

# Wage inflation survey

31<sup>st</sup> July 2023

# Overview

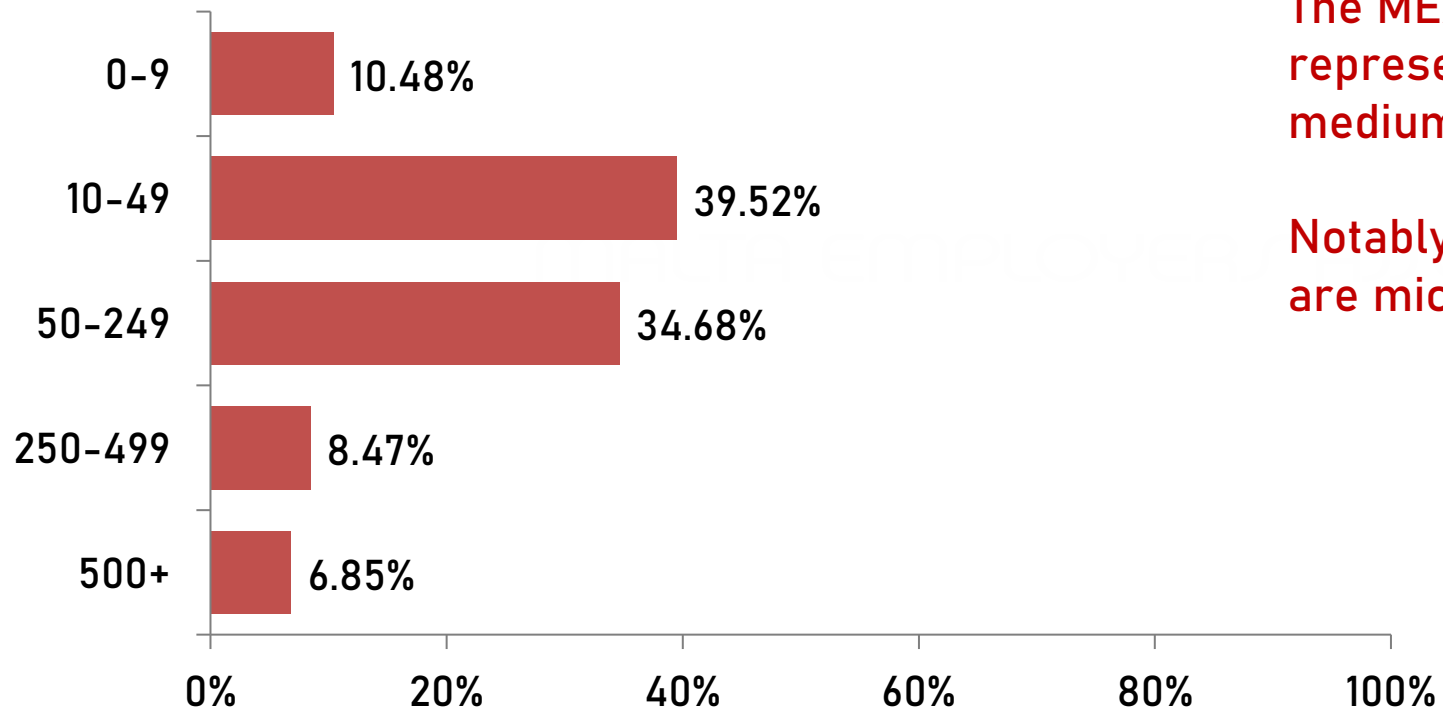


- After data cleaning, 248 complete responses
- Held over the period 7<sup>th</sup> July to 24<sup>th</sup> July 2023

# DEMOGRAPHICAL ANALYSIS OF RESPONDENTS

MALTA EMPLOYERS' ASSOCIATION

# Size of business units



The MEA continues to hold a greater representation of small (10-49) and medium enterprises (50-249).

Notably, 97% of Maltese business units are micro (0-9).

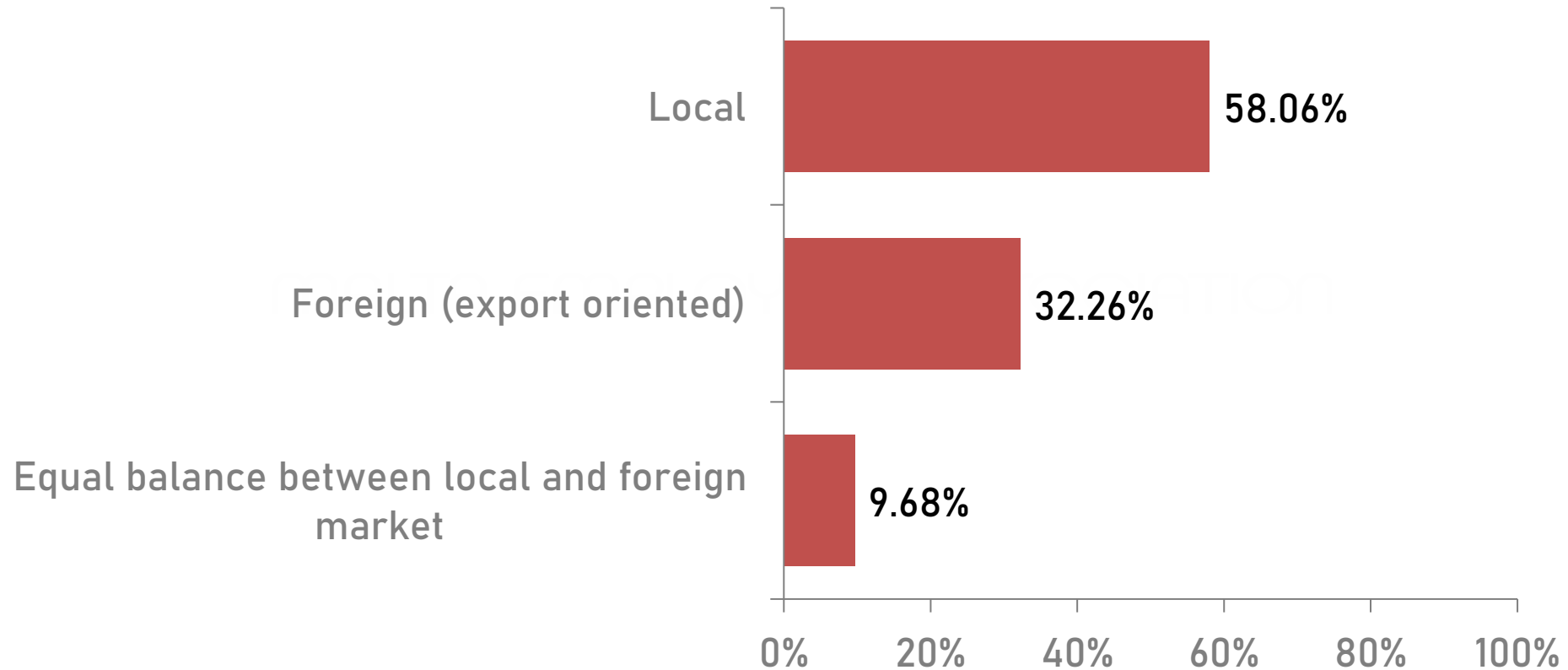
# Industry representation



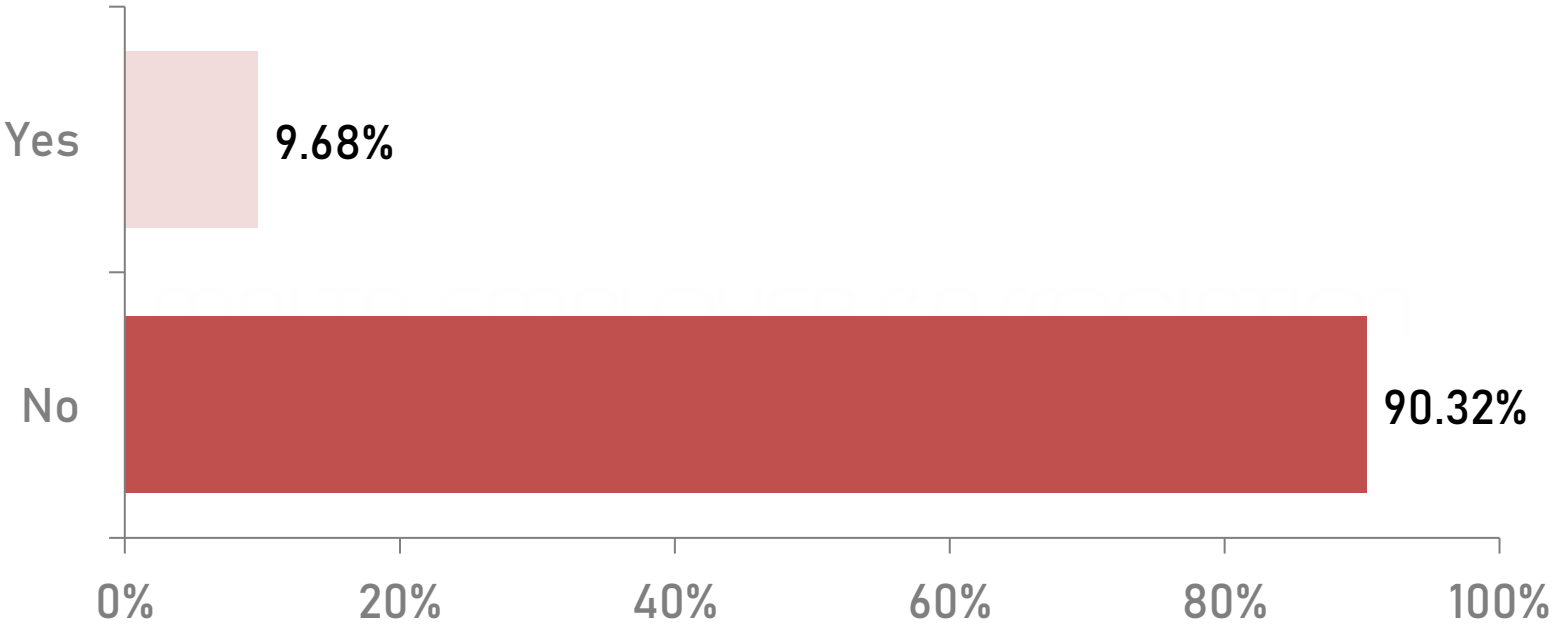
Manufacturing	19.35%
Wholesale and Retail (inc. repair of motor vehicles and motorcycles)	16.13%
Hospitality and Tourism (accommodation and food services)	11.69%
Financial and Insurance services	9.68%
Professional, scientific and technical activities	8.06%
Transportation and Storage	6.85%
Arts, Entertainment and Recreation (inc. Gaming)	5.65%
Education	4.44%
Information and Communication	4.44%
Administrative and Support Services	3.63%
Quarrying and Construction	2.82%
Health and Social work activities	2.42%
Electricity, gas, steam, air conditioning, water supply (inc. sewerage & waste)	2.42%
Real Estate activities	1.21%
Agriculture and Fisheries	0.81%
Public Administration	0.40%

**Top 3 industries represented in the survey, Manufacturing; Wholesale and Retail and Hospitality and Tourism, making up 47% of respondents.**

# The local market remains the largest

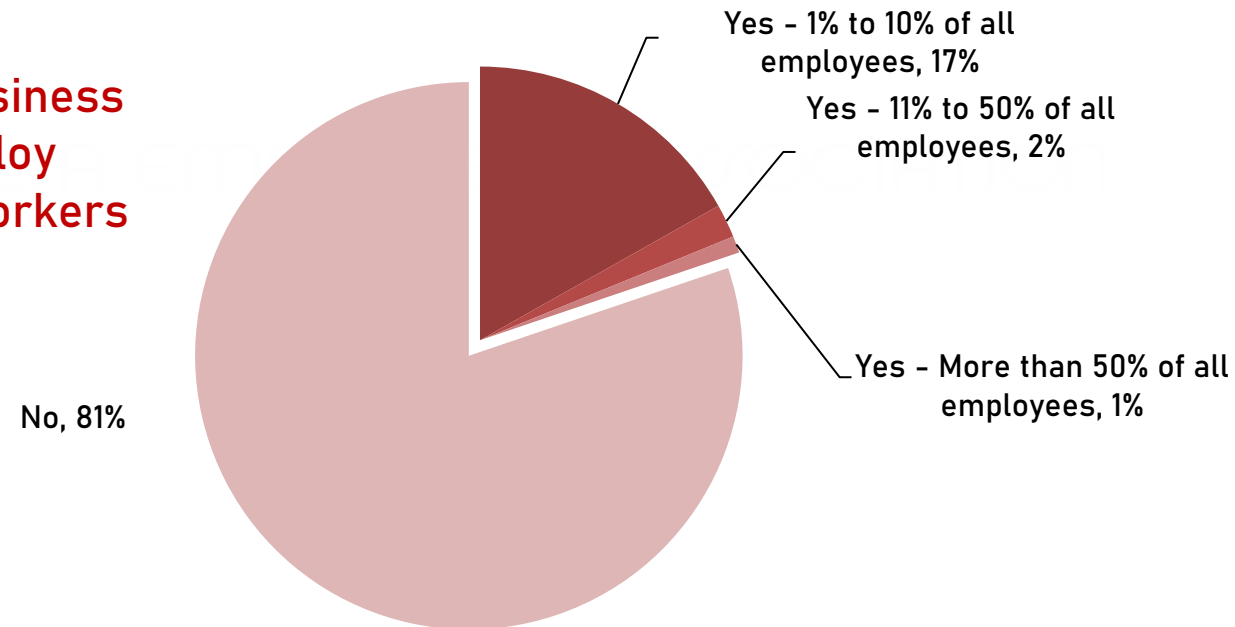


# Dependence on Government work



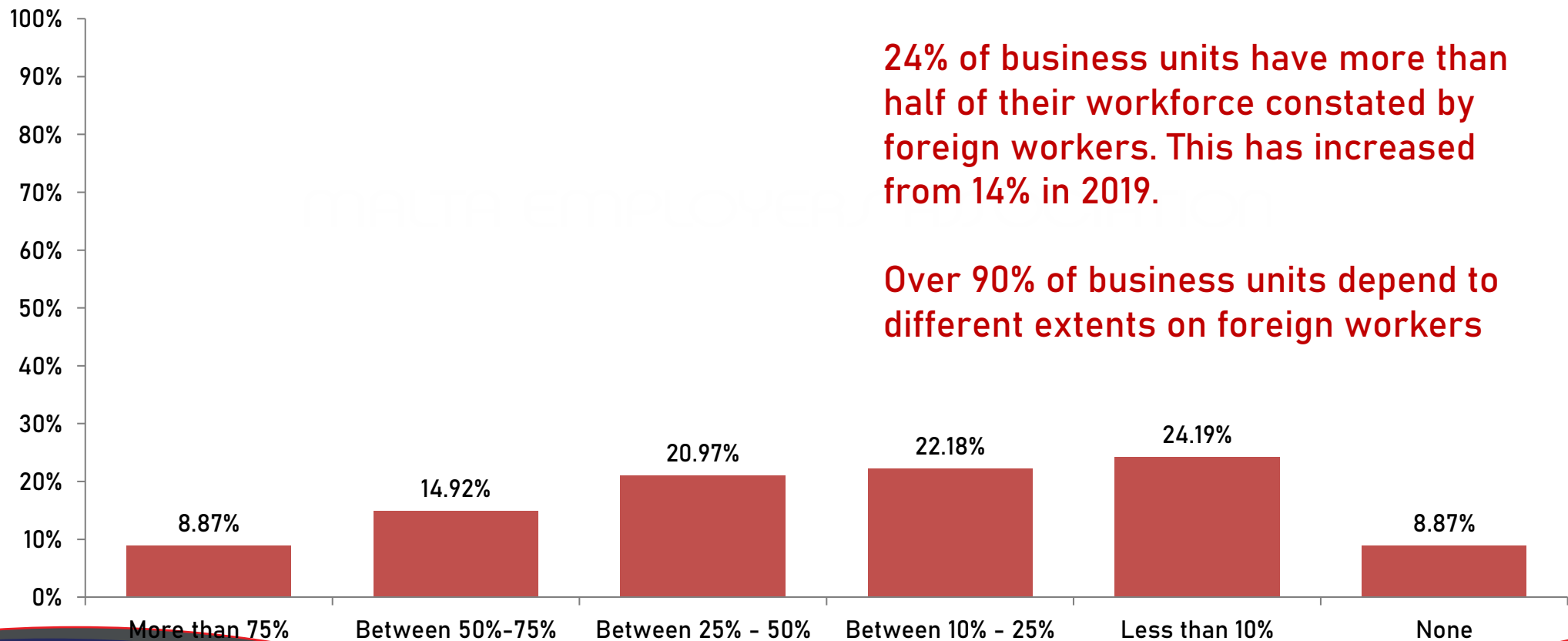
# Do business units employ any remote workers?

**20% of business units employ remote workers**





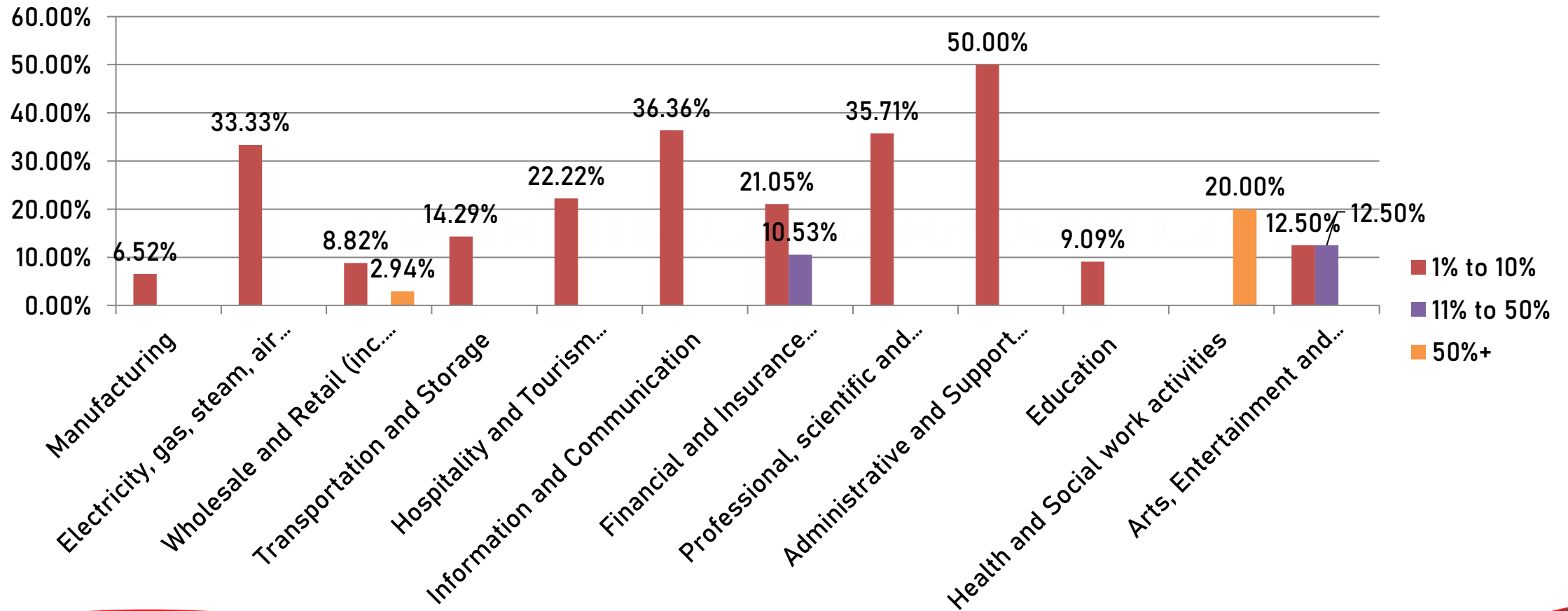
# Foreign workers in proportion to total workforce



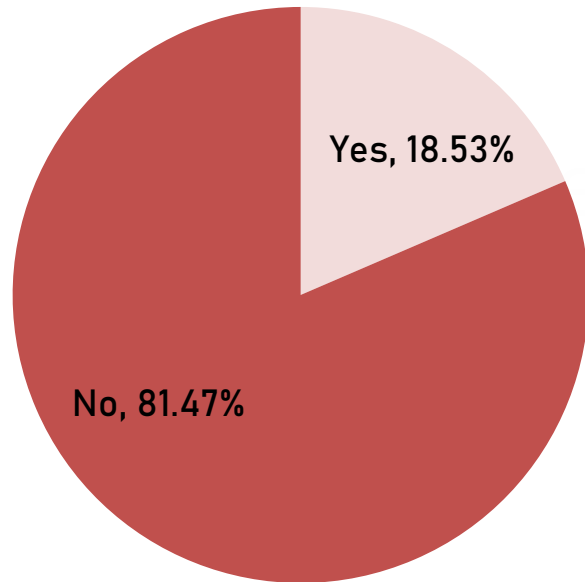
24% of business units have more than half of their workforce constated by foreign workers. This has increased from 14% in 2019.

Over 90% of business units depend to different extents on foreign workers

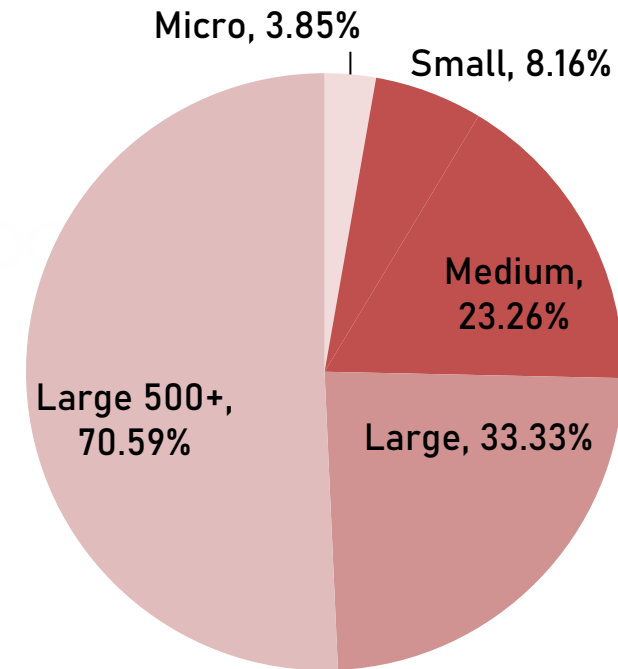
# Foreign workers by sector



# Business unit covered by collective agreements



This is in line with the latest information published by the DIER and has remained the same since 2019. Of those under collective agreement,

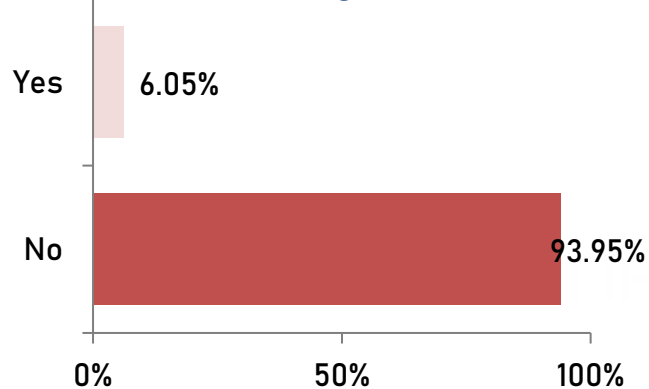


# WAGE INFLATION IN THE SHORT TERM

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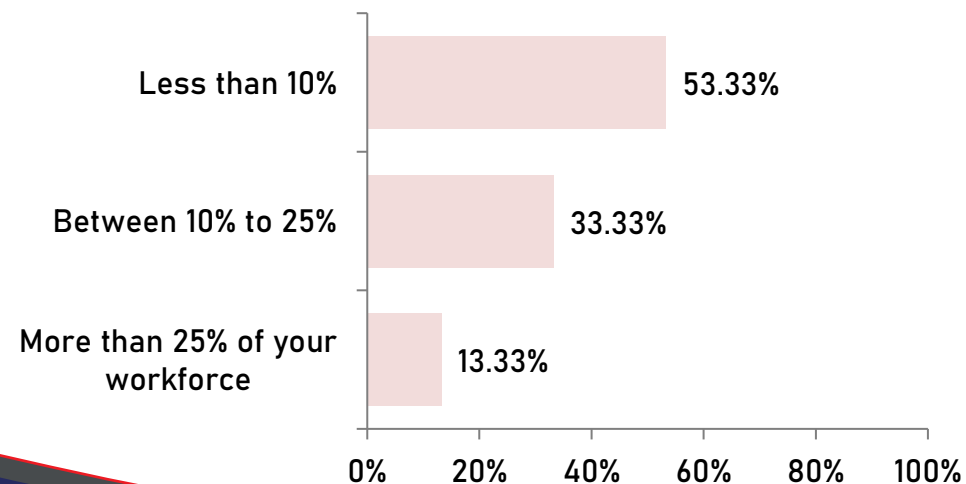
# Minimum and low wages

Do you have any employees on the minimum wage?

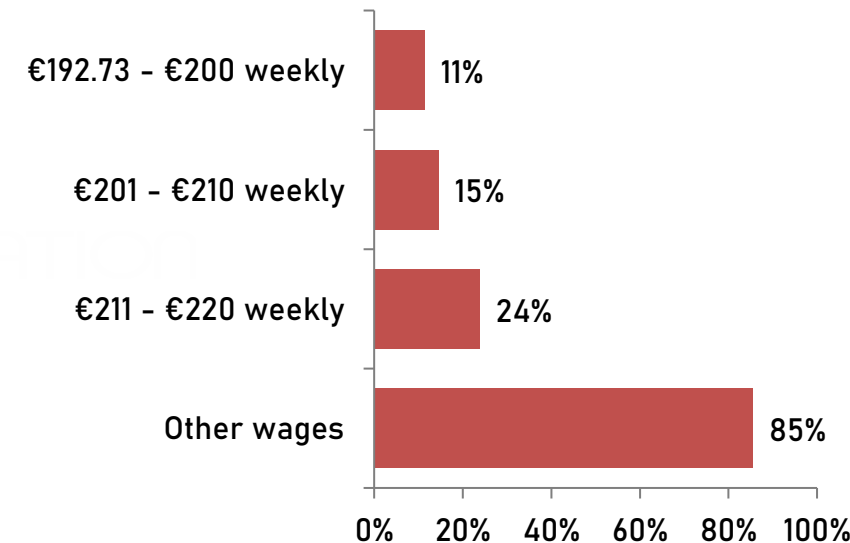


Thereby - the vast majority of respondents carry wage bills which depart from low or minimum wages.

If yes, what portion of your workforce?



Do your workers earn any of the below (choose relevant)?

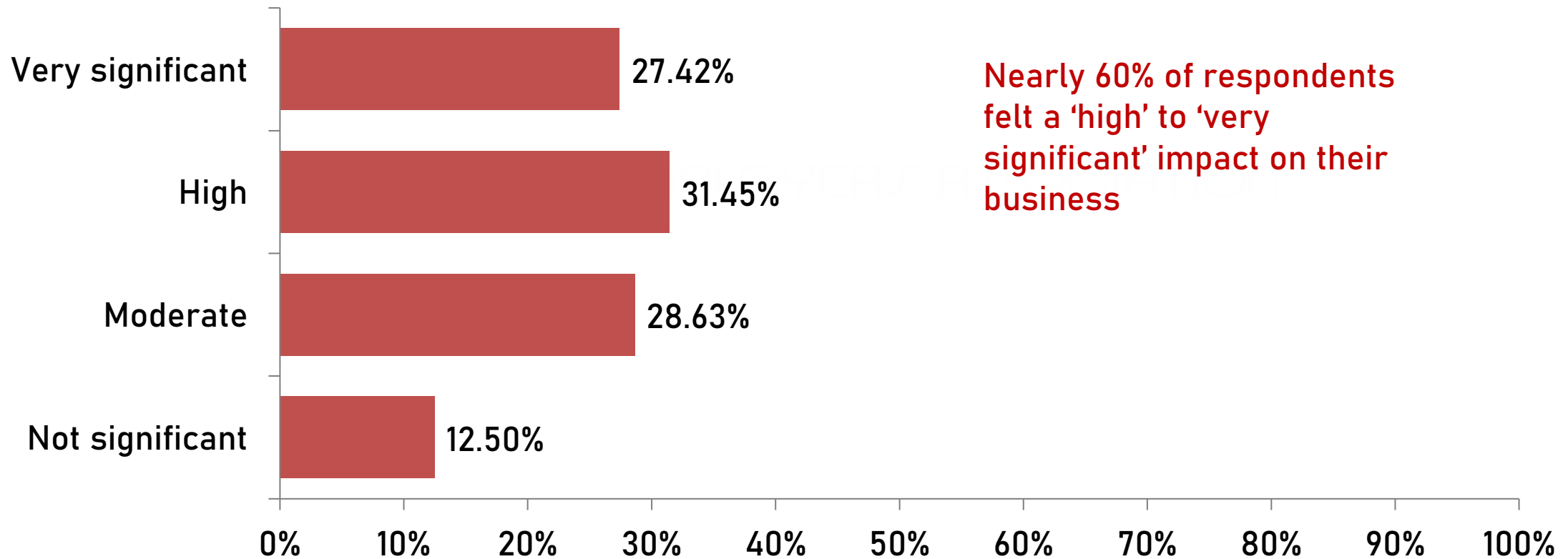


# Reasons for wage inflation in order of priority

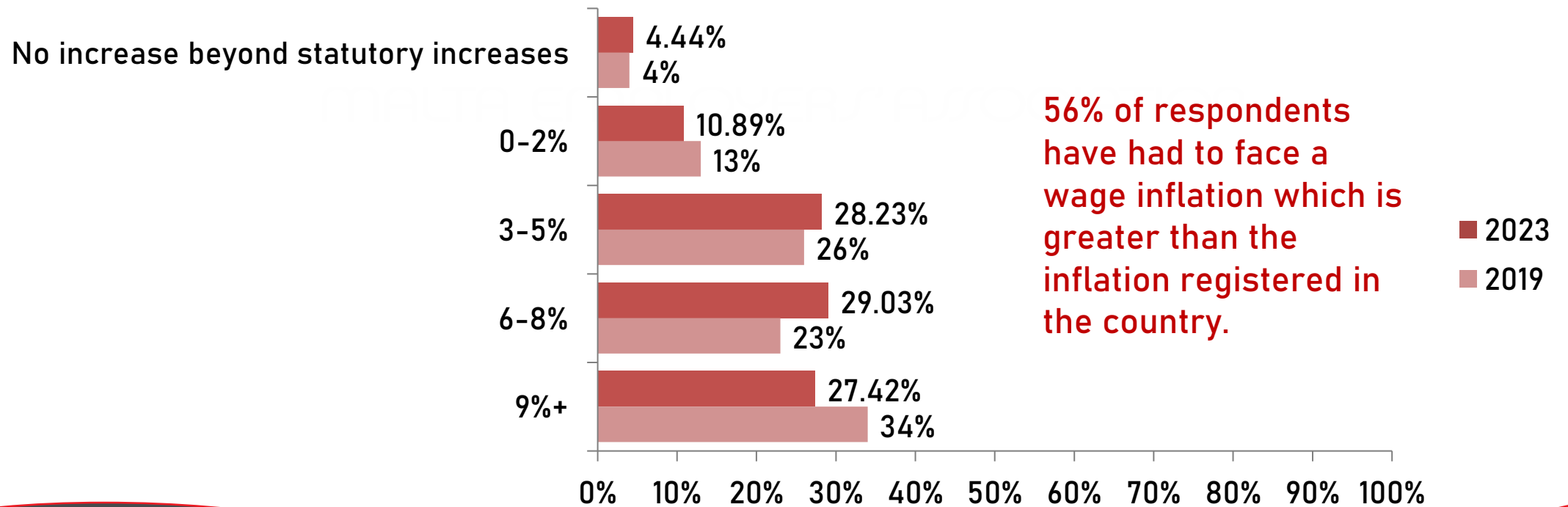


1. Labour market shortages
2. Increase in general living costs
3. COLA payments
4. Unreasonable expectations from candidates
5. Company profitability

# Impact of 2022 COLA payment of €9.90

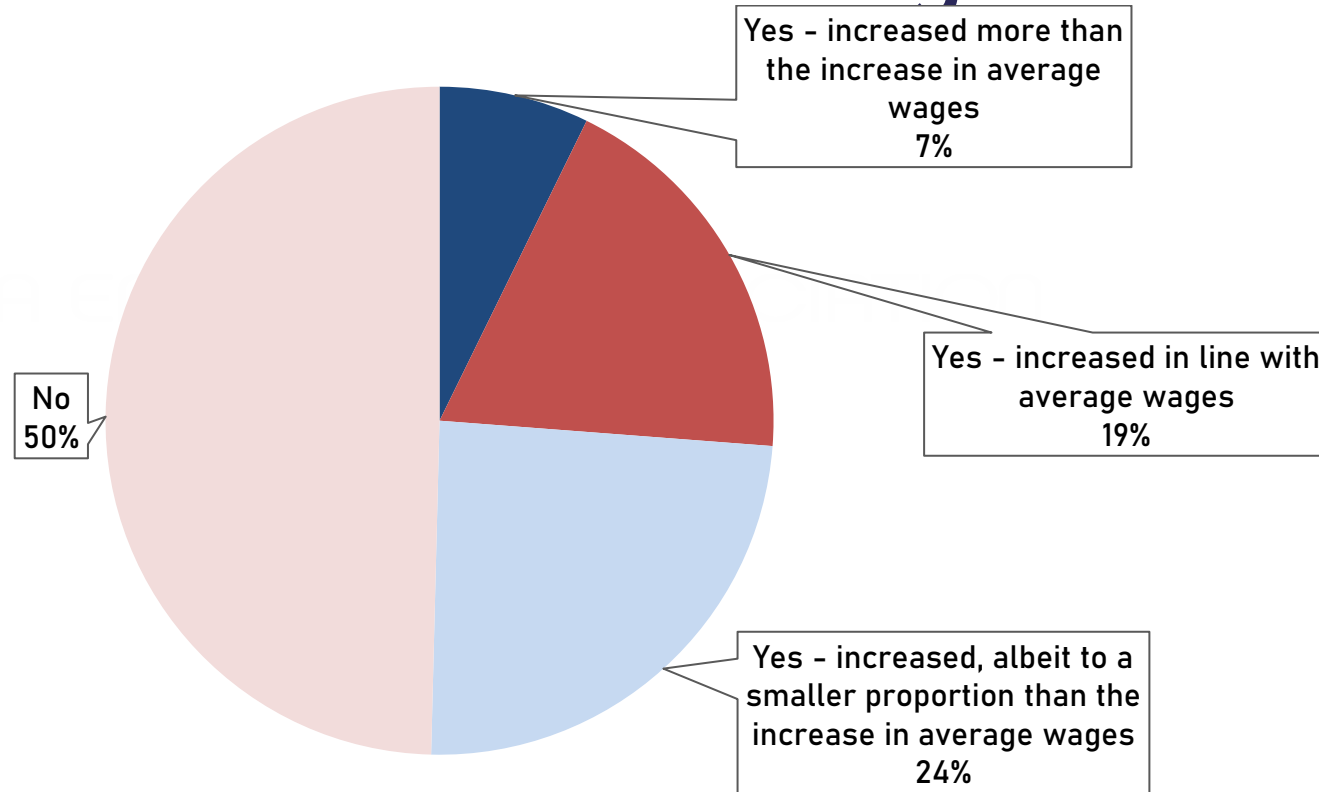


# Average wage increase per annum in the last two years (Inc COLA)

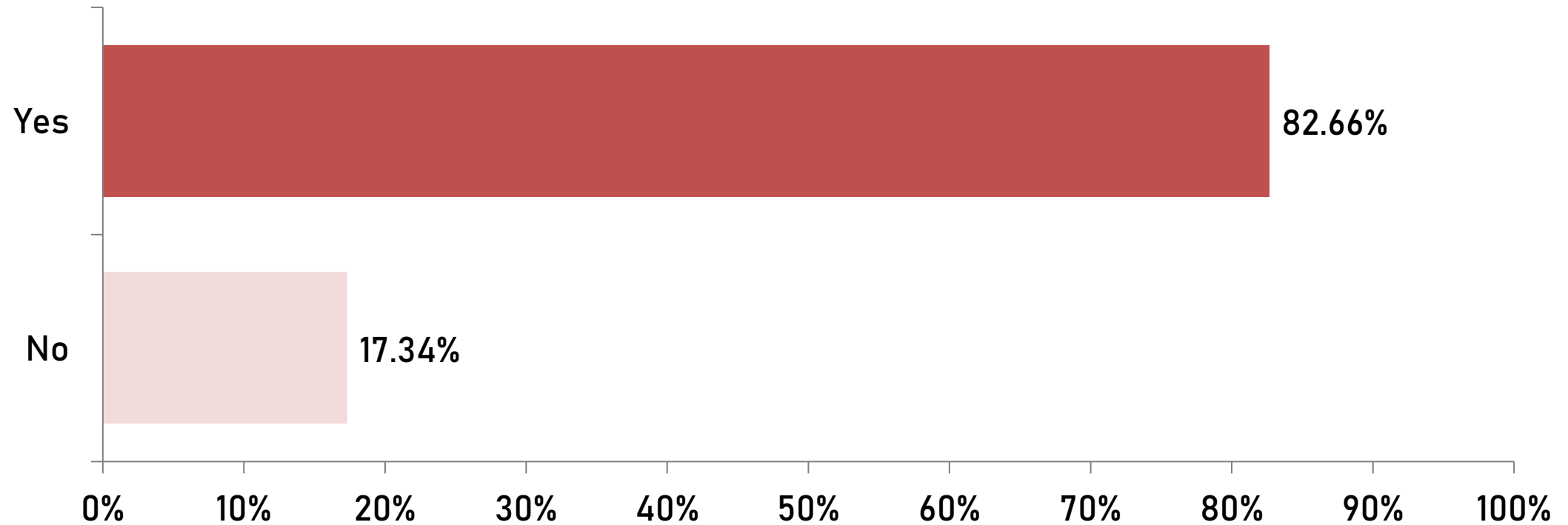




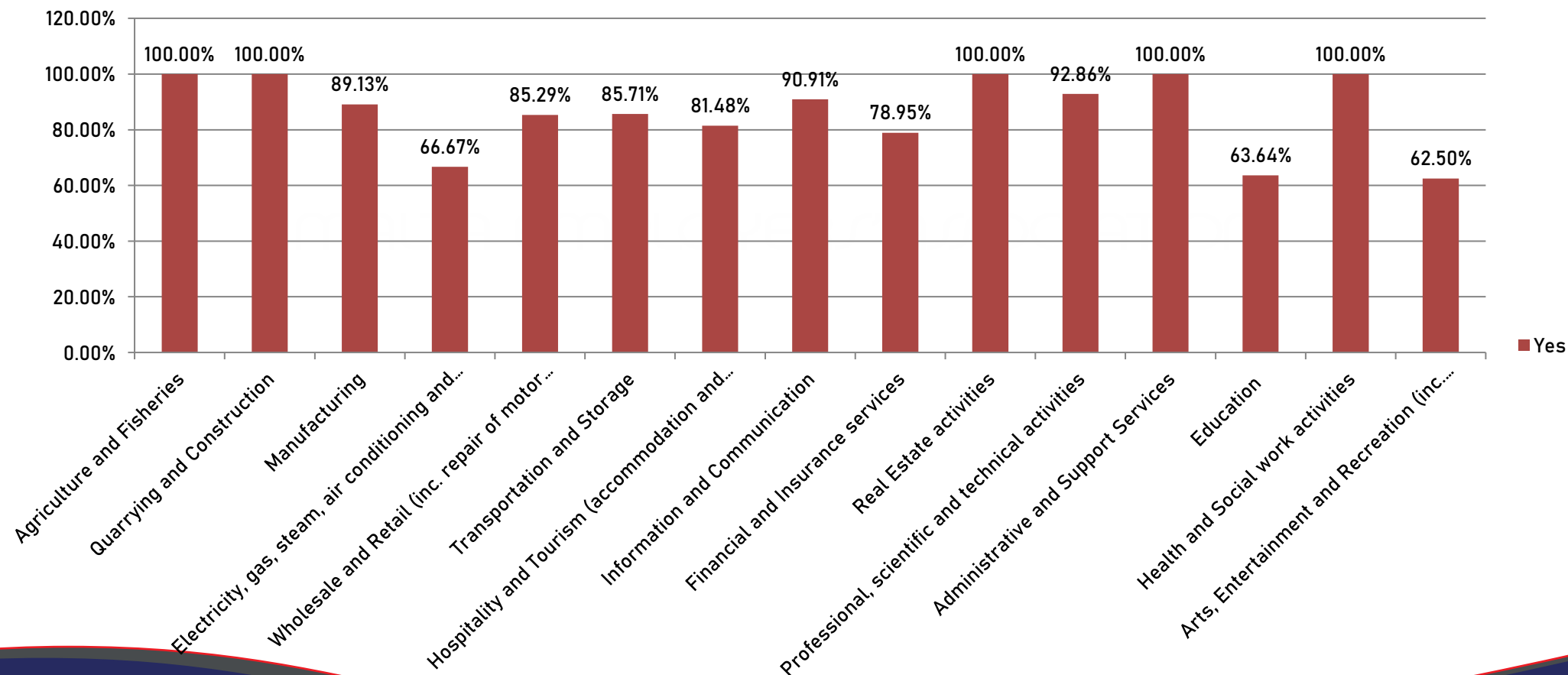
# Has productivity over the past two years increased in line with wage increases?



# Impact of labour costs on competitiveness



# Impact on competitiveness by sector



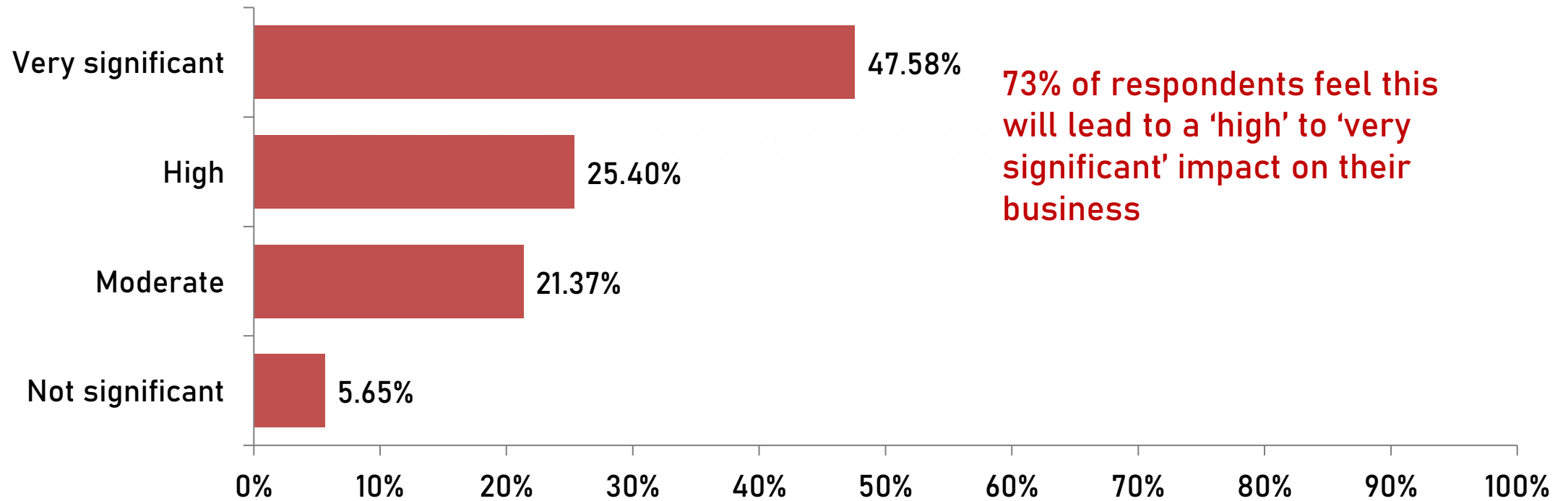
# Ways in which wage inflation is being mitigated in the short-term

1. Increasing the price of services and products
2. Cost-cutting across other elements related to the cost of sales
3. Investing in increasing productivity
4. Consolidating business lines or divesting
5. Not recruiting further

# WAGE INFLATION IN THE LONG TERM

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# Impact of the projected 2023 COLA of €13 per week



# Ways in which wage inflation is being mitigated in the long-term

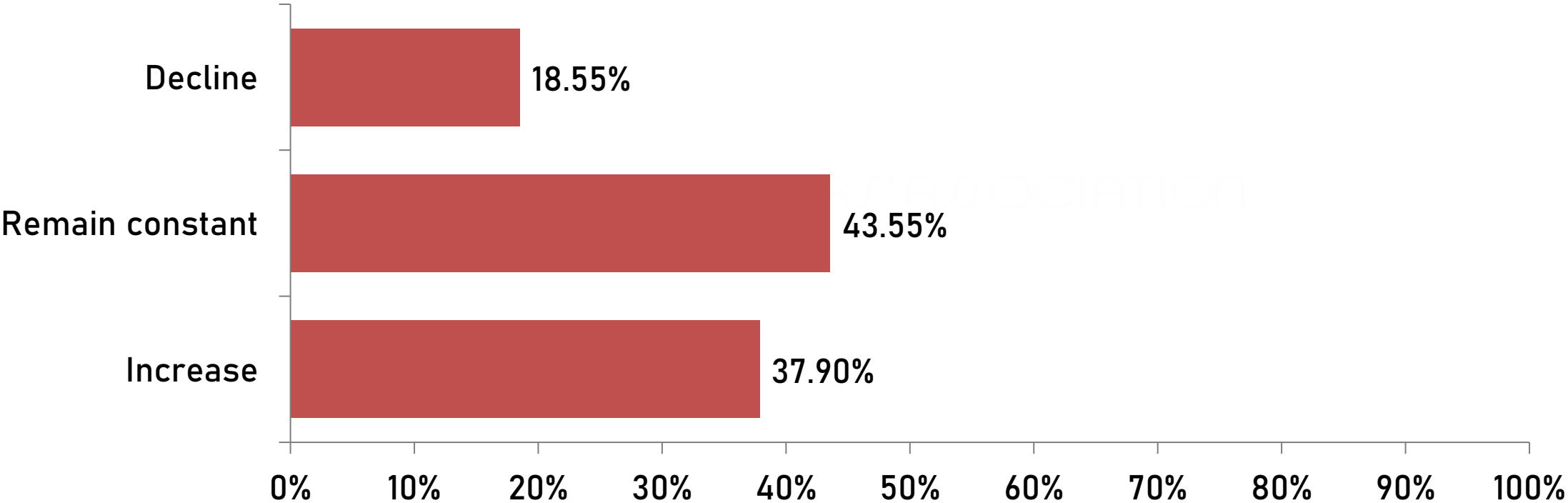
1. Increasing the price of services and products
2. Cost-cutting across other elements related to the cost of sales
3. Investing in increasing productivity
4. Consolidating business lines or divesting
5. Not recruiting further
6. Closing down or move away from Malta

# LABOUR FORCE

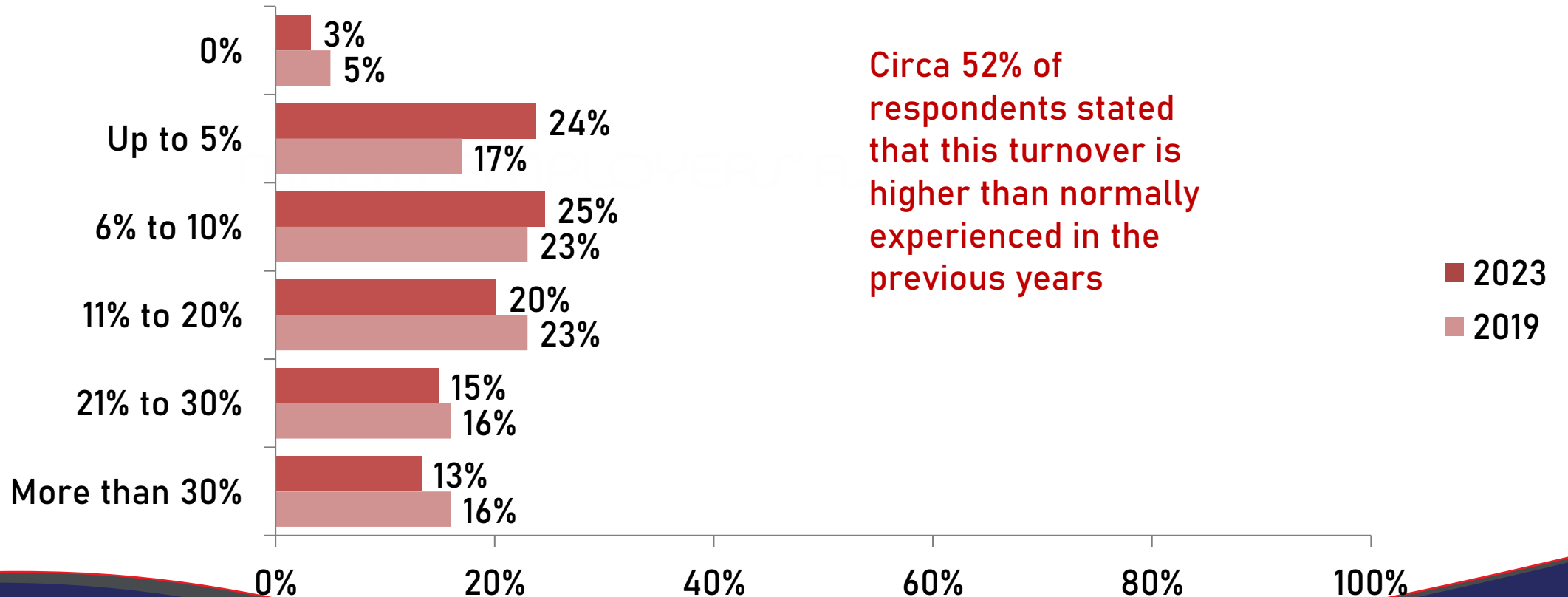
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# Size of workforce

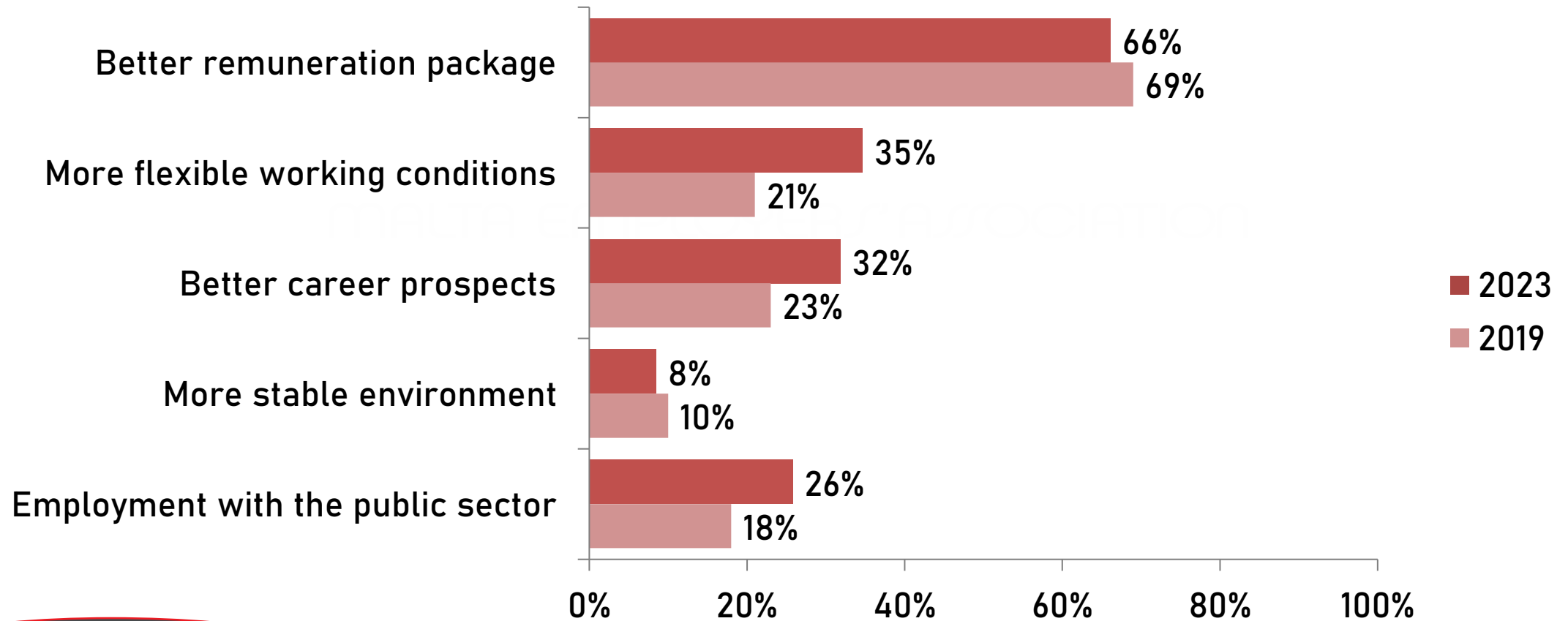


# Labour turnover over the past three years

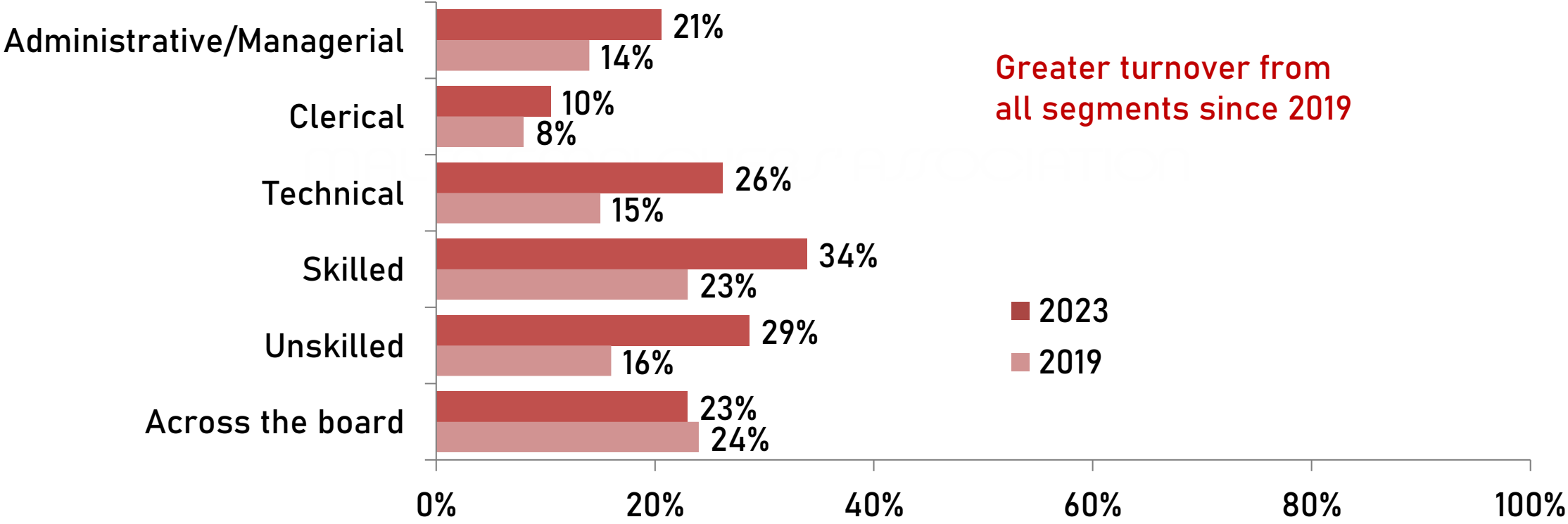


Circa 52% of respondents stated that this turnover is higher than normally experienced in the previous years

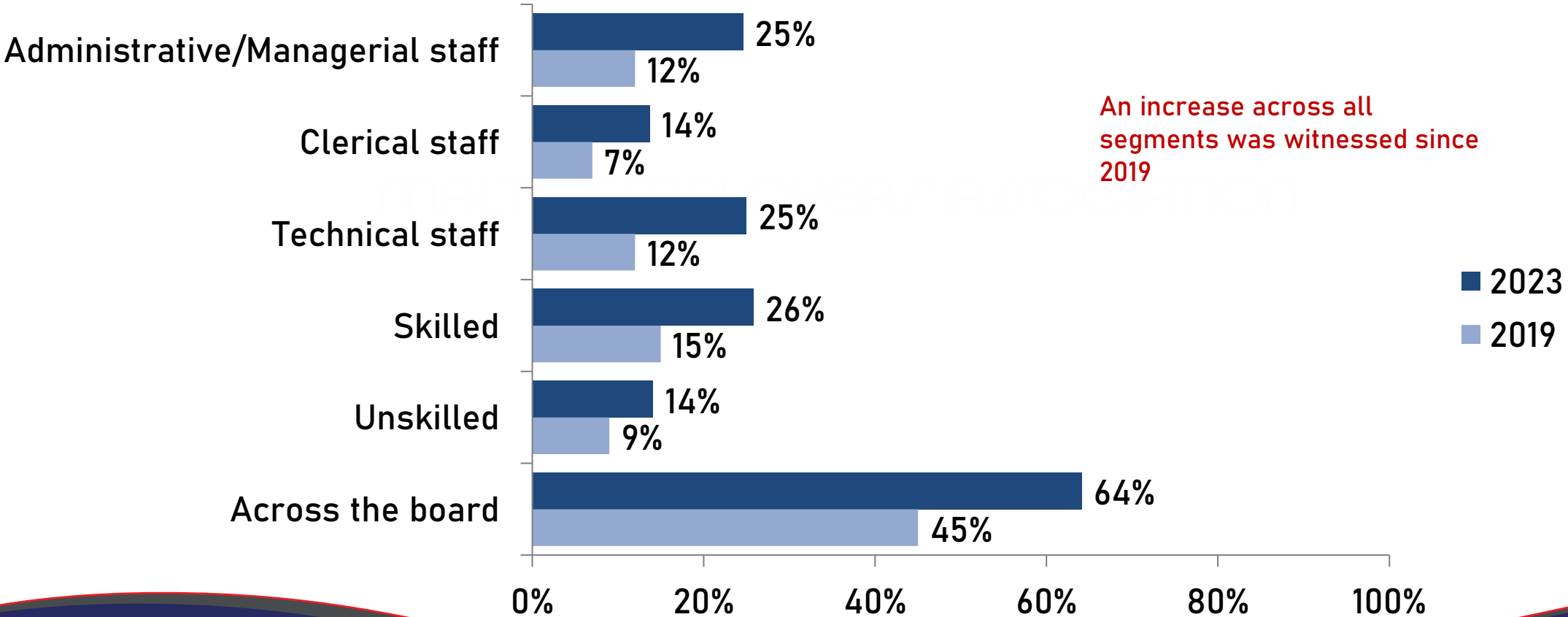
# Why a higher labour turnover?



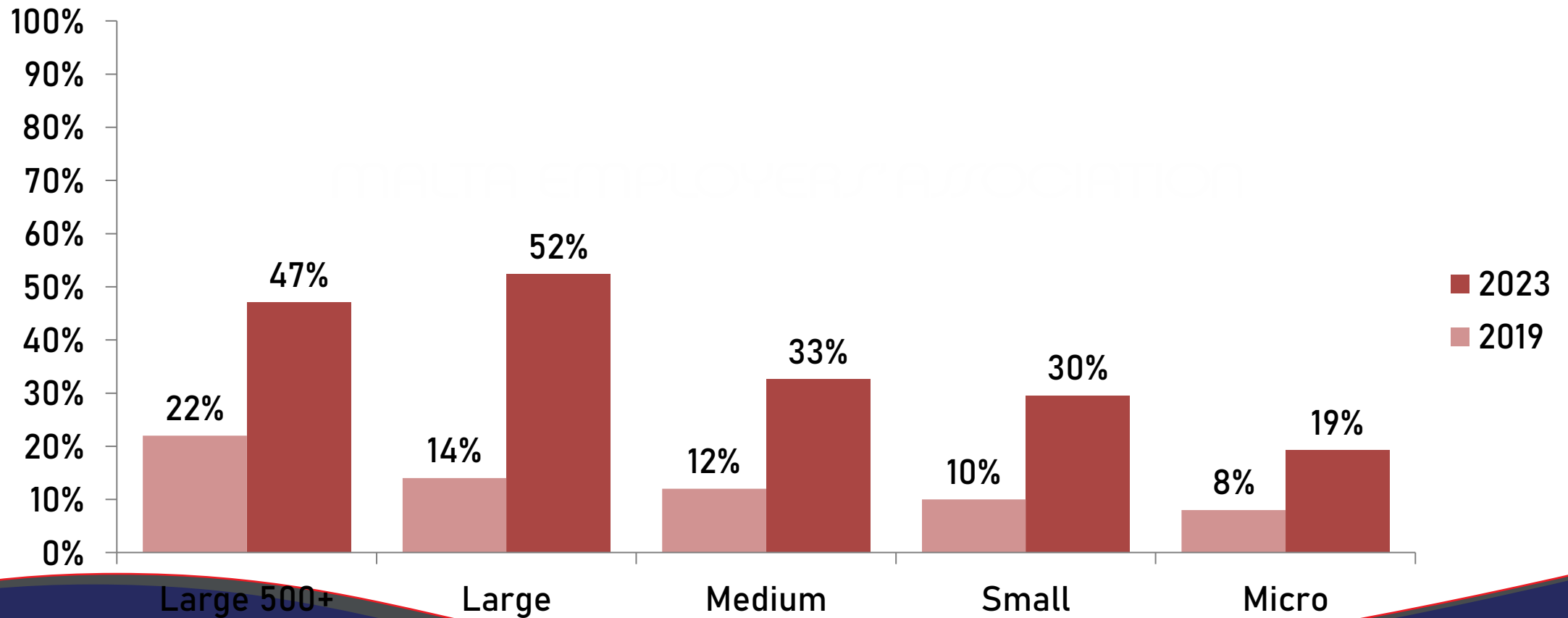
# Segment contributing to highest turnover



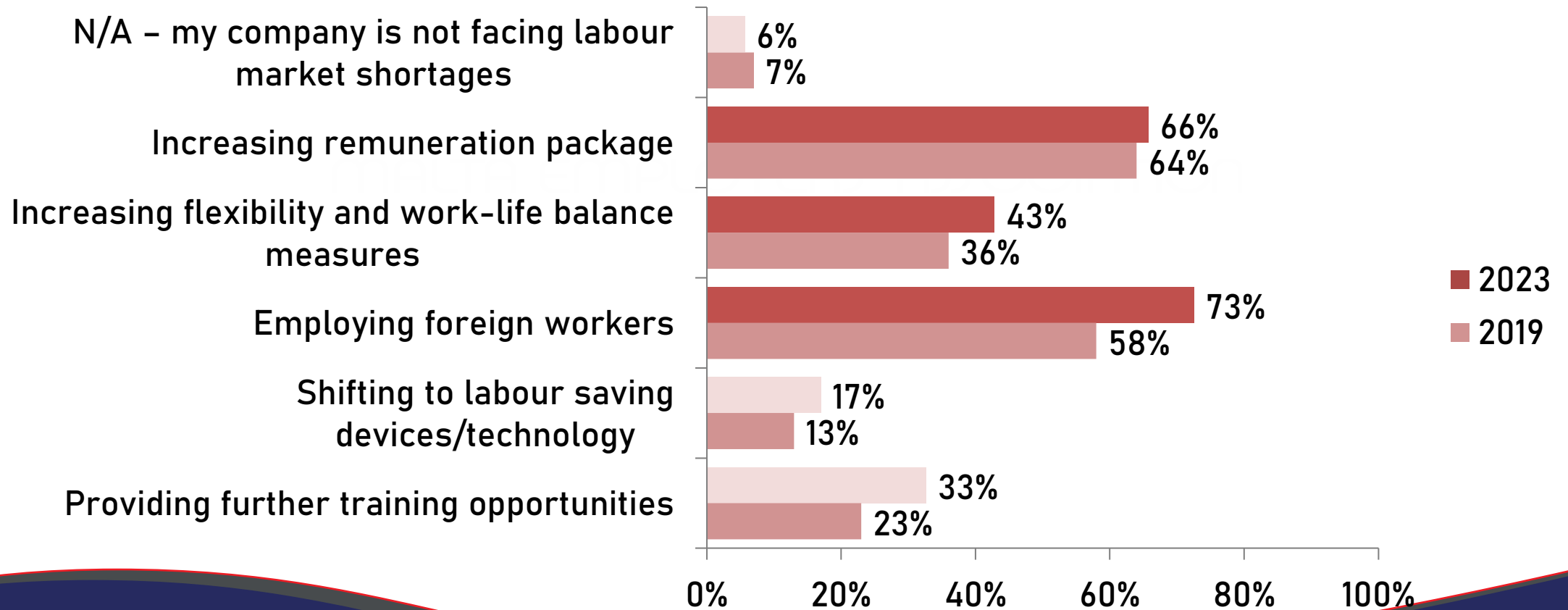
# Segment asking for higher wages



# Companies investing in training by size



# Dealing with labour market shortages



# Conclusions



1. Employers are still seeking to recruit further. Given the shortage of local human resources, these shall continue to need to resort to foreign labour resources. This shall continue to give rise to demographic challenges, as addressed by the Malta Employer's Association recently. Urgent action is to be taken on the type of population Malta will be facing over the medium to long term.
2. To partly mitigate against this focus on maintaining an ageing workforce for longer. This does not mean increasing the retirement age, but providing fiscal incentives for pensioners to remain active.



# Conclusions



4. Further investment in skills and education is required to give more knowledge workers to the labour force.
5. Increased demand for labour is to be spurred by productive demand, the public sector is to be cautioned in this regard. The rationalisation of resources is key.
6. The increase in wages is not being matched with an increase in productivity.
7. The problems caused by skills shortages, wage inflation and a weak infrastructure undermine the country's competitiveness

# Conclusions



6. Excessive labour turnover remains a critical issue for employers, which impacts focus on training, investments in innovation and technology and increased further the costs of sales.
7. A holistic national vision is required to re-engineer our economy.

# Thank you