

# Background Dossier on MEA initiatives towards: *Ensuring the Skills for Future Competitiveness*



GOVERNMENT OF MALTA  
MINISTRY FOR THE ECONOMY,  
EUROPEAN FUNDS AND LANDS



EUROPEAN  
SME WEEK



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## Main collaborators



## Collaborators



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*Ensuring the Skills*  
**for Future Competitiveness**

A report incorporating the views of Industry Stakeholders emerging from four focus group meetings organised by the MEA in June 2022 and subsequent feedback obtained from the pertinent Entities and Authorities as expressed during a Stakeholders Session held at Parliament in July 2022.

## 1. Introduction

In recent years, a combination of demand and supply factors has led to a shortfall of skills in the local labour market. This has afflicted Malta-based companies, posing serious risks to their business continuity and competitiveness position.

To this end, the MEA is holding a series of events and initiatives aimed at taking stock of the current situation and proposing concrete and lasting solutions to avoid further hardships. The events and initiatives include:

- a) 4 focus groups,
- b) The National Stakeholders' Seminar to which you are being invited this week and which will bring together those Entities and Stakeholders which play a direct or indirect role in the employment of workers within Malta's labour market.
- c) A national Conference which will take place on 17 November.
- d) The publication of a document including a summary of all proceedings and most importantly, tangible recommendations which will be presented to the highest national authorities and policy makers for their urgent consideration and implementation.

The 4 focus groups have taken place already. These facilitated the collection of direct, detailed and frank feedback and opinions regarding the extent, causes and possible solutions to the problem at hand. Around 50 employers from as many companies participated in the 4 focus groups which covered the following business sectors:

1. Transport,
2. Professional Services & ICT,
3. Tourism, Hospitality & Retail,
4. Manufacturing, Technical & Ancillary Services.

Contrary to the misconception that employers seek to employ TCNs for cost competitiveness reasons, the overwhelming opinion of companies participating in the focus groups is that their first preference for employment would be Maltese workers especially for certain client-facing positions where customer experience is key such as Tourism, Hospitality and Retail. In general, Maltese workers are more loyal, easier to train and communicate with and do not bring permitting and accommodation complications. Employers' second preference are EU nationals as they can bring positive attitude, professionalism and technical skills to the workplace with minimal communication, permitting and accommodation challenges. Faced with the fact that there are not enough Maltese workers to go round and that EU nationals are often attracted to other MS which offer a better "take-home pay" (net income less rent and cost of living), employers have few alternatives but to resort to TCNs.

The following report summarises the effects, possible causes and recommendations emerging from the focus groups.

## 2. Effects of Shortages

- Wage inflation is impacting cost competitiveness very negatively to the extent that certain businesses are closing down.
- Scarcity of staff is causing companies to turn away business.
- Shortage of staff is causing new businesses to postpone opening dates.
- Companies are less able to discipline their staff.
- Lower filtering process at recruitment stage is leading to a drop in standards.
- Less time for on-the-job training and induction at recruitment stage is also leading to a drop in standards.

- The scarcer the human resources become, the higher the pressure on existing workers and the greater the propensity to quit their jobs and this triggers the initiative to **RELEASE** idle resources in public sector to business.

### 3. Potential Causes

- Covid made people stop to reflect. It influenced people's priorities and behaviours. It brought about a change in work and new expectations in terms of work-life balance.
- Malta's economy is widely diversified and is not strategically orientated towards focusing on one (or few) particular sector(s) therefore the demand for workers is varied and disproportionately large to the extent that the gaps in the labour market cannot be filled by Maltese workers.
- There is a disconnect between the Education Sector and Industry to the extent that the system is not producing the type of skills (and qualifications) required by private employers.
- Trade schools which were closed have not been adequately replaced so certain trades are dying out.
- Apprenticeship schemes are also very rare impacting very negatively on the employability of students upon leaving school.
- Besides, technical skills, Maltese workers lack soft-skills, pride and proper attitude towards work.
- Public sector attracting and employing people from the private sector offering more flexible work arrangements.
- There are bottlenecks in the permitting processes for foreign workers. Applications mostly take 2-4 months to process, possibly due to lack of resources, duplicate applications and other bottlenecks.
- Many sectors (eg hospitality, language schools, aviation) lost up to 50 per cent of their workforce – either because TCNs return to their native countries or because the workers shifted to a more stable (recession-proof) sector.
- Negative perception of work experience in certain sectors such as hospitality, maritime, manufacturing, transport.
- Malta is become less attractive as a place of work for all categories of workers across the board. The main reason for this is cost of rent and cost of living. Other reasons include general cleanliness, shabby environment, overcrowding and xenophobia.

### 4. Preliminary Recommendations for the Immediate/Short Term:

#### 4.1 Improving the system at ID Malta:

- ID Malta should hold regular communication with recruitment agencies.
- Increase dialogue with stakeholders and temping agencies.
- Student/Work visas should be issued for at least 6 months.
- Establishing a database/register where employers can search for employees.

#### 4.2 Jobsplus:

- Jobsplus name should be changed to Career+ rather than jobs and therefore there was an agreement that we should start to **PROMOTE** careers not Jobs.
- Matching of workers with vacancies issued by businesses should be improved.
- Increase enforcement on individuals on Registry.

#### 4.3 Enforcement:

- Capping on catering establishments.
- Quality checks.

#### 4.4 Encouraging foreigners to settle in Malta:

- Improving Malta's image as a Place of Work (improving the environment, promoting diversity and multiculturalism, etc.)

- Offering flexible solutions and improving working conditions.
- Developing a strategy on the number of people needed by industry.
- Enhance relocation packages offered to foreign workers to match those available in Ireland and other MS.
- Continuous training and support.

#### 4.5 Changing the perception of the Maltese with regards to working in the hospitality, tourism and retail sectors:

- Education – ITS, Hospitality subjects, placements.
- Raising awareness of what type of jobs exist in the sectors.
- Guidance teachers.
- Mentoring.

#### 4.6 Government to offer more generous conditions to encourage people of pensionable age to remain in employment.

#### 4.7 Introduce a scheme to encourage people employed unproductively in the Public Sector to shift to the private sector.

#### 4.8 Creating a common ground to measuring the gap in the industry:

- Vacancy Portal by sector.
- Companies' reputation (word-of-mouth/referrals).
- Some vacancies are common e.g., compliance, management.

#### 4.9 Keep the Specialised Training within Companies:

- Offering inhouse training courses.
- Making use of schemes offered by government and EU.

### 5. Preliminary Recommendations for the Medium/Long Term:

#### Education

##### 5.1 Implementation of strategies and policies in education:

- Increase discussion between academia and industry and this means that we definitely need to work harder to be able to better **CONNECT Academia to Industry**.
- Awareness sessions for Guidance Teachers.
- Including certain subjects as part of the curricula e.g., basics of economics, STEM, maritime issues.
- Include training on soft-skills, interview-skills, decision-making, leadership and overall employability and therefore it's imperative to **INVEST in training and mentorship**.

##### 5.2 Placements & Internships:

- Enhance MCAST's perception and profile.
- We should **COMMIT to Work-based Learning**.
- Partnership and Mentoring.
- Company visits for primary and secondary students.
- Awareness raising campaign e.g., STEM subjects for women, explaining what the jobs entail.

##### 5.3 Studying Future Trends:

- What skills are needed in the future? Are courses being developed according to industry needs? E.g., Malta is pushing for hydrogen, but who is studying hydrogen?

- Accepting that locals do not want to do certain jobs – devising a strategy to attract foreign workers and keep them in the industry.

## 6. Outcome of Stakeholders' Seminar held at Parliament

The viewpoint of the entities concerned, mainly public sector but not exclusively, continued to emerge, as planned, from the Stakeholders' Session held at Parliament on July 21. The session also generated valuable opinions of the Speaker of the House as well as selected members of Government and the Opposition.

As outlined above, the feedback received from the Stakeholders' Session would serve as further input to the process and to the National Conference to take place on the 17 November. Such feedback also served to confirm the outcome of the working groups and the opinion of the private employers in many aspects. The additional points emerging from the debate at Parliament are as follows:

### 6.1 General Observations

- The authorities clearly acknowledge the importance of people as one of the only resources at the disposal of the country for the generation of wealth. It is further acknowledged that the economic transformation that the country so desperately needs much depends on the input of human resources.
- Less evident, however, appears the commitment to solve the persisting shortage of both workers and skills.

### 6.2 Observations on Digitalisation

- A vision amongst expressed MPs and certain entity representatives is for the country to embrace technology and digitalisation as a means to (a) neutralise the effects of loss of productivity due to shortage of manpower, (b) enhance competitiveness and (c) optimise output from other resources including energy.
- All advanced societies have a common denominator - in that they have embraced technology at the core of their progress. Western societies are now orientating their journeys towards green growth and carbon neutrality. It is crucial for Malta to follow the same path.
- There is a realisation that the country is facing the risk of a "new" skills gap in terms of digital skills and business re-engineering capabilities. We definitely need to **CAPITALISE on Digital Skills**.
- The country needs to distinguish between shortage of basic and specialised skills because the solutions to address both typologies of gaps are different. Special focus needs to be placed on digital skills because these are enabling talents relevant to all sectors as these undergo their necessary transformations.
- A Skills Census must be embarked upon to shed light on the current mobilisation of the sole national resource.

### 6.3 Observations on Strategy and the Role of Stakeholders

- Holistic economic blue-prints and industry strategies are required with ample nationwide visibility to guide students and stakeholders in their decisions and channelling of resources. This will facilitate the mapping out of closing the gaps of future skills requirements as well as to foster structured linkages between industry, academia and civil society.

- We should **STRENGTHEN regulators' resources**. Industry strategies require active, focused and effective regulators and industry representative organizations to drive and facilitate the realisation of plans and targets (it was mentioned that the maritime industry – as a systemically important sector - would benefit from a dedicated authority for the industry as opposed to transport as a whole).
- Stakeholders need to encompass forward looking industrial strategies.
- It is widely felt that more consolidation amongst stakeholders is required. There is a general realisation that much research and effort is undertaken with the mobilisation of people and other resources but fragmentation of same hampers synergies, effectiveness and results.
- Some stakeholder representatives lamented the culture in this country whereby results are not pursued to the full.
- Other representatives and selected MPs suggested a “doing more with less approach” with the support of digital tools, business re-engineering and better management. It was commented that economic expansion did not necessarily require additional people and that the current approach (of throwing people at solving capacity issues) was exacerbating the economic over-saturation problem.
- Future progress needs to be based on quality and increased value-added which can only be achieved by smart investment in technology.
- Post-Covid, workers are giving much more weight to flexible work arrangements (often before salary considerations).
- People need to be better incentivised to work beyond pensionable age and therefore we need to **ENCOURAGE work beyond retirement**. The country needs to ensure that the knowledge, experience and skills of these people is appropriately transferred to new generations.

#### 6.4 Observations on Education

- There is a general disillusionment amongst MPs from both sides of the House and public entity stakeholders with the education system and its performance track record. The latter is evidenced by the relatively high number of early school leavers.
- General concern was expressed about the measured disparity between State/Church schools and Private institutions in terms of standards and results.
- Tracer studies are required to follow evaluate students career paths and establish correlation with academic studies.
- Improvement (or in certain cases a complete overhaul) in career guidance structures; the national curriculum and the lack of visibility it accords to certain important sectors such as maritime; vocational training and the void left by the closing of trade schools; work-based learning and apprenticeship structures; and LLL for re-skilling and upskilling as a means towards career progression and enhancing quality of life for recipients. In other words, this means that we should **ENHANCE career guidance structures**.
- Schooling experience needs to be improved and rendered challenging, interesting and more inclusive for the more academically-challenged in order to avoid drop-outs from the system whilst ensuring the churning out of different skills.
- In line with the nation's vision, it is not acceptable for any section of the population to hold education in low regard and arrive at school-leaving age without basic language and mathematics skills.

- The new generation, today also lack knowledge when it comes to soft skills. We need to **INSTIL better attitudes and soft skills in our children.**
- There seems to be a lack of data on present and future skills requirements and gaps.
- The skills shortage has reached a critical stage in which it is severely hampering the availability of trainers and educators in such fields as ICT and maritime as education institutions struggle to recruit and keep qualified people to teach. This is a serious development in that teachers act as multipliers and a source of future skills.

#### 6.5 Some Specific Observations made by Government and Public-Sector Entity Representatives on Current and Planned Initiatives

IMA	<p>Provision of online platform to facilitate application process.          Number of processed applications reached 60,000 in one year.          Need to conduct thorough due diligence for issues of national security and EU Borders (Schengen) obligations.          Commitment to process within 4 months allowed by EU Directives.          Visa process (when required) is a separate process for which MFA is responsible.</p>
Jobsplus	<p>Has provided €60m worth in training programmes aimed at re-skilling and upskilling purposes with a view to rectify skills-gap problem.          Launched an online match-making platform to provide better visibility of available skills to employers.</p>
ITS	<p>To assume an added role as a training centre to serve industry and existing staff. In so doing, it will complement Jobsplus and will cater mainly for small employers with limited resources for training.          Committed to enhance communication and linkages with industry.</p>
MCAST	<p>By 2027, every course will include work-based-learning to render the qualification (and corresponding skills) more relevant to the labour market.          Lecturers devote more time at workplaces to enable them to adjust their teaching content and approach.          MCAST places around 430 apprentices every year, however more than 280 students remain unplaced and are still on the lookout for apprenticeship positions.          The number of students is planned to double once work based learning extends to other levels. New approach renders students even more employable as they are given exposure to real-life work pressure.</p>
DIER	<p>Published booklet on conditions of work in simple language, translated in Arabic and Somali languages and based on FAQs.          Development of website for foreign workers based in Malta to guide and inform foreign workers on their rights.          Multi-lingual cultural mediation services aimed at retaining acceptable standards whilst curbing risk of unlawful work practices.          Commencement of “Fair Work” project aimed at reducing the risk of exploitation of workers.</p>
MBR	<p>Simplification of processes underway via new digital system.          MBR also offers training to companies and other stakeholders with the aim of achieving desired simplification results.</p>

#### Foundation for Transport

A Foundation which is an 18-month reality which through discussions in different focus groups and surveys undertaken with companies of various sizes working within the transport section, there is a broad agreement that there are solutions we can achieve together.

## MaritimeMT

One of the requests submitted to the Government is to restore a Maritime Authority focused solely on the enlargement and administration of this sector. There is now a concentrated effort between the social partners to agree together on a national policy and strategy for the maritime sector.

## Malta Enterprise

Time has come to a high-level entity or any other kind that drives challenges forward, which brings on an equal footing the academic world and the industrial world and is truly led to a challenge that we ultimately need to seriously discuss.

## Enemed

Enemed supports the drive towards renewed focus on vocational education in trades where there is currently a strong vacuum. Enemed is committed to contribute actively towards the strategy of re-establishing priorities and necessities in education.

MCA Over the past years, we have undertaken a number of resources and initiatives aimed at helping small and medium-sized businesses to raise awareness in a rather dynamic and challenging market. We are designing a number of schemes and projects targeting the sectors in which MCA operates. Regulations such as E-id and the Digital Services Act.

### 6.6 Observations made by Opposition Representatives

- Students' success should not be measured by academic results and university degrees. Other paths are equally acceptable as long as one's job provides fulfilment to oneself and value to the employer/society.
- The need to improve industry-academia linkages is evident. To this end, a Skills Governing body could be established to serve as a national coordinator between academia and industry for the development of skills. Continuous research on the evolving needs of industry will support the work of this Body. The Body will also be responsible for mapping and forecasting capabilities which are needed to indicate present and future industry requirements.
- The prevailing situation in literacy and early school leaving results is not acceptable.
- The National Curriculum needs to be extended and enhanced to cover future-needed skills. Better fiscal and other measures including tax breaks (5 year) are required to **IMPROVE Malta's attractiveness as a place of work** for talented/specialised categories of workers – which attractiveness is being eroded as highlighted above.
- Jobsplus to introduce skills-cards for all occupations involving prior learning recognition. The skills cards will recognise informal qualifications based on experience and will serve as a qualification benchmark for employers.
- Recent measures introduced to comply with the EU's Work Life Balance Directive are to be paid for entirely by the State to free resources in the private sector for investment in skills and new technologies.

A number of the above recommendations may already be in force but if so, the current predicament shows that they are not effective enough.



## 7. Conclusions and MEA Position

A national concerted effort and political will to solve the current shortages predicament is required in order for the country to bridge the current skills gap afflicting Maltese employers to the extent of raising serious concerns about competitiveness and business continuity risks and therefore we should **PRIORITISE risk assessment for future competitiveness.**

In a recent survey 53% of respondents claimed that this predicament was exerting a “Heavy impact on their business including serious disruption on their operations and stretched out resources. A further 12% responded that the impact on their business was “severe” to the extent that business continuity was severely at risk. Workers’ new priorities in favour of flexible work arrangements, particularly post-pandemic further exacerbate the challenge ahead for employers.

The initiatives and recommendations made by the MEA are intended to alleviate the adverse situation in the short term and facilitate long-term solutions. If the current situation is allowed to extend to the longer-term, it will invariably- leading to an erosion of standards and wage inflationary pressures. Wage hikes that are absorbed internally may deprive companies from precious capital and resources that would otherwise be channelled towards, training, innovation and technology. These investments represent crucial compensatory measures for skill shortages and are fundamental to the resilience and long-term prospects of our companies.

The MEA recognises the need for economic transformation in favour of digitalisation and decarbonisation. Such transformation rests on the optimum balance of human and technological resources although the country must plan adequately ahead to ensure the required quantity and quality of skills to drive the transformation forward. The digitalisation challenge, in itself, risks bringing with it a new dimension of skills gap which the country must find itself adequately prepared to face.

Further economic development and future advancement for the country, besides that we need to **ENSURE business stability through good governance**, requires the ironing out of current and future skills gaps according to the short-term measures and longer-term recommendations being made above.