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The Maltese economy has been going through a process of restructuring facing the challenges of a globalised economy and the modernization of the labour market. Faced with the closure of practically all the local textile and garment firms together with that of other export-oriented manufacturing firms, Maltese policy makers had to seek higher value added investment in order to offset the job losses caused by this downturn.

Anticipating Malta's Labour Market and Skills Requirements¹

Manwel Debono

In line with this strategy, growth has been registered in pharmaceuticals, financial services, call centres and ICT. The construction and real estate sectors also increased their employment levels. A major challenge posed by this shift was the matching of the repertoire of skills of the Maltese workers with the new demands of the market. During the period 2004 and 2008, the number of persons in gainful employment increased by nearly 14,000. However, the inactivity rate registered only a slight decrease (standing at 41.2%) due mainly to a persistent high rate of women who are not in the economically active population. Of particular significance is the fact that the number of unemployed during this four year period decreased from 11,529 to 10,254, reducing the overall unemployed rate from 3.6% to 3% (NSO, 2004 and 2008).

Matching Supply with Demand

These figures suggest that the mismatch between the demand and supply of skills which may exist is not substantial. National Statistics Office (NSO) data also indicate that the percentage of persons registering for management, professional and technical jobs has been increasing notably, whereas the number of persons seeking elementary occupations is decreasing drastically (NSO, 2008). Nevertheless, the number of qualified persons is still not considered to be adequate to meet the human resource needs projected for the near future. It is estimated that to reach an activity rate of 70% by 2020, at least

1 A longer version of this article was submitted to the European Employment Observatory.

30,000 skilled persons need to be trained to take up the new jobs created while another 30,000 skilled persons will be needed to replace retirees in existing jobs (Sciberras, 2008). This target has to be reached within the context of an aging population and a low female participation rate, both of which will exacerbate the dependency ratio which at present is of around one retired person for every two persons employed. A net influx of workers in the labour market and higher productivity are needed to solve part of the equation. Another policy option is a substantial increase in the participation rates in education, translated into a higher level of intake beyond the school leaving age. By 2020, about 50,000 students are expected to join the workforce. Sciberras (2008) argues that, assuming Malta reaches its target of 85% participation rates in post-secondary education, 40,000 qualified young persons will enter the labour market between now and 2020. This would mean that at least 20,000 persons, who at present are inactive, will be integrated into the labour market in order to fill the 60,000 jobs which are being projected to be created. Foreign workers might also fill some gaps inherent in the Maltese economy. Finally, the lifelong learning policy has to be redesigned to attract a greater number of participants into continuous education. The percentage of adult persons participating in education and training at 5.5% in 2006 is much lower than the EU 27 average of 9.6% (European Commission, 2008).

Instruments for Labour Forecasting

The targets being set by these projections call for a refinement of our labour forecasting tools. The labour market statistics produced by the NSO provides useful instruments for analysing labour trends at national level. The NSO data, derived from scientific surveys based on international methodologies and criteria, is complemented by figures collected by the Employment Training Corporation (ETC) related to the prevailing employment situation. However this information tends to produce a snapshot of the present rather than a viable and reliable forecast of future skills needs. Every six months, the ETC used to publish *Employment Barometer* which provided a six-month forecast of possible skill gaps or occupations that reflected employers' needs. The utility of this tool was limited, as the six months prediction could only provide time to train persons for low skilled jobs, a sector, which is on the decrease. The barometer was discontinued in 2006.

Another exercise aimed at forecasting short-term employment needs in industry is carried by the Central Bank of Malta in its *Quarterly Surveys* among employers within the various economic sectors. Similarly, the Malta Federation of Industry (FOI) in collaboration with Pricewaterhouse Coopers compiles a monthly *Industry Trends Survey* based on a selected sample of local operators in the manufacturing industry. Respondents express their short-term expectations

on topics including their labour force needs. The FOI plans to start carrying out two other surveys, one about the construction industry and another one about the service sector.

The data provided by these initiatives can help towards a smoother transition to the new model of the labour market which is being envisaged. Malta's small size can facilitate its adaptation to the changing economic circumstances. However, small size also leads to fewer specialised resources. In contrast to larger countries, in Malta there are no publicly funded institutions set up specifically to anticipate economic change and monitor subsequent labour needs.

The forecasting of labour needs in particular sectors is often based on one-time *ad hoc* studies, sometimes forming part of new policy and strategy documents about a specific sector. The *Scoping Study on the Demand and Supply of ICT Skills in Malta* (published in April 2007) and the "*Study on Job Creation and Job Training in the Environment Sector*" (launched in June 2008) are cases in point. In November 2008, the Chamber for Small and Medium Sized Enterprises (GRTU) published the results of a survey forecasting the labour needs of the construction industry in the near future.

A clearer picture of the existing skills is needed to improve the forecasting of future labour demands. The Malta Qualifications Council (MQC) is working towards the validation and certification of the previously non-certified informal and non-formal education and training. This process should lead to the clarification of the skills gaps often faced by employers (MQC, 2008). Similarly, the Management Efficiency Unit has also prepared a skills profiling manual in order to serve as a guideline in profiling skills across the Public Service (Government of Malta, 2008, p.3).

However valid the collected data may be, it can hardly be used to extrapolate on long-term future needs. In an economic scenario where developments and unpredictable changes tend to occur at a fast rate, instruments for forecasting may not be highly reliable. Having said that, in recent years, in line with the EU policy of focusing on medium and long-term goals, attempts are being made to formulate and implement policies based on forecasts of future needs and challenges. The targets set by the Lisbon agenda and the proactive approach which it advocates have acted as an impetus for government to set longer terms objectives. Government's *Vision 2015* outlining Malta's goals, including the labour market ones, falls within this proactive approach. For example, investment in ICT skills has been increased with the realization that the present number of qualified persons in the ICT field would fall short of the number of jobs being projected as an outcome of the Smart City Project.

The European Social Fund (ESF) is being used by government in its proactive policy to anticipate labour market and future skill needs. Indeed, the *Operational Programme 2007-2013* co-financed by the ESF, refers to addressing skills mismatches as one of the areas of intervention under the priority “Invest in human capital to raise the employment rate”. This programme focuses on the need to strengthen career guidance services to address skills mismatches. A number of ESF-funded projects are already in progress. One example is the *Employability Programme* organised by the ETC, which mainly consists of initiatives aimed at strengthening the skills assessment system. Some ESF funds are also being used to address skills mismatches on the island of Gozo. Other substantial funds have been allocated to train career guidance officers, an important step in capacity building to anticipate future labour market and skill needs. The ETC is also collaborating with CEDEFOP, the European Agency that promotes the development of vocational education and training, on a project about *Systems for Anticipation of Skill Needs in the EU Member States*.

Capacity to Anticipate Skills Needs

Of course, whether these initiatives will improve the capacity to anticipate labour market and skills needs is a moot point. The size of the country affects the dynamics of the educational system and its links with the labour market. It is relatively easy to shift the interest of a large number of students to particular topics, as word travels fast, the demonstration effect acts as powerful incentive, and advertising campaigns can easily reach the whole population. This flexibility inherent in its small size is viewed as an important asset of Malta. However, such dynamics can also create difficulties in the capacity of educational institutions. This flexibility can also result in a surplus of people trained in one particular field, exceeding its labour market demand while creating undersupply in other fields (Borg, 2008). Such dynamics demand a more strategic approach and the use of more sophisticated tools for the forecast of future skills needs. The volatility of the current international economic system compounded by the recent global financial crisis has made such an exercise more problematic.

In such a scenario, the emphasis from the compulsory school stage up to the tertiary level of education should be on generic, transferable skills. Employers' associations agree on the need for “balancing vocational and higher general skills to improve investment climate and productivity” (Mizzi, 2008). On the other hand the Rector of the University of Malta recently expressed his wish of seeing students exposed more to creative arts and performance, science and technology, critical thinking and problem solving, entrepreneurship, and domestic and international current affairs (Camilleri, 2008). It is worthwhile noting that the amount of transition courses which can help one move from and into different jobs is still very low at university level.

Capacity building has to be translated in more investment in resources at the higher level of education, in lifelong learning and in continuous professional development. On its part, by cutting down on its own bureaucratic procedures, the Maltese Government would facilitate the uptake of European funds by non-state entities.

One-off studies whose brief is to anticipate labour market needs should be replaced by a multi-institutional framework, involving educational authorities, NSO, ETC and social partners. Single institutions, operating on their own, tend to lack the necessary material and human resources. The need for all stakeholders to “show a concerted effort to work together” to be in a better position to meet future skills requirements was recently highlighted by the Federation of Industry (Ellul, 2008). Social partners can contribute towards skills forecasting by helping to analyse better the impact of global changes on future skills needs (Mizzi, 2008). On its part the University can show a greater commitment and involvement in related research and development initiatives.

Trained career guidance professionals can also play a vital role in gathering and interpreting research, and subsequently provide valuable guidance to individuals. Towards this end the existing career guidance policy for compulsory schooling needs to be fully implemented. The last part in this jigsaw is the drafting and implementation of a lifelong career guidance policy.

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