THE ECONOMIC SITUATION IN GOZO
Statistical Findings and Opinions*

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1. INTRODUCTION

This article has two main sections. The first section presents data on the Gozitan economy, derived mostly from the NSO publications. The second section summarises the opinions of twenty-one Gozitan economic and social leaders expressed during face-to-face interviews that the present author conducted with these persons.

In what follows, the term “Maltese Islands” which includes Malta and Gozo, is written as MALTA (in uppercase letters), the term for “the island of Malta” is written as Malta (upper and lower case letters), and the term for “Gozo and Comino” is written as Gozo.

2. STATISTICAL FINDINGS

Population statistics

Figure 1 shows that the population of Gozo, which amounted to 31.4 thousand in 2013, was about 7.4% of that of MALTA. The table also shows that this ratio tended to decrease slightly between 2010 and 2013. The proportion of males and females on both islands was approximately equal.

Gozo has a higher proportion of older persons and of teenagers than Malta as can be seen from Figure 2. However the proportion of Gozitan teenagers is likely to change as in recent years the birth rate in Gozo was lower than that of Malta.

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1 The data was retrieved from the NSO sources as follows:
Gozo’s share of GDP

In 2014, the Gozitan GDP amounted to €409.9 million, whereas that of MALTA amounted to €8160.1 million indicating that the share of GDP generated in Gozo was 5.1%, as shown in Figure 3. This means that the proportion of Gozo’s GDP was lower than the population proportion. This could be real or could be due to the possibility that the informal economy in Gozo is relatively larger than that of Malta. The share of Gozo’s GDP has tended to decrease slightly since 2009, as shown in Figure 3, due to faster growth rate in Malta.

However agriculture, construction and real estate in Gozo generate a proportionately higher contribution to the economy of the island when compared to the share of these sectors in the economy of Malta, as shown in Figure 4. Tourism, which contributes to the economy of Gozo more than it does to the economy of Malta is part of the GHI and RSTU industries and is not shown separately in Figure 4. Thus although overall the share of GDP per capita is lower in Gozo than it is in Malta, the share of these three broad industry groupings is relatively higher in Gozo per capita.

Income

Gozo’s GDP per capita was about €13,000 in 2014, which amounts to about 69% of Malta’s, as shown in Figure 5. This could be partly explained by the fact that wage rates per hour in Gozo tend to be lower than those earned in Malta in any given industry and also because the higher dependence on agriculture, construction and tourism is likely to translate itself into a higher proportion of low-paid jobs.

The percentage of the population at risk of poverty in Gozo was higher than that pertaining to the average for Malta in 2013 (as shown in Figure 6), although it is lower than that of Malta’s Southern Harbour region. According to NSO statistics the relative difference between Malta and Gozo in this regard tended to vary over time.

Employment

Average full-time employment between 2010 and 2014 was 154 thousand in Malta and Gozo, of which 9.3 thousand were employed in Gozo. Figure 7 shows that the employment share of Gozo was 6.1% of that of MALTA, which is lower than the proportion of the population.
In Gozo, public sector employment is almost one-and-a-half times as large in relative terms, as that of Malta, as shown in Figure 8. Public sector employment in Gozo has tended to increase at a faster rate than that of Malta.

Between 2010 and 2014, most growth in full-time employment in Gozo occurred in the private sector, although there was substantial increase in public sector employment as well. Public sector employment between 2010 and 2014 grew faster than private sector employment in Gozo. However, overall, in Gozo, the growth of employment was slower than Malta’s.
Between 2010 and 2014, the proportion of self-employed workers in Gozo was markedly higher than that of Malta, as can be seen from Figure 10. This possibly reflects the importance of small family owned businesses in Gozo, particularly in agriculture.

During the same period, the share of part-time employment as a primary job was higher in Gozo when compared to Malta as a percentage of all those in employment as primary job as shown in Figure 11.

Figure 12 shows that there were more women than men who worked part-time as a primary job in Malta as well as in Gozo. In the case of part-time work as a secondary job, there were more men than women on both islands.

Figure 13 shows that the labour force in Gozo has increased by about 900 (about 2.5% annually) between 2010 and 2014. As a result the participation rate in Gozo (employed and unemployed persons as a percentage of the working age population) has
also increased during the same period, but remains much lower than that of Malta.

The unemployment rate is much higher in Gozo than it is in Malta as can be seen from Figure 16. It hovered around 7.2% between 2010 and 2014, but decreased to 6.9% in 2014.

Education

The number of University of Malta and MCAST graduates per thousand population has more than doubled between 2010 and 2014 in Malta and Gozo, with Gozo registering a more rapid increase, as can be seen from Figure 17.

In relative terms, there were more Gozitan graduates than Maltese in 2013/14 at MCAST as well as at the UoM. However many Gozitan graduates end up working in Malta due to lack of job opportunities in Gozo.

On an annual average, since 2010, there were about 1120 Gozitan students following courses at the UoM. About 70% of Gozitan students since 2010 studied subjects related to commerce, law,
education and health, as shown in Figure 18. A large proportion of graduates in these subjects are not likely to find employment in Gozo and opt to work in Malta or abroad.

The questions asked to the respondents are presented in the Appendix. The questions related to the general political environment, the economy, employment and the links between Malta and Gozo. The respondents were informed by the present author that their names would not be divulged.

3. INTERVIEWS WITH POLITICAL AND SOCIAL LEADERS

The interviews

During the week starting 12 October 2015, the present author conducted interviews with 21 Gozitan economic and social leaders to seek their views about the current economic and social situation in Gozo. No interviews were conducted with persons involved directly in politics. This was not a scientific opinion poll and the selected interviewees were persons who the present author considered to be highly influential in the Gozitan economic and social life.

The general political environment

The respondents were asked to state their views on political governance in Gozo. Fifteen respondents stated that overall political governance on the island was satisfactory. However, most of these respondents expressed the view that although many plans and mission statements have been drawn up for Gozo, a long-term social and economic development strategy for Gozo has never been satisfactorily implemented and this problem has been ongoing under successive governments.

Nineteen respondents commented on the fact that government representatives in Gozo tend to micro-manage, with some stating that this was needed to ensure that things are done while others felt government representatives tend to micro-manage for political mileage.

The general economic environment

When asked to express their views on the economic situation in Gozo, sixteen respondents felt that overall the Gozitan economy was progressing fairly well, although incomes generated in Gozo were lower than those generated in Malta and unemployment was relatively higher than that of Malta.

A major economic problem in Gozo identified by eighteen respondents was that a large number of Gozitan young people seek employment outside the island and therefore more pro-active measures are needed to reverse this trend. A problem that was often mentioned by respondents related to the outflow of graduates from Gozo to Malta, due to lack of job opportunities. This is considered to be a very worrisome problem mostly because Gozo could eventually be depopulated of its brightest sons.

Another problem mentioned by thirteen respondents again related to the lack of long-term economic strategy by political decision makers, and this was considered to have led to excessive dependence...
on tourism, low paid and precarious jobs, and to a situation where the island now has too many eggs in one basket.

The education system

Sixteen respondents stated that the educational system was, overall, satisfactory. However, thirteen of these felt that, principally at secondary level, education in Gozo is somewhat divorced from Gozitan economic and social realities.

In this regard, respondents mentioned that very little, if at all, was being done to prepare future workers for entrepreneurship in agriculture so as to exploit the agricultural potential on the island, and that a one-size fits all educational approach for Malta and Gozo neglects the fact that Gozo has special needs. The education system should take these needs into account.

Fourteen respondents were of the view that an incentive scheme should be put in place to encourage tertiary education students to follow studies associated with the particular needs of Gozo, including entrepreneurship and innovation in agriculture, IT and tourism.

As the situation stands at present, these respondents argued, most tertiary education students are not likely to find a job in Gozo. The end result will not only be depopulation of Gozo but also a decline in consumption expenditure of those young people who “emigrate” to Malta.

Permanent fixed link between Malta and Gozo

The attitudes towards a permanent fixed link between Malta and Gozo (bridge or tunnel) differed markedly between respondents.

Fourteen respondents were in favour of (or not against) the fixed permanent link, arguing that this would encourage Gozitans to continue living in Gozo, given that even if one works in Malta it would be feasible, in terms of gained time and reduction of discomfort, to work in Malta and live in Gozo.

Also, with a fixed link, commuting for business meetings will take a shorter time and will reduce discomfort for business people. A fixed link could also reduce the disadvantages of manufacturing firms in transporting materials to Gozo and some such firms could locate in Gozo, reducing the downsides associated with Gozo’s double insularity.

All respondents in favour of a fixed link said that such a link should be accompanied by proper
infrastructural planning as otherwise it will cause traffic chaos. In addition these respondents argued, the tolls should not be prohibitive.

Seven respondents were of the view that the fixed link would be harmful to the Gozitan economy as this could reduce stay-over tourists and would also encourage more Gozitans to seek jobs in Malta. The fixed link could also harm the image and charm of Gozo as a small island. Three of these respondents were of the view that a fixed link would not be feasible economically and might lead to high tolls (charges) for those who use it.

One respondent said that a fixed link would be a sign of failure in that it would signal that Gozo has given up hope of generating jobs on the island.

The sea-link between Malta and Gozo

Eighteen respondents stated that the sea link between Malta and Gozo is suitable for tourists and leisure visitors, and that such a service is generally efficient and reliable for such people.

Most of these same respondents argued that the current sea link is however, not suitable for students, workers and business people who need to travel to Malta, as there is too much waste of time waiting on the quays. A fast link between Gozo and Valletta and Sliema is needed for this purpose. These same respondents argued that a catamaran service, similar to the one that was discontinued some years back, is needed in this regard.

The air link between Malta and Gozo

Eighteen respondents stated that an air link (small aeroplane or helicopter) with Malta would be beneficial for Gozo, mostly because this would reduce the discomfort for travellers associated with landing in Malta from abroad and then having to take road and sea transport to Gozo. In addition the travel time needed for business meetings in Malta by Gozitan entrepreneurs would also be reduced.

Some of these respondents expressed the view that a possible fixed-wing connection with Sicily could also attract better quality tourism to the island from the continent.

Four respondents stated that a fixed-wing connection would require a runway which could harm the environment.

Mismatches in the labour market

Fourteen respondents explained that the catering sector often finds it difficult to attract Gozitan
employees and has to employ foreign persons for two main reasons, namely (1) catering establishments including hotels often pay low wage rates and (2) the workers are expected to work long hours, sometimes on the basis of an unpredictable time-table. Also, due to seasonality, job security in the tourism sector is weak.

However six respondents, including those with an interest in the tourism sector, said that the problem lies in the fact that Gozitan young persons without tertiary education prefer jobs with the government, where they could work five-days a week and have free evenings, whereas catering jobs often require weekend and evening work.

The temporary employment scheme

Fifteen respondents, when commenting on the temporary 5-month employment scheme launched by the Ministry for Gozo, stated that the purpose of this scheme and an earlier scheme could have beneficial effects as it could provide some training to participants and also could improve cleanliness in Gozo.

However seventeen respondents were of the view that the scheme may have various downsides, including that it may send the message that this is an opportunity for public sector employment.

Some respondents said that some participants in this scheme left their private sector job in order to join the scheme, hoping to land a permanent government job.

Ideas to generate jobs in Gozo

When asked to suggest measures as to how employment could be generated in Gozo, various ideas were put forward.

Nineteen respondents were in favour of the government offering strong fiscal incentives to attract investment in Gozo, given the current disadvantages of locating on the island. In this regard the success story RS2 p.l.c, was mentioned, where the company has invested €1 million to extend its Mosta Office in Gozo and in two years it will employ 100 workers.

Niche tourism was also mentioned in this regard. Four respondents stated that if Gozo wished to develop medical tourism it has to attract the best doctors and other medical practitioners, and should be prepared to pay high remuneration rates to attract such specialists. This would render Gozo attractive for medical and rehabilitation services.

Fourteen respondents commented on the fibre-optic connection, which, they stated, was greatly needed if Gozo is to develop its IT operations and attract large scale investment in IT-based services. This link was promised but nothing has been done so far in this regard (possibly because it is very costly).

Another idea mentioned by three respondents included the creation of a separate Gozo organisation to attract investment, working closely with Malta Enterprise, as is the case in tourism, where the Gozo Tourism Association works closely with the Malta Tourism Association. Some respondents stated that Malta Enterprise does not do enough to encourage investment in Gozo.

4. CONCLUSION

From the statistical evidence produced by the NSO it emerges that in Gozo the unemployment rate is higher, income per capita is lower and the proportion of employment in the public sector is higher, when compared to the situation in Malta. These differences would probably have been more pronounced had the Gozitans who found employment in Malta had opted to seek employment in Gozo.

From the interviews carried out by the present author with social and economic leaders in Gozo, it emerged that there is a general perception that there is no clear strategic social and economic direction, that this has been an ongoing problem with successive governments, and that government representatives tend to micro-manage, with positive and negative effects.

A proposal that was very forcefully made by most respondents is that the government should put in place strong fiscal incentives to attract investment in Gozo, as a pro-active measure to reverse the trend of young persons seeking employment outside Gozo.
### APPENDIX: THE INTERVIEW QUESTIONS AND THE RESPONSES

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<th>Question</th>
<th>Main responses (numbers in brackets refer to number of respondents)</th>
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| 1. State your views on political governance in Gozo                       | • Overall political governance in Gozo is satisfactory (15).  
• The government representatives tend to micro-manage, to ensure that things are implemented (6).  
• The government representatives tend to micro-manage, to gain political mileage (13).  
• Although various plans and mission statements have been drawn up for Gozo, government representatives do not in practice implement a long-term strategy relating to social and economic development of Gozo (13). |
| 2. State your views on the economy of Gozo                               | • The Gozitan economy is progressing fairly well (16)  
• More pro-active measures are needed to reverse the current situation where a large number of Gozitan young persons are seeking employment outside the island (18).  
• The economy depends excessively on tourism, low paid and precarious jobs, and to a situation where the island now has too many eggs in one basket (13). |
| 3. State your views on the educational system in Gozo                     | • The educational system in Gozo is overall satisfactory (15)  
• Mainly at secondary level, the education system is divorced from Gozitan realities (13).  
• An incentive scheme should be put in place to encourage tertiary education students to follow studies associated with the particular needs of Gozo, including entrepreneurship and innovation in agriculture, IT, and tourism (14). |
| 4. State your views on the fixed link between Malta and Gozo               | • The fixed link is needed as it improves connectivity between Malta and Gozo and this will benefit Gozitan students and business people who visit Malta island frequently (14).  
• The fixed link would be harmful to the Gozitan economy as this could reduce stay-over tourists (7).  
• The fixed link would be harmful to the Gozitan economy as it would encourage more Gozitans to seek jobs in Malta, to the detriment of the Gozitan economy and could lead to depopulation of the island (8).  
• The fixed link could harm the image and charm of Gozo as a small island (8).  
• The fixed link would not be feasible economically and might lead to high tolls (charges) for those who use it (5). |
| 5. State your views on the current sea link between Malta and Gozo         | • The sea link between Malta and Gozo is suitable for tourists and leisure visitors, and such a service is generally efficient and reliable for such people (18).  
• The current sea link is however, not suitable for business people, workers and students, as there is too much time wasting waiting on the quays. A fast link between Gozo and Valletta and Sliema is needed for this purpose (19). |
| 6. State your views on the possibility of an air link between Malta and Gozo | • An air link between Malta and Sicily would be beneficial for tourism in Gozo (18).  
• A fixed-wing connection with Sicily could also attract better quality tourism to the island from the continent (15).  
• A fixed-wing connection would require a runway which could harm the environment (4). |
| 7. State your views on job mismatches in Gozo | • Even though considerable unemployment exists in Gozo, the catering sector often finds it difficult to attract Gozitan employees and has to employ foreign persons because catering establishments including hotels often pay low wage rates and the workers are expected to work long hours, sometimes on the basis of an unpredictable time-table. Also, this is due to seasonality, leading to weak job security in the tourism sector (14).  
• The problem lies in the fact that young people prefer jobs with the government, where they could work five days-a-week and have free evenings, whereas catering jobs often require weekend and evening work (6). |
| 8. Do you approve of the 5-month temporary employment scheme launched by the Ministry for Gozo. What is the main reason for this? | • The purpose of this scheme and an earlier scheme could have beneficial effects as it could provide some training to participants and also could improve cleanliness in Gozo (15).  
• The scheme may send the wrong message that there are opportunities for public sector employment (17). |
| 9. State your views on what needs to be done to generate jobs in Gozo | • The government should offer strong fiscal incentives to attract investment in Gozo, given the current disadvantages of locating on the island (19).  
• Medical tourism in Gozo could generate considerable well-paid employment but in order to succeed the best practitioners have to be attracted by paying them high pay rates (4).  
• In Gozo there should be a separate organisation to attract investment, working closely with Malta Enterprise (3)  
• A fibre-optic connection is greatly needed if Gozo is to develop its IT operations and attract large scale investment in IT-based services (14). |

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