

BUSINESS AND MONEY

Should Malta rule out further growth in employment?



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In recent years, there has been growing debate on population growth in Malta. This growth in population has been driven by strong labour demand, which has been only partly met by higher participation of people born in Malta, with the majority driven by inward migration to fill up job vacancies.

In the decade to 2023, Malta created around 124,000 new jobs, with around three-quarters of these taken up by inward migration. Around half of the increase in migrants were engaged in sectors whose pay is above the average wage, and roughly the other half in sectors that pay below the average wage.

In the case of new jobs taken up by people born in Malta, these were all in sectors that pay higher than the average wage, while there was a decline in those working in sectors paying below the average wage.

Many often use the term "overpopulation". When the word "over" is put in front of another word, it implies that there is excess in whatever the second word is. In the case of "overpopulation" it means there are too many people, and therefore by implication, we should do with less of them.

In the early 1960s, in preparation for Malta's independence from the UK, the Maltese government had commissioned an American economist, Wolfgang Stolper, to prepare a development plan for Malta for its immediate post-independence period.

The plan, known as the Stolper Report, which was reproduced in 2024 by Godfrey Baldacchino, also delves into the debate on overpopulation in Malta, which was apparently on the national agenda at that

time. In the early 1960s, Malta had a population of around 320,000, which is slightly more than half that of today, and yet it was seen back then as a situation of overpopulation for Malta.

At the time, Stolper had concluded that there were too many people for too few jobs, and with the British Empire in decline and thousands of Maltese employed by the British forces, he was anticipating that after Malta's independence from the UK, the employment problem could get worse. He therefore recommended, among other measures, that each year some 10,000 Maltese persons should emigrate from Malta to address the overpopulation problem.

From this perspective, Malta currently certainly has no overpopulation problem. On the contrary, from regular surveys that the Central Bank of Malta conducts with businesses located in Malta, and with activities spanning from manufacturing, construction, wholesale and retail trade, and services, in recent years it has emerged that the main factor, that, according to all these sectors, limits their business from expanding further, is lack of availability of workers.

The term overpopulation can, however, take another dimension in terms of the carrying capacity of people located in a particular land area. I am not aware of studies undertaken in Malta on the carrying capacity of these islands in terms of the right number of inhabitants that it should welcome. Such studies are notoriously quite challenging and likely to be highly fragile to withstand the test of time.

Nevertheless, comparisons with other jurisdictions can be made in this regard. Malta has a land area of about 316 sq km, with a current population of around 580,000, implying around 1,800 persons per sq km. Undoubtedly, this makes Malta a highly densely populated country, but other islands like Singapore, which



In the decade to 2023, Malta created around 124,000 new jobs with around three-quarters of these taken up by inward migration. FILE PHOTO: CHRIS SANT FOURNIER

at around 700 sq km has a land area of just over twice that of Malta, has a population of six million, or around 8,000 persons per sq km. The latter is around four-and-a-half times that of Malta.

Malta is also smaller than many major cities like London and Paris, both of which have a much higher population density. Malta's land area is practically that of Rotterdam (320 sq km), which has a population of around one million and a population density of around 3,000 persons per sq km. Amsterdam has a land area smaller than Malta and has about 5,300 persons per sq km. Both cities have a much higher population density than Malta.

Despite Singapore having a very high population density,



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it ranks 38 in NUMBEO's quality-of-life index among 89 countries, and ranks higher than countries with much lower population density like Italy and Greece.

Similarly, despite their high population density, Rotterdam and Amsterdam rank 10th and 12th among 279 cities around the world in the same quality-of-life index, with the Netherlands ranking second as a country.

These examples show that it is possible to have a country or cities with a much higher population density than Malta currently has, and at the same time still rank highly in terms of quality of life. Thus, Malta's population density could be higher than today without compromising on quality of life, though this crucially hinges on how much Malta is able to better manage further increases in population.

This requires ensuring that generation and distribution of energy, waste and drainage, town planning, land transportation, and dust and noise pollution, together with other inconveniences created, especially by construction activity, are effectively managed to standards that are prevalent in the kinds of cities and countries that enjoy a high ranking in the quality-of-life index.

Clearly, this calls for a need for change in the way we work

and live. Incentives alone are sometimes not enough to induce change. The price mechanism is often a very powerful tool to change behaviour, and the need to use such a tool is likely to grow even stronger to hasten the pace of change. However, this will probably require a bipartisan approach, especially in respect of addressing congestion in land transportation.

Moreover, the new EU fiscal rules, which now strongly focus on expenditure restraint, are likely to be highly binding, particularly for small states to embark on large-scale expensive projects that could help address population growth challenges.

While the need for Malta to increase efforts to bolster more productivity-driven economic growth than that driven by growth in labour is embedded in Malta's Vision 2050 document, which is welcome, categorically ruling out further increases in employment and population on the basis of carrying capacity constraints does not seem to be grounded on objective arguments, unless one firmly believes that the status quo in the way of doing things should remain here to stay.

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