and manage a comprehensive framework for remote and other new forms of working - that addresses the various components required (practices, processes, skills and behaviours, measurement and tech-enablers).

[7] NSO Data (provided by the Malta Chamber)

Success Measures

- Attain the Europe 2020 target of a 75% employment rate for both women and men by 2025.
- Increase the total percentage of females who occupy full-time positions or self-employment by 10% by 2025.



2.2 Active ageing

Current Outlook

On average, life expectancy increases by three months every year [3]. Seen over the span of the last century, this is a testament to enormous progress on the social and medical fronts. But living longer also signifies the need to work longer to ensure that the proportion of life spent in employment remains constant. This demographic shift calls into question both the sustainability of pension systems and future labour supply which, in turn, pose serious challenges for the prospects for continued economic growth.

From a talent perspective, a growing, yet untapped resource in Malta's ageing population 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, 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.

In 2018, the Active Ageing [8] Index in the EU ranged between 27.7 and 47.2 points. EU's average was 35.7 while Malta's AAI was 35.4 (see Figure 5). This index measures the untapped potential of older people for active and healthy ageing across countries. It measures 4 main domains: Employment, Participation in Society, Independent, Healthy and Secure Living and Capacity and Enabling Environment for Active Ageing.



From a talent perspective, a growing, yet untapped resource in Malta's ageing population is its elderly cohort.



[8] https://unece.org/fileadmin/DAM/pau/age/Active_Ageing_Index/ECE-WG-33.pdf

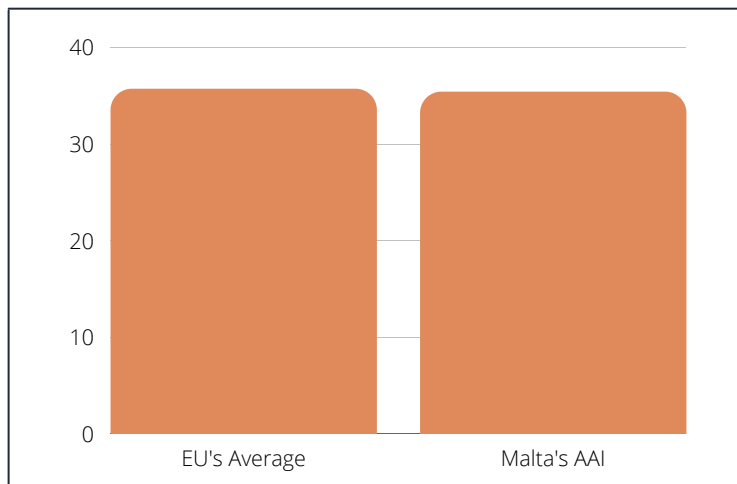


Figure 5 Active Ageing Index 2018

Malta's variations from the EU average benchmark were stronger for the domain of Employment, which refer to the employment rate for those aged 55+. In fact, Malta still exhibits low employment rates in the older age group. According to the Labour Force Survey (Q1 2021), just over half (52%) of the 55-64 age cohort were in formal employment. Here, the gender divide is even more highlighted: - out of those in employment, 66% were males compared to only 38% of females (see Figure 6) [9].

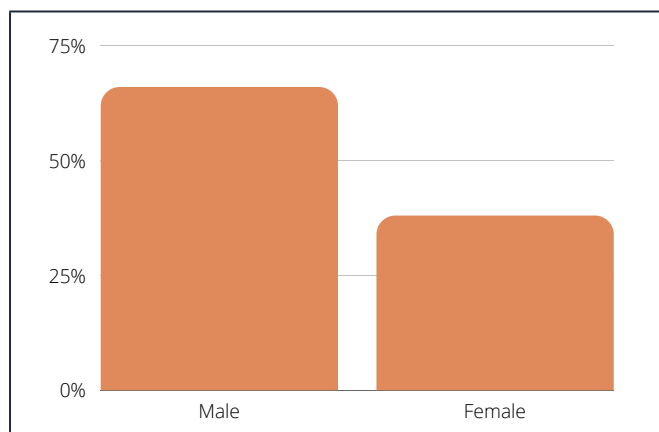


Figure 6 Age Cohort 55 - 64 in Employment by Gender

Recommendations

Short-term

- Introducing fiscal incentives targeting older employees to return or stay in the labour force for as long as possible. Central focus should be on changing the current measure of workers losing out on pension eligibility from the age of 61 to official retirement age if they decide to continue working.
- Introduce incentives directed towards older individuals who are out of work to pursue further studies and earn remuneration during the studies. This remuneration should be considered within the national social security system.

[9] https://nso.gov.mt/en/News_Releases/Documents/2021/06/News2021_112.pdf

- Introduce measures that encourage older employees active in the black market economy to transition into the mainstream economy. An example of such measure would be to subsidise in-house child care and family support arrangements for families. This will have two-fold advantage: encourage more female participation in the workplace and encourage current individuals providing such services into formal employment.
- Identify educational pathways for certain roles that can be occupied by older individuals who have the experience but not necessarily the formal certification that can offer a fast track into employment.

Medium-Term

- Introducing reskilling/retraining programmes, particularly digital skills specifically targeting older employees.
- Undertake measures to decrease the stigma surrounding the employment of older workers by introducing mentorship schemes and public campaigns endorsed by employers. These would highlight the valuable contributions that older workers can provide as mentors and role models to younger employees.
- Introduce restart programmes for older individuals who have lost their employment or who are interested in a career change. Such programmes will be held in collaboration with industry who will provide apprenticeship opportunities for these employees who require experience. Such opportunities should be considered within the national social security system.

Success Measures

- Increase the total percentage of those 55 years+ in active employment by 10% by 2025.
- Increase in the number of persons who reached pensionable age and remained in employment by 10% by 2025.



2.3 Early school leavers, including NEETS

Current Outlook

Early school leaving is an obstacle to economic growth and employment. It hampers productivity and competitiveness, and fuels poverty and social exclusion. With its workforce limitations, Malta needs to fully utilise and maximise the value of its talent pool. Young people who leave education and training prematurely are bound to lack the required skills and qualifications required for industries to grow and thrive. Whilst Malta has shown the fastest declining rates of early school leaving, the country is still significantly above the EU average. Currently, Malta has the second largest number of early school leavers in Europe, with one out of every six students quitting school in their teenage years [10]. In 2020, the rate of early school leavers was of 16.3%, which is higher than the 10% rate target set by the EU [11].



[10] <https://timesofmalta.com/articles/view/malta-with-second-largest-number-of-early-school-leavers-in-europe.708292#:~:text=Malta%20has%20the%20second%20largest,school%20in%20their%20teenage%20years.&text=According%20to%20Eurostat%2C%20early%20school,in%20further%>

[11] https://nso.gov.mt/en/News_Releases/Documents/2020/10/News2020_167.pdf

This trend can be observed for both vocational and non-vocational educational streams. Recent years has seen a decline in sixth-form students with a decrease of 5.9% between registrations in 2016/2017 and 2018/2019 [12]. In 2020, 5225 candidates registered for SEC examinations representing 85% of the 5th former cohort. Out of the registered candidates, 60.1% managed to obtain 6 SEC passes [13]. Meanwhile , MCAST data indicates that between 2011 and 2021, 830 students dropped out of Level 4 while 208 students dropped out of Level 5 [14]. This shows that a substantial amount of young people are failing to complete a Matriculation Certificate / Vet Diploma (iv) or an Undergraduate Diploma (Vet Higher Diploma) which are nowadays considered as general requirements for entry level jobs. Furthermore, this also demonstrates that a considerable number of students entering MCAST are not always successful in completing such formal education.

Data on NEETS (Not in Employment, Education or Training) is also cause for grave concern. The percentage of young people (15-29 years) classified as NEETS has risen significantly from 7.9% (6.3% males and 9.6% females) in 2019 to 9.4% (8.5% males and 10.4% females) in 2020 (see Figure 7) [15]. Further insight is required to understand the profile of the NEET to design and adopt proactive and preventative target interventions to re-integrate them in education or the labour market.

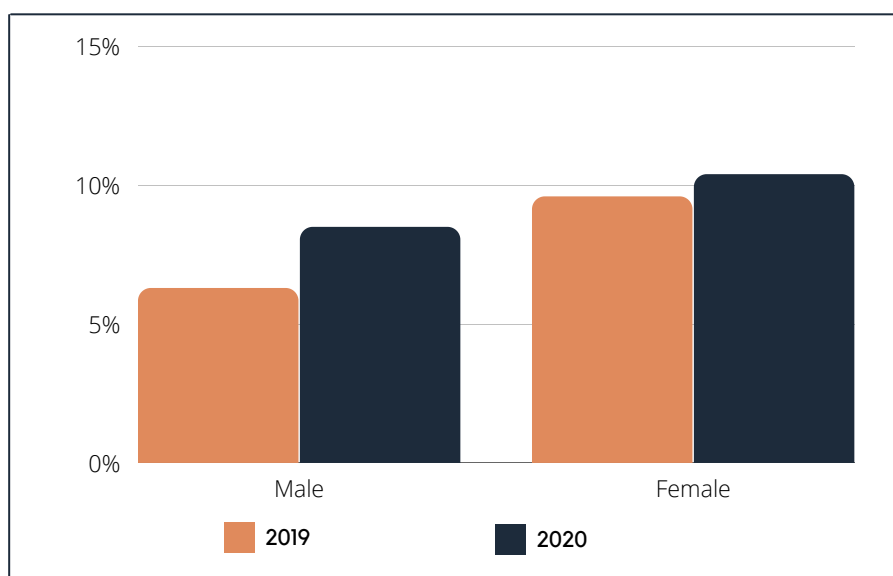


Figure 7 NEETS by Gender and Year

In June 2021, the Ministry for Education published a new National Strategy for students at risk of early leaving from education and training (ELET) for 2020–2030. Although this is still at public consultation stage, this strategy is a step in the right direction to ensure inclusive and quality education for all, whilst promoting the importance of lifelong learning.

[12] https://nso.gov.mt/en/News_Releases/Documents/2021/02/News2021_026.pdf
 [13] James Calleja - Principal / CEO MCAST; Foresight MCAST 2030 – What Future?
 [14] MCAST Statistics Report – Dropouts Level 4 and Level 5 2011 - 2021
 [15] NSO Labour Force Survey (provided by the Malta Chamber).

Recommendations

Short-term

- Introduce measures that promote Early Intervention – for e.g. children whose parents are not socioeconomically active or in education are excluded from the Free Childcare Scheme, despite being most in need of additional support and being most likely to benefit from similar programmes.
- Undertake continual tracer studies to identify at-risk students so that policy and action efforts are appropriately targeted. There is also a need to capture where NEETS are ending up.

Medium-Term

- Strengthening Vocational Programmes by primarily working on removing structural barriers of current programmes, incentivise employers to invest time to develop and train students and to participate more actively in such initiatives. These should focus on both career and educational formation. Such programmes should also be extended to students without formal qualification to provide them with opportunities of development.
- Strive to create opportunities for work placements within the post-secondary years so that students are better prepared upon entering the world of work as adults.
- Gradually increasing the age of compulsory education to 18, including at least 2 years post - secondary education. The gradual implementation is paramount to mitigate impacts on labour force.
- Introducing Whole School Approaches that prevent ESL and that improve student engagement more generally.
- Social structures need to be given an elevated role in distributed education outside the typical educational curriculum, especially targeting at-risk students.
- Introduce incentives that would encourage industry players to release their brightest minds to carve in time to educating, teaching and mentoring the future generation.

Success Measures

- Decrease the rate of early school leavers to below 10% which is the target set by the EU by 2025.
- Increasing the total percentage of individuals who complete at least post-secondary education by 10% by 2025.



Industry operators across multiple sectors are facing an unprecedented shortage of skilled labour.

Aside from the negative impact on Malta's economic traction and its investor attractiveness, this 'war for talent' is leading to fierce recruitment competition between employers, who must deal with rapidly inflating remuneration expectations of candidates. Furthermore, emerging industries are expected to bring about a shift in the skill-sets required, highlighting the need to be proactive in upskilling or reskilling our current workforce. Measures that directly target skill enhancement and better-utilisation of current and future domestic workforce are, thus, critically required.

Digital upskilling should be given central focus. The exceptional advances in technology experienced globally during the pandemic have changed the way people interact, communicate and work. Beyond specific employment sectors which develop and provide digital goods and services, the relevant skills are increasingly becoming a critical requirement across various job roles. In 2020, ICT skills were the most prominent due to their essential contribution to digitalising workplaces and implementing systems for remote work [16]. In fact, according to Cedefop, digital skills accounted for 23% share of total skills demand.



The importance of digital skills has also been highlighted by the EU. In fact, a Digital Skills and Jobs Platform [17], has recently been created to bring together multiple initiatives across Europe which serve to enhance people's learning experiences and to discover new opportunities. Such platform aims at accelerating digital upskilling where information and resources may be easily accessed by different users offering basic knowledge as well as professional expertise. This project is aimed to make Europe more competitive in the global digital economy through digital capacity-building while ensuring a wide use of digital technologies across EU member states and digital competency among EU citizens.

[16] <https://www.cedefop.europa.eu/en/news-and-press/news/coronavirus-and-european-job-market-how-pandemic-reshaping-skills-demand>

[17] <https://digital-skills-jobs.europa.eu/en>

As digitalisation continues to expand, there is a growing need to introduce digital skills as early as possible in local formal education. Digital skills should become an integral part of the Core Curriculum from primary school level. While it is understood that a National Strategy for Digital Education and Transversal Skills targeting students, educators, parents/guardians, and citizens is currently being drawn up by the Ministry of Education [18], immediate action needs to be taken not only to support students in their career development but also to address the related gaps in employment. Such factor also needs to be taken in consideration given that a number of current low-end jobs carried out by unskilled workers will become obsolete in the future. Digitally upskilling the future generation will not only ensure that they are employable but also ensures that industries are well equipped with skilled human resources not only in highly specialised roles but also in current labour-intensive jobs which are being digitally transformed.

Such gaps are not limited to the digital sphere. Serious gaps are also observed in what are known as transversal skills including creative thinking, adaptability and resilience. Looking at the National Employee Skills Survey, employers reported their staff lack problem solving skills (43.0%), customer handling skills (37.7%), team-working skills (34.9%) and oral communication skills (31.8%) [19]. It is vital that teaching of such skills is incorporated into the educational journey of students and given as much focus as other more tangible, technical knowledge.

3.1 Systemic skills gaps, mismatches, and bottlenecks

Current Outlook

Malta is experiencing persistent gaps and mismatches between the skills required by industry and those available in the labour market as a result of the educational experience our educational structures are offering. Employers are finding talent acquisition challenging, not only in terms of quantity but also quality. A significant part of this issue originates from systemic shortcomings in our educational framework.

The OECD 2018 PISA (Programme for International Student Assessment) [20] shows that Maltese 15-year-olds score poorly when it comes to reading, science and mathematics. Although the country's scores in these subjects have increased marginally when compared to previous years, results show that Malta's education system continues to perform poorly when compared to that of many other countries. In fact, out of 78 countries, Malta ranked 43rd in reading ability, 42nd in science, and 37th in mathematics. In 2019, further assessments were conducted on 10-year old Maltese pupils who participated in TIMMS (Trends in International Mathematics and Science Study) [21]. Out of 58 countries, Malta ranked 35th in mathematics and 36th in science. It is noted that Malta obtained higher scores than when it last took part in the study in 2011. In fact, the average score for maths increased from 496 to 509 while the average score for science increased from 446 to 496. Considering that the international average mark for both subjects is 500, the science average score is still below average.

[18] <https://www.gov.mt/en/Government/DOI/Press%20Releases/Pages/2021/January/27/pr210163en.aspx>

[19] National Employee Skills Survey - NCFHE; Jobsplus; Malta Enterprise;

[20] OECD (2019), PISA 2018 Assessment and Analytical Framework, PISA, OECD Publishing, Paris, <https://doi.org/10.1787/b25efab8-en>.

[21] <https://timss2019.org/reports/>

Certain critical skills, particularly those in STEM, continue to be missing at graduate level. Albeit Malta has experienced an increase in the number of tertiary graduates from 2018 (4146) to 2019 (4898) - Table 1 - [22], one notes that ICT graduates only account for 6.0% of the total graduates in 2019. Furthermore, Natural Sciences, Mathematics and Statistics graduates account for 3.9%, with a dip of graduates registered between 2018 and 2019 - Table 2.

	2018	2019	Change	% Change
<u>GENDER</u>				
Males	1837	2101	264	14.4
Females	2309	2797	488	21.1
TOTAL	4146	4898		
<u>AGE</u>				
20 - 29 years	3325	3806	481	14.5
Other age groups	821	1092	271	33
<u>NATIONALITY</u>				
Maltese	3769	4258	489	13
Other EU	175	189	14	8
Non-EU	202	451	249	123.3
<u>ISCED LEVEL</u>				
5 - Short-cycle tertiary education	380	498	118	31.1
6 - Bachelor's or equivalent	2383	2707	324	13.6
7 - Master's or equivalent	1330	1653	323	24.3
8 - Doctoral or equivalent	53	40	-13	-24.5

Table 1 Graduates according to gender, age, nationality and ISCED level (2018 / 2019)

Field of Education	2018	2019	Change	% Change
Generic programmes and qualifications	NA	1	1	100
Education	217	428	211	97.2
Arts and humanities	407	437	30	7.4
Social sciences, journalism and information	436	468	32	7.3
Business, administration and law	1298	1687	389	30
Natural sciences, mathematics and construction	195	190	-5	-2.6
ICT	290	294	4	1.4
Engineering, manufacturing and construction	370	350	-20	-5.4
Agriculture, forestry, fisheries and veterinary	14	17	3	21.4
Health and welfare	825	888	63	7.6
Services	94	138	44	46.8
Total	4146	4898	752	18.1

Table 2 Graduates according to field of education (2018 / 2019)

At an early stage, students are to be provided with a holistic industry experience exposing them to the use of applied technology.

[22] https://nso.gov.mt/en/News_Releases/Documents/2021/04/News2021_067.pdf

Such meagre intake continues to impinge on the digital skills gap being experienced across different local industries. While employment within the ICT sector is deemed to offer agreeable salaries and opportunities for career progression, interest amongst local students is not very encouraging. The need for digital skills to be part of the educational curriculum from early schooling is becoming imperative to equip the future workforce not only with such critical skills but also instil the importance that such subjects will have on employability. We can only start generating more 'specialists' in higher education if the base pipeline from secondary schooling is strengthened. Taking in consideration the aspired economic model for Malta based on digital, computing and science rather than foreign languages, it subsequently makes sense to elevate computer science as a recognised science subject available for specialisation in secondary schooling au par with other traditional science subjects (Chemistry, Biology, and Physics). It is also of essence that the number of educators, especially those in STEM subjects is boosted. A review of teachers' salaries should also be considered particularly of those teaching sciences, mathematics, and statistics, in order to increase attractiveness of these professions.

Together with the help of experts within the field, a better awareness and understanding may be enabled to direct and increase the level of interest among students to pursue those careers which are in short supply. There is a need to ensure that our educators are well informed of the developments happening within the different sectors and pillars of the national economy, the opportunities and challenges offered and to assume their responsibility to familiarise themselves and their students about the world that awaits them. This is especially the case with guidance and counselling professionals who could be further enriched with ongoing opportunities to visit and familiarise themselves with different workplaces as well as the demands and challenges offered by various sectors. Ideally, this exposure for all educators, but particularly the guidance and counselling professionals, should be formalised as part of their own development as educators within their tertiary education courses at university. Too often business sectors continue to note that there is a gap between the world of work and that of our educational institutions which remains challenging to bridge. Whilst educators can be brought closer to the workplace, it could very well be possible to have more formalised interventions from professionals operating within different business sectors as part of the courses being followed by aspiring educators.

This discrepancy between local talent churn being provided by our educational institutions and actual industry requirements is also highlighted by the extent of foreign talent being recruited across different sectors, levels and occupations, including managerial and professional roles, as seen in Table 3 below.

Occupational 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 machinery operator and assemblers	2,619	2,143	22
9.Elementary occupations	11,503	10,790	7
TOTAL	38,406	30,895	24

Source: Jobsplus

Table 3 TCN Occupation

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 - Table 4 .

NACE	Sep-20	Dec-19	% Increase
Accommodation and food services 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 services	9,977	8,846	13
Public administration, defence; education; human health and social work	4,803	3,707	30
Wholesale and retail trade; transportation and storage; info. and comms.	5,638	4,030	40
TOTAL	38,406	30,895	24

Source: Jobsplus

Table 4 TCN and NACE

Notwithstanding the significance of such specialist roles across sectors, the business community does not only rely on such professions. It should be highlighted that skill shortages are not limited to highly specialised areas. Skills gaps are reported across a wide span of sectors, specialisations and role levels and have the potential to stall economic growth and hinder future sustainability.

This was a clear theme emerging from the Round Table Exercise of the Chamber of Commerce, wherein industry players from a variety of sectors confirmed this current state of affairs. Since low level jobs will be transformed due to the automation of manual tasks, more value-add will be required by the individuals performing the roles. Thus, to ensure continuous employability, candidates for the current and future workforce must have a strong digital skills-set at par with Mathematics and English in all roles.

One of the most critical challenges in tackling such issues and more, is the current lack of a coherent system of identifying and interpreting skills intelligence. The country's small and open economy is exposed to external economic trends, requiring the workforce to be adaptable and flexible. There have been attempts at undertaking skills anticipation exercises but overall, these were clunky, singular and fragmented. Skills anticipation and forecasting is critical in outlining future skills requirements, providing focus for human capital endeavours and reducing potential mismatches between skills demand and supply [23].

Recommendations

Short-term

- Setting up of a National Skills governing body with executive powers as the national coordinator between education and industry for skills, responsible to set the strategic direction on the basis of continuous research aimed at the development of education and training to meet the constantly changing skills needs of industry.

[23] Cedefop (2017). Skills anticipation in Malta. Skills Panorama Analytical Highlights.
https://skills Panorama.cedefop.europa.eu/en/analytical_highlights/skills-anticipation-malta

- There is a dire need to have 'live' structured skills mapping and forecasting that point towards and shed light on current and evolving skills needs. It is recommended that a Skills Mapping and Forecasting Observatory, which is comprehensive, ongoing and easily accessible is pursued. This initiative should be digital-by-design, and powered by agile structures. The inputs would consolidate various sources that unearth the demand and supply of skills in Malta. The outputs would include current assessments but more importantly talent forecasts.
- Government should develop a National Skills Strategy which will focus on recommendations to address the skills gaps identified through the Skills Mapping and Forecasting Observatory. Through the vision, actions and targets set out within the strategy, Malta will be able to support the development of an educated and appropriately skilled workforce, which is adaptable to future changes in the world of work.

Medium-Term

- Renewing training systems across various age and experience cohorts, emphasising the skills needed for emerging jobs.
- Strengthening Work-Based Learning programmes. Any programmes must be inter-linked with industry demands and financial incentives for employers to invest in developing their employees must be provided e.g., tax refunds. Eligibility for such training should be related to the development of the business i.e., that enables the business to stretch to new grounds.
- A comprehensive reform and ongoing review of the primary and secondary schooling is critical. The system remains inflexible and oriented towards traditional career paths. The output from the secondary level of education needs to be strengthened as the supply and quality shortages emanating from this pool is crippling the tertiary level potential. More alignment to industry and economic requirements, in terms of skill-set focus is sought.
- Introduce incentives to private training academies who offer courses for skills that are in shortage and to employers and employees who invest and/or participate in these said courses.
- Computer Science should be considered as one of the science subject options available for specialisation in secondary schooling.

Success Measures

- The setting up of a National Skills Governing Body at the earliest possible timeframe.
- Launch and implement a coherent strategic approach for producing and interpreting skills' market intelligence.
- Launch a series of training and development initiatives clearly linked to the reported critical and priority skills gaps/mismatches that are hampering the development of higher value-add in core local sectors.
- Development of a National Skills Strategy, based on the Skills Mapping and Forecasting data obtained to provide vision and position action to work towards the future skill sets required on a national level. This should be created in close collaboration with industry players.



3.2 Upskilling and Reskilling

Current Outlook

In the National e-Skills Strategy for 2019–2021, one of the key strategic areas concerns the upskilling, specialisation and retention of existing industry workforce. The strategy states that upskilling and skill set specialisation is vital to remain relevant and to flexibly respond to the dynamic economic needs. Yet skill gaps in our workforce are a main challenge facing industry today. The Labour Force Survey for Q1 2021 shows that 46% of workers aged 15 and over only had a secondary level of education or less, 29.2% had a post-secondary level of education and just 24.8% had a tertiary level of education [24].



Upskilling and skill set specialisation is vital to remain relevant and to flexibly respond to the dynamic economic needs.

These figures tally with the observed, consistent decline of students opting to proceed into post-secondary education in the past five years [25]. Despite this, the take-up of measures to promote adult learning and upskilling in Malta remains low. 4.1% of low-skilled adults participated in training in 2018, despite the greater need for upskilling [26].

Figures published in EY's 2019 Attractiveness Survey for Malta indicate that, as the country's economy expands, its ability to source workers with the appropriate talent is dropping, with only 27% of foreign investors saying they are able to recruit workers with the required skills. The figures also reveal that 63% of survey respondents see the skills shortage as the biggest risk affecting their next investment decisions in Malta [27]. In the EU's recommendations from the 2020 Country Report for Malta, it was highlighted that the current COVID-19 crisis may exacerbate skills shortages in some sectors and redefine skill needs in others. This makes the mapping of skills and the reskilling of workers even more important, in particular for digital and green skills.

This area is also being given high priority at EU level. In March 2021, the European Commission presented an action plan for the implementation of the European Pillar of Social Rights [28] targeted towards a strong social Europe. Such action plan proposes a number of initiatives and sets three main targets to be achieved throughout Europe by 2030:

[24] https://nso.gov.mt/en/News_Releases/Documents/2021/06/News2021_112.pdf

[25] https://timesofmalta.com/articles/view/number-of-sixth-formers-decline.879128?fbclid=IwAR05C1fxOVjR49lzQ2tBhgbd9Gb_BYClmegQb50NmEbcui83YY8kGmiGyEE

[26] https://ec.europa.eu/info/publications/2020-european-semester-country-reports_en

[27] EY, EY Attractiveness Survey Malta 2019 <https://cdn-others.timesofmalta.com/7aec38527fbf3aed581e7c396d0fab59c394b83d.pdf>

[28] <https://www.consilium.europa.eu/en/meetings/european-council/2021/05/07/social-summit/>

An employment rate of **78%** in the EU at least

At least **60%** of adults attending training courses every year

Reducing the number of people at risk of social exclusion or poverty by at least **15** million people, including **5** million children



The private industry is seen to provide a valuable contribution to the above targets agreed by the Porto Summit in May 2021 [29]. In today's volatile situation, securing career paths becomes even more significant whereby career progression within the private industry is seen as an important contribution within such context.

Indeed, industry itself must be proactive in anticipating its future needs and subsequently take active steps to build and nurture its required talent. It therefore must take responsibility for its own resource planning and workforce contingency planning to ensure for sustainable growth and business prosperity. Utilisation of available EU Funding schemes may prove beneficial in supporting the private sector in such an endeavour, covering the entirety of the process from identification of needs to the actual learning transfer.

Finally, a changing mindset needs to be adopted within decision-making stakeholders, business leaders, educators, and employees for them to be in a position to better understand the cost and implications of not taking onboard the adjustments required. Employees also need to be more adaptable and resilient as they learn new skillsets. Unless there is an appetite and will for change as well as buy-in of the benefits and opportunities that upskilling can offer, it should not be assumed that obligatory upskilling initiatives will necessarily bear fruit. Essentially, for successful policy implementation, a number of relevant consultations with numerous stakeholders are required as well as a focus on key human / soft skills, including adaptability, resilience, and curiosity, will also be needed.



[29] <https://www.euractiv.com/section/economy-jobs/opinion/back-from-porto-making-the-action-plan-on-the-european-pillar-of-social-rights-a-reality/>

Recommendations

Short-term

- Embark on an awareness campaign to educate all stakeholders involved on the need to upskill and the cost of not upskilling. The intent behind the different campaigns would be two-fold; 1) to educate all stakeholders on the need to upskill and the risks of not upskilling and 2) to disseminate information on the various schemes and incentives set by Government in order to achieve the national skills strategy.
- Introduce fiscal incentives to support those already in the workforce who decide to undertake a mid-career break to enhance their skills.

Medium-Term

- Create digital career pathing programmes on a large-scale, maximising on AI and predictive analytics that build on the Skills Mapping and Forecasting initiative.
- Introduce a National Skills Development Programme that aim to provide businesses and individuals with choices to maximise their skills on a continuous basis, regardless of their existing knowledge base or starting points.

Success Measures

- Using data gathered from the Skills Mapping and Forecasting Observatory, report reductions in the gaps and mismatches between the skills demand and supply.
- At least 40% of the workforce is reported as active in continuous professional development.





Malta's vibrant economic growth has brought about a demand for talent which cannot be solely fulfilled by home-grown resources. By importing talented and skilled migrant workers, Malta will strengthen and expand its base of human capital. In turn, this will allow the country to meet the demand to spur an expansion of economic sectors already in place, 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 and embrace foreign talent, and not fear it.

Attracting talent is only the first step – it is critical that we ensure that foreign workers remain in Malta and engaged in the labour market. A primary concern that employers face is the high rate of turnover of foreign workers. 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. Consequently, any measures introduced to attract foreign talent must be complemented with others that target the retention of this cohort with the labour market.

4.1 Lack of competitiveness to attract talent and brain drains

Current Outlook

According to the Expat Insider 2021 report [30] published by InterNations, Malta ranked 50th out of 59 countries in the overall expat attractiveness survey. Malta found its position at the end of the list of countries as one of the worst expat destinations. The report is made up of 4 indexes: Quality of Life, Ease of Settling In, Personal Finance and Working Abroad. Malta does not have good rankings in the Quality of Life Ranking. Malta only managed to rank 20th when it comes to leisure options and 25th in Health & Well-Being. For other pillars of the said index, Malta ranked poorly. For instance, Malta ranked 43rd in Safety and Security, 46th in Digital Life and 56th in Quality of the Environment. It is critical to note that 7 of the top 10 destinations in the Quality of Life Index are located in Europe. In the Working Abroad Index, Malta has a better ranking, 31st out of 59. This index is measured by looking at three pillars: Career Prospects & Satisfaction, Work & Leisure and Economy & Job Security.

Aside from the challenges of attracting foreign talent to work and settle here, Malta is also facing a brain-drain of local talent. A report by the World Bank in 2019 [31] puts Malta's emigration rate at 24%. When analysing these figures, the World Bank's study found that when plotting the share of the population in the labour force (24–65 years) who has a higher education level vis-a-vis the share of the population with higher education that emigrated, it shows that higher-income countries have emigration rates below or about 20 percent.

[30] https://cms-internationsgmbh.netdna-ssl.com/cdn/file/cms-media/public/2021-05/InterNations_Expat-Insider-2021_0.pdf

[31] "World Bank. 2019. Europe and Central Asia Economic Update, Fall 2019 : Migration and Brain Drain. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/32481> License: CC BY 3.0 IGO."

This means that in general higher-income countries manage to retain their talent. The only two exceptions to this norm, as specified by the report, are Malta and Portugal.

Taking 2020 into perspective, emigration of Maltese citizens amounted to 770 persons, out of which 353 were males and 417 were females. One also notes that the total figure of emigration of other EU citizens amounted to a total of 4083 persons while the total figure of emigration of third-country citizens (including UK) was that of 7826 persons (see Figure 8) [32]. It is worthy to note that, in the same period, the number of foreign workers in Malta remained relatively stable, which signifies that those that left were active in the unregulated market. While the global pandemic has caused people to return back to their native countries, such shift has also been detrimental to various business operations.

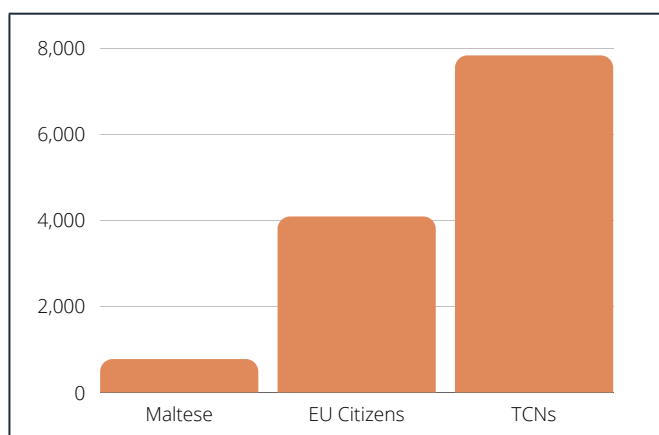


Figure 8 Emigration in 2020 by Nationality

Recommendations

Short-term

- Create personal taxation structures that are designed in a way that attracts not detracts foreigners from working in Malta.
- Introducing tax and other fiscal incentives aimed to attract individuals in possession of critical skills e.g. expanding the parameters of the Key Employment Initiative scheme.
- Tax breaks for the first 5 years when highly qualified Maltese working abroad return to Malta.
- Launching an international marketing campaign showcasing Malta as a career destination.

Medium-Term

- Emphasise the employment of high-end recruitment of Maltese talent in the assessment of FDI applications, and incentivise knowledge-transfer to upskill home-grown talent.



[32] Statistical Concepts: <https://metadata.nso.gov.mt/concepts.aspx>

Success Measures

- Using data gathered from the Skills Mapping and Forecasting, report a progressive positive shift in the skills or job profile of local workers.
- Improvement in the ranking of Malta in future Expat Attractiveness surveys.
- Positive reports from the Skills Mapping and Forecasting showing Maltese talent returning to Malta from overseas and active in the business community and labour market.



4.2 Retention of foreign talent

Current Outlook

The current rate of turnover for foreign workers in Malta is high.



A strategy document issued by The Malta Chamber of Commerce, shows that approximately 46% of new EU workers and 42% of new TCN workers leave between one and two years of entering the Maltese labour market, and 62% leave between two and three years. Of all new entrants, 54% leave between one and two years. In this context, 23% of technicians leave in the first year, and 49% of associate professionals leave between one and two years after starting [33]. This relatively high re-immigration rate is negatively impacting the employers by increased the direct and indirect costs and, thus, it is critical that this issue is tackled immediately.

One reason behind these low retention rates may be attributed to the fact that TCNs experience higher costs to live in Malta than the local unskilled. Recent studies have shown that income inequality has not changed significantly since 2015. This has been largely due to the redistributive effect of Government transfers that supplement the incomes of lower income earners, as the employment income of the better educated has grown much faster than that of the unskilled. However, TCNs do not generally qualify for Government transfers and are exposed to the commercial rental market with no possibility to access social housing or rent subsidies. Cost of living relative to the wage levels especially at the lower-skilled cohort might make it unviable for TCNs to remain in Malta [33]. Such discrepancy is putting pressure on the private sector to increase wages, risking higher than targeted inflation and, thus, losing out on our competitiveness.

Similarly, a recent dissertation on the impact of TCNs on local wages [34] has shown that the lower and relatively stagnant average wages of TCNs reflects the fact that the greater portion of TCNs is employed in elementary jobs. The related figures are illustrated as per Figure 9.

[33] The Malta Chamber, Economic Vision vis-à-vis National Workforce Strategy

[34] 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 Malta³

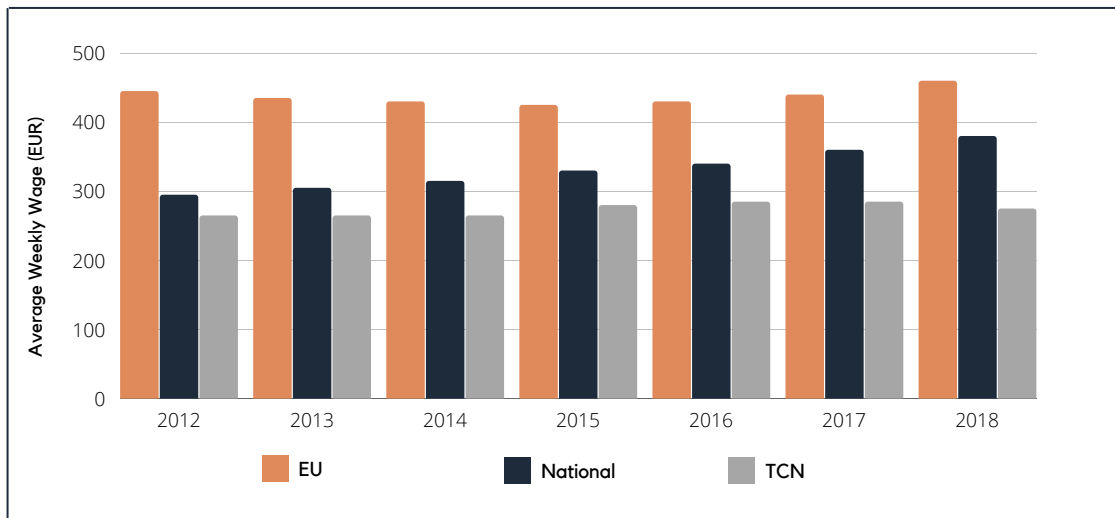


Figure 9 Total Private Sector Average Wage by Nationality and Year

This study singled out construction and tourism 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, particularly driven by irregular employment practices adopted by certain businesses.



Such practices create an unlevelled playing field between employers who follow best employment practices and regulations 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 certain operations left unchecked, and the economic incentives associated with bringing over unskilled TCNs to the country, the accommodation setups they accept to live in and the rents they pay for shared accommodation that remains unregulated even following the rent reform.

Finally, from a logistical perspective, the work permit process for TCNs is still currently bureaucratic [35] even though the Agency in charge of this process has introduced recent reforms, the most evident being the digitalisation of the work permit application. Further facilitation of the MQRIC (Malta Qualifications Recognition Information Centre) verification for foreigners who are in possession of diploma/degrees who want to be employed locally, is necessary. This is required to support businesses when verifying the candidates' suitability for certain positions as well as to shorten the application process with Identity Malta, where qualifications are a requirement for certain positions. TCNs also face extra hurdles should they wish to relocate their families to Malta, both in terms of process complexity and the requirements being asked of them. For instance, the current average benchmark for earnings required for a TCN to be able to relocate his kin, is much higher than what the average Maltese employee earns to support his/her family.

Recommendations

Short-term

- Improve the current work permits process for TCNs including facilitation, simplification, and acceleration of process and incorporating digitalisation.
- Provide more access and openness of information to the applicant employer to track status and communications between diplomatic channels.
- The work permit should be renewable every 3 years, following the first successful year of a TCN.
- Facilitate an improved process for family-relocation for approved work permit applicants.
- Address the adequacy of salary requirements being demanded from TCNs who wish to relocate and maintain a family in Malta. The current benchmark is higher than what the average Maltese employee earns to support his family.

Medium-Term

- Introduce integration programmes for foreign workers and provide them with systematic support during their stay in Malta. Such programme would also cover training modules in e.g., English language, numeracy, IT etc.
- Introduce retention policies for TCN's e.g. retirement income schemes, private health insurance or support with transport and accommodation.
- Introduce pathways for permanency i.e., a clear and structured route to citizenship.
- The cost of accommodation is steep when compared to average salaries in Malta. The cost of rent should be tax deductible especially for certain cohorts of workers for which there is a shortage of e.g. health care workers etc.

Success Measures

- Increase percentage of foreign employees who remain in employment beyond the second year to 30%.
- Decrease the average duration of obtaining a work permit from the current average of 6-8 weeks down to 4 weeks.
- Decrease the average duration of family relocation administrative approvals from the current 8 months to 2 months .



[35] The Malta Chamber, The Labour Market

5.1 Translate the culmination of human capital development policy in improved productivity and value-add

Current Outlook

Productivity is the cornerstone of competitiveness. Between 2010–2019, Malta recorded a productivity growth rate of almost 15%, one of the highest in the EU and significantly higher than the EU average of just 6%. This was mainly driven by investment in technological improvements and higher educational attainment.



Productivity is the cornerstone of competitiveness.

Achieving higher levels of productivity and competitiveness requires a mix of policy action on the following levers:



Level of skills found in the economy – both in terms of the educational and experience levels



Quality of education, training and development programmes



Maximisation of capital in the form of technology employed within business practices – both from the automation perspective, but also ensuring that the technology itself is innovative and progressive to enable capital deepening

With the talent shortages and evolving sophistication of international markets and competitors, the local business community has to constantly deliver more with huge resource constraints. Digital transformation of business models and working practices is becoming even more vital. Thus government policy should continue steering towards helping Maltese industries to fully harness technological innovation. Particular attention should be given to micro, small and medium business who are likely to encounter more obstacles to obtain the capital required for investment, and who ultimately make up the vast majority of the Maltese economy.

Productivity is critical not merely for generating higher levels of growth and output but also for the fulfilment of better salaries and living standards. As can be seen in the chart below, up until 2015, Malta showed a positive trend in its productivity gains. However, after 2015 EU countries showed a much smoother positive trend in their productivity gains, unlike those for Malta [36].

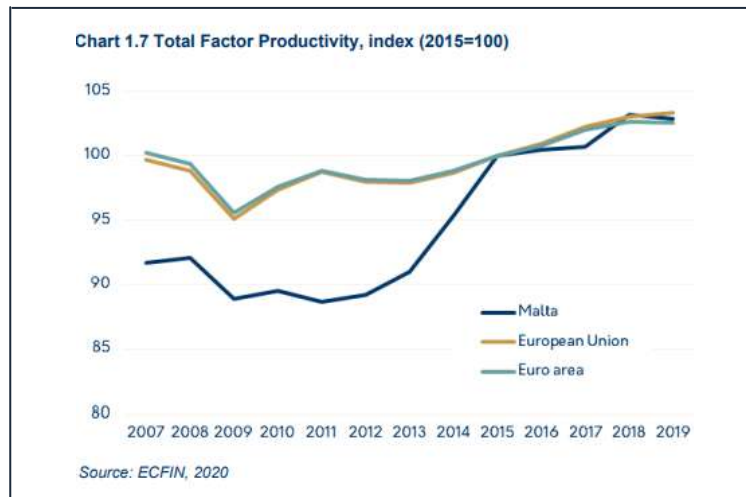


Figure 10 Total Factor Productivity, index

In terms of labour productivity (calculated by hours worked in order to account for differences in working times across employees), a notable growth in Malta has been registered over the past years. In fact such aggregate labour productivity is currently higher in Malta than in EU-27 and EA-19. Therefore, Malta's recent macroeconomic performance showing higher levels of GDP growth and reduced employment, has also been affected by noteworthy improvements in productivity, both in terms of technological growth as well as higher levels of output per labour hour.

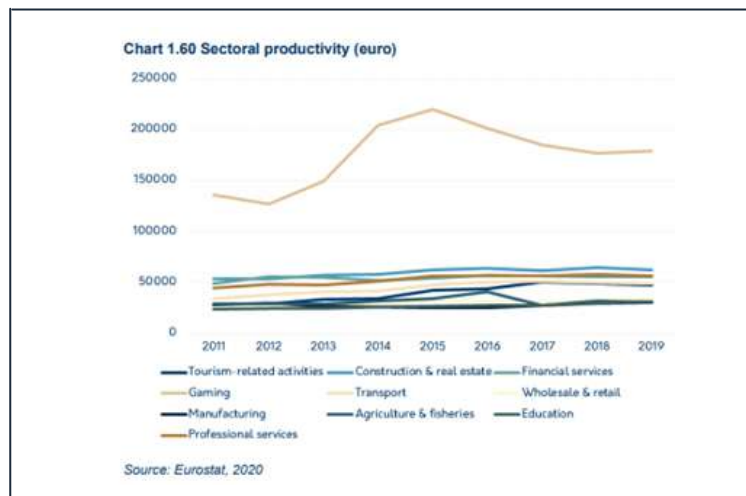


Figure 11 Sectoral Productivity (euro)

[36] https://nationalproductivityboard.org.mt/wp-content/uploads/2020/03/National-Productivity-Board-Annual-Report-2020-2020_12_15-final-version-3.pdf

The gaming sector in Malta dominates over other sectors generating EUR176,358 of GVA (gross value added) per year as at 2019. The gaming sector is followed by the construction and real estate sector which generates EUR62,717 per employee. The professional services and the financial services sectors come in third and fourth generating EUR57,020 and EUR55,765 respectively.

High Productivity Sectors	Euro/worker
Gaming	176,358
Construction and real estate	62,717
Professional services	57,020
Financial services	55,765
Transport	48,608
Low Productivity Sectors	
Tourism-related activities	46,976
Wholesale and retail	33,678
Education	32,305
Manufacturing	31,370
Agriculture and fisheries	29,319

Source: Eurostat, 2020

Table 5 Gross Value Added by Sectors

It is noted that Malta's TFP is highly determined by the Gaming as well as Construction and Real Estate sectors which are in reality inflationary sectors and therefore not realistic. It is worthy to note that the value-add and multiplier effect for the Construction industry are relatively low. The Real Estate's high figures are based on rental income and not proportionate to employee headcount. We refer here that these two sectors are reported separately as NACE codes, yet these have been combined as one in the Malta Productivity report 2020. While employment growth between 2011 and 2019, particularly in Gaming has continuously increased, the same cannot be said to other sectors. In fact, the value-added by the Maltese companies and employees has in reality reduced, and thus coupled with the constant pipeline of TCNs in lower end/low value jobs has put increasing pressures on the infrastructure thus putting a negative spiralling effect on competitiveness. Improving productivity and value-add needs to be across all economic sectors – with particular emphasis to boost upwards those with lower productivity rates.

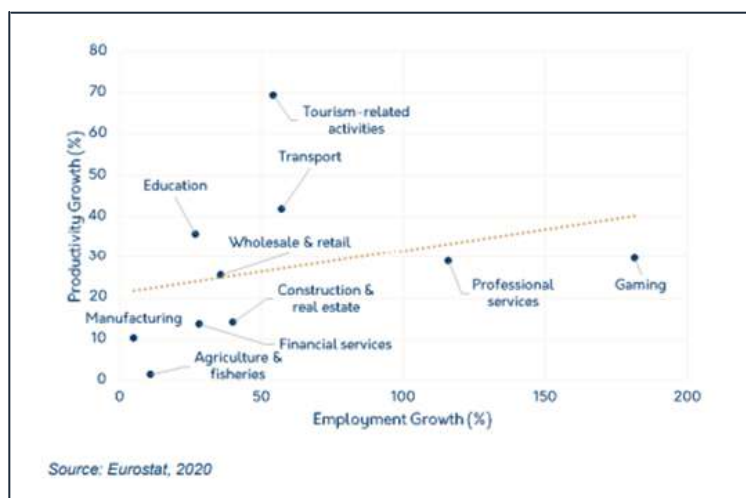


Figure 12 Productivity Growth vs Employment Growth per Sector

So the real determinants to improved Total Factor Productivity are the underlying level of skills found in the economy and the quality of education, training and development programmes.

For this perspective we refer to the Human Capital Index (HCI) by the World Bank. The HCI measures the amount of human capital that a child born today can expect to attain by age 18, given the risks of poor health and poor education that prevail in the country where s/he lives. It is designed to highlight how improvements in current health and education outcomes shape the productivity of the next generation of workers. Three ingredients reflect building blocks of the next generation's human capital:



Schooling

Combines information on the quantity and quality of education



Survival

As measured by under-5 mortality rates



Health

The extent to which children will leave school in good health and ready for further education or work

The general idea is that current investments in human capital, especially of children, pay economic returns far into the future. That said, because the benefits are distant but the costs are immediate, policymakers may not always sufficiently prioritise investments in human capital.

Currently, a child born in Malta today will be 71 percent as productive when s/he grows up as s/he could be if she enjoyed complete education and full health. The score represents Malta's distance to the "frontier" of complete education and full health. The index can directly be linked to scenarios for the future income of the country. What Malta's score means, is that the future GDP per worker could be 30% higher if the country reaches the benchmark of complete education and full health.

Between 2010 and 2020, the HCI overall score for Malta increased from 0.68 to 0.71 and efforts should be made to increase this further. Improvements are necessary when it comes to specific educational indicators. When it comes to Harmonised Test Scores (that is, the Quality of Education), students in Malta score 474 on a scale where 625 represents advanced attainment and 300 represents minimum attainment.

Similarly, when it comes to education up to 18 years of age, when assessing what children actually learn in the Maltese education system, the expected years of school translate is 10.2 years. With regards to learning poverty, 29% of 10-year olds cannot read and understand a simple text by the end of primary school. This is lower than the average for its region (48%) but higher than the average for its income group (14%) [37].

[37] Malta is considered to be a high-income country and part of the Middle East and North Africa region. <https://www.worldbank.org/en/publication/human-capital>

From 2014 onwards, Malta has significantly improved in various aspects of innovation when compared to the EU. Indicated as a moderate innovator, Malta had a performance improvement 10 and 15 percentage points. Notable improvements have been registered within 'Environmental Sustainability', 'Use of Information Technologies' and 'Intellectual Assets'. Moreover, the highest three indicators have been recorded in trademark applications, environment-related technologies, and employment in knowledge-intensive activities. Yet the areas of 'Finance and Support' and 'Firm Investments' are still lagging behind showing that more public expenditure on R&D in the business is direly required.

Recommendations

Short-term

- Improve policies and financial incentives that promote investment in technologies, research and development, and experimentation by businesses.
- Improve funding schemes to provide comprehensive support for business to re-orient technology as core in their business model. Eligibility criteria are to be adapted to ensure funding is available for 'as-a-service' -type business models.

Medium-Term

- Introduce initiatives to support businesses to build new skills and capabilities to inform and innovate all aspects of their business: the product and service portfolio, open up new sales channels, enhance operational processes, and leverage ecosystems of stakeholders through digital platforms and marketplaces.

Success Measures

- Achieve a steady increase in TFP year- on -year that is at least at par, or better than the EU average.
- Improve Malta's performance in the Innovation Scoreboard.
- Improvement in the participation at tertiary levels of education, in particular those programmes that are reported as critical and in under-supply in the Skills Mapping and Forecasting Observatory.
- Improve Malta's performance on the Human Capital Index and decrease the Learning Poverty making Malta more competitive vis-à-vis the European region.



5.2 Addressing under-employment in certain sectors

Current Outlook

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.



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.

According to the Labour Force Survey (Q1/2021), Public administration, defence, education, human health and social work activities, is the economic activity which holds the highest number of employees. In fact, between January - March 2021, such number stood at 67,223 employees. It is also noted that an increase was registered from Q1 2020 where the number of employees stood at 64,216 [37]. Despite such high numbers and the lack of talent within the private sector, a substantial number of vacancies are still open within such sector and respective recruitment is still being held. In fact a recent opening has attracted hundreds of candidates, leading to a situation where the private industry is competing for talent with the public sector within a very tight labour market.

Recommendations

Short-term

- Undertake a comprehensive manpower survey in the public sector 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.
- Extend employment services to underemployment and not limited to unemployment only.
- Introduce the concept of demand-driven training (DDT): Introduce more holistic, publicly funded skills development initiatives that are customized to respond directly to critical in-demand requirements. DDT links skills development explicitly with the job market, through employer engagement i.e. employers define what type of training is necessary and drive training providers to provide such training. Expertise, especially for emerging, niche areas must be developed through national policy.

Medium-Term

- Measure, track, and report underemployment.
- Build sustainable wraparound and demand-driven solutions to address underemployment. Wraparound services represent a medium to longer-term process to ensure that people are supported to retain and advance their employment.

Success Measures

- Conclude a comprehensive manpower survey of the public sector to identify pockets of skills shortages and oversupply.
- Include and track underemployment as one of the economic indicators.
- Execute publicly supported DDT programmes in line with the in-demand and forecasted skills requirements arising from the Skills Mapping and Forecasting Observatory through the active recommendations of the business community.



6. Concluding Remarks



The proposed policy priorities and actions presented in this document cannot remain a wishful list. This is a time to be bold. In these challenging times, steady proactive steps need to be taken in a co-ordinated fashion to ensure that Malta's only resource – its human capital – contributes to rebuilding the economy. The business community still faces choppy waters – from the Covid pandemic, the climate challenge, rising costs and other prevailing issues that should be addressed sooner rather than later. The Malta Chamber stands ready to work with Government and support the community through the journey ahead.