



Reflections on the effects of some labour market policies

UNDER THE NEW LABOUR GOVERNMENT

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ABSTRACT

This article evaluates some labour market developments in relation to policy directions indicated within the 2013 Labour Party electoral manifesto. Significant increases in labour market participation especially of women were registered. Malta achieved one of the lowest unemployment rates in Europe. Besides, the percentage of workers receiving training also grew during the period under consideration. In general, the Labour government appears to have been successful in expanding the labour market, but now it needs to focus more on improving the quality of the jobs offered.

INTRODUCTION

The 2013 electoral manifesto of the Labour Party indicated that a Labour government would: increase labour market participation, especially of women; promote workers' training; reduce the number of long term unemployed; and curb precarious employment (Labour Party, 2013). The Labour Party was elected to Government in March 2013 and again in June 2017 with large majorities. So many political events unfolded since 2013 that it is easy to forget the original Labour Party pledges. Thus, this short article seeks to evaluate some of the effects of the above-mentioned policy directions in the context of other political, economic and labour market trends.

LABOUR MARKET PARTICIPATION

Malta has traditionally had very low female employment rates. The situation started to change as the country embarked on its journey to join the EU. Efforts to increase the female participation rate were sustained by successive governments and substantial EU funds. This momentum continued under the new Labour government. Over a period of less than 20 years, Malta managed to move from its traditionally low female participation rates to getting close to the EU average of 62.5% female participation rate (Eurostat, 2019a).

The activity rate among persons aged 15 to 64 years rose substantially from 59.9% in 2012 to 69.2% in 2017. The rise was particularly high among women, from 45.3% to 57.6% (Eurostat, 2019a). The various government measures, including the tapering of benefits and the in-work benefit scheme appear to be working, although insufficient data exists to evaluate their level of success and their potential deadweight. The increasing participation of women in the labour market is also due to the less celebrated cohort effect. Indeed, each year, older less qualified inactive women enter pensionable age, and are replaced by young qualified women who are much more inclined to join the labour market.

Despite the above trends, the gender employment gap between women and men in Malta, at 24.1%, remains the highest across the EU (Eurostat, 2019b). The drive to increase the number of women in the labour market also needs to be examined in relation to the quality of the work that they are landing. It is of concern that the gender pay gap in Malta has almost tripled between 2014 and 2018, from 4.5% to 11% (Carabott, 2018). Women working in the high paying financial and insurance sectors earn a staggering 28% less than their male counterparts (Carabott, 2018). It appears that women are promoted less at work and very few manage to reach top positions in their organisations. Many women work part-time or on reduced hours due to the inflexibility of working conditions within full-time jobs. More emphasis is required to promote equal working and social conditions for women.

WORKER TRAINING

The Maltese economy has over the last two decades undergone considerable transformation, moving away from low skilled and low value added sectors to high skilled and high value added sectors. The remaining manufacturing industry is mainly at the high-tech end of the spectrum, including the manufacturing of microchips, pharmaceuticals and automotive products. The growing industries include sectors such as financial services and gaming. The tourism industry is also making increasing use of ICT, for example in marketing and reservations. These changes in the world of work require increasing levels of pertinent knowledge, skills and qualifications.

Eurostat data (2019d) indicates that the percentage of 15-64 year olds who were receiving education or training in Malta in 2017 was 18.6%. This figure is 2.1 percentage points higher than 2012. While such growth in training appears to be rather modest, it should be evaluated in the context of the fact that the number of workers increased by nearly 40% over the period under consideration. Having said that, the figure is still lower than the EU average of 20.6% (Eurostat, 2019d). The incidence of training among Maltese workers decreases with age (Eurostat, 2019d). It also appears that employees working in the public sector are more likely to be trained than those in the private sector. Besides, employees are more likely to receive training if they are employed by larger companies.

Research published by the National Commission for Further and Higher Education (NCFHE), Jobsplus, and Malta Enterprise (2016) revealed that the main difficulty declared by the majority of employers in Malta in recruiting new employees is not the lack of applicants, but the lack of applicants with the required skills (56.2%). Apart from technical skills, applicants for hard-to-fill vacancies lack the more general written communication skills, problem solving and team-working skills. On the other hand, the most commonly cited skills by employers that require up-skilling were planning and organizing, customer handling, team working and ability to multi-task (NCFHE et al., 2016). These findings indicate the need for a greater emphasis on generic, transferable skills that remain useful despite changes in the economy. Any statistical growth in the incidence of training is hardly meaningful for the labour market if it does not focus on the required skill needs, such as the transferable skills mentioned above, but also the specific technical skills required by the labour market. It is important to keep track of the quality of qualifications being imparted by organizations in Malta and abroad which are being tapped by workers in Malta.

UNEMPLOYMENT

Unemployment has traditionally been used as a major criterion for the success of governments, both in Malta and abroad. Since Malta joined the EU, unemployment rates consistently tended to be on the low side. Successive governments made ample use of EU funds to reduce unemployment rates. This positive trend continued under the Labour government. At 4.1%, Malta's employment rate (16 to 64 years old) was the third lowest in the EU member states in 2017. It was also considerably less than the 6.3% registered in 2012. (Eurostat, 2019e).

These very positive figures should however be considered in relation to the fact that by January 2018, some 839 long term unemployed persons (Malta Parliament, 2018) had been taken off the unemployment register to be placed on the controversial Community Work Scheme (CWS). This figure represents nearly half (48%) of the

remaining 1,765 persons registering as unemployed with Jobsplus in December 2018 (National Statistics Office, NSO, 2019). The CWS places unemployed persons in jobs in the public sector, while officially being registered as private sector workers, as they are employed by a private foundation belonging to the General Workers' Union (GWU) (Briguglio, 2018). It is unknown whether these individuals are receiving any relevant training, and how many of the persons on the scheme (if any) moved to arguably more productive employment in the private sector. The scheme has been criticized as potentially creating dependency dictated by political patronage (Briguglio, 2018).

Meanwhile, such low unemployment figures should permit greater resources to be assigned to evaluate and improve active labour market measures and to transform Jobsplus from a mainly job matching service to a provider of lifelong career guidance for all sectors of society. Marginalised groups such as disabled persons and young persons who are not in the educational system and who are not working or being trained for work (NEETs) should be among the principal recipients of Jobsplus measures. Similarly, a greater effort needs to be carried out to facilitate the employment choices and working conditions of the ever-increasing immigrant population in Malta. Finally, but just as importantly, employees, unemployed and inactive persons should be encouraged to consider self-employment (including cooperative forms of working), which in Malta is comparatively low.

PRECARIOUS EMPLOYMENT

The term "precarious employment" became commonly used in Malta in the wake of the international economic downturn starting in 2008 which left Malta's industries largely unscathed, but affected the working conditions and perceptions of many workers. "Despite the employers' associations' attempts at playing down the issue, unions [especially the General Workers' Union] were successful in moving precarious employment up on the public agenda" (Debono & Marmara, 2017, p.2). Whereas some notable measures had been taken by Maltese governments before the 2013 elections to curb precarious employment (such as the implementation of laws against bogus self-employment, and rules requiring government contractors to state their workers' minimum pay in their tenders), their results were generally deemed to be insufficient.

Unfortunately, through their subcontracting procedures which normally favour the lowest bidders, governments in Malta and abroad fuelled precarious employment. Thus, in 2015, the Labour government issued a legal notice providing for the setting up of a commercial sanctions tribunal with the power of blacklisting contractors who engage in precarious employment practices for a period of up to two years. Besides, the government committed itself to introduce quality criteria

in public procurement (Cordina, 2015). In 2016, the Labour government hinted that it intended to target precarious employment in the private sector by focusing on enforcing equal pay for equal work (Micallef, 2016). More recently, in 2017, the government increased the wages of people employed on a minimum wage with the same employer for over a year.

The notion of precariousness includes a subjective dimension (Debono & Marmara, 2017). Since in recent years the phenomenon has featured less prominently on the public agenda, it might currently be perceived as less problematic. However, precarious employment also includes objectively measurable aspects of security, including financial security. Based on the latter criterion, this government appears not to have been successful in curbing precarious employment. It has been argued that the above-mentioned increase in minimum wage is too low and does not guarantee a fair and decent wage (Times of Malta, 2017). Eurostat data (2019c) reveals that 5.8% of the working population (18-64 years old) in Malta was at-risk-of-poverty in 2017, when compared to 5.2% in 2012. The percentage and number of persons living in households with an income below the at-risk-of-poverty line also appears to be on the increase, from 15.1% in 2012 to 16.7% in 2017 (Eurostat, 2019c).

While precarious work relating to the public sector received considerable attention in recent years, more work needs to be done to improve the working situation of particular groups of workers in the private sector, such as those in very atypical work (such as workers on zero hour contracts or on very brief definite contracts) and persons doing undeclared work. It is important to better understand the working conditions and the experiences of the ever-increasing population of foreign workers in Malta, especially third country nationals, who may experience greater precariousness.

CONCLUSION

This brief article cannot offer a comprehensive review of the government's initiatives and results relating to labour market participation, workers' training, unemployment and precarious employment. However, it does shed some light on a few crucial aspects and criteria of what has been achieved so far and what remains to be done in these important areas. Malta is projected to have Europe's fastest growing economy in 2019 (Times of Malta, 2019). The Labour government has been very successful in expanding the labour market and increasing the quantity of job opportunities. Nevertheless, it needs to focus more on improving the productivity and quality of jobs by, among others, strengthening the work-related skills of the population. Sustainable economic development should be based on a high-skilled workforce and a careful selection of the economic sectors to be promoted and targeted as worthwhile for investment.

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