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PERSISTENT LABOUR SHORTAGES AND EMERGING WORKFORCE STRATEGIES

BOX 1: PERSISTENT LABOUR SHORTAGES AND EMERGING WORKFORCE STRATEGIES¹

Labour shortages have remained a key concern for Maltese firms. An analysis in an earlier edition of the Business Dialogue publication found that, following the 2020 COVID pandemic, labour shortages became more pronounced than in earlier years, as the fast-recovering business environment increased demand for workers.² The issue persists as firms' demand for labour continues to rise in pursuit for further growth. In this context, this box presents recent developments on how companies are experiencing and dealing with labour shortages.

Over the years, labour shortages have persistently been identified as the predominant challenge facing businesses, frequently ranking as either the most or second most concerning issue. Since 2023, the proportion of firms reporting labour shortages as their main challenge has consistently ranged between 27% and 43%. In the quarter under review, 40% of interviewed firms identified it to be their main challenge, once again making it the most frequently cited issue amongst businesses.

As previously highlighted, 61% of firms surveyed in the third quarter plan to increase employment, largely to sustain growth and meet rising demand. If we consider the sample of firms interviewed throughout 2025 (176 companies), 53% reported plans to increase employment. In fact, in 2025, 61% of firms which planned to increase employment levels, also expected short term activity to improve. Furthermore, 66% of firms which planned to increase staff headcount were simultaneously planning additional investments. In most cases such investments were expansions or other major investment projects. Nevertheless, several companies noted that labour shortages were restricting their ability to expand operations and meet growing workloads, and in some extreme cases had forced them to reject orders or growth opportunities. Even firms planning to keep headcount stable or not planning additional investment, raised concerns about labour shortages.

It was commonly observed that the hardest positions to fill are those in technology, and finance, together with roles requiring data engineering or language expertise. Having said that, shortages of lower skilled jobs which still require some level of technical expertise, such as those in the manufacturing sector, were also extensively highlighted. Many firms have in addition emphasised that they would rather maintain operational standards than compromise quality, even if it means operating with a smaller workforce. Accordingly, company insights reveal that skill shortages are most prevalent in the services sector, followed by the wholesale and retail sector.

Furthermore, in industries such as construction and real estate, the workforce remains predominately composed of older employees, creating challenges as the sector struggles to attract younger workers. As a result, replacing employees approaching retirement has become increasingly difficult, placing additional pressure on recruitment efforts. Similarly, some firms pointed out that a growing sense of job security among local workers has influenced attitudes, work ethic, and productivity, creating further difficulties.

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² See: [Central Bank of Malta Business Dialogue 2023 Vol. 3 No. 2 – Box 1: Labour shortages – An ever-growing concern](#)

In response to these recruitment challenges, firms have adopted multiple approaches, including upskilling and training existing staff, using recruitment agencies or subcontracting, and actively engaging with graduates. Some are also adopting automation and artificial intelligence (AI) to ease dependence on limited labour. Many companies are also addressing recruitment challenges by offering salaries at the “upper tier of the market”, driven by a labour market where demand for workers exceeds supply, requiring wages to match or surpass those of competitors. Apart from this, companies also provide additional benefits such as health insurance, allowances, flexible working hours, and training opportunities. While these measures aim to attract and retain workers, they have also placed financial strain on firms due to their high costs. In addition to this, new employees are also increasingly requesting higher starting salaries. In fact, firms often cite labour costs as their primary expense accounting for a significant share of total costs. Despite these efforts, several firms have acknowledged that such measures have not been sufficient to overcome the persistent shortage of workers in the labour market. It was further observed that employees often leave in search of opportunities that offer more than just competitive salary.

Given local labour shortages, several firms have also expanded recruitment abroad, establishing offices in locations overseas, or partnering with offshore agencies to access a larger pool of labour at lower costs. Many firms have also substantially resorted to employing third-country nationals (TCNs) due to the scarcity of Maltese workers. However, TCNs also present their own challenges, including high turnover, the need for extensive training, and perhaps the most concerning for firms, longer recruitment processes.

In this context, the recently announced Malta Labour Migration Policy is particularly relevant. The policy seeks to align migration inflows with labour market needs and safeguard workers’ rights, introducing a range of measures to monitor employment, regulate TCN permits, support workforce integration, and other initiatives. While this policy aims to address ensure that genuine needs for labour migration remain met by the application system, firms have provided varied initial feedback on its measures.

Most of the feedback gathered pre-dates the policy’s entry into force and thus was forward looking in nature. Several companies expect the policy to have either minimal or beneficial impacts. Such firms commented that this policy is needed, as they commented that regulation is necessary, particularly to enhance regulation, improve employee retention, prevent abuse, and to raise investment in training. Others have expressed concern that the policy could make recruitment more difficult, highlighting higher costs, longer waiting times, and increased administrative requirements, as well as additional pressure on wages. Other initial observations emphasised the importance of ensuring that incoming workers possess the necessary skills. These initial insights must be assessed with caution since implementation of this policy only commenced last August.

In conclusion, labour shortages remain a key concern for Maltese firms, with recruitment difficulties continuing to pose a substantial challenge to business expansion. Initial views on the Malta Labour Migration Policy were mixed, highlighting the importance for ongoing monitoring and engagement with firms to understand how perspectives evolve once all measures are fully implemented.