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Understanding Recent Labour Supply Dynamics in Malta

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Abstract

In recent years, the Maltese labour market has gone through very substantial changes. From one of the lowest employment rates in the EU, Malta now has one of the highest rates. This was the result of a combination of secular trends, policy innovations and strong inflows of foreign workers. This discussion paper tries to unravel the contribution of these various factors while at the same time contribute to the discussion on future labour market policy. It also tries to outline the demographic and economic factors that explain the inflow of foreign workers. Evidence suggests that a rapid ageing transition combined with strong economic growth led to strong labour demand. Government policies were quite effective in increasing the supply of local workers, undoing most of the effect of ageing. Yet, the pace of economic expansion together with selected sectoral challenges and changing preferences necessitated a significant expansion of the foreign workforce.

JEL Classification: H3, J21, J26.

Keywords: Labour market reforms, pension age, Maltese economy, ageing, gender equality.

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Executive Summary

In just a decade, employment in Malta grew by two-thirds. In absolute terms the number of employed grew by more than in the preceding 50 years taken together, with an annual average growth rate more than six times the historical average. This occurred at a time when the Maltese economy nearly doubled in real terms.

These developments were largely unanticipated, as in the early 2010s most commentators were worried about Malta's employment rate which was the second lowest in the European Union. The worry was compounded by demographic projections that showed Malta as having one of the fastest ageing populations. Yet by 2023, Malta had not just exceeded the EU average employment rate, but had become the country with the second highest rate.

Large part of the rise in employment resulted in foreign worker inflows. Yet, there was a rise, of over 30,000, in the number of Maltese workers with the growth observed being in absolute terms as strong as that in the three decades between 1983 and 2013 taken together. At a time when in the absence of policy changes the working age population would have declined sharply, this acceleration was remarkable.

Nearly a third of the rise in Maltese employment occurred amongst those aged above the early pension age. A reform in 2006 left 61 as an early pension age but started to raise the pension age gradually as from 2012. This change was complemented with the introduction of financial incentives in 2016, aimed to delay retirement. Even without behavioural changes the number of those working beyond 61 would have increased due to cohort size effects, but the legislated changes appear to have doubled this rise. Had labour market behaviour of older workers remained unchanged, there would have been 8,600 less Maltese in employment in 2023. The current approach – to penalise early receipt of pensions and to incentivise later retirement – has doubled the number of older workers. In this respect, changing policy direction by instead offering partial pensions to those retiring early could raise issues, especially when one looks at the experience of countries that offer such schemes.

Most of the remaining increase in Maltese employment was among working age women. Research covering the period before 2014 indicates that about half of the increase in participation was due to structural reforms. In addition, in 2014 Government introduced free childcare. Before this reform, the employment rate of women dipped in the period between the first childbirth and the year when children started kindergarten. The introduction of the free childcare service helped to address this. Had employment behaviour of women who could utilise this service remained the same as that of previous women in employment, there would have been 6,200 less Maltese women in employment.

To this one has to add the fact that circa 70% of all beneficiaries of the tapering of social benefits scheme were women. The tapering scheme is calculated to have added 5,300 workers to the labour supply since its introduction in 2014.

Structural labour market reforms were therefore the main cause of the rise in employment amongst Maltese working age individuals. Pension age policy, tapering of benefits and active labour market policies that targeted women, such as the free childcare scheme, possibly account for approximately two-thirds of this increase, and helped to more than offset the demographic impact of ageing.

Rising demand for foreign workers did not affect emigration of Maltese youths, with net migration of Maltese remaining positive, while had the public sector somehow limited the intake of Maltese nationals, the impact on foreign worker demand would have been negligible, maybe reducing it by a mere 2%. Demand for foreign labour reflected the very fast pace of economic growth, though characteristics of the Maltese workforce, such as the ageing profile in some sectoral workforces, also contributed. Young Maltese workers also shifted towards higher paying sectors that could better valorise their higher educational attainment.

1. Introduction

Between 2013 and 2023, administrative data indicate that the number of persons registered as either in full-time employment or working primarily as part-time rose from just under 190,000 to nearly 317,000. This increase, of 127,000, or more than two-thirds, was unprecedented in Malta's history in terms of both rapidity and magnitude.

Suffice it to say that in the preceding 50 years, Malta's labour force had grown by just under 102,000 persons,² or an annual average of just over 2,000 persons as against the annual average of close to 13,000 over the decade to 2023. Moreover, the increase was not anticipated, with most international institutions in previous years warning that Malta's long-term growth was constrained by low employment.³ The European Commission's Ageing Report issued in 2012 had, for instance, projected that employment growth in Malta would slow down from 1.2% in 2010 to just 0.2% in 2020s.⁴ In reality employment growth in the last first years of the 2020s has averaged close to 5%, or 25 times more.

When Malta joined the EU, its employment rate was 53%, the lowest after Poland's 51%, while Germany had an employment of 70%. In ten years, Malta's employment rate had gone to 62%, as against 60% for Poland and 74% for Germany. By 2023, Malta had an employment rate of 78%, higher than Germany's 77% and Poland's 72%. Clearly while EU accession and secular trends pushed up both Poland's and Malta's employment rates (both are Catholic countries with traditionally low female employment rates), the push in Malta has been so strong that it has managed to now outperform Germany. In 2023 Malta, the country that just two decades before had the second-lowest employment rate in the EU, moved to being the country with the second-highest employment rate.

This paper will discuss the demographic and economic factors that underpinned this transformation, in the process assessing several narratives that have evolved in the local public discourse. The evidence suggests that labour market policies which raised employment of Maltese workers are much more important than is typically recognized. Meanwhile the rise in demand for foreign workers largely reflects the fast pace of growth but also characteristics of Maltese workers, namely ageing of some sectoral workforces and changing preferences.

2. Demographic factors underpinning labour market supply changes

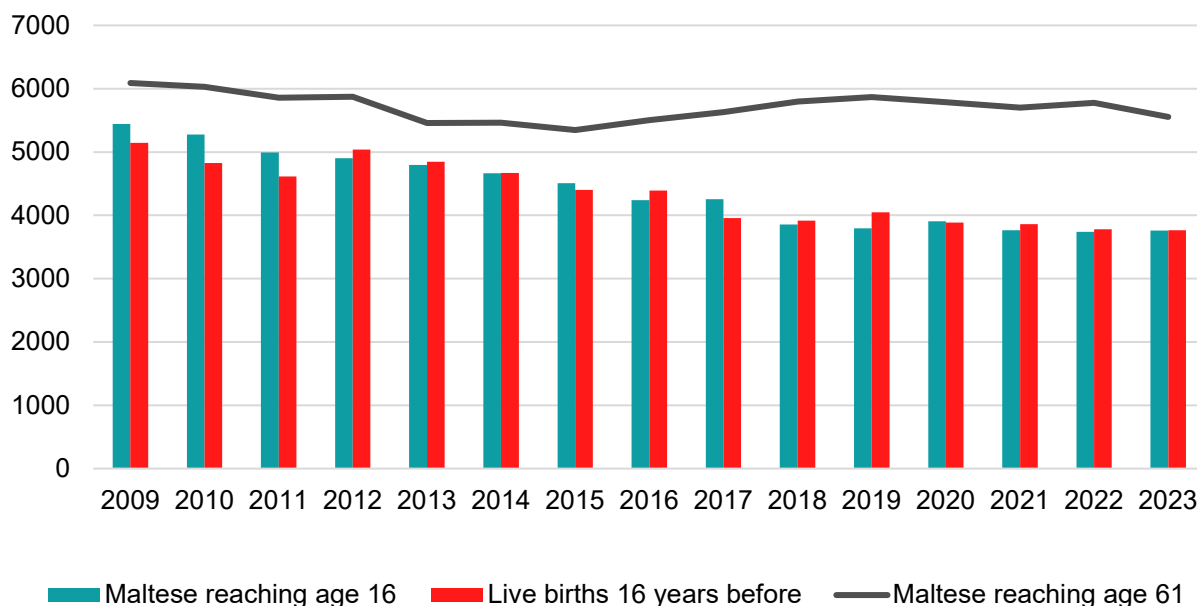
The reason why most analysts failed to project the rise in labour supply in Malta is because most labour supply models focus on past demographic data. Thus, the number of persons joining the labour market is typically based on the number of past births.

² Historical data from <https://www.centralbankmalta.org/site/excel/economics/macroeconomic-database.xlsx?revcount=8751&revcount=4551>

³ International Monetary Fund (2010) for instance stated that employment rates were a challenge as they were low, and without an increase there could not be "catching up with incomes of richer European countries". European Commission (2012) similarly argued that "improving the utilisation of human capital remains a challenge...the employment rate remains among the lowest in the EU".

⁴ Directorate General for Economic and Financial Affairs (2012).

Figure 1: Maltese reaching the end of statutory education and the early pension age



Source: National Statistics Office

As Figure 1 shows, this is a fairly accurate assumption as the number of Maltese citizens reaching the end of statutory education tends to be very close to that of live births 16 years earlier. After falling heavily in the mid-1960s, the number of births in Malta remained fairly stable around the 5,500 mark, before dropping again in the early 1990s to reach a low point of around 3,800 in late 2000s. Afterwards they rose back to near 4,500 by the early 2020s. On that basis, one can expect some slight recovery in the number of Maltese reaching the year when statutory education ends.

Recently in Malta there has been some debate about whether more young Maltese are emigrating to foreign countries. Malta was until the early 1980s an emigration country⁵, but since the 1980s returning Maltese migrants have contributed positively to population growth. In 2023, 2,256 Maltese citizens immigrated back to the islands, while just 1,767 emigrated.⁶ In fact, net immigration of Maltese citizens was larger than the natural rise in the population, i.e. the difference between births and deaths.

The latest available age breakdown of emigrating Maltese citizens shows that in 2022 just 194 Maltese aged 15 to 29 emigrated, as against 828 in 2012. Even before the pandemic the number of emigrating Maltese youths had halved compared to 2012, and after 2020 the number halved again. The number of young Maltese citizens immigrating back to Malta has declined by far less, from 613 in 2012 to 461 in 2022, so that while in 2012 there was net emigration of 215 young Maltese, in 2022 there was net immigration of 267 young Maltese. Eurofound (2024), moreover, indicates that at 21%, the proportion of young Maltese people who say they are planning to emigrate is below the EU average of 23%, and well below the 50% of fellow islanders in Cyprus.

Thus, the reversal of youth migratory outflows and the slight pickup in the absolute number of births may increase somewhat the number of young Maltese available for work. Nevertheless, as can be seen

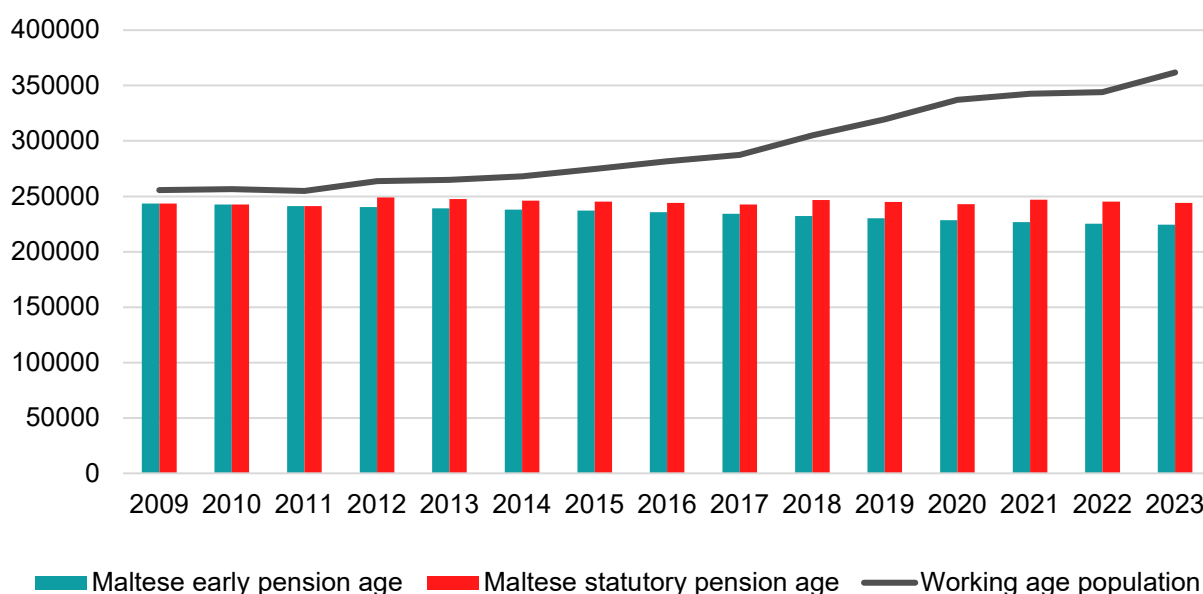
⁵ See Grech (2017) for more details.

⁶ National Statistics Office (2024).

from Figure 1, this would still be nowhere near the number of Maltese who reach the early pension age of 61, which is closer to the 6,000-person mark. The gap between those reaching age 16 and those reaching age 61 has widened, more than doubling from under 1,000 in 2012 to just over 2,000 in 2023. Government's push to reduce the early school leaving rate and to boost the number of those in tertiary education will also possibly delay the entry of young Maltese in the labour force. The employment rate of Maltese aged 15 to 19, 21%, will likely fall and converge to the EU's 16% over the coming years.

Thus, if one were to assume that the only movements in and out of the labour force would be the number of those reaching the end of the statutory education age and those reaching the early pension age, the result would be a falling labour force. Yet Figure 2 indicates that over time there was a steadily increasing divergence between Malta's working age population and the working age population constituted by Maltese citizens. This reflected the very strong influx of foreign working age individuals. By 2023, there were 117,685 foreign persons of working age in Malta, an increase of more than 100,000 compared to 2013. While working age foreigners constituted 73% of all foreigners living in Malta in 2013, by 2023 this ratio had risen to 86%. Moreover, the increase was substantially more pronounced among men, with foreign working age men accounting for 55.7% of the increase in the foreign population living in Malta during that decade. The number of foreign working age men rose by nearly 63,500 whereas that of foreign working age women increased by less than 37,000.

Figure 2: Changes in Malta's working age population



Source: National Statistics Office

Foreign workers account for around three-quarters of the rise in employment numbers since 2013. Yet, while the working age population of Maltese citizens, defined as those aged 16 to the early pension age, fell by nearly 15,000 between 2013 and 2023, the actual number of Maltese in either full-time employment or working primarily as part-time rose from 171,036 to 201,008. This increase of about 30,400 Maltese was the strongest ever recorded over a decade. In fact, between 2003 and 2013 the increase had been of around 9,000 Maltese workers, or less than a third. The growth observed in the decade to 2023 was in absolute terms as strong as that observed between 1983 and 2013.

Given the strong demographic decline observed in that period, these figures suggest that there were strong policy effects that have more than offset those driven by demographic trends. Indeed, by 2023, the Maltese working full-time or primarily as part time were 82.2% of the Maltese working age population, up from 68.8% in 2013. Had the participation rate remained at 2013 levels, by 2023 there would have been slightly below 160,000 Maltese in employment, instead of over 201,000.

3. Policy reforms underpinning labour market supply changes

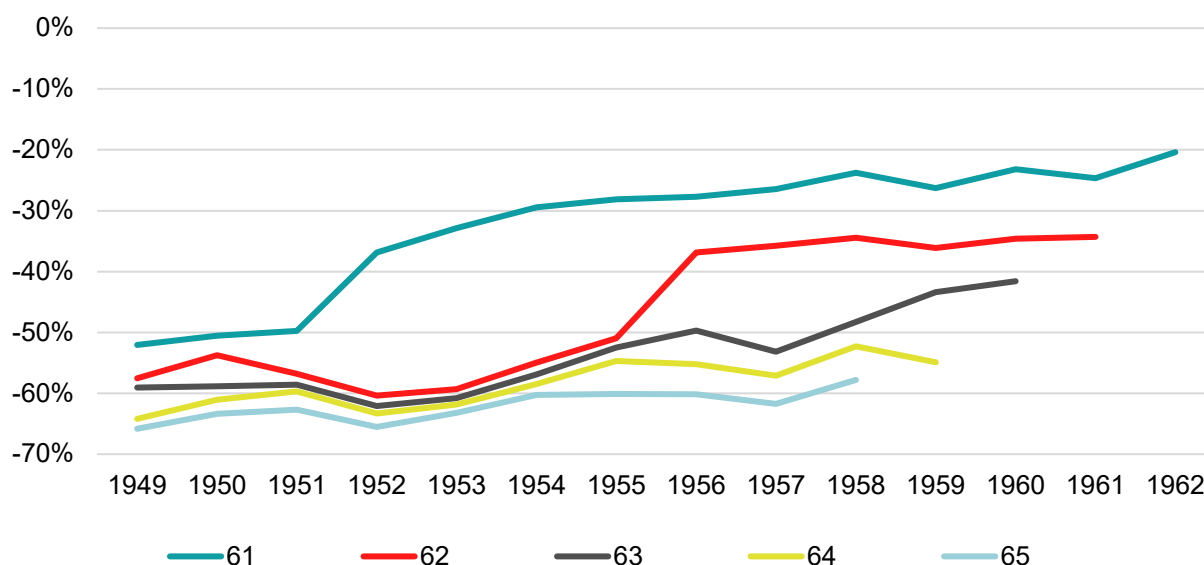
When one looks at the rise in the number of Maltese persons in employment, there are two striking trends that can be noted since 2013. First, the number of workers aged above the early pension age has more than doubled. Second, the number of women below early pension age who were in employment rose by a quarter, though in absolute terms this was about twice the increase in older workers. The number of Maltese working men below the early pension age, by contrast, rose by just under 2,000, or 2%, though they remained the single largest group in employment. In 2013 older workers constituted just 6% of the Maltese in employment, while working age women and men were 37% and 57%, respectively. By 2023 the ratios had changed to 11%, 40% and 49%, respectively.

3.1. The impact of pension age policy

The number of Maltese aged between 16 and the early pension age fell from 239,297 in 2013 to 224,449 a decade later. This decline of 6.2% over the space of just ten years shows how pronounced the underlying ageing of the Maltese population is. Legislated changes in the statutory pension age, which started to come into effect in 2012, helped to address this, boosting the number of Maltese that are available for work to 244,117 in 2023. This occurred as the pension age rose to 64, or 3 years more than the early pension age.

However, the increase in the statutory pension age may not have by itself led to a significant increase in the number of Maltese working past 61 years. This because anyone born between 1952 and 1961 could retire at age 61 provided they had a mere 35 years of contributions or social security credits. Eurostat data show that by 2022, the year in which people born in 1961 would reach age 61, the average career duration was 41 years for men and 34 years for women. Keeping in mind that many women would benefit from childcare credits, this meant that even after the change in statutory pension age, most people could still retire at 61 with a full pension.

Figure 3a: Drop in proportion of birth cohort employed at age 60 by a subsequent age (males)

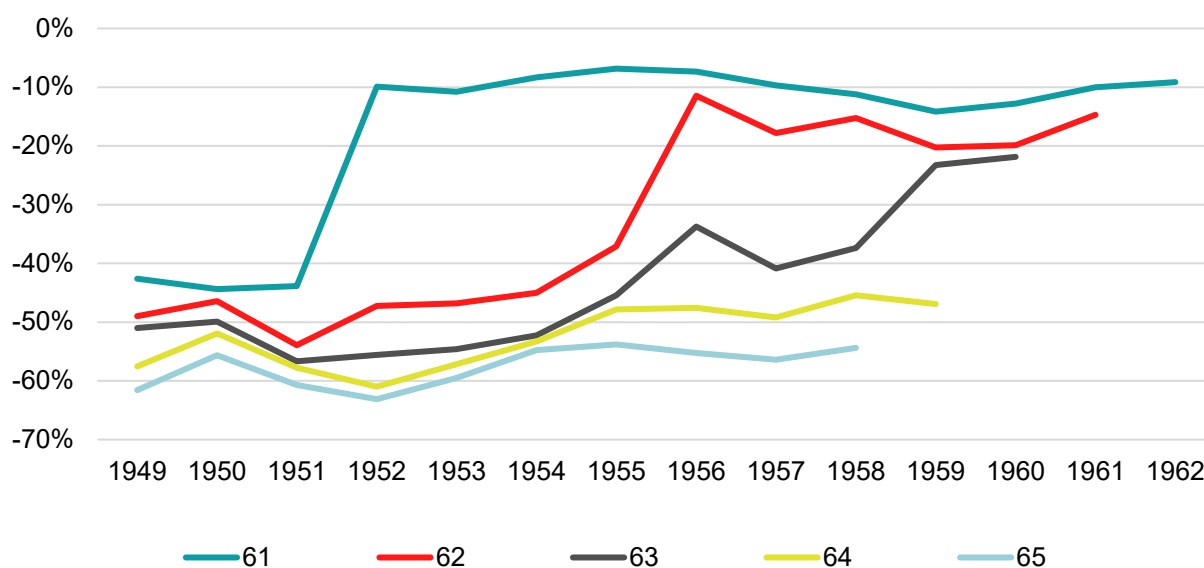


Note: Each line shows, for cohorts born in a particular year, the amount of those working at a particular age compared to the amount that had been working at age 60. So, while half of those born in 1949 who were working at age 60 quit employment at age 61, only 20% of those born in 1962 did the same. Source: Author's workings using Jobsplus data

Utilising Jobsplus data one can study in detail the impact that pension policy had on the employment behaviour of adjacent birth cohorts.⁷ Up to those born in 1952, the pension age was set as 61. As a result, about half of working men, and slightly less women, used to leave employment when they reached 61. The first year that the statutory age was increased, the drop in employment at age 61 reduced to 37% for men and to just 10% for women. In subsequent years, while the exit probability of women at age 61 remained stable (except for a brief upward blip during the pandemic), that of men nearly dropped by half to 20% for those born in 1962. Every time the statutory pension age increased again, to 63 for those born in 1956 and to 64 for those born in 1959, one notices that there is a change in the exit ages at the new statutory pension age. For instance, while there was a 51% exit probability for men born in 1955 at age 62, once this became the statutory age for those born in 1956, their exit probability fell to 37% - the same change that had happened when the statutory pension age was increased from 61 to 62 a few years before.

⁷ This approach was first adopted in Grech (2016).

Figure 3b: Drop in proportion of birth cohort employed at age 60 by a subsequent age (females)



Note: Each line shows, for cohorts born in a particular year, the amount of those working at a particular age compared to the amount that had been working at age 60. So, while 40% of those born in 1949 who were working at age 60 quit employment at age 61, only 10% of those born in 1962 did the same.
Source: Author's workings using Jobsplus data

In 2017, Government introduced a pension top-up scheme, through which persons are awarded an additional permanent increase in their pension if they retire post 61 on condition that they have the required number of contributions to retire early. The top-up is awarded till a person reaches age 65, after which no additional top-ups are awarded. The data suggest that this is proving effective, as the exit probabilities for affected cohorts seem to be steadily declining. For instance, the exit probability at age 61 had stagnated at around 28% for men born between 1954 and 1956, whereas after the introduction of the top-up, the exit probability steadily fell to just 20% for those born in 1962. Among women one also sees some significant impacts, for example while for those born between 1955 and 1957 the exit probability at age 63 was relatively stable, subsequently this nearly halved for those born in 1960. That said, more evidence is probably needed to evaluate the scheme fully as one does not have information on exit probabilities post the age of 65 for the affected cohorts, which could be contrasted with those for the ages for which the top-up applies.

Had labour market behaviour post the age of 61 remained unchanged as it was pre-2011, there would have been quite some impact on employment figures. In fact, if one makes this assumption, and projects it forwards for all the cohorts born between 1952 and 1962, one finds that in 2023 there would have been about 8,600 less Maltese in employment aged between 61 and 71. Given that there were 16,300 Maltese of those ages in employment in 2023, this suggests that potentially over half of them would have not continued working had the statutory pension age not been increased or the pension top-up scheme not been introduced. This represents an upward revision of about 15% on the projections made in Grech (2022).

Given that the change in the statutory pension age raised the potential supply of Maltese labour by some 19,700, the labour market behaviour response to policy changes seems to have been slightly less than half this potential rise. While that may seem small, one must consider that the participation rate of the affected cohorts of women was very low. In fact, in 2012 the employment rate of women

aged 55 to 59 was just 28%, or about half that observed now. That means that in all probability the strength of the actual impact of pension age policy will come ever closer to its potential when in future years younger women reach retirement age.

The success of the scheme is such that adopting alternative schemes, such as proposals to introduce partial pensions for the period between age 61 and the statutory pension age, should be considered very carefully. Many countries that offered similar partial pensions in the past, such as Sweden, have closed these schemes. Packard (1982) noted that in Sweden “employers have been satisfied for the most part since the program allows them to lower their labour costs in a recessionary period” as they pushed workers into part-time employment, with Government forking out a partial pension instead of the wages foregone by the older worker. The system proved very expensive, as firms used it to reduce payments to higher paid older workers and instead employ cheaper labour, with Government effectively subsidising part-time employment, leading to its abolishment in 2001. Recent evidence from Finland (Ilmakunnas, Sten-Gahmberg & Hakola, 2025) also shows that it is “those with the highest earnings, those with the highest pension accrual, and those with upper tertiary education” that are most likely to claim the partial pension. In this light, changing policy direction in Malta raises both affordability and equity issues at a time when the current policies are proving successful and increasingly important in generating additional labour supply.

3.2. The impact of other Government policies

Pension policies were just one of the many labour market reforms that led to a rise in the number of Maltese in employment. Measures, such as the introduction of childcare and the in-work benefit, together with the tapering of social benefits, greatly improved incentives to work.⁸ That said there were also pronounced cohort effects resulting from changes in educational attainment and changing social norms that also raised female employment.⁹

Sant (2024) notes that the tapering of benefits scheme¹⁰ doubled the job-finding rate of those previously on social benefits. He estimates that, overall, the scheme added around 5,600 persons in employment. Of these, circa 70% are working age women. Micallef (2018) estimates that about half of the increase in the female participation rate between 2008 and 2014 was due to structural labour market reforms. The latter included “back-to-work fiscal incentives, new income tax computations, an increase in maternity and adoption leave, tax credits for self-employed and exemptions from means-testing for income earned by women working part-time”. Moreover, from 2014 onwards, childcare facilities were made more available and more affordable for instance, through tax credits.

In April 2014 Government introduced free childcare services to parents in employment or in education until their children become eligible to attend kindergarten classes. From €5 million in the first year, the cost of the free childcare service increased to €46 million over a decade, with some 22,500 families using the service. Before the free service was introduced, only 1,800 children attended childcare, ten years after there were 8,960.

⁸ See International Monetary Fund (2025a).

⁹ See Borg Caruana (2023) for more details.

¹⁰ Under the tapering of benefits scheme, introduced in 2014, if someone on benefits finds employment instead of losing all their benefit, they get 65% of their former benefit on top of their salary during the first year, 45% in the second year and 25% in the third. In 2023 these proportions were increased by an additional 10 percentage points.

Table 1: Employment rate of Maltese women by birth year

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
26	76%	77%	78%	80%	80%	79%	81%	81%	83%	85%	86%	85%
27	76%	75%	77%	80%	82%	80%	83%	82%	84%	86%	87%	88%
28	75%	76%	77%	81%	82%	81%	84%	83%	86%	86%	88%	87%
29	75%	75%	76%	82%	82%	80%	84%	83%	85%	87%	87%	87%
30	75%	76%	76%	82%	82%	81%	84%	83%	86%	86%	86%	
31	75%	77%	79%	82%	82%	82%	84%	84%	85%	86%		
32	75%	77%	79%	83%	82%	82%	85%	85%	86%			
33	76%	79%	80%	83%	82%	83%	85%	84%				
34	77%	79%	82%	82%	84%	83%	85%					
35	77%	80%	81%	84%	85%	83%						

Note: Cells marked in light blue are the mean age when women of that cohort have their first child and those in grey show when free childcare was introduced.

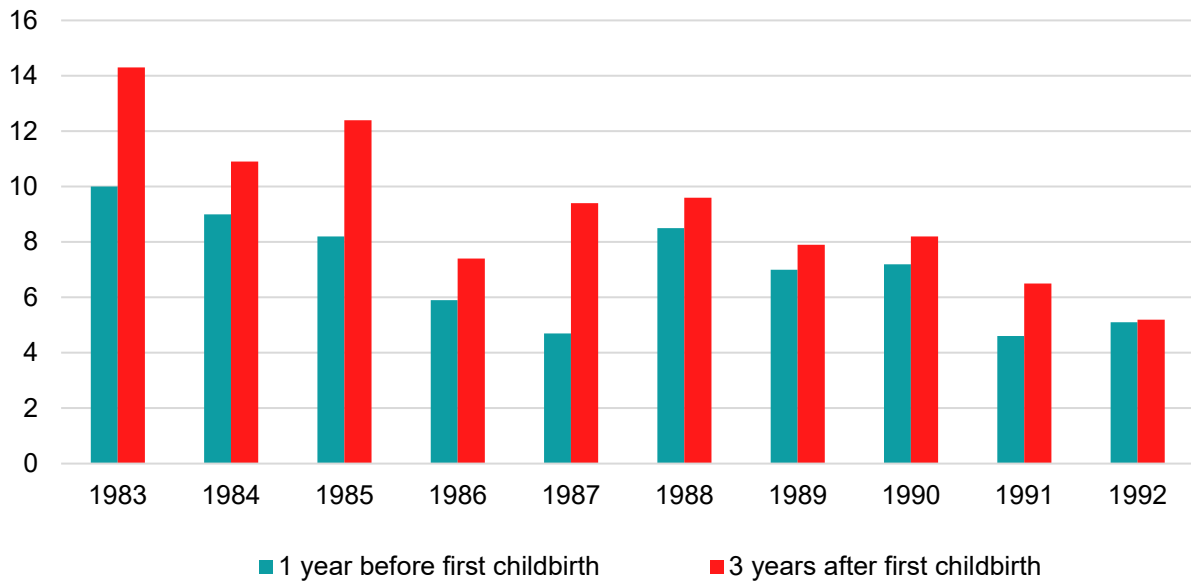
Source: Author's workings using Jobsplus and NSO data.

Table 1 shows the employment rate of Maltese women by birth rate. For instance, women born in 1983 had an employment rate of 76% when they were 26. On average, they had their first child when they were 17, after which their average employment rate fell to 75.7%. Their employment rate dropped further when they were 28 and 29 years old, but then started to rise again when they turned 30. However, it was not until age 34 that the employment rate of women born in 1983 rose beyond it was at age 26. Even when one looks at women born in 1984 and 1985, employment rates fell once women had their first child, but then started to recover at age 30. For women born after 1986 the evidence is mixed. There are slight drops in employment rates for women born in 1988, 1991 and 1993, but the decline is minor and temporary, while for women born in 1986, 1987, 1989, 1990, 1992 and 1994 there is no noticeable decline. Contrasting these data with the date of introduction of free childcare shows that the latter appears to have broken the three-year to four-year break that some women had after they had their first child.

This is confirmed when looking at the participation rates of Maltese women that due to timing considerations did not directly benefit from childcare centres. Indeed, while Maltese women born in 1983 had a 10% gap in their employment rate at age 26 compared to men born in the same year, this gap rose to 15.3% by the time they reached age 32. Most mothers born in 1983 did not benefit from the free childcare system as the latter was introduced four years after they had their first child, that is when the child would be in kindergarten.¹¹ By contrast the employment rate gender gap at age 26, that is for women whose first child would be too young to attend kindergarten, was 4.8% for those born in 1991, and only rose to 5.0% by age 32.

¹¹ That said, those who had a second child could have benefitted somewhat.

Figure 4: Employment rate gender gap for Maltese workers by birth year



Source: Author's calculations using Jobsplus and NSO data

Figure 4 compares the employment rate gender gap for Maltese workers the year before women tend to have their first childbirth with that three years after¹². Women born in 1988 were the first to benefit fully from the free childcare service as on average tended to have their first child after the first full year that the service was launched. It is quite evident that the introduction of the free childcare service helped greatly to halt the widening of the employment gender gap that accompanied the first childbirth in previous years.

If one were to assume that for subsequent birth cohorts, employment behaviour between the ages of 26 and 40 remained the same as that for women born in 1983, that is that generation that did not benefit from the free childcare services, there would have been 6,200 less women in employment.

Structural labour market reforms were therefore the main cause behind the rise in employment amongst Maltese working age individuals. Pension age policy, tapering of benefits and active labour market policies that targeted women, such as the free childcare scheme, possibly account for approximately two-thirds of this increase, and helped to more than offset the demographic impact of ageing.

4. Considerations on the impact of foreign labour

While the strong increase in participation rates because of policy changes was not expected by experts, there was even less expectation of the wave of foreign worker immigration. Borg and Grech (2019), for instance, report how the EUROPOP-2010 projection made by Eurostat had implied a population for Malta in 2050 of 427,000, as it had assumed that till 2015 there would be strong outward migration.

¹² This is the first point when children can be placed in kindergarten classes.

Malta's population is currently more than a quarter higher than this projection, with Eurostat reporting Malta with the highest rate of immigration amongst all EU countries.

There has been a lot of discussion locally about the size of these inflows, with some attributing causes that when put under scrutiny prove to be flimsy, if not plainly incorrect. This paper has already touched on one of them – emigration of Maltese youths – which if anything has contributed to boost labour supply rather than reduce it. Another narrative that has evolved amid local fora and that ought to be addressed is the argument that the need for more foreign workers was driven by an increase in the number of Maltese working in the public sector.

Table 2 shows that in 2013, there were nearly 46,000 persons employed in the public sector, either on a full-time or part-time basis, constituting about a quarter of the total workforce of the Maltese economy. By 2023, the share had fallen to less than a fifth of the workforce, even though the number of employed had risen to just over 55,000. Of the increase in public sector employment, more than 40% was in education and health, a natural consequence of the increased demand for services. The rest of the public administration workforce grew by an annual average of less than 450 during this period. This was less than 5% of the annual average increase in the foreign workforce. Thus, even in an extreme and unrealistic scenario where the public sector workforce were to remain stable despite the economy it serviced doubling in size during the same period, the maximum drop in the foreign workforce that would have ensued, would have been negligible.

Moreover, a good proportion of the increase in public employment was itself of foreign workers. The number of foreigners working in the public sector rose from 705 in 2013 to 1,803 in 2023, accounting for 12% of the entire increase in public sector employment. The number of Maltese working full-time in the public sector was 25.5% of the total Maltese workforce in 2013, rising to 26.5% in 2023. Had the proportions remained the same as in 2013, that would have freed up a mere 2,000 workers, potentially reducing the rise of the foreign workforce by a mere 2%.

Table 2: Public sector employment by nationality

	2013	2023
All nationalities		
Full-time	43,472	51,572
Part-time	2,434	3,527
Maltese		
Full-time	41,101	49,890
Part-time	2,371	3,406
EU/EEA		
Full-time	309	744
Part-time	53	75
TCN		
Full-time	333	938
Part-time	10	46

Source: Jobsplus.

By contrast, a key reason for the increased demand for foreign workers was the rapid pace of structural changes in the Maltese economy. Just to give an example, whereas the manufacturing sector generated €1.1 billion in real value added in 2013, as against €1 billion ten years earlier, still implying a very healthy growth, by 2023 the computer programming, consultancy and information services sector generated €1.4 billion real value added. The latter sector quadrupled in size in just a decade. Another traditional sector, construction, contributed about 3% of total economic growth since 2013, while remote gaming contributed three times as much. Professional, scientific and technical activities more than trebled in real terms, with segments such as advertising and market research now having a real value added that exceeds that of the retail sector. Legal and accounting activities generate more value added than the accommodation and food services sector, even though the latter has grown very rapidly.

The decade to 2023 saw real value added per person growing quite substantially, rising by 23%. However, productivity is very heterogeneous across sectors, with the average person in computer programming, consultancy and information services generating value added two and a half times the national average, while someone in office administration and support generating half the national average. Whereas in 2013 real value added per person in the economy was close to that in manufacturing, now it has moved to the relatively higher level seen in the legal and accounting activities sector.

When addressing the foreign worker issue, many pose the rhetorical question “Where have the Maltese workers gone?”. The previous section of this paper explained that in the absence of active labour market policies and pension age changes, there would have been much less Maltese workers to start with. Table 3 shows how sectoral employment by nationality changed during the same period. The first thing to note is that the only sectors where the increase of Maltese workers was larger than that of foreign workers was in public administration, education and health. In the other sectors, the increase in Maltese came close to that of foreign workers only in financial services. Incidentally these sectors tend to be the most unionized in Malta, and the ones which tend to ask for some working knowledge of Maltese.

The Maltese have mostly flowed out of traditional sectors, such as manufacturing, construction, tourism, catering and retail, and instead new entrants have flocked to remote gaming, information technology, financial and professional services and health and education. These sectors typically pay more and are more in line with the educational attainment of younger Maltese. They are also sectors that globally are less male dominated.

Table 3: Change in sectoral employment by nationality

	Maltese	Foreign
Agriculture & fishing	+191	+444
Manufacturing	-3,448	+7,322
Construction	-2,479	+10,640
Retail, transport, accommodation & food services	-2,751	+30,333
Information and communication	+1,822	+3,225
Financial services	+3,229	+3,586
Professional services and administrative support	+15,087	+24,492
Public administration, education & health	+12,082	+6,547
Arts & entertainment, other services	+4,168	+9,446

Source: Ministry for Home Affairs, Security and Employment (2025).

Table 3 raises questions about the situation in traditional sectors. Construction, retail, transport, accommodation and food services increased their workforce by more than half over a decade, despite that their Maltese workforce declined sharply. Their value-added rose at a sharper rate than the increase in employment, but on a per capita basis these sectors generate value added that is a third less than the national average. Part of the increased reliance on foreign workers in these sectors reflects ageing of the Maltese workforce. Grech (2020) had shown that nearly a third of full-time workers in construction and quarrying were aged fifty and over, proportions like those in public administration. The retail and transport sectors also have relatively old workforces, with approximately a quarter fifty and over. Given an ageing local population, even if these sectors were to stop growing, fulfilling employment needs in the coming decades will be challenging if one were to rely exclusively on the local workforce.

Table 4: Availability of Maltese for different occupations

	Change in Maltese workers 2023 vs 2013	Share of Maltese aged 50 plus 2013	Share of Maltese aged 50 plus 2023
Armed forces	+245	9%	7%
Managers	+5,350	39%	37%
Professionals	+9,724	24%	24%
Technicians & associate professionals	+10,167	21%	26%
Clerks and support workers	+4,178	19%	24%
Services and sales workers	+6,500	24%	31%
Skilled agriculture, fishery & forestry	+1,377	48%	70%
Craft and related trades workers	-510	33%	39%
Plant and machine operators	+192	27%	33%
Elementary occupations	-6,809	36%	46%

Source: Author's calculations using Jobsplus data.

Table 4 shows data on the availability of Maltese nationals for different occupational categories. The main thing to notice is that over ten years the number of those working in elementary occupations fell by more than 6,800, or by nearly a quarter. Moreover, the share of those aged 50 plus employed in the same sector rose from 36% in 2013 to 46% in 2023. This is the largest share of older workers by sector, after that found in skilled agricultural, fishery and forestry sector, where surprisingly, despite an increase in employed numbers, ageing still worsened sharply. The Maltese workforce has become relatively younger only among the armed forces and managers. Among professionals a large influx of new Maltese professionals managed to halt ageing. In other occupational categories the decade to 2023 saw a substantial ageing of the Maltese workforce. In 2013 the category closest to the national ageing share was plant and machine operators, while in 2023 this place went to services and sales workers.

Looking at sectoral workforces in more detail, Table 5 looks at the evolution of the Maltese workforce aged over 50 as a percentage of the Maltese workforce and also of the entire workforce in the Maltese economy. While the Maltese workforce has aged considerably with over-fifty employment making up 31% of all the Maltese in employment, as against 27% a decade earlier, Maltese older workers are a much smaller share of the entire workforce. The inflow of younger foreign workers has made up for the underlying ageing of the Maltese workforce in many sectors, particularly in construction, transportation, accommodation and food services, real estate, and administrative support services.

The oldest Maltese sectoral workforce is that in agriculture, followed by the administrative support services and the public administration sectors. The only sectors where the Maltese workforce has become younger than it was in 2013 are health and social work, where there has been a large intake of young Maltese, and in arts, entertainment and recreation, where the remote gaming sector is a magnet for new labour market entrants. That said, even though there has been a slight increase in the over fifties over the last decade the 'youngest' Maltese workforce remains that of information and communication, and Maltese workers in financial and professional services are also relatively much younger than the overall Maltese workforce.

Table 5: Ageing of sectoral workforce: Maltese workers aged fifty plus share (%)

	Maltese workforce		Entire workforce	
	2013	2023	2013	2023
Agriculture & fishing	60%	68%	59%	58%
Manufacturing, electricity & water	26%	31%	25%	21%
Construction & quarrying	33%	34%	30%	15%
Wholesale & retail	27%	34%	25%	24%
Transportation & storage	29%	31%	27%	18%
Accommodation & food services	26%	32%	21%	11%
Information & communication	14%	15%	12%	10%
Financial services	16%	19%	15%	14%
Real estate activities	32%	36%	30%	25%
Professional, scientific & technical activities	19%	21%	16%	12%
Administrative & support service activities	30%	39%	22%	19%
Public administration & defence	27%	35%	27%	34%
Education	26%	29%	24%	25%
Health & social work	33%	28%	30%	18%
Arts, entertainment & recreation	22%	18%	13%	7%
Other services	31%	32%	27%	21%
Overall	27%	31%	24%	20%

Source: Author's calculations using Jobsplus data.

Manufacturing has transformed greatly during the decade. While it continued to generate a per capita value added that compares well with the average, its dependence on foreign workers increased greatly. In comparison to other traditional sectors, the manufacturing workforce is more in line with overall demographics, but skilled manual workers within it tend to be relatively older. Automation and more resources devoted to training could help address this coming challenge, but there still could be demand for more skilled foreign workers by the sector. Expansion is unlikely to generate interest from local workers as these are clearly much more attracted by high value-added services sectors.

Turning to other services sectors, accommodation and food services have been major drivers of the demand for foreign workers. Automation and new technologies are not expected to lead to much job displacement here, and so in the absence of a sharp reversal of trends in the interest of Maltese in the

sector, it is highly likely that any expansion in demand will result in more inflows of foreign workers.¹³ On the other hand, digital developments are likely to affect considerably future demand for workers in administrative support roles, which were amongst the most commonly held by foreign workers.

The local supply of persons interested in working in information and communication, financial and professional services, remote gaming and public administration, health and education will likely remain strong. While it is unlikely that participation rates among those aged below 50 can continue to rise further, there is still ample scope for more older workers to remain in employment. Though Malta has the second-highest employment rate amongst those aged below 50, it still has the third-lowest rate amongst those aged above 50. If Malta had the employment rate amongst older persons as that found in the country with the second-highest employment rate, the local labour supply would be some 23,500 higher.

Yet, activating this cohort could prove to be difficult as its level of educational attainment is not a good match with that currently demanded by most businesses. Nearly 60% of those aged 50 to 74 in Malta have a lower secondary or less degree of education, as against 16% in the country with the second-highest employment rate in the EU among this cohort. Thus, convergence in employment rates for this age bracket could take much longer than for earlier cohorts. It will be very important to invest much more in training and upskilling to ensure that this important pool of labour is not under-utilised. Similarly shifting labour activation policies from facilitating the creation of jobs to the creation of skills will be key. The average number of hours spent by participants aged over 25 in education and training in Malta is less than half that spent by Germans and Swedes. In an ever-changing environment characterized by rapid technological developments, converging to the investment in training made by top EU countries will be crucial to enhance productivity and lessen demand for foreign workers.

5. Conclusion

Malta's labour market has undergone unprecedented changes over the last decade. Its absolute size has grown far beyond expectations, thanks to policy changes that have raised employment rates of Maltese very sharply and a largely unanticipated rise in foreign workers. This supply of labour underpinned the near doubling of the Maltese economy in the span of just ten years.

This paper has sought to quantify the impact of the labour market activation policies, finding that they potentially account for two-thirds of the increase in Maltese workers since 2013. At the same time, it has presented evidence that several narratives adopted to explain the increase in the demand for foreign labour, such as purported emigration of Maltese youths and growth in the size of the public sector, are misleading. The cause of the rise in the demand for foreign labour lies squarely on the very rapid pace of economic growth, combined with the contributing factors of the ageing of the Maltese labour force in several sectors and the changing preferences of Maltese youths reflecting their educational attainment.

While most labour market reforms will continue to boost the supply of labour and help offset the rapid ageing of the Maltese workforce, it is unlikely that the employment rate can repeat the jump observed since 2013. At the same time, reliance on foreign workers has brought its own challenges and Government is acting to limit inflows to bring them more in line with those at the start of the growth decade. To manage the delicate trade-off between labour shortages and pressures of a growing population, it will become ever more important to develop a human capital investment strategy that goes beyond the current focus on academic education. Activating the potential pool of older workers could

¹³ International Monetary Fund (2025b) shows the sector as one of the least with high exposure and low complementarity to AI.

prove to be difficult but it could serve as a basis for the creation of a lifelong learning culture, and the beginning of a new phase of labour activation policies that would sustain the continued growth of the Maltese economy.

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