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DEVELOPMENTS IN THE FOREIGN WORKFORCE IN MALTA

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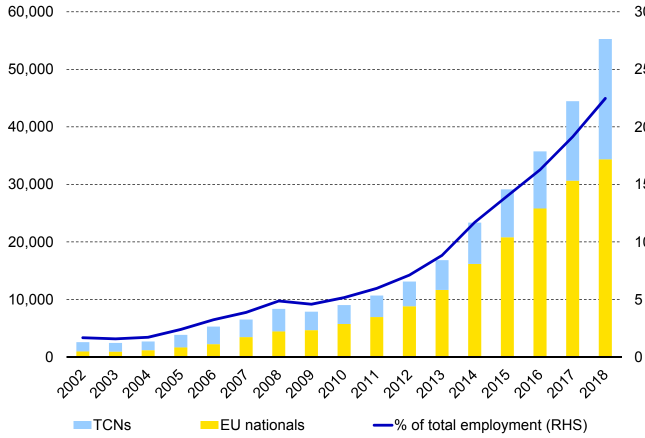
BOX 2: DEVELOPMENTS IN THE FOREIGN WORKFORCE IN MALTA[1]

Since Malta joined the European Union (EU), its population has been largely expanding through positive net migrant flows. Surveys conducted with firms operating from Malta indicate that one of the main factors hindering production in recent years is the shortage of available labour force.[2] Often, firms state that they have tackled this problem by employing foreign nationals, as the supply of Maltese nationals has been exhausted. This is reflected in an increase in the share of foreign nationals among those employed from around 1.7% in 2002 to 22.5% in 2018 (see Chart 1). This Box aims to analyse recent developments in the number of foreign workers and their main characteristics.

The number of foreign nationals within the Maltese labour market has increased significantly in recent years. According to Jobsplus, the number of foreign nationals in employment has increased from a low of 2,013 in 2000 to more than 55,000 in 2018. Since 2007, the number of EU nationals in employment has consistently outnumbered the number of third-country nationals (TCNs), with the former constituting 62% of all foreign employees in Malta in 2018.

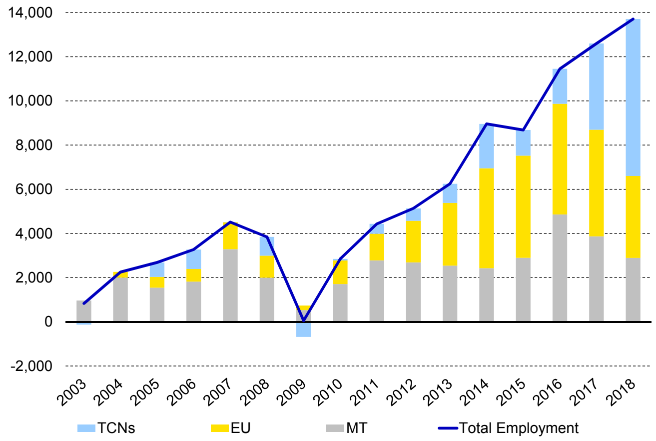
Chart 1
SIZE OF FOREIGN WORKFORCE IN MALTA
(persons; % of total employment)



Sources: Jobsplus; author's calculations.

As shown in Chart 2, in most years net migrant flows in Malta's employment were predominantly driven by inward migration of EU nationals. However, in 2018 the net migration of TCNs was almost double that of EU nationals. The number of TCNs in Malta rose from

Chart 2
INCREASE IN TOTAL EMPLOYMENT BY NATIONALITY
(persons)



Sources: Jobsplus; author's calculations.

[1] Prepared by Abigail Marie Rapa, Senior Economist within the Economic Analysis Department of the Central Bank of Malta. The views expressed in this Box are the author's own and do not necessarily reflect the views of the Bank.

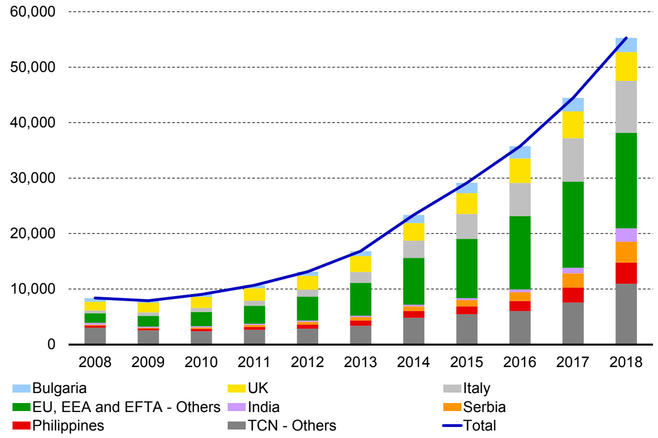
[2] This is indicated in both the European Commission's monthly Economic Sentiment Indicator, which is based on their Business and Consumer Surveys, and the recently published 'Wage Inflation Survey' conducted by the Malta Employers' Association.

almost 14,000 in 2017 to around 21,000 in 2018, whereas the number of EU nationals increased from around 30,000 to more than 34,000 persons. The increase in employment in the EU and downward trajectory in unemployment in recent years in Europe is likely to have slowed down the flow of migrants from EU countries to Malta, thus requiring more labour from third countries. In response to such development, a subsidiary legislation, in force since 2017 in terms of the Immigration Act (S.L.217.17), introduced simplified procedures for the issue, amendment and renewal of residence and work permits to TCNs.[3]

A decomposition of foreign workers by nationality reveals that over 9,000 Italian nationals were employed in Malta in 2018, equivalent to 27.3% of EU workers (see Chart 3). The number of Italian nationals participating in the Maltese labour market has increased rapidly since the global financial crisis, as these stood at just above 500 employees in 2008. At over 5,000 employees, the United Kingdom (UK) is the second largest country of origin. Bulgaria ranked third among EU countries of origin. The Philippines and Serbia were the most important third countries of origin, with each providing more than 3,500 employees. Reliance on Indian nationals has also increased significantly. There were around 2,400 Indian nationals employed in Malta at the end of 2018. Overall, nationals from the Philippines, Serbia and India accounted for around 47.7% of all TCNs working in Malta last year.

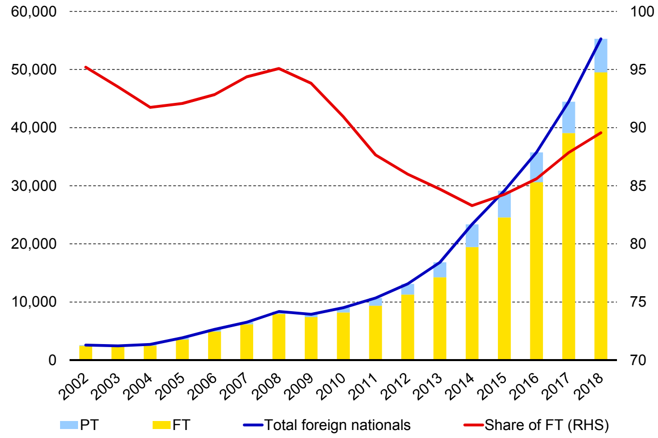
Around 90% of foreign nationals are employed on a full-time basis, although the number of foreigners engaged on a part-time basis has also increased strongly in recent years (see Chart 4). It is also notable that

Chart 3
TOP NATIONALITIES WITHIN THE MALTESE WORKFORCE
(persons)



Sources: Jobsplus; author's calculations.

Chart 4
FOREIGN NATIONALS IN EMPLOYMENT
(persons; per cent of total foreign employment)



Source: Jobsplus.

[3] Subsidiary Legislation 217.17, Single Application Procedure for a Single Permit as regards residence and work and a common set of rights for those third country workers legally residing in Malta Regulations.

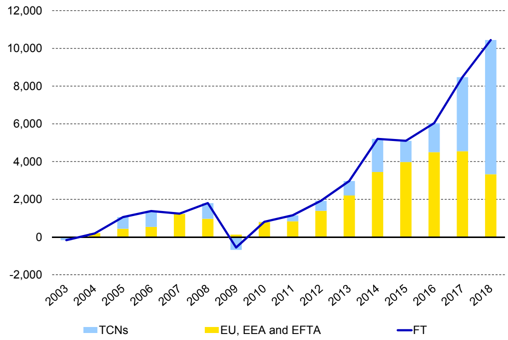
the share of foreigners employed on a full-time basis decreased progressively until 2014, but has returned to an upward path during the high growth period 2015 -2018.

Furthermore, the net flow of foreign nationals engaged on a full-time basis has been increasing almost uninterruptedly since 2010. Indeed, this net flow has risen from 809 in 2010 to over 10,000 in 2018 (see Chart 5a). It is notable that while net migrant flows from EU countries typically exceeded net flows from third countries, in 2018 net flows of full-time persons were driven by TCNs, as the net flow of EU nationals moderated. Notwithstanding this, the number of EU nationals in full-time employment still increased strongly compared to 2017, by around 3,300 persons, equivalent to a 13.0% increase.

Since 2010, the number of foreign nationals employed on a part-time basis has increased from 817 persons to 5,771 persons in 2018. Contrary to developments in full-time employment, the net flow of foreign nationals employed on a part-time basis peaked in 2014 (see Chart 5b). The subsequent decrease was driven by both EU nationals and TCNs. Furthermore, the number of third-country nationals employed on a part-time basis has declined in the last two years.

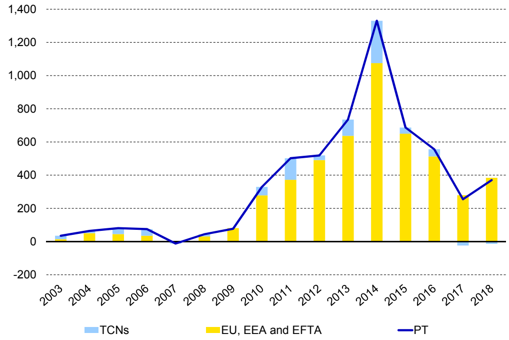
Chart 6b shows the distribution of the foreign workforce by occupational position in 2018. TCNs have a higher probability of being employed in elementary occupations,

Chart 5a
CHANGE IN FULL-TIME FOREIGN NATIONALS
(persons)



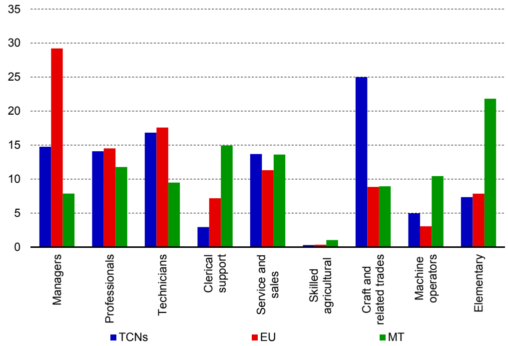
Source: Jobsplus.

Chart 5b
CHANGE IN PART-TIME FOREIGN NATIONALS
(persons)



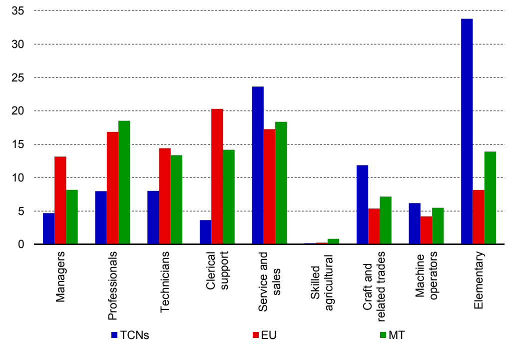
Source: Jobsplus.

Chart 6a
EMPLOYMENT BY OCCUPATION AND NATIONALITY IN 2002
(% of total employment in each nationality)



Sources: Jobsplus; author's calculations.

Chart 6b
EMPLOYMENT BY OCCUPATION AND NATIONALITY IN 2018
(% of total employment in each nationality)



Sources: Jobsplus; author's calculations.

whereas Maltese and other EU nationals have a higher probability of being employed in more advanced positions. The probability of a TCN being employed in an elementary position was 33.8% in 2018, whereas that of EU and Maltese nationals was 8.2% and 13.9%, respectively. In contrast, the probabilities of an EU national being employed in a managerial or professional position are 13.2% and 16.9% respectively, with the corresponding probabilities for TCNs standing at 4.7% and 8.0%. Also, 8.2% and 18.5% of Maltese nationals engaged within the Maltese labour market are employed in managerial and professional positions respectively.

These probabilities have changed significantly since 2002 (see Chart 6a). Wheares in 2002, EU nationals were most likely to be employed in a managerial position, in 2018 clerical support positions hold the largest probability for EU nationals. Indeed, the probability of an EU national being employed in a managerial position has more than halved from 29.2% in 2002 to 13.2% in 2018. In the meantime, the probability of an EU national holding clerical support positions has almost tripled, from 7.2% in 2002 to 20.3% in 2018. The share of EU nationals working in services and sales also increased somewhat since 2002.

The distribution of TCNs by occupational status has also changed significantly. Whereas in 2002 TCNs were most likely to be employed in craft and other related trades positions, they are now most likely to be employed in an elementary position. Furthermore, similar to EU nationals, the probability of such nationals being employed in a managerial position has declined from 14.8% in 2002 to 4.7% in 2018. The probability of engagement in professional and technical positions has also declined significantly. On the other hand, at 33.8%, the probability of a TCN being engaged in an elementary position is more than four times that in 2002, when it stood at 7.4%. Over this period, one can also note that the share of TCNs employed in services and sales, related positions rose from 13.7% in 2002 to almost a quarter.

Shifts in the distribution of Maltese nationals by occupation differ from those seen for foreign workers. For example, the probability that a Maltese national would be employed in a low skill position has declined when compared to 2002. Indeed, whereas more than a fifth of the Maltese national workforce was employed in an elementary position in 2002, 13.9% of Maltese nationals are employed in this position in 2018. Similar developments were also observed in the case of machine operators and in craft and related trades. In the meantime, a larger share of Maltese nationals were employed as professionals and technicians compared to 2002. Moreover, whereas the share of foreign workers employed in managerial positions has declined, that of Maltese nationals remained broadly stable.

Turning to employment by sector and nationality, we note that Maltese nationals are more likely to be engaged within the sector comprising retail transport and tourism and in public administration, health and education (see Chart 7b). By contrast, EU nationals are more likely to be employed in the retail, transport and tourism, in professional and administrative support activities and in the arts, entertainment and recreation sector. The ranking for TCNs differ. In this case, professional and administrative support services account for most jobs held by this group, followed by retail, transport and tourism.

One can also detect some shifts across sectors (see Charts 7a and 7b). One major change among EU nationals is the increased probability of being employed in the arts, entertainment and recreation sector. In 2018, this sector held 17.8% of all EU nationals employed in Malta, compared to 8.6% in 2002. Another sector that gained in importance as a source of employment for EU nationals is the retail, transport and tourism sector. In contrast, the concentration of EU nationals in industry, professional and administrative support services as well as the sector incorporating public administration decreased over time.

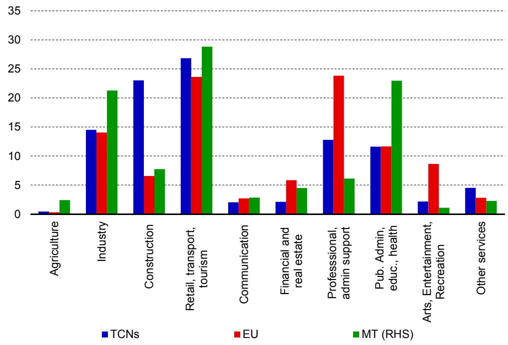
Turning to TCNs, the probability of being employed in the professional and administrative support sector has increased from 12.8% in 2002 to 30.6% in 2018. On the other hand, the probability of TCNs employed in construction has more than halved, falling from 23.0% in 2002 to 11.0% in 2018, even if their number recorded an approximate six-fold increase between 2002 and 2018. The share employed in industry almost halved over the same period, notwithstanding a seven-fold increase in numbers.

As regards Maltese nationals, the share employed within industry, and to a lesser degree construction declined. Thus, while 21.3% of Maltese nationals were employed in industry in 2002, only 11.3% were employed in this sector in 2018. On the other hand, Maltese nationals now have a higher probability than before of being employed in the professional and administrative support activites as well as in the sector comprising public administration, health and education (in the latter case mostly reflecting developments in education).

The dependence on migrant workers differs across sectors. In the arts, entertainment and recreation sector, 58.6% of the workforce is foreign. Also, 34.4% of the staff complement in professional and administrative support services are foreign nationals. Dependence on migrant workers is close to 30% in the construction and communication sectors. Furthermore, while the arts, entertainment and recreation sector tends to be reliant on EU nationals, the construction sector as well as the sector incorporating administrative support services tend to rely more on TCNs.

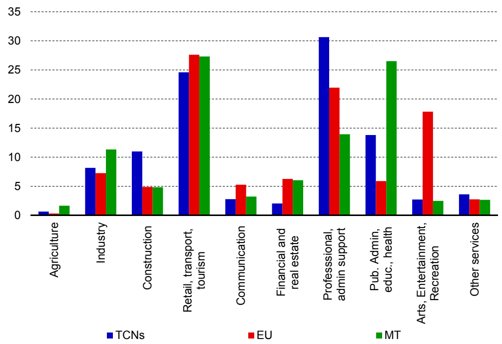
The relatively high dependence on foreign nationals within these sectors does not mean that these have replaced Maltese nationals. Indeed, the number of jobs held by Maltese nationals

Chart 7a
EMPLOYMENT BY SECTOR AND BY NATIONALITY IN 2002
(% of total employment in each nationality)



Sources: Jobsplus; author's calculations.

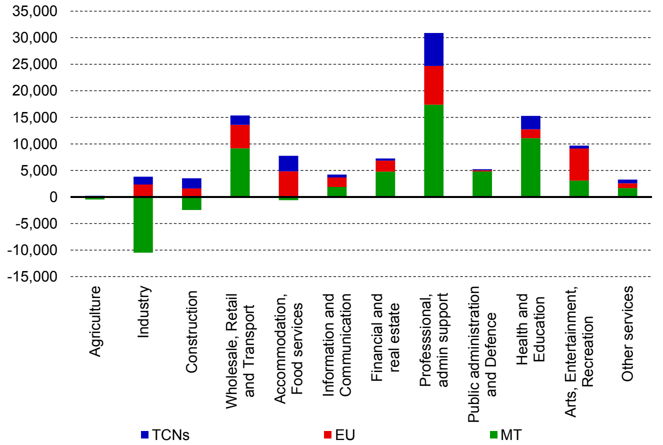
Chart 7b
EMPLOYMENT BY SECTOR AND BY NATIONALITY IN 2018
(% of total employment in each nationality)



Sources: Jobsplus; author's calculations.

has also increased over time, with increases being registered in most sectors (see Chart 8).

Chart 8
CHANGE IN EMPLOYMENT BY SECTOR AND BY NATIONALITY
(difference between 2002 and 2018)



Sources: Jobsplus; author's calculations.

The only sectors where employment of Maltese nationals has decreased are industry, construction and tourism. The largest decline among Maltese nationals was registered in industry, which was largely a result of restructuring within public sector institutions in the ship repair, ship building, energy, water supply and waste management sectors.[4] Decreases in employment of Maltese nationals in construction and tourism were more limited. Declines in these three sectors were more than offset by new job positions filled by Maltese nationals in services-oriented sectors, in particular in the professional and administrative support sector, thus indicating that Maltese nationals have shifted into relatively higher skilled jobs.

Chart 8 also shows that the proliferation of TCNs is visible in most sectors, including health, professional and administrative support as well as in the arts, entertainment and recreation sector. Indeed, employment of foreign nationals, and of TCNs specifically, has shown the strongest increase in the professional and administrative support sector and not only increased in sectors characterised by relatively lower skill levels.

[4] Most of the decline in employment of Maltese nationals in industry was recorded between 2002 and 2008.