

Labour turnover has declined



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Finding workers has become one of the biggest challenges facing Maltese employers

With unemployment hovering near record lows and vacancies remaining high, the demand for labour continues to exceed the supply of available workers. In response, Malta has increasingly relied on foreign workers to fill gaps in the labour market and keep the economy moving.

These labour shortages have also made it increasingly difficult for employers to retain staff. In a labour market as tight as Malta's, workers often have greater opportunities to switch jobs in search of higher pay, better working conditions, or improved career prospects.

The growing difficulty that firms face in retaining workers is not merely anecdotal. In 2023, Dr Aaron Grech showed that labour turnover in Malta increased significantly between 2005 and 2022. In 2026, I updated Dr Grech's estimates using more recent monthly data.

Labour turnover measures how frequently workers move into and out of jobs. The turnover rate is calculated as the sum of engagements and terminations in each period, relative to the level of employed in the previous period. These movements can reflect workers changing jobs, entering employment or leaving employment, and the same worker may account for more than one movement.

Dr Grech had shown that foreign workers typically have higher labour turnover than Maltese workers. The latest estimates confirm this pattern. In 2023, the turnover rate among foreign workers was 140%, while that of Maltese

workers stood at 62%. This means that foreign workers moved in and out of jobs at more than twice the rate of Maltese workers in 2023.

Secondly, among Maltese workers, turnover has been on a gradual downward trend. It peaked at around 67% in 2022, after which it declined by more than 10 percentage points over the following four years. The moderation reflected a slowdown in both hiring and terminations. Engagements of Maltese workers have been rising at a progressively slower pace from the second half of 2022 as the availability of Maltese workers has become increasingly constrained due to the ageing of the Maltese workforce. However, terminations also declined, with the fall becoming more pronounced during 2024 and the first half of 2025. This might suggest that firms are increasingly able to retain their workers.

Turnover among foreign workers has also declined

markedly, though the turning point is later than that of the Maltese. Their turnover rate rose from just under 100% in mid-2021 to approximately 140% in 2023 before returning to around 100% at the end of 2025. The initial sharp rise mainly reflected a rapid expansion in hiring, though terminations were also quite high, which suggests that retention among foreign workers was a big challenge. However, the trend started to change from 2024. During that year, hiring slowed considerably. This was then followed by a strong decline in terminations, which contributed to the subsequent easing in turnover.

Labour mobility is generally seen as a positive force, enabling workers to pursue higher wages, better career prospects, and more rewarding employment opportunities. It also helps businesses and sectors fill vacancies more efficiently. Yet, when labour turnover becomes excessive, it can create challenges for firms,

which may struggle to retain expertise and build institutional knowledge. High staff turnover can weaken the benefits of learning-by-doing, ultimately weighing on productivity and limiting firms' capacity to expand and remain competitive.

Recent policy measures have sought to partly address these issues, particularly with respect to third country nationals (TCNs). In the case of TCNs, the issue is even more problematic because their termination typically implies a complete exit from the Maltese labour force rather than a move to other Maltese companies.

One of these measures include the Skills Pass launched in March 2024, which requires prospective workers in the tourism and hospitality sector to complete training and assessments covering language, customer care and sector-specific skills before being authorised to work in Malta.

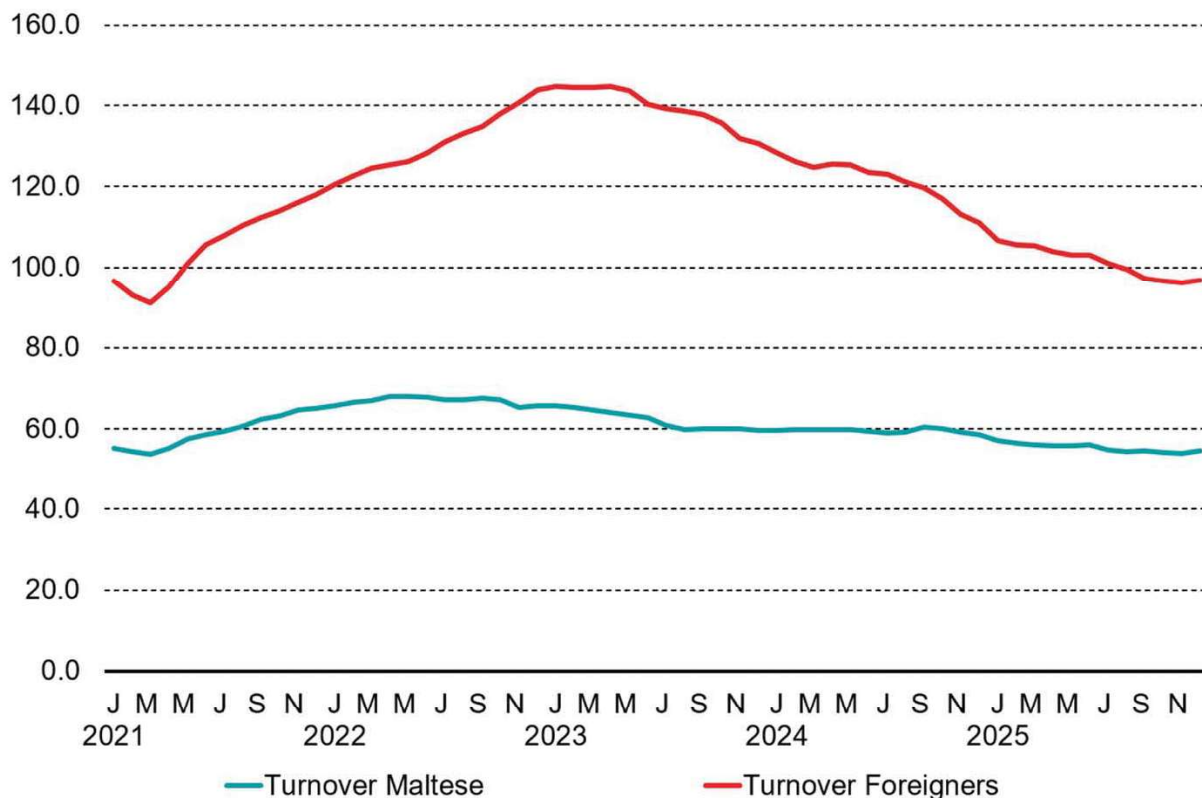
A second major policy was the Labour Migration Policy

introduced in August 2025, which put retention and stability as one of its main guiding principles. Moreover, Malta also introduced a new regulatory framework for temporary employment agencies between 2024 and 2025. Together, these measures seek to improve recruitment standards and strengthen retention. Further reforms are also planned, including the mandatory Construction Industry Skill Card from January 2027. The full impact of these initiatives is not yet reflected in the data analysed. Whether the recent decline in turnover marks a lasting change in Malta's labour market will become clearer as these measures take effect.

More information on the turnover rate and net engagement patterns is available in this Central Bank of Malta Insight.

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LABOUR TURNOVER (per cent)



Source: Jobsplus.