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Article

LABOUR SUPPLY CHALLENGES

Economic success can breed its own problems and thus needs to be managed for long term sustainability. For the past decade, Malta has managed to keep unemployment at a low level, even during the international recession due to wage moderation, effective social dialogue and job retention policies. The economic recovery and subsequent expansion in economic activity in Malta over the past few years has created a situation whereby companies are finding it difficult to find the right staff and recruitment has become a frustrating daily exercise.

The shortage of available manpower, in spite of an increase in female participation and foreign employees – currently exceeding 35 thousand employees - is keeping many businesses from reaching their full potential. In some cases, for example hospitality, staff shortages can lead to a deterioration of service quality that can tarnish our reputation as a tourist destination. Vacancies for people to work as labourers, supervisors, drivers, IT, and in many other areas, are being left unfilled and the difficult task of recruiting additional staff has been and still is a serious issue to employers. What makes the situation worse is the drain of employees from the private sector to work in the public sector, often in positions where their skills - which may be much in demand in the private sector - are not being utilised productively. Employers in Gozo have been voicing their justified concerns, but the situation is prevalent in Malta as well, as many companies report that they have lost manpower to the public sector – in some cases even for lower remuneration. In this respect, the private sector does not have a level playing field with the public sector as business constraints make it impossible for companies to offer a permanent job, often accompanied with the prospect of ‘an easier life’.

This situation is leading employers to resort to drastic measures, such as employing persons with a lower level of skills than that required for the vacancy and upskilling through training. On the job training is all well and good, but this is specific or specialised training, is very time consuming and costly, and often has to be repeated according to the inflow of new employees. An alternative is poaching employees. Increased job mobility carries the peril of wage inflation which is not being matched by a corresponding increase in productivity. This is unsustainable as it erodes the competitive edge of many companies, and of the country in general. Although moderate job mobility can be healthy for both companies and employees, an overheated labour market has negative medium term consequences for the economy in general. Which leaves the other

option of engaging foreign employees. As other European economies experience an economic recovery, the outflow of human resources may subside or may be attracted to other EU countries facing similar labour shortages. This is a reason why we should re-examine existing systems for processing work applications by third country nationals, and the pronouncements by government to streamline the process are very much welcomed by employers, provided that there are tangible and quick results.

The impact of labour shortages is also hitting employees who may be under added pressure to keep up with an increased workload, and creating a vicious circle as prolonged stress can entice them to seek alternative employment, and close down their business. Discipline might become more lax to retain people, and companies are already finding planning for business expansion, more difficult in the absence of a reliable labour supply. The Maltese labour force – and society - is adjusting itself well to a more cosmopolitan labour market, but this transition is not always smooth due to cultural differences and language barriers, and unharmonised skill levels. These are all current and emerging challenges which must be acknowledged and addressed proactively to keep the current economic momentum sustainable.

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