

LABOUR MARKET DEVELOPMENTS IN MALTA: A LOOK BACK, AND FORWARD

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Godwin Mifsud

Economic Policy Department

Ministry for Finance

Outline

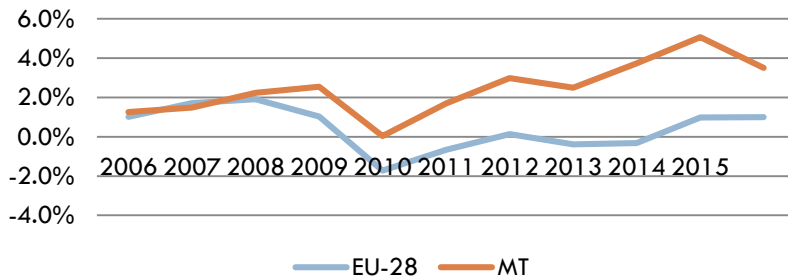
- Review of Key Indicators
- The story behind the numbers
 - ▣ Disaggregating trends in the employment rate
 - ▣ Changing structure of the labour market
- Focus on Challenges
 - ▣ Demographic changes
 - ▣ Skills mismatch
- Observations

The Context

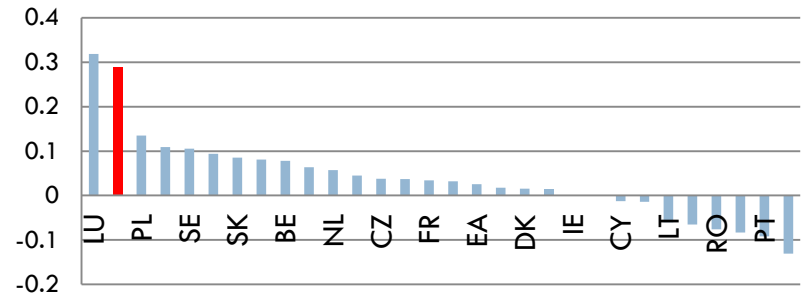
- Robust labour market performance with composition of labour market evolving in reflection of the restructuring process of the economy.
 - ▣ Employment increased by 32,000 over decade 2006-2015 (NSO, Labour Force Survey)
- Importance of understanding drivers and the changing composition of the labour force so as to plan ahead for the challenges of the next decade.

Review of Key Indicators

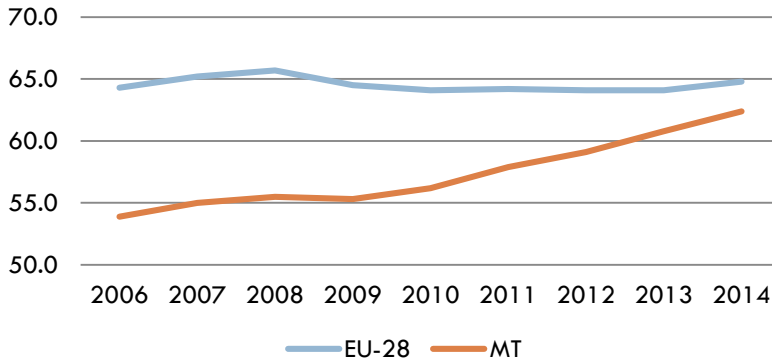
Employment Growth in Malta outpacing the EU average....



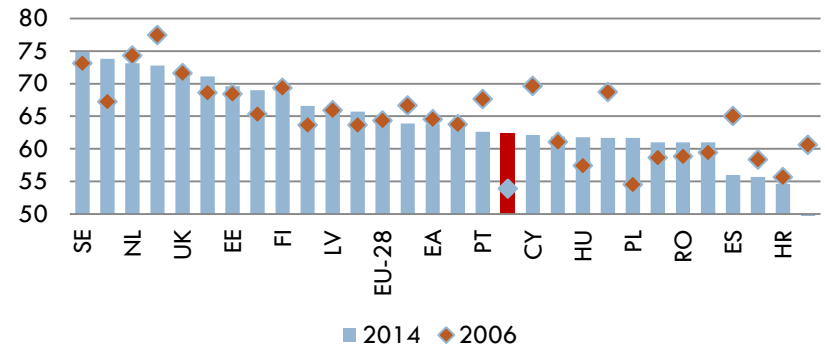
.... ranking second highest over the period 2006-2015



Gap in the ER is closing...

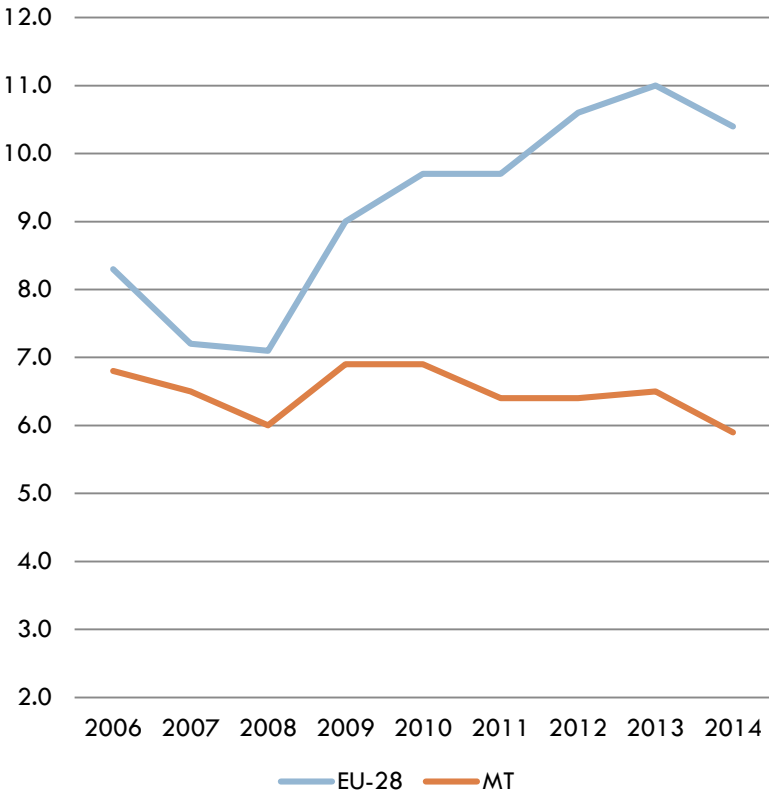


..even if challenges remain

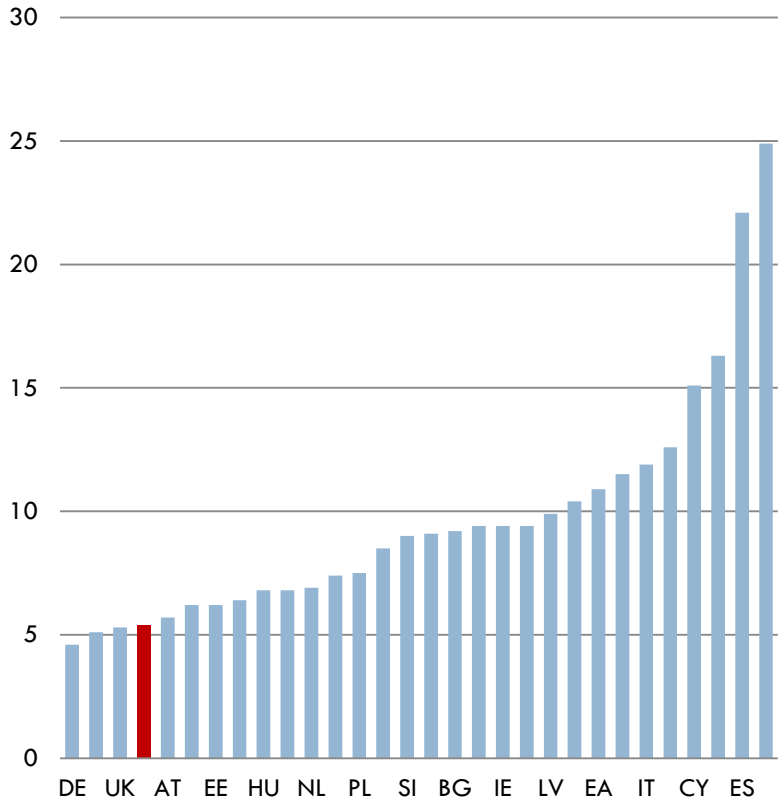


Review of Key Indicators

Downward trend in the Unemployment Rate

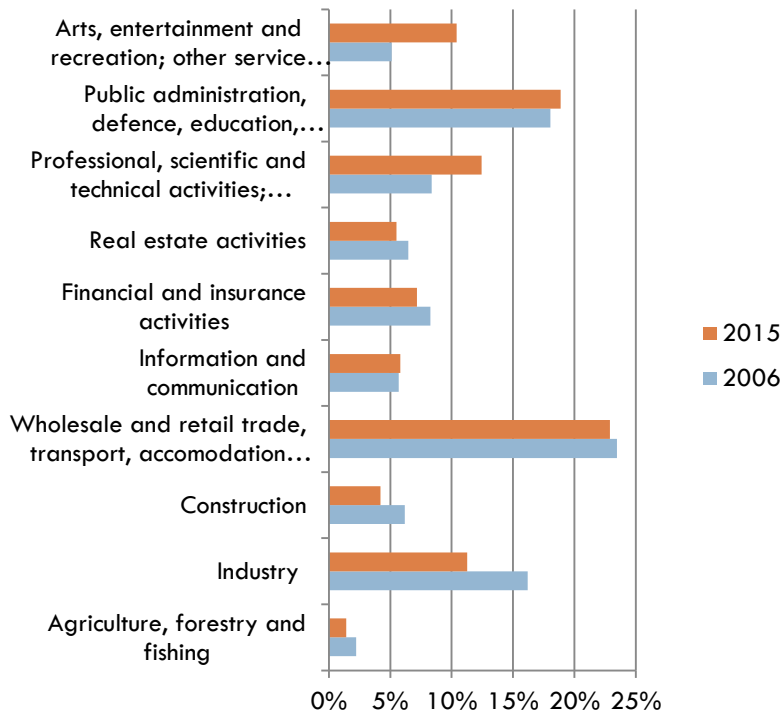


..ranked 4th lowest in EU in 2015

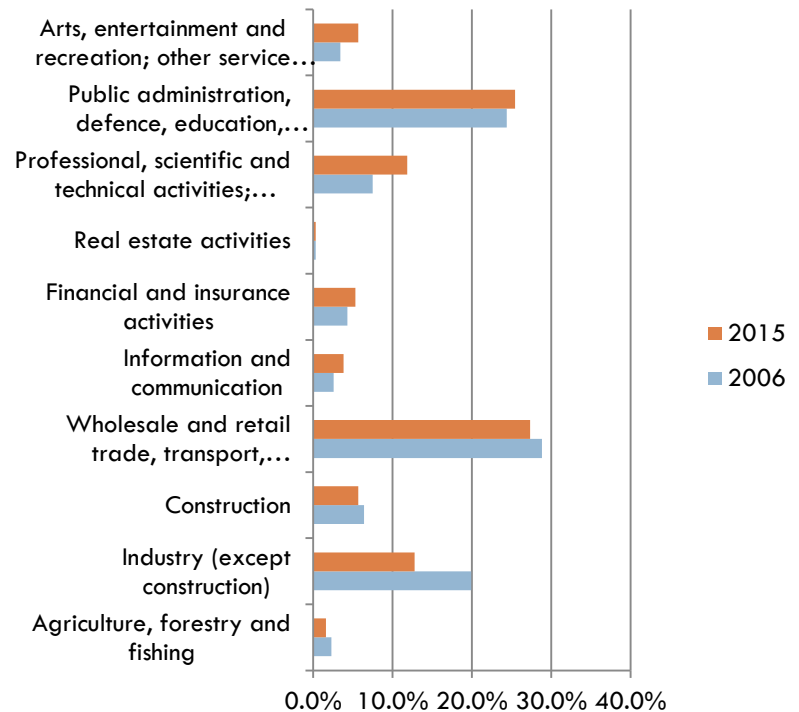


Restructuring of the Maltese Economy 2006-2015

Sectoral shifts in the economic structure (share of GVA)...

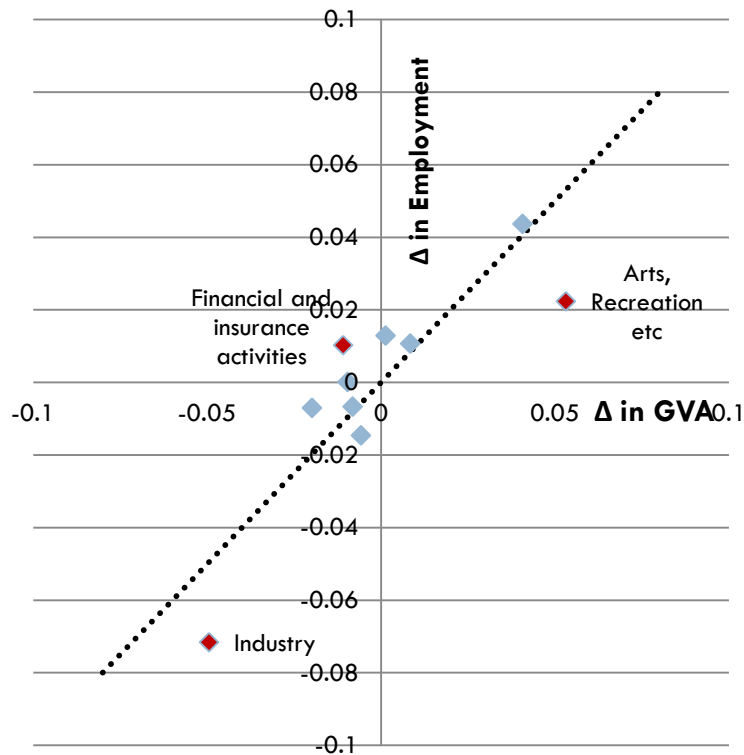


...leading to shifts in the sectoral composition of the labour market

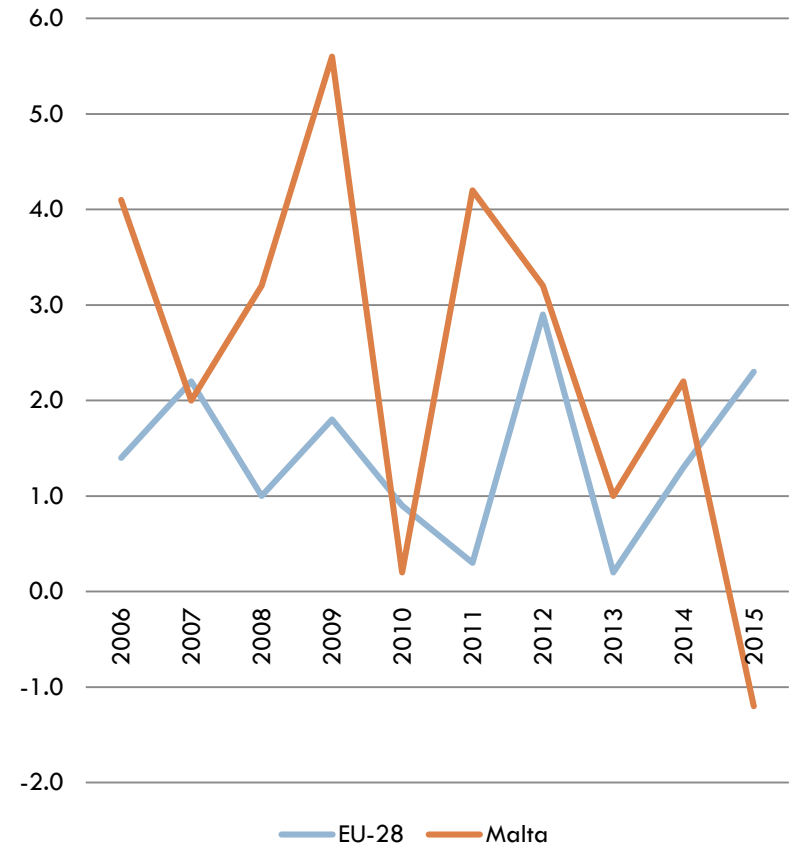


Sectoral Perspective

Sectoral output growth vs Employment



Nominal ULC

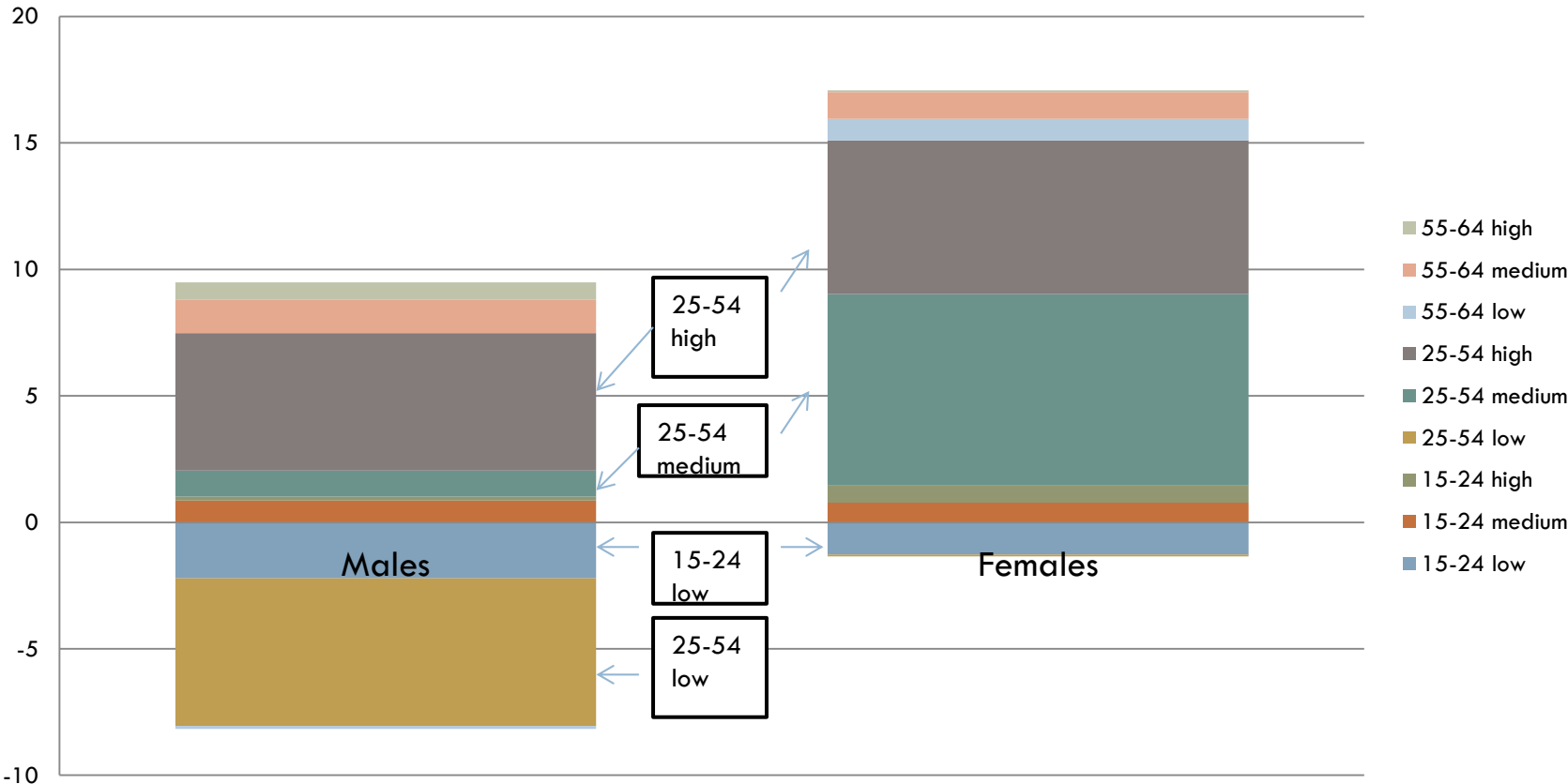




The story behind the numbers

Developments in Employment Rate

Change in the Employment Rate 2006-2014



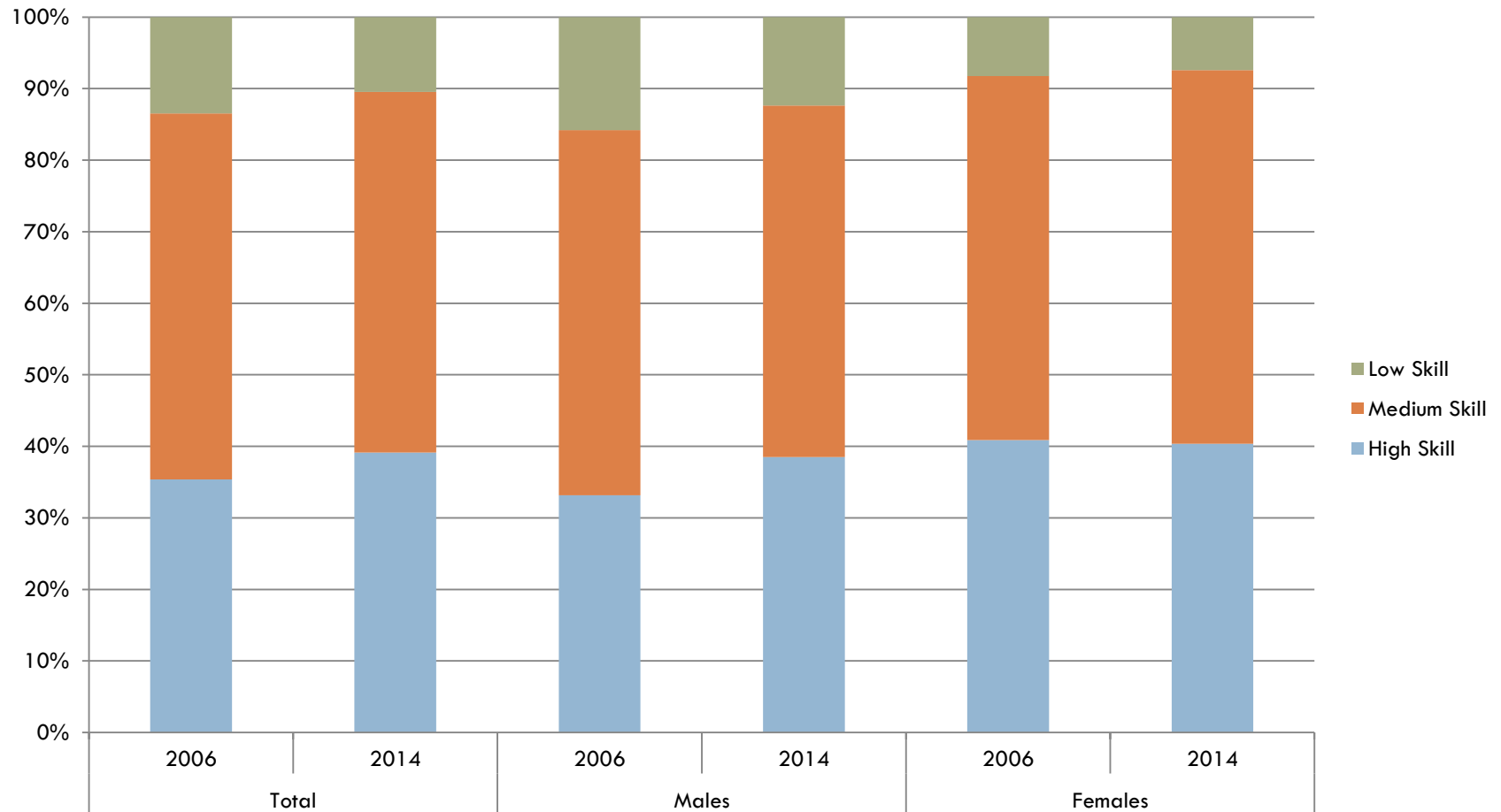
Developments in Employment Rate

- Increases in the employment rate are driven by females (+15.8 p.p. vs 1.3 p.p. for males)
- Increases were recorded across all age groups with the exception of males aged 15-24. Strongest increase recorded for prime aged females;
- Increased employment by older workers adding around 2 p.p. to increase in overall employment rate.

Developments in Employment Rate

- Employment positions for persons with a low educational attainment contributed negatively to overall rate with the exception for older females;
- Strong demand for persons of medium\high educational attainment:
 - Higher educated male persons of prime working-age contributing strongly and positively to employment rate
 - Females with a medium education attainment as the key driver of developments in the female employment rate; increase in higher educated females also to be underscored

Changing Occupational Structure

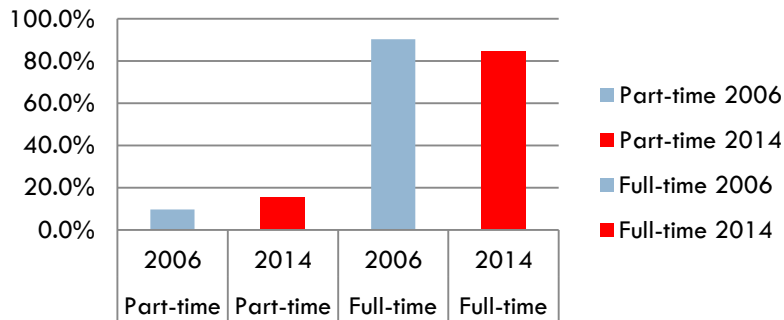


Changing Occupational Structure

- Overall rise the share of high skilled occupations over period 2006-14 (+3.8 p.p.), mainly at expense of lower skilled, and to a lesser extent medium skilled jobs.
- Different trends across gender
 - ▣ Rise in males in high skilled jobs across age groups; increase in medium skilled jobs for older workers
 - ▣ Strong rise in younger females in high skilled jobs; in older cohorts increase in medium skilled jobs;
 - ▣ Decline in low skilled jobs for females less pronounced than in the case of males

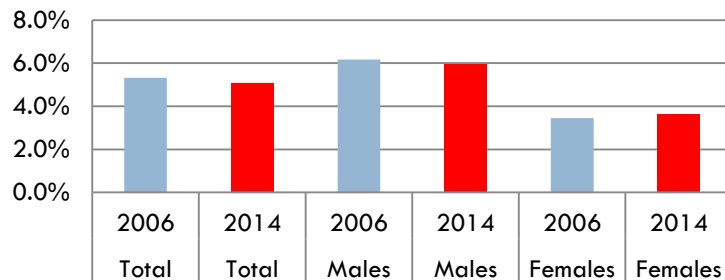
Characteristics of the Labour Market

Distribution between Full Time and Part Time Employment



- Rising share of employees in part-time employment (+5.8 p.p.) with increase noted across all age groups

Share of Employees with a Second Job in Total Employment

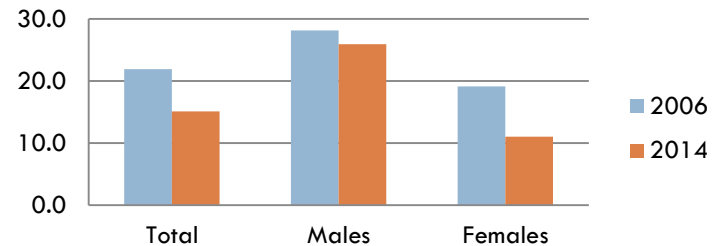


- Marginal decline in share of employees with a second job; rise noted amongst females.

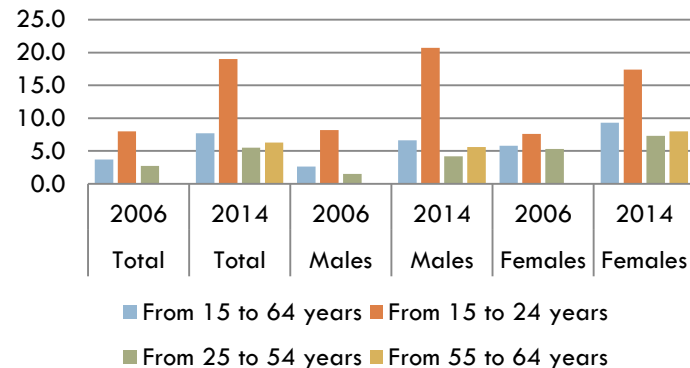
Characteristics of the Labour Market

- Declining share of involuntary part-time employment (-6.8p.p.)
- Rising share of temporary employment (+4.0 p.p.). Strongest increase recorded amongst younger persons.

Involuntary Part Time as % of Total Part Time Employment



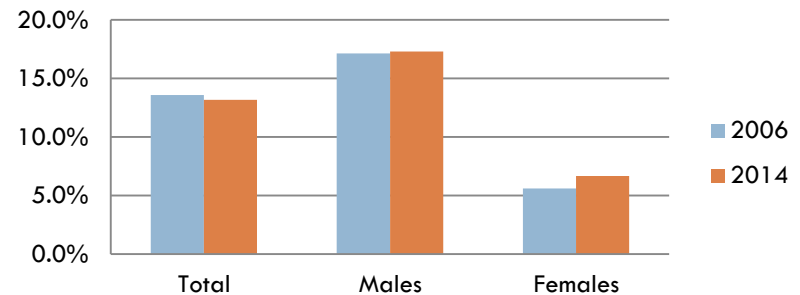
Temporary Employment as % of Total



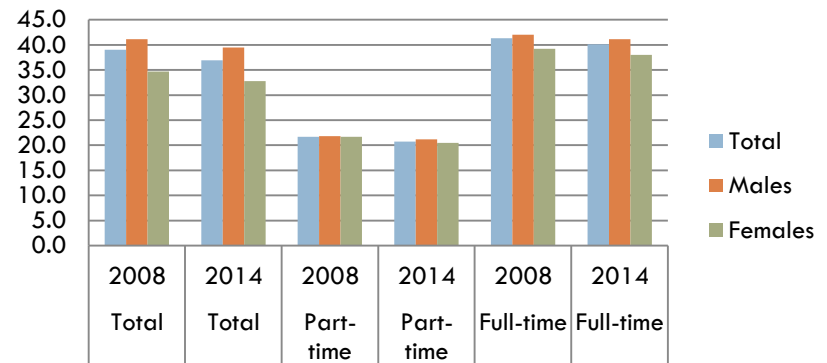
Characteristics of the Labour Market

- No significant change in share of self-employed in total employment.
- Decrease in average actual hours worked recorded across both gender categories. Reflects also rise in share of part-timers.

Self-Employed as % of Total Employment

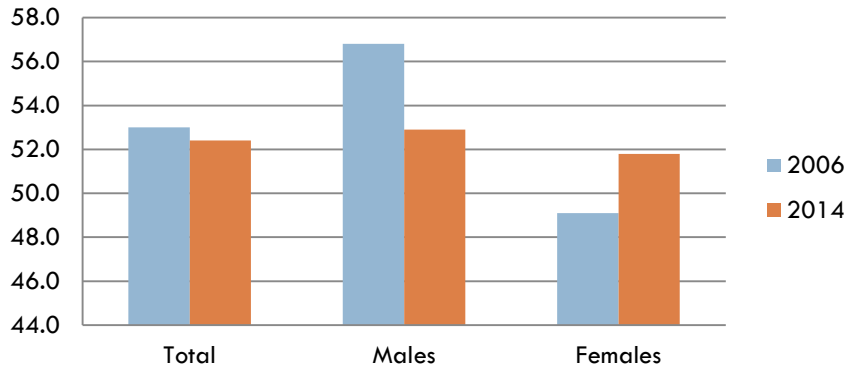


Average Actual Hours Worked per Week

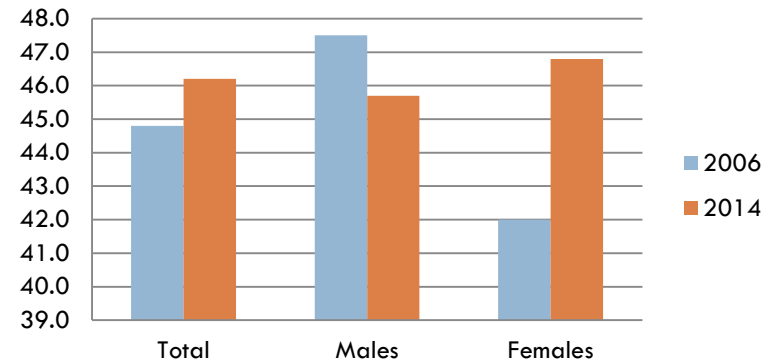


Focus on Youths

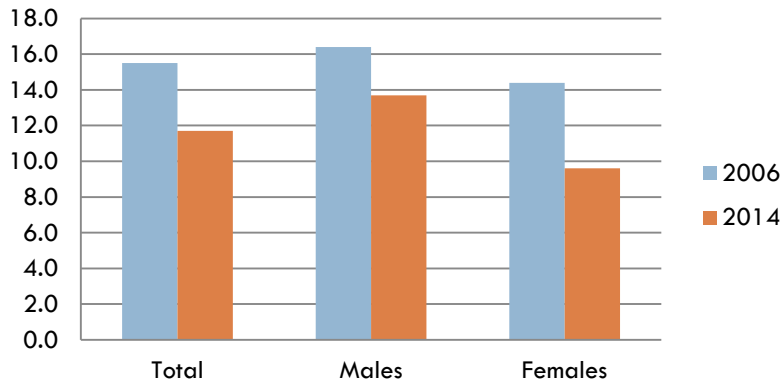
Youth Activity Rate



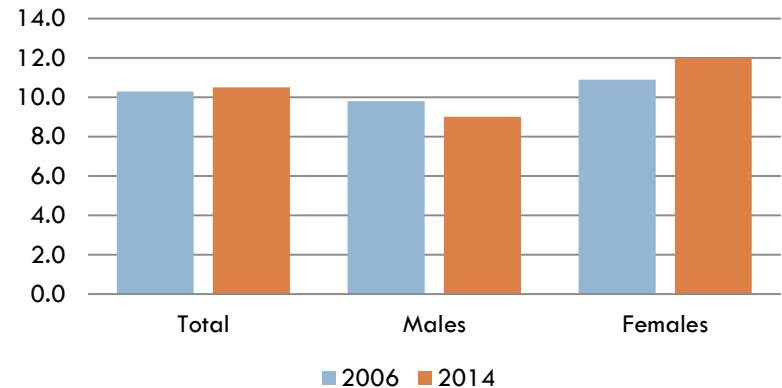
Youth Employment Rate



Youth Unemployment Rate



NEET rates (%)





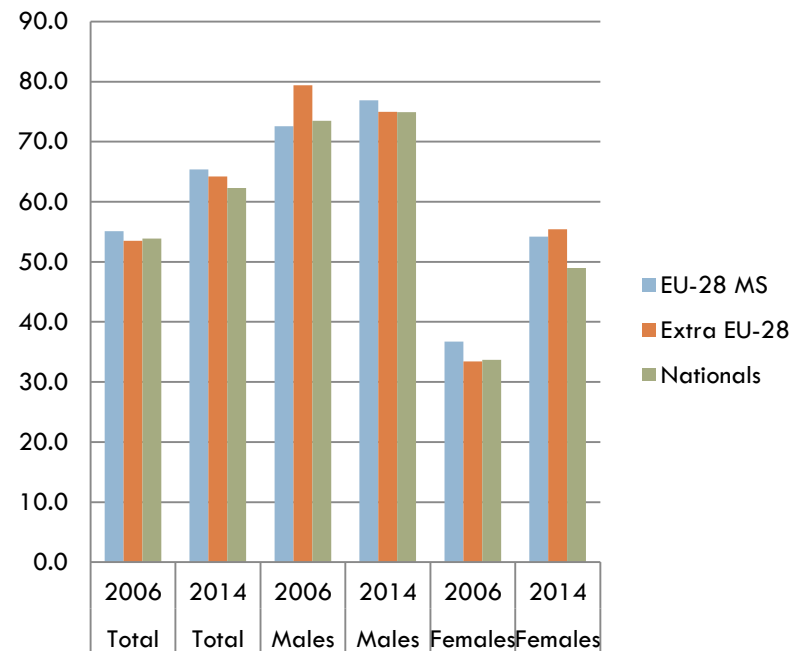
Focus on Challenges

Demographic Factors

Role of Migration

- Employment Rate of nationals is lower than that for migrants. Slower increase in the rate over period 2006-2014.
- Significant increase in extra-EU migrants amongst females; Decline recorded amongst males.
- Evidence that migration may be stronger than that reported in the LFS (Grech, 2015)

Employment Rate of Migrants

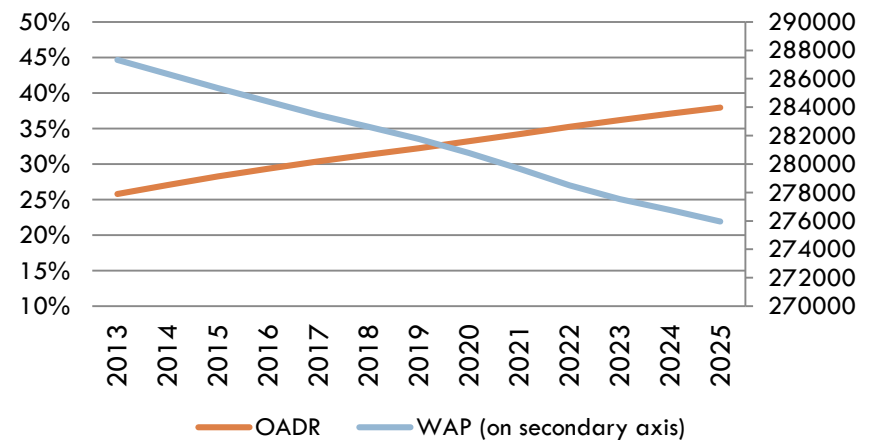
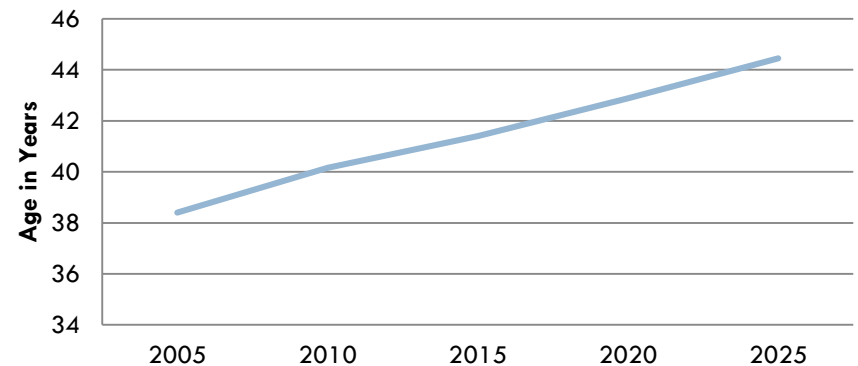


Demographic Factors

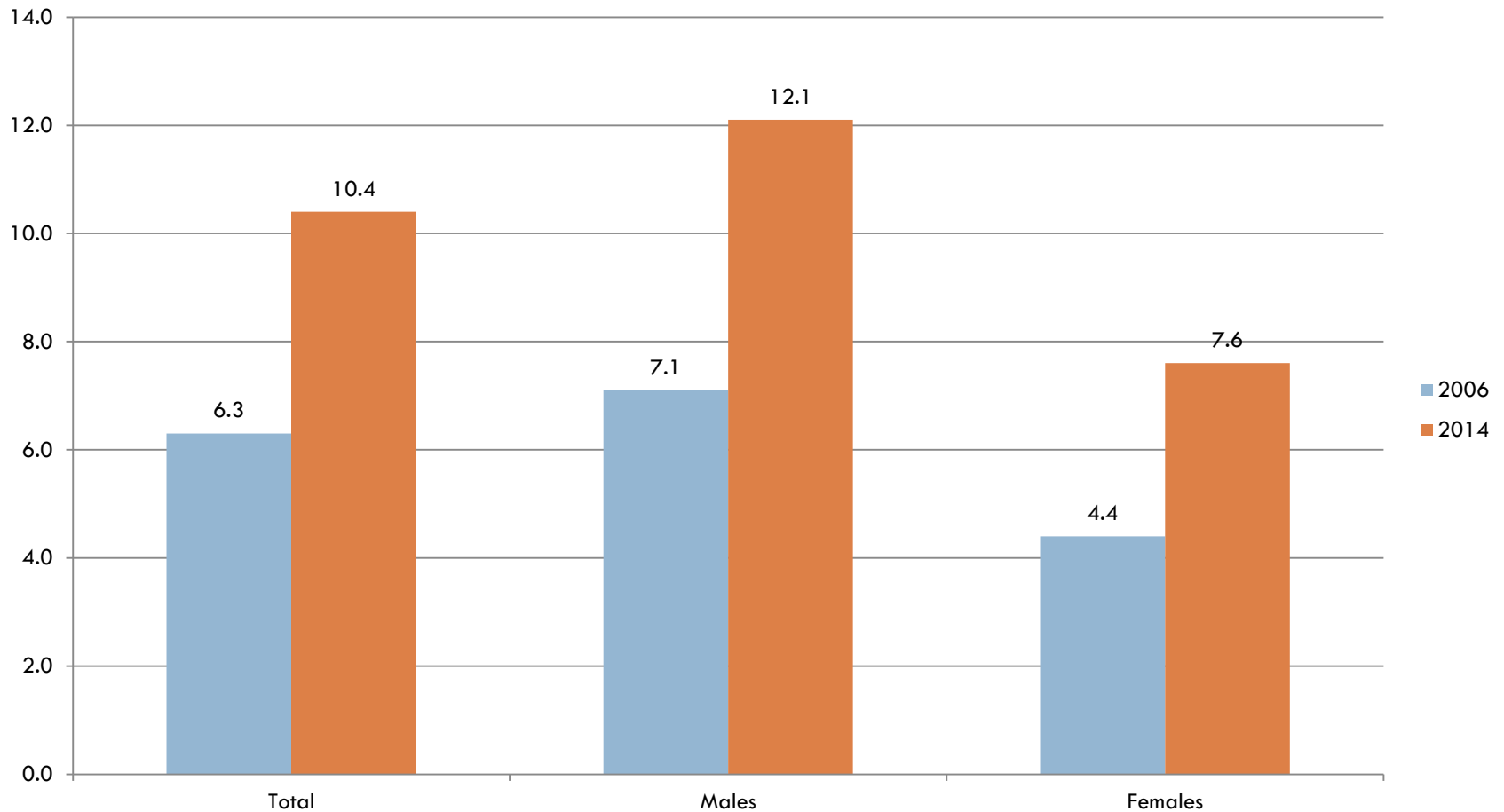
Ageing of the labour force

- According to UN, median age of population is projected to rise by around 3 years over next decade;
- Working age population projected to decline by around 9,400 persons over period 2015-25 accompanied by a rise in the OADR;
- Migratory flows and rising employment rates are mitigating impact of ageing over short term.

Median Age



Rise in the at Risk-of-Poverty or Exclusion Rate for Employed Persons



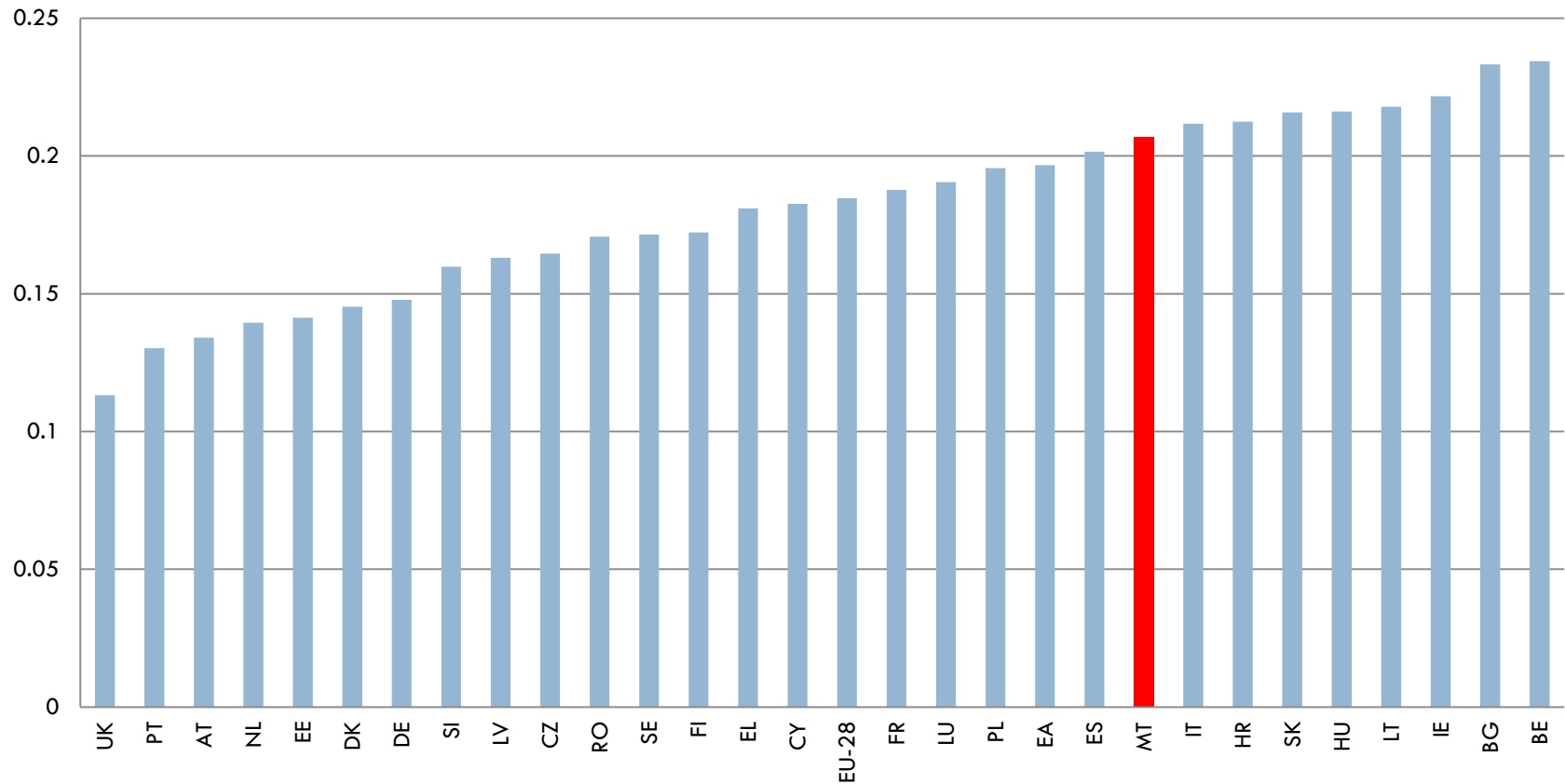
Measurement of Skills Mismatch

- Macroeconomic skills mismatch¹
 - ▣ Absolute deviation of each skill group's employment rate from total employment rate with each population share of skill group serving as weights
 - ▣ Results are presented in a continuum ranging from zero to unity with zero indicating that the employment rate of each skill group is consistent with the population share of that skill group i.e. no mismatch.

¹ Following Kiss and Vandeplass (2015)

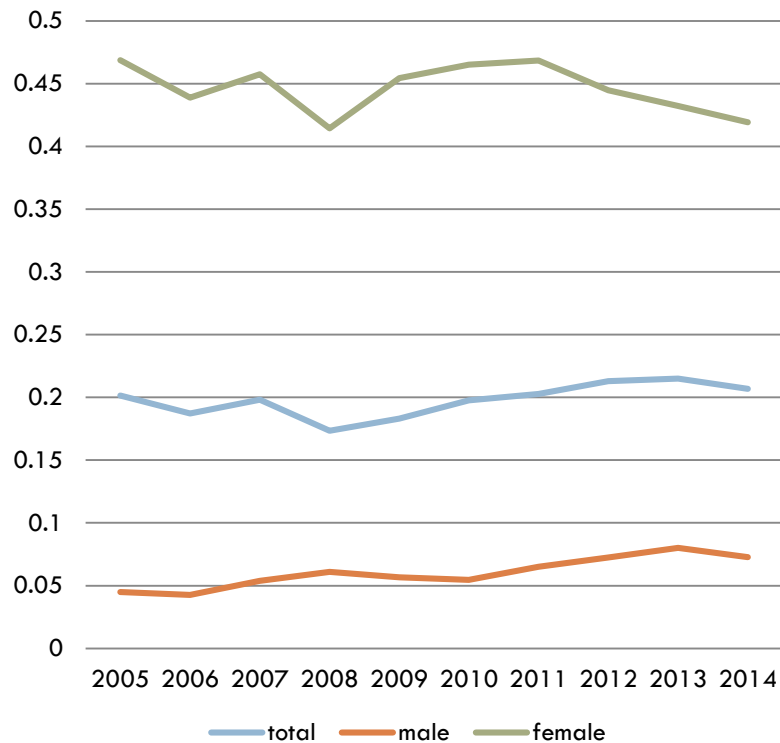
Relatively high level of skill mismatch

Relative Dispersion of Employment Rates by Skill Level (2014)

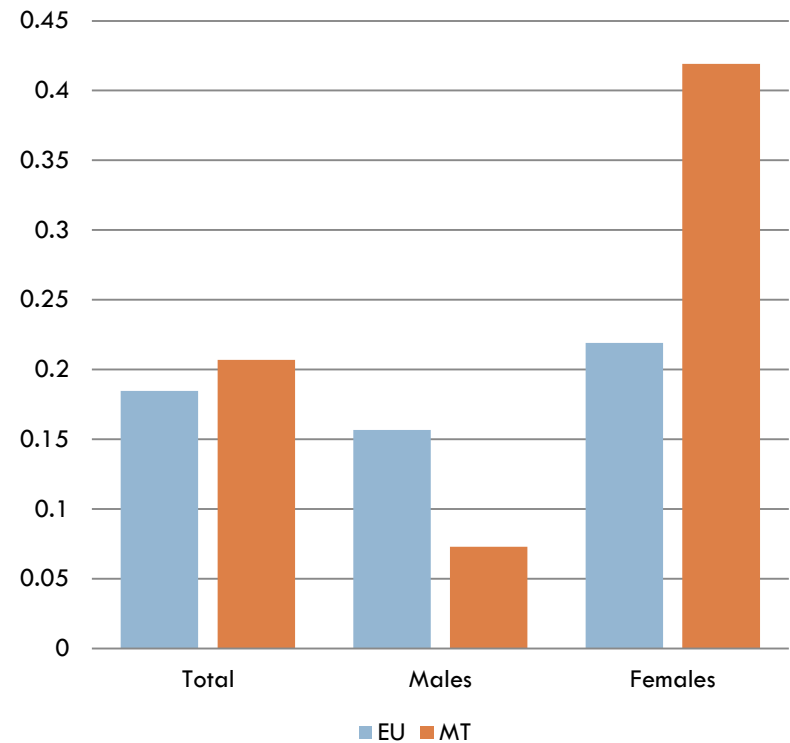


Trends from a Gender Perspective...

Relative Dispersion of Employment Rates by Skill Level (15-64)

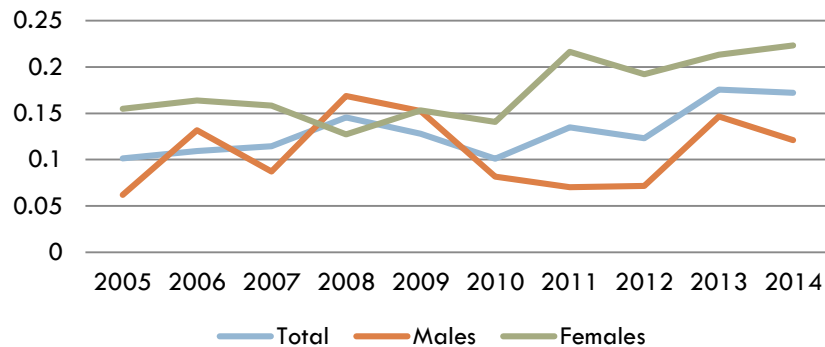


Relative Dispersion of Employment Rates by Skill Level (2014)

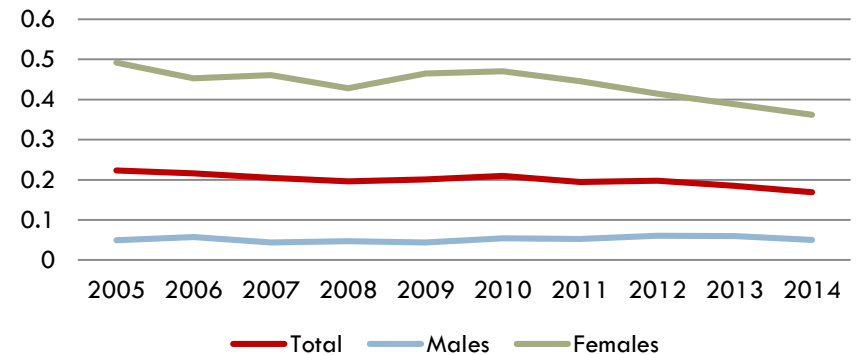


Skill Mismatch – Differences by Age

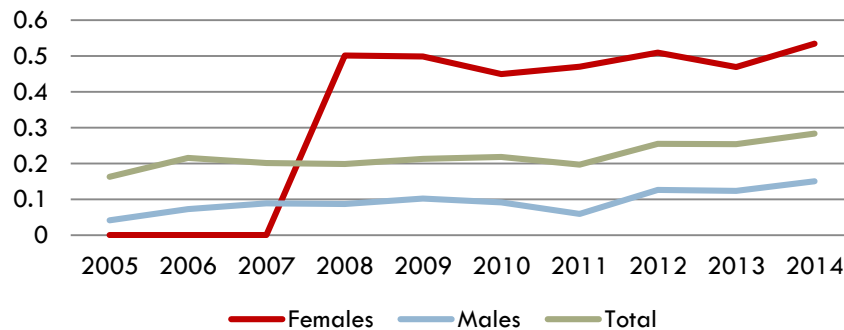
Age Group 15-24



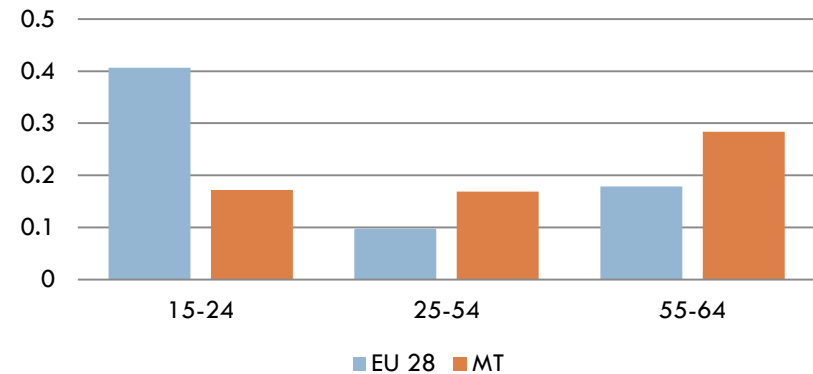
Age Group 25-54



Age Group 55-64



Dispersion by Age Group (2014)



Observations

- Robust labour market performance with composition of labour market reflecting the restructuring process of the economy.
 - ▣ Monitor trends in unit labour costs
- Strong increases in the employment rate, driven mainly by prime aged females. Shifts in educational attainment of persons in employment away from low skills.
 - ▣ Different trends prevail across gender and age groups.

Observations

- The emergence of a more flexible labour market. Demand for further flexibility to rise further in future.
- Migratory flows and rising participation rate are compensating for demographic effects of ageing on the working age population.
 - ▣ Prevention of social exclusions by strengthening the skills set of all groups in light of prevailing outcomes.

Observations

- MT has a relatively high and persistent level of skill mismatches;
 - Skills mismatch for females is higher than that for males, even if on the decline. Mismatch for males is lowest in the EU but on the rise.
 - Declining mismatch for persons of prime working age driven by females, as rising share of medium and high skilled persons was met with a rising ER for both groups. Evidence of scope for catch-up for the higher skilled segment.
 - Rising mismatch for 15-24 age group, especially females, for whom the rise in the share of medium skilled persons in the age group exceeded the rise in the ER.
 - Rising mismatch for the 55-64 age group, driven by males. Relative gain in share of medium skilled group was met with increased ER for that group, whilst the ER for high skilled increased in spite of almost no change in share of high skilled males in population

Observations

- In the context where working age population is projected to decline over next decade, the achievement of further increases in the employment rate requires a targeted approach for different groups in society.
 - ▣ Around 6,000 persons of prime working age with medium\high educational attainment are inactive
 - ▣ Sustain efforts to integrate in the labour market and upskill persons with low educational attainment, whether inactive or in employment.
 - ▣ Sustain efforts to lengthen the career of older persons.



Thanks for Your Attention

Email: godwin.mifsud@gov.mt