

POLICY POSITION

# Employment & Skills in Gozo

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**GOZO REGIONAL**  
DEVELOPMENT AUTHORITY

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GOZO REGIONAL DEVELOPMENT AUTHORITY

75, Republic Street, Victoria - Gozo, Malta

Tel: +356 22156342

[www.grda.mt](http://www.grda.mt)

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# GRDA Policy Position

## Employment & Skills in Gozo

The GRDA has carried out an in-depth analysis to identify the key challenges of Gozo's labour market with a particular emphasis on the demand and supply of skills.<sup>1</sup> The analysis identified a number of challenges, both on the demand for and supply of skills, although on balance it appears that presently and especially in the future, the harder challenges appear to be skewed towards the demand side.

A number of indications seem to suggest that the supply of skills manifests strong potential but that the type of skills demanded leads to missed opportunities, especially for highly qualified individuals, which forces them to commute or migrate. This implies that Gozo may be hung in a predominantly low skills equilibrium - one in which demand for mostly low skills coexists with supply of mostly low skills. Whilst skills and employment are generally matched, and enterprises may generate adequate profits, the situation gives rise to a number of problematic outcomes. These include low productivity, low wages and employability risks, particularly among sectors that are vulnerable to automation and/or external competition. It leads to suboptimal economic performance and a persistent gap vis-a-vis mainland Malta and other European islands of similar size. This consideration takes on an added importance in the context of the unfavourable demographic dynamics projected to occur in Gozo over the next decades and the risks posed by expected transformations in the future of work, such as automation.

The challenges outlined in the discussion paper need focused and tailored policy interventions so that Gozo breaks out from these low skills equilibria and unlock its growth potential. Following the publication of this discussion paper, and feedback from various stakeholders, the GRDA is presenting its official policy position on employment and skill in Gozo.<sup>2</sup> The policy position is meant to serve as guide to policy makers at a national level on this issue. The key policy recommendations are summarised in Table 1.

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<sup>1</sup> The discussion paper can be accessed from - <https://grda.mt/wp-content/uploads/2023/01/Employment-Skills-in-Gozo.pdf>.

<sup>2</sup> The GRDA presented and discussed the analysis during the GRDA stakeholders consultative groups meetings. Moreover, the GRDA organised a webinar to discuss the findings of the analysis - <https://fb.watch/jISQ9ZbB86/>

**Table 1: Challenges and Recommendations**

Challenges	Recommendations
<b>General labour market challenges</b>	
1. Low activity rate	<ul style="list-style-type: none"> <li>• Analyse in detail the nature, size, composition, and root causes explaining inactivity.</li> <li>• Devise a strategy, action plan and fiscal measures to unlock the potential of labour market participation of the inactive population.</li> </ul>
2. Productivity gap	<ul style="list-style-type: none"> <li>• See recommendations 4 to 7 and 9.</li> </ul>
3. High public sector employment	<ul style="list-style-type: none"> <li>• Consider a pilot voluntary programme to encourage job and professional transitions and private sector outplacement for Gozitan public sector employees. The programme should be designed to reduce the risk of transitions by providing safety nets at key junctures.</li> </ul>
<b>Labour and skills demand challenges</b>	
4. Low high-skills employment	<ul style="list-style-type: none"> <li>• Identify new high value-added economic sectors that fit with the Regional Development Strategy's vision and that build on Gozo's specialisms and competitive advantage and which overcome structural disadvantages (double insularity, small size and peripherality).</li> </ul>
5. High low-skills employment	<ul style="list-style-type: none"> <li>• Develop tailored strategies and action plans for the new economic clusters, including framework conditions, physical, financial, and human capital needs and targeted support measures to accelerate the transition to the future state.</li> </ul>
6. High number of commuter workers	<ul style="list-style-type: none"> <li>• Attract reputable International Centres of Excellence (ICE) to conduct applied research and innovation in selected fields. ICEs have the potential to generate important economic spillover effects, including attract foreign students, researchers and high-skill talent, increase the local businesses innovation capacity, lure foreign investment and foster technology transfer. Selection of world-class ICEs should be in scientific fields and technologies that align with areas of specialisation Malta seeks to develop (as per the Research and Innovation Smart Specialisation Strategy, 2021-2027) and Gozo's new high-value economic sectors.</li> </ul>
7. Limited job opportunities	<ul style="list-style-type: none"> <li>• Attract reputable International Centres of Excellence (ICE) to conduct applied research and innovation in selected fields. ICEs have the potential to generate important economic spillover effects, including attract foreign students, researchers and high-skill talent, increase the local businesses innovation capacity, lure foreign investment and foster technology transfer. Selection of world-class ICEs should be in scientific fields and technologies that align with areas of specialisation Malta seeks to develop (as per the Research and Innovation Smart Specialisation Strategy, 2021-2027) and Gozo's new high-value economic sectors.</li> </ul>

<p>8. Impact of automation on employment</p>	<ul style="list-style-type: none"> <li>• Carry out a digital literacy survey to determine the state of digital skills in Gozo, identify skills needs of the new economic clusters and ensuing gaps, uncover digitally under-served cohorts and digital skills mismatches.</li> <li>• On the basis of the digital literacy survey, develop a plan to address digital skill gaps and better connect education and training to labour market needs of the targeted sectors.</li> </ul>
<p><b><i>Labour and skills supply challenges</i></b></p>	
<p>9. Ageing population</p>	<ul style="list-style-type: none"> <li>• Make the maximisation of the productive potential of the older workforce a key priority by proposing the introduction of a pilot funding or wage-offset credit scheme to Gozitan employers to support the recruitment, training and retention of older workers.</li> <li>• Make the maximisation of the productive potential of the older workforce a key priority by proposing the introduction of a pilot funding or wage-offset credit scheme to Gozitan employers to support the recruitment, training and retention of older workers.</li> <li>• See recommendations 4 to 7.</li> </ul>
<p>10. Low take-up of apprenticeship schemes by business and employers' weak appreciation of workforce skills investment</p>	<ul style="list-style-type: none"> <li>• Analyse underlying reasons why apprenticeship take-up is weak and propose necessary changes to MCAST to make them more attractive.</li> <li>• Raise the profile of apprenticeships to improve local take-up and achievement by supporting both employers and residents with a view to strengthen work-readiness pathways of labour market entrants.</li> <li>• Carry out an employers skills survey to gather information on the skills challenges that employers in Gozo face within their workforce, when recruiting and the nature of any training provided.</li> </ul>

<p>11. Limited access to FE/HE and upskilling/reskilling</p>	<ul style="list-style-type: none"> <li>• Encourage and incentivise private training providers to establish in Gozo with a view to reduce 'skills miles' which acts as a barrier to adult learning, support collaboration with employers and ensure the best local skills offer for individuals and enterprises thereby improving access to LLL and adult education.</li> <li>• To compensate for the investment in time which is a major skills development barrier for micro enterprises, review training fiscal incentives to account not only for training costs but also for the productive loss of employees participating in training without forcing employees to take training outside paid working hours.</li> </ul>
<p>12. Low participation in adult learning</p>	<ul style="list-style-type: none"> <li>• Consider introducing a pilot initiative designed to upskill and reskill the local adult population (25-64 years cohort) targeting the gaps emerging from the analysis of the inactive population, the digital literacy survey and employers skills survey as well as the new roles that will emerge from the new economic clusters over the next few years. To overcome funding challenges, the initiative could be designed around the innovative 'pay for success' approach in which private investors fund the upfront training costs and are repaid back by government from the uplift in income tax revenue resulting from the trainees' higher-income jobs.</li> </ul>
<p>13. High number of low qualified adults</p>	



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