

3.5 Long-Term Unemployment in Malta

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The ratio of long-term unemployed persons in relation to the unemployed population in Malta has grown considerably between 2008 and 2012. This article discusses major factors driving transitions into and out of long-term unemployment, and state policies being implemented to prevent and tackle long-term unemployment.

Introduction - Recent trends

The Labour Force Survey (LFS) indicates that there were about 12,000 unemployed persons in Malta in 2012, resulting in an unemployment rate of 6.4%, which is much lower than the EU 27 mean unemployment rate of 10.5% (Eurostat). Out of the unemployed persons in Malta in 2012, 47.4% (about 5,700 persons) were long-term unemployed, that is, had been unemployed for 12 months or more. This figure grew considerably (from 42.3% in 2008) during the international recession and is marginally higher than the 44.4% of the EU 27 (Eurostat).

An increase in the ratio of long-term unemployed to the active population in Malta was also registered between 2008 and 2010, from 2.7% to 3.2%. The situation was contained and the figure decreased to 3.0% in 2011 and remained constant in 2012. The situation is bleaker in the EU 27, where the ratio of unemployed to the active population has continued increasing every year since 2008 and reached 4.6% in 2012 (Eurostat).

At 2.6%, the proportion of women who are registered as long-term unemployed in relation to the economically active population in Malta in 2012 is considerably lower than the corresponding 3.3% of men. This figure reflects the high female inactivity rate in Malta. Working women tend to be younger and more highly educated than working men; they also more likely to be discouraged from actively registering as unemployed. Older and less educated women, who are at greater risk of long-term unemployment, are also much more likely than their male peers to be economically inactive.

The situation is different from that prevailing among most of the EU 27, where there is a greater balance of inactivity between men and women, reflected in more equal levels of long-term unemployment between the sexes: 4.6% among both men and women (Eurostat). While LFS data tends to be unreliable due to small sample size, most of the long-term unemployed in Malta appear to be older persons aged 40 years and over, with few marketable skills and a low level of education.

The following sections examine the main factors driving persons into and out of long-term unemployment and state policies being implemented to prevent and tackle long-term unemployment.

Factors driving transitions into and out of long-term unemployment

Among the factors that affect long-term unemployment, there are the economic situation and labour market needs, education, skills and work experience, the underground economy and the benefit trap, and other personal characteristics and circumstances. These factors will be examined in turn.

Economic restructuring and economic downturn

Over the past ten years, the Maltese economy has gone through substantial economic restructuring. The manufacturing sector shrunk considerably through the closure or relocation of low-tech and labour intensive industries. Malta also experienced a real-estate bubble which is being deflated. At the same time, the public sector has hired fewer workers, especially those with lower skills and qualifications. Many workers have been eased out of employment through early retirement schemes in the public sector and in recently privatised companies. Employment sectors in difficulty are being replaced by high value-added manufacturing enterprises, such as the pharmaceutical industry and the expansion of particular areas in the services sector such as financial services, the gaming industry and aircraft maintenance. Meanwhile, due to an increased connectivity with other European countries, tourism has continued to increase and is becoming less seasonal. The European economic turmoil is affecting Malta's high-tech manufacturing enterprises (such as those in the microchips field) due to lower consumer demand. The Maltese Government has embarked on substantial infrastructural projects with the help of EU funds, thus providing considerable employment opportunities for persons in the construction industry. However, many persons, especially older low-skilled

men, have lost their jobs during this economic restructuring and have become structurally unemployed.

Overview of labour market supply and demand

The table below indicates the type of occupations sought by the registering unemployed and the type of vacancies reported to the ETC. Most registering unemployed are in search of jobs requiring low qualifications or skills, such as sales, clerical and elementary occupations. Whereas sales and elementary occupations are also the most demanded occupations by employers, clerical work is much less in demand. Indeed, between the first quarter of 2008 and the third quarter of 2011, there were nearly three times as many persons registering for clerical occupations as vacancies, an excess of 665 persons. Besides, the number of persons searching for skilled jobs and plant operators was also much higher than those available in the economy. Due to the aforementioned economic restructuring, technical and professional jobs are also increasingly in demand by employers.

Table 1. Occupations sought after by the registering unemployed and vacancies reported the ETC (Monthly average Q1-2008 to Q3-2011)

	Registered unemployed*		Vacancies reported to ETC**		Disparity	
	Count	%	Count	%	Count	Ratio
Legislators, senior officials managers & supervisors	221	3.3	69	2.6	152	3.2
Professionals	431	6.4	175	6.6	256	2.5
Technicians & associate professionals	729	10.9	393	14.8	335	1.9
Clerks	1034	15.4	369	13.9	665	2.8
Service & shop & market sales workers	1368	20.4	794	29.8	575	1.7
Skilled agricultural & fishery workers	226	3.4	5	0.2	221	45.2
Craft & related trade workers	869	13.0	243	9.1	626	3.6
Plant & machine operators & assemblers	862	12.9	182	6.8	680	4.7
Elementary occupations	956	14.3	431	16.2	525	2.2
Total	6696	100	2661	100	4035	2.5

Source: Employment and Training Corporation, Administrative Data

* These figures do not correspond to LFS data due to different data collection methodologies

**Employers are not obliged to report their vacancies to the ETC

Education, skills and work experience

Economic change caught by surprise many low qualified and skilled persons who were unable to adapt to emerging employment needs. The educational system has often been criticised for its insufficient reactivity to the changing world. Early leavers from the educational system, amounting to about 23.5% of the persons aged 18 to 24 years (according to the recently revised Eurostat figures for 2012), appear to be particularly vulnerable to long-term unemployment. The Maltese Government's efforts to reduce the number of students who fall out of the system need to be stepped up. Lifelong learning in Malta is also relatively low and there is no comprehensive approach towards it. Lack of qualifications and skills are increasingly being felt due to the technical and professional requirements of the new employment sectors. The mismatch between demand and supply is resulting in long-term unemployment. A properly working lifelong career guidance system would prove beneficial in reducing long-term unemployment by assisting students to continue their studies and directing employees and unemployed persons to more suitable training and employment choices.

Underground economy and the benefit trap

Malta has a high level of underground economic activity, recently estimated at about a quarter of the country's GDP (Schneider, 2011). Such a situation can exacerbate long-term unemployment: certain Maltese employers in specific sectors, especially construction and tourism, may opt to employ foreign and local persons without permits rather than legally employing those registered as unemployed, as the former are often paid lower wages, not covered by social security payments and are easier to fire. The recent legislation against the illegal employment of third country nationals (Legal Notice 432 of 2011) seeks to diminish this phenomenon through harsh penalties for employers abusing the system. There are also some employers who would connive with the registered unemployed to have them paid for work unofficially, such that the latter can continue to draw on their unemployment benefits.

The benefit trap occurs when individuals are encouraged to remain dependent on the welfare system rather than become contributors to the economy. It has been reported that welfare benefits are a burden on the economy as a substantial number of unemployed persons are easily caught in the benefit trap (Zerafa, 2007). The problem stems from the fact that the unemployment assistance package is comparable to the minimum wage.

Other personal characteristics and circumstances

Other personal characteristics and circumstances may also act as barriers to escape from long-term unemployment. Old age is one of these barriers. Active aging has to-date not been strongly promoted in Malta, and employers normally prefer younger workers rather than older ones (Formosa, 2009). Indeed, employers act as a main institutional obstacle for the employment of the long-term unemployed (EMCS, 2008). Due to antidiscrimination legislation, ageism has become more subtle but appears to be still widely ingrained in the Maltese mentality. Younger persons are viewed as easier to train and can be given lower salaries, a need that has become more pressing due to the difficult economic times.

Other characteristics that increase the duration of unemployment include physical or mental disabilities, ill health, and personality or social problems. Lack of motivation also appears to play a crucial part in determining long-term unemployment. Unrealistically high aspirations and ambitions may be also blocking the employment of some long-term unemployed, especially the younger ones. Despite the small size of the country, geographic locality and logistic challenges may also play a role in reducing employment (particularly for women), often due to transport difficulties or social conditioning coming from their place of residence. For example, some people living in Gozo may prefer to remain in long-term unemployment rather than getting a job on the island of Malta.

Policies to prevent and tackle long-term unemployment

The following subsections discuss some of the major government policies aiming at reducing long-term unemployment in Malta. These initiatives are divided into three categories, namely active labour market policies, policies relating to the promotion of skills, and the unemployment benefits system.

Active labour market policies

The Employment and Training Corporation (ETC), the national public employment service agency, is the main implementer of active labour market policies in Malta. Employment advisors at the ETC assist the long-term unemployed through tailored personal action plans. Over the past years, the ETC offered several schemes targeting the long-term unemployed (see table below).

Table 2. Long-Term Unemployed Participating in ETC Schemes and Courses

	2006-2007	2007-2008	2009	2010	2011
Employment Training Placement Scheme	10				
Active Youth Scheme	34	78			
Work Start Scheme	85	71			
Private Sector Placement Scheme		158	13		
Job Experience Scheme			23		
Employment Aid Programme			11	34	24
Work Trial Scheme			5	74	82
Community Work Scheme			115	102	379
Mainstream courses	1,638	1,593	903	2,532	2,032

Sources: Employment and Training Corporation, 2007, 2009a, 2009b, 2010, 2011

The Community Work Scheme is one of the latest schemes and aims to deinstitutionalise the long-term unemployed who become entrapped into a life of dependency on social benefits (Malta Independent, 2009). Participants are requested to do community work for 30 hours per week for 26 weeks while earning 75% of the minimum wage and continuing to receive social benefits. By being mandatory, the scheme cracks down on registering unemployed persons who perform undeclared work (Malta Independent, 2009). Participants reportedly found the scheme beneficial and appreciated the opportunity to improve their skills and contribute to the community (ETC, 2010).

The Employment Aid Programme (EAP), another recent scheme, provides financial assistance for employers so that they can offer training or work to long-term unemployed persons and other groups at risk. Employers receive a public grant equivalent to 50% of the wage costs for one year. Different conditions apply in the case of unemployed persons with disability (MFEI, 2011). The Government recently declared that the EAP had an 85% success rate, through which a total of 2,025 persons who enrolled in the scheme were subsequently engaged full-time by the same companies (Times of Malta, 2012).

The state has also been encouraging long-term unemployed persons to become self-employed. As from 2008, persons older than 45 years who have been unemployed for at least five years and who become self-employed, are exempt from paying social security contributions for their first

year of activity (Government of Malta, 2007). While the success rate of this measure is unknown, the incentive appears to be either too small or else misdirected to entice long-term unemployed people to start a challenging entrepreneurial career.

Policies aimed at reducing skills shortages, anticipating skills needs, and re-skilling long-term unemployed persons

Acknowledging that new skills are required by the developing labour market, recent Maltese governments have put education and training high on their agendas. The emphasis on reducing early school leavers by improving the educational system through better physical infrastructure, revised curricula (including the insertion of vocational subjects in secondary schools), and a more holistic approach in dealing with students (including the appointment of professionals such as career advisors in schools) may go a long way in preventing students from becoming long-term unemployed when they leave the educational system. Considerable investment is being directed to the Malta College of Arts Science and Technology (MCAST), which has the potential of attracting more students who might otherwise end up and/or remain locked in long-term unemployment.

The ETC offers extensive training facilities to the long-term unemployed. Some of these initiatives involve work experience and on-the-job training (as mentioned earlier), while others focus on off-the-job training. In 2011, the ETC trained 2,032 long-term unemployed clients through job-oriented courses (ETC, 2011). The ETC is collaborating with employers and other stakeholders in order to continue offering courses in line with emerging skill shortages. Besides, in 2012 it has increased its efforts to evaluate courses beyond the usual criterion of number of participants. However, in Malta there is no agency or body in charge of regularly forecasting future skill needs. Admittedly, it is difficult to set up such structure in a small country like Malta. However, this could be set up through EU funds and could include representatives of the National Statistics Office (NSO), the Employment and Training Corporation, higher educational institutions, the social partners and other stakeholders. It could fall under the auspices of an institution such as the National Commission for Higher Education or the NSO. At present, the lack of forecasting of future skill needs complicates matters for institutions such as the ETC which aim to offer forward-looking training services.

Unemployment benefits system

Malta's welfare system has often been criticised for not being conducive to decreasing long-term unemployment, as the gap between social benefit entitlements and potential earnings from employment is at times marginal. This social problem is difficult to eliminate, as increasing the minimum wage would reduce the country's competitiveness and reducing social benefits would increase the families at risk of poverty. In 2011, an interesting measure was implemented to encourage people living in families in receipt of social assistance to find employment while enabling other family members to continue receiving social benefits (MFEI, 2012, p.76). In its first seven months of operation, about 70 families benefited from this measure (MFEI, 2012). Other creative measures (such as the use of lump-sum subsidies for early exit from unemployment) to tackle the benefit trap should be investigated.

Most of the recent efforts by the Maltese state to improve the workings of the unemployment benefit system have concentrated on tackling abuse. If registered unemployed persons do not accept employment or training opportunities offered to them, they are struck off from the register. This system resulted in the removal of 1,486 persons from the unemployment register during 2011 (the figure includes both short-term and long-term unemployed) (MFEI, 2012), making such efforts an effective way of getting people out of official long-term unemployment. Seeing more scope for improvement in this field, the state has intensified its efforts to curb abuse of the welfare system. The system is planned to start using the technology of fingerprint-based registration (MFEI, 2012). The frequency of registration of jobseekers will be increased in line with the length of their unemployment. Greater contact with the employment adviser will be also provided. Besides, the penalty period for registering unemployed persons who fail to participate in activation measures without just cause for three or more times will be doubled, from six months to one year (MFEI, 2012). All these measures are bound to decrease the number of long-term unemployed, further curbing the abusers of the system.

Conclusions

While the Maltese economy has proved to be resilient during the latest international recession and unemployment has been contained, the ratio of long-term unemployed in relation to the unemployed population has grown over the past years.

Whereas a portion of long-term unemployed may be abusing the system by working in the shadow economy or by not being genuinely interested in finding employment, one should keep in mind that individuals sometimes experience difficulties in finding a job “due to older age, lack of qualifications or skills or due to certain circumstances in life such as health reasons” (Malta Independent, 2010). Apart from straining the welfare system, long-term unemployment increases the risk of poverty of the unemployed individuals and may be devastating for them and their families (Malta Independent, 2010).

Subsequent Maltese governments have been tackling structural unemployment in various ways, especially by upgrading the educational institutions, organising active labour market measures and curbing abuse of the welfare system. Unfortunately, despite such measures, “the long-term unemployed stand little chance of being absorbed in gainful employment” (Spiteri, 2010). Indeed, only about 109 long-term unemployed persons were placed in jobs each year between 2007 and 2011 (ETC, 2007, 2009a, 2009b, 2010, 2011).

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