



# Addressing a Chronic Shortage of Employees

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## Position Paper

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## **Introduction**

The purpose of this paper is to call for a strategy that addresses the shortage of employees in the private sector. While it is positive that Malta enjoys low unemployment, there is a serious human resources deficit in the private sector that can stifle economic growth.

As with many EU economies, Malta is feeling the brunt of shifting demographics due to a low birth rate over the past three decades. Consequently, we have an ageing Maltese labour force that is not being replaced fast enough by a younger cohort. The demographic impact is being felt also in the education sector where Malta has a relatively high early school leaving rate which is impacting on the number of students further their studies at Sixth Form level and which has been declining in recent years. Furthermore, for the past decade or so, Malta was managing to offset the shortage of workers and talent by “importing” skills from other EU MS and beyond, however, a vast proportion of these non-Maltese workers returned to their homelands upon the onset of the COVID-19 pandemic in 2020.

Up till the present day, therefore, the shortage of employees is being felt across most economic sectors and at all levels of skills, from unskilled people, tradesmen and also professionals. The situation, however, presents an opportunity to re-think past strategies and focus on a rationalising of the domestic human resource to reduce an over-reliance on non-Maltese workers. As discussed during the 2021 MEA National Conference, an over-dependence on foreign workers may not be so desirable from a socio-economic standpoint as it was identified to create issues of its own. Principal amongst this was that vast numbers of foreign workers added to Malta’s population density problem, which, in turn, brought about a notable deterioration in the quality of life of all those working and residing in Malta.

In any case, even from a market equilibrium point of view, the benefits of a strategy of plugging skills shortages with foreign workers could be short-lived as other developed economies – including EU countries – are also experiencing similar deficits and are competing for talent. Active measures taken by other countries in this regard will, of course, make it less feasible and attractive for Malta to attract foreign workers. The drain of Maltese and non-Maltese foreign health workers to other countries is a case in point. These trends are expected to gather momentum in the coming years.

It has been announced by the National Statistics Office this week<sup>1</sup> that according to JobsPlus data, job seekers decreased by 2,559 in June to a mere 1,711 people with unemployment decreasing across all age groups. In view of this continuing trend, therefore, the MEA is recommending the following short and medium term actions to the policy maker:

## **Short-term Recommendations**

### **1.1 Phase out the Community Work Scheme**

Currently there are over a thousand workers under the CWS, many of whom could be more productively employed in the private sector. Many of these people are underemployed and there is no reason why they should not be channelled into relatively low skilled jobs in the private sector, for example, in the catering and construction sectors. We need to ensure that this scheme is not serving as a refuge for privileged healthy men and women to avoid productive employment.

### **1.2 Reviewing Identity Malta's processes**

Identity Malta needs to review some of its processes to facilitate the legal engagement of TCN's in the private sector. For example, the regulation that TCNs applying to work

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<sup>1</sup> [https://nso.gov.mt/en/News\\_Releases/Documents/2021/08/News2021\\_138.pdf](https://nso.gov.mt/en/News_Releases/Documents/2021/08/News2021_138.pdf)

in Malta cannot bring family members with them creates a disadvantage to attract many professional to come to work in Malta.

### **1.3 Pre-election Employment & Persons of Trust**

It is a pervert practice in Malta that, prior to an election, the public sector drains human resources from the private sector. Certain workers of dubious intent ask politicians for unproductive employment in the public sector even at lower wages under the promise of a “job for life” performing light work if any. Such people normally complement their public sector job whilst “moonlighting” or conducting their own private business while being subsidised from taxpayers’ money. Notwithstanding this statement, one cannot generalise and it is accepted that the majority of those who are employed within the public sector are motivated and perform their duties in a diligent and professional way.

In the interest of the proper functioning of the labour market and democracy, government should stop any recruitment six months prior to an election except in critical professions like teaching and care and health professionals. This drain is leading companies to resort to foreign labour, resulting in inefficiencies together with an unnecessary increase in population.

Similarly, the practice of engaging persons of trust needs to be rendered more restrictive, controlled and transparent. The MEA has made numerous proposals about this matter over the past years, including setting a limit in the number of persons that can hold such positions, full disclosure of remuneration packages, qualifications held, and periodical auditing to assess whether such persons are actually fulfilling assigned tasks and the time they have spent on them. many cases, employees have left productive employment in the private sector to take up lucrative positions in the public sector, and being paid substantially more than what is allowed in the public sector salary structure, for doing practically nothing. Once again, the MEA appeals for consensus between the political parties on this matter in the interest of Good Governance and a better functioning of the labour market.

## **1.4 Active Ageing & Pension Reform**

The labour market can retain experienced human resources by encouraging employees to remain in the labour force beyond pensionable age. Government should take up MEA's proposal to give employees who choose to remain in employment between the pensionable and retirement age half the pension. This incentive can retain hundreds of persons in the labour force in the private sector, and encourage many to remain in employment voluntarily also beyond retirement age. Workers of pensionable age are especially valuable for the purposes of training and mentoring new-entrants to the workforce. In any case, this recommendation is compatible with the *National Strategic Policy for Active Ageing: Malta 2014-2020*<sup>2</sup>, through which government committed itself to achieve a society for all ages by adopting specific measures to transform the country into an age-friendly nation. Besides fiscal assistance for workers through the pension reform, financial assistance should be made available to enterprises implementing such mentoring structures as part of the country's National Active Ageing Strategy. The MEA recommends that the initiative as a whole be given nationwide exposure through a public campaign highlighting the valuable contributions that older workers can provide to the labour market and to younger colleagues in particular as they can bridge the transition between formal education and employment.

## **2. Medium Term Recommendations**

### **2.1 A Rationalisation of Public Sector Employment**

The public sector needs to be reformed to reflect economic and labour market realities. For this reason, the MEA recommends the carrying out of a detailed manpower survey in the public sector aimed at identifying areas of over- and under-manning. Shortages of skills, especially those in management, regulatory, law and order, care and health categories are to be seen to and rectified. Similarly, situations of over-manning are to be resolved by allowing a redistribution of resources to the private sector with the

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

support of fiscal incentives to encourage people to shift to private employment where their skills may be utilised more productively and more efficiently from a macroeconomic point of view. The benefits of such a strategy are double-edged in that workers shifting to the private sector will generate higher value added whilst affording savings on the government's wage bill.

In the view of the MEA, the taking up of this measure will soon become a necessity, rather than an option. The strain of a ballooning public sector wage bill, comprising of employees, persons of trust, and thousands of outsourced employees will become too expensive to sustain even if the economy fully recovers from COVID, and the impact of the FATF greylisting is mitigated. Any increase in foreign workers in the private sector to compensate for the inefficiencies of the public sector will contribute to a further deterioration of social and environmental factors which are proving detrimental to the quality of life of the Maltese people.

## **2.2 Education Reform**

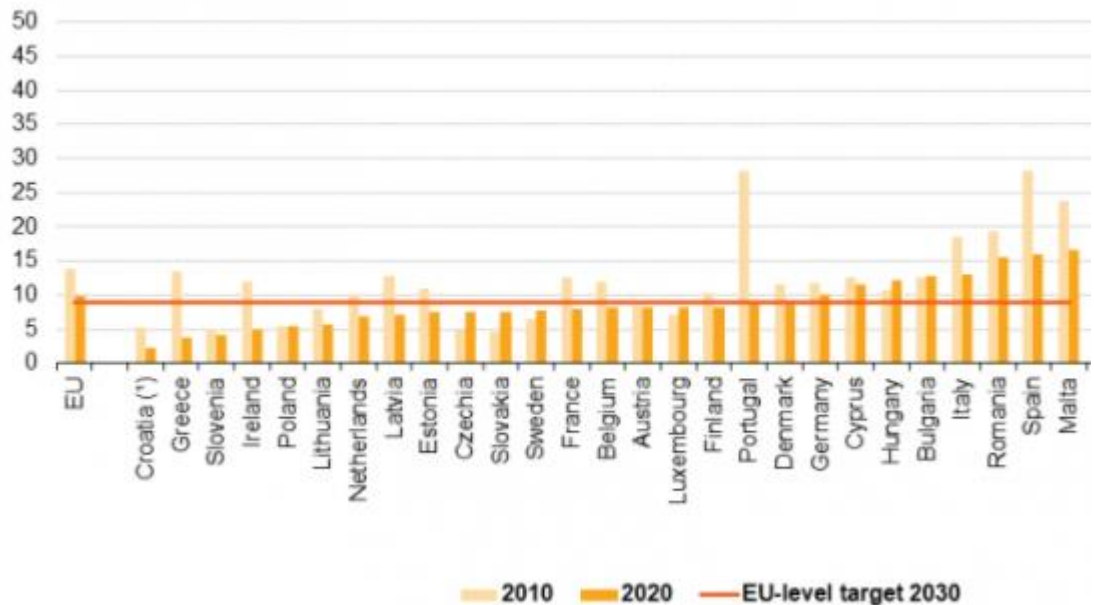
The local education system requires further transformation in order to render it more flexible and dynamic towards reacting more nimbly to today's and future demands of the economy.

Education reform must address the shortcomings leading to Malta's early school leaving results which are currently the highest in the EU<sup>3</sup>. The reform must also afford enhanced focus on entrepreneurship, work ethic and soft skills from a tender age. MEA members have reported an alarming deterioration in such aspects amongst younger workers which levels of deterioration are becoming unsustainable for quality and reputation purposes.

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<sup>3</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Early\\_leavers\\_from\\_education\\_and\\_training,\\_2010\\_and\\_2020\\_\(%25\\_of\\_population\\_aged\\_18-24\).png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Early_leavers_from_education_and_training,_2010_and_2020_(%25_of_population_aged_18-24).png)

**Early leavers from education and training, 2010 and 2020**  
(% of population aged 18-24)



In the MEA's view, career guidance is another area requiring improvement for the better functioning of the labour market in the medium term. For this reason, it is imperative that career guidance counsellors are provided with frequently updated information on the opportunities on offer in all sectors of the economy and the skills and qualifications in demand today as well as in the foreseeable term. Government must urgently establish effective communication channels between industry, higher education, secondary education, guidance teachers and the National Skills Council.

The Association is also a main promoter of work-based learning in all its forms. The European Commission describes work-based learning as a win-win situation, confirming benefits for both the individual learners and the participating companies. MEA members constantly provide positive feedback on their perceived effectiveness of apprenticeship, internship and work placement programmes as a means of improving the overall skill set of young people, both in terms of hard and soft factors.



## 2.3 Shaping the Labour Force

This is an ongoing challenge that involves many stakeholders, including government, employers, unions, civil society, and educational institutions. As elaborated above, the main recommendations are as follows:

- 2.3 a) A concerted effort to reduce the incidence of early school leaving
- 2.3 b) Channelling students into career oriented disciplines - e.g. STEM subjects. Weaning students away from what are considered to be 'soft options' in their studies.
- 2.3 c) Enhanced and updated career guidance to shed light on the opportunities/skills offered/ demanded today and the immediate future
- 2.3 d) Wider application of Work Based Learning in all its forms
- 2.3 e) Validation of informal learning
- 2.3 f) Stronger input of industry in the design of courses. Making academia conscious of numerous career paths available for different courses, and design courses accordingly.
- 2.3 g) Addressing gender stereotyping in occupational choices as a means to reduce the gender pay gap
- 2.3 h) Directing the Maltese labour force into higher value added activities. As far as possible, resorting to imported labour in lower value added activities.
- 2.3 i) Giving priority to growth in economic sectors that are less labour intensive.
- 2.3 j) Incentivising and implementing labour saving automation and digitisation technology as a means of transferring labour into more productive jobs. Why do we still have meter readers when we are supposed to have automated smart meters?
- 2.3 k) Strengthening entrepreneurship, social skills, work ethic.
- 2.3 l) Recovering our mastery of the English language.

- 2.3 m) Addressing brain drain – designing policies to retain Maltese and foreign people to work in our country. Other EU countries will be attracting Maltese labour to fill their vacancies.
- 2.3 n) Government may seek bilateral agreements with third countries to supply specialised labour.
- 2.3 o) Utilise asylum seekers and refugees who are currently in Malta. Many of them have been in Malta for years and are easier to integrate than TCNs, even from an administrative perspective.

## **Conclusion**

The issue of labour shortages needs to be approached in a holistic manner and without any pre-conceptions. For example, there is no reliable data to suggest that the number of foreign employees is on the increase because they are paid lower wages than Maltese workers. Rather, MEA members consistently report that they prefer engaging Maltese or Malta-based workers because the process and risks involved are far simpler whilst employing foreign employees often tends to entail higher turnover as well as greater recruitment and training costs. What is required is a national commitment to utilise this scarce resource far more efficiently to obtain the highest output possible, in the knowledge that our human resources are limited, and are about to become scarcer in the coming years. This is deemed as the way forward in harnessing Malta's full economic potential in the coming years within the highest levels of sustainability for the generation of wealth and prosperity its citizens deserve.