

Undeclared work in Malta

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Opinion

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Malta's overarching concern is to step up efforts to tackle persistent labour market problems and increase the overall employment rate. Indeed, the slow growth in Malta's formal economy is a persistent phenomenon that remains the lowest within EU member state levels.

Government policy to encourage greater activity in the workforce may have limited success as efforts are needed to regularise undeclared work and to take action on the high level of benefit relative to the minimum wage so as to make declared work more attractive.

Although Malta holds no national data of workers in the informal economy in terms of size, activities, hours of work and trends, involvement in undeclared work is not necessarily low.

The extent of work in the shadow economy varies across industries, groups and classes, and many of those employed informally often practice the same profession within the formal economy. This is evident in private tuition, repairs and book-keeping, as well as in domestic work and the retail trade.

In industries such as hotels and restaurants, adjustments for undeclared work follow a seasonal pattern and, during the high season, which is underway as I write, unreported work increases substantially – especially for women and people below the minimum working age.

Indeed, there is an ingrained culture of informal work in Malta, which is especially active among men who may also be registering for work, and abusing a benefit system where reinforcement of obligations and imposition of penalties in the event of non-compliance in formal market work may be weak.

Moreover, not enough attention is paid to problems related to discrimination in employment of disadvantaged groups, such as undocumented migrants.

Clearly in need of effective active inclusion policies are migrants and ethnic minorities living in Malta, who are often a source of cheap labour in the informal economy with no entitlement to benefits in case of sickness or injury at work.

Exploitation and abuse are common practices, and many undocumented migrants and ethnic minorities continue to face discrimination when accessing jobs, in the level and quality of work and in payment.

For instance, people on humanitarian protection need their employer to apply for work permits, which leads to a very clear temptation to cut corners, not apply for such permits, and employ migrants and ethnic minorities at a low rate of pay if at all.

It is high time that enforcement by the state is stepped up to ensure people are employed legally, and policies which enforce minimum conditions set out by employment law are respected.

Additionally, effort must be directed to the implementation of flexicurity so as to allow for flexible contractual arrangements, reduce labour market segmentation, and discourage undeclared work.

In addition, further approaches towards flexicurity should include active labour policies, reliable and responsive lifelong learning, and an approach to social security, which combines the provision of adequate income support, and incentives towards work effort.

There is a need for further policies related to making work pay, effective gender equality measures, and family policies that include both the public and private sectors.

Arguably, gender mainstreaming is still on paper in Malta. There is no organisational infrastructure that has a clear focus on gender equality.

Malta's strategies for increasing labour market supply include wage subsidies, training programmes, work exposure and schemes that are largely gender neutral.

Moreover, active inclusion measures lack an explicit gender perspective that addresses the needs of vulnerable groups who require adequately tailored training possibilities for improving their adaptability and employability.

Malta's claims to gender equality and women's participation in the labour market cannot be sustained without a plan for a national childcare policy.

Making work pay is an important challenge that needs to be addressed with urgency. Further reform of the tax benefit system is required such that the gap between minimum wage and benefit levels is less of a disincentive to work.

For example, social assistance, coupled with any supplementary allowance and other state support, may indeed provide a higher financial return than the real net earnings of a minimum wage that is linked to national insurance contribution and income tax. And the people know it. Which way are Malta's policymakers looking?

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