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75, Republic Street, Victoria - Gozo, Malta

Tel: +356 2215 6338

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A review of Public Sector Employment in Gozo

The public sector can be defined as being composed of the General Government sector and Public Corporations. The general government is divided into three main categories: central government (which includes ministries and departments), local government, and Extra-Budgetary Units (EBUs). EBUs are entities established by Acts of Parliament, tasked with carrying out specialised public functions in areas such as education, health, administration, regulation, and social policy.¹ These include, amongst others, the Environmental and Resource Authority (ERA), Jobsplus, Lands Authority and Waste Serve Malta Limited.² Meanwhile, public corporations are government-controlled units established by Government, or by other public corporations, as market producers principally engaged in the production of goods, non-financial and financial services, and are classified in Non-Financial and Financial sectors rather than in the General Government sector.³ In Gozo these include corporations such as the Gozo Channel (Operations) Limited.

Over the last fifty years, the public sector constituted a major source of employment in Gozo. The reasons are many and included a clear effort by the central government to provide employment in an island traditionally marked by outward migration due to very limited jobs opportunities. Besides migration, the traditional lack of employment, especially quality ones, resulted in high uncertainty of income thus making public sector employment more attractive to the Gozitan population. This partly explains the value many Gozitans place on job security. Indeed, the latest State of the Nation survey, published in June 2024, revealed that job security is a top priority for Gozitans, ranking just behind job satisfaction and income (see Figure 1).⁴

Figure 1: Most important aspects of work, Gozo



Data Source: State of the Nation Survey.

¹ A detailed definition of Extra Budgetary Units is available from: <https://mfac.org.mt/wp-content/uploads/2021/02/MFAC-Annual-Report-and-Statement-of-Accounts-2019-1-47-56.pdf>.

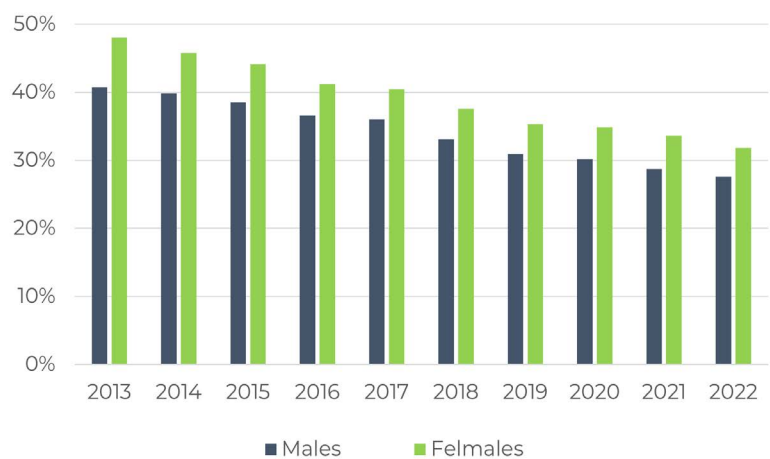
² A list of Extra Budgetary Units as 31 December 2023 is available from: <https://nso.gov.mt/general-government-balance-and-debt-under-the-maastricht-treaty-first-reporting-for-2024/>.

³ A detailed definition of Public Corporations is available from: <https://nso.gov.mt/public-corporations-2020/>.

⁴ <https://grda.mt/wp-content/uploads/2024/08/GRDA-Report-Stat-tan-Nazzjon-2024-1.pdf>.

Another key factor is that public sector jobs are often associated with more flexible working conditions such as reduced hours and better family-friendly measures, which attract more individuals to this sector. This is reflected in the higher share of female employment compared to males in full-time positions (see Chart 1). Additionally, many Gozitans seek additional sources of income outside their main job, which can make the flexible nature of public sector work more appealing.

Chart 1: Share of public-sector full-time employment by gender, Gozo



Data Source: National Statistics Office.

Chart 2: Share of part-time secondary employment to total employment in jobs



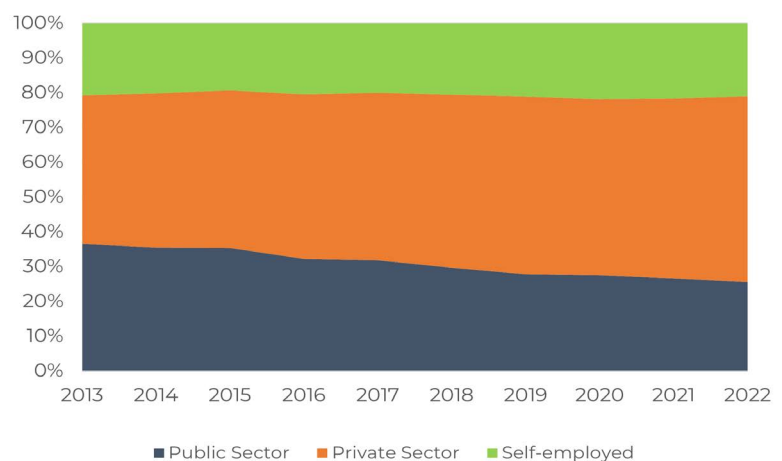
Data Source: National Statistics Office.

that was more pronounced than in mainland Malta. This increase contributed to a four-percentage-point rise in the share of secondary part-time employment to total employment in jobs.

In recent years, the number of public sector employees in Gozo has stabilised at around the 3,900. The share of public sector employment relative to total employment declined as the private sector has expanded (see Chart 3). In fact, private sector employment, including self-employment, grew from 6,443 in 2013 to 11,642 in 2022,

This is supported by data which shows that Gozo has a notably higher proportion of secondary part-time employment compared to Malta. Specifically, secondary part-time jobs account for 19% of total employment in jobs in Gozo, while in Malta, this figure is 11% (see Chart 2). A significant portion of these secondary part-time positions in Gozo, are attributed to self-employment. Furthermore, the period from 2013 to 2022 saw a marked increase in secondary part-time employment in Gozo, a trend

Chart 3: Distribution of primary employment in Gozo



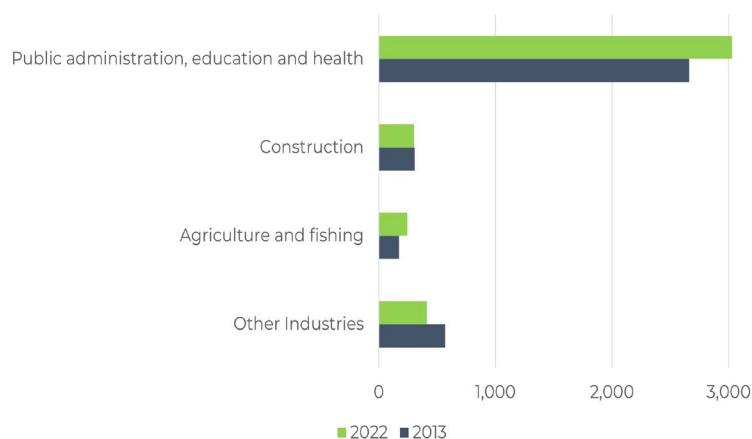
Data Source: National Statistics Office.

an increase of 81%. In comparison, public sector employment rose by 7.5% over the same period. As a result, the share of public sector employment to total employment declined by 11.0 percentage points over this period, reaching 25.5% by end 2022.

Public sector activity in Gozo is predominately concentrated in one industry with around 75% of public sector workers working in public administration, defence, education, health, and social work (see Chart 4). The remaining 25% are employed in other industries, mainly in construction and agriculture and fishing, which account for 8% and 6% of the public sector workforce, respectively.

Since 2012, there have been shifts in the distribution of full-time public sector employment across industries. The share of workers in public administration, defence, education, health, and social work has increased by nine percentage points. The proportion of workers in agriculture and fishing rose from 4% to 6% and the share in information and communication grew by one percentage point. Conversely, shares in other industries have either remained stable or declined. This trend indicates that public sector activity is becoming more concentrated and increasingly focused on one area, that of public administration, defence, education, health, and social work activities.

Chart 4: Public Sector employment by industry, by place of work, Gozo



**Note: The nomenclature used for the sectors were abbreviated for ease of communication.*

Data Source: National Statistics Office.

Table 1: Full-time Public Sector employees, Gozo, Index (2013=100)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture and fishing	100	98.9	102.3	100.6	110.9	112.6	122.9	127.4	137.1	140.0
Electricity and waste management	100	44.8	44.8	42.8	40.8	39.8	57.7	53.2	45.3	47.8
Construction	100	96.1	94.2	101.3	107.5	103.6	101.9	89.6	95.8	98.7
Wholesale and retail, transportation, and accommodation	100	133.5	100.0	100.0	100.0	100.0	81.1	81.1	82.9	82.9
Information and communication	100	166.7	216.7	216.7	216.7	233.3	233.3	600.0	566.7	583.3
Professional, technical and administrative service	100	189.9	195.4	188.1	203.7	196.3	33.0	42.2	66.1	64.2
Public administration, education and health	100	101.7	100.6	100.0	106.5	105.6	109.5	113.0	114.6	113.9
Arts & entertainment	100	97.8	97.8	84.4	88.9	87.8	85.6	92.2	84.4	84.4
Total	100	102.0	100.0	99.4	105.5	104.4	102.9	105.3	107.5	107.5

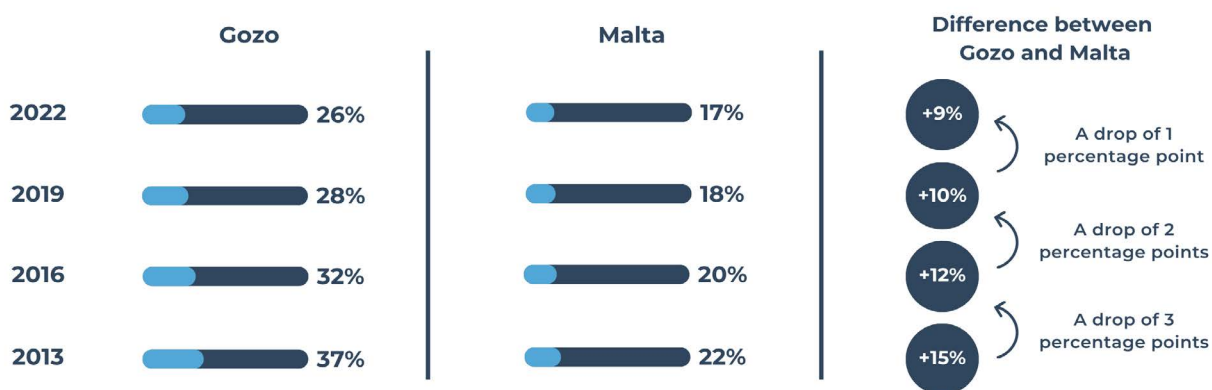
**Note: The nomenclature used for the sectors were abbreviated for ease of communication.*

Data Source: National Statistics Office & GRDA workings.

The data in Table 1, represented in the form of an index (2013=100) shows that total full-time public sector employment in Gozo increased to 107% of the level in 2013 over the past decade. This growth was steady over the years, except for 2022, where recruitment was limited, maintaining levels similar to 2021. The largest category, public administration, defence, education, health and social work, grew to 114% of 2013 levels.

Gozo's proportion of public sector employment exceeds that of mainland Malta. As at the end of 2022, the share of public sector employment to total primary employment in Gozo was by 9 percentage points higher than in mainland Malta (see Figure 2). Despite a gradual convergence between the two islands in terms of public sector employment, a notable gap remains. The composition of public sector employment differs across the two islands. In Gozo, sectors like agriculture and construction have a higher share of public sector workers compared to mainland Malta. Meanwhile in Malta, public sector employment has a higher share in fields such as professional, scientific, administrative, and support services.

Figure 2: Share of Public Sector Employment to total primary Employment



Data Source: National Statistics Office

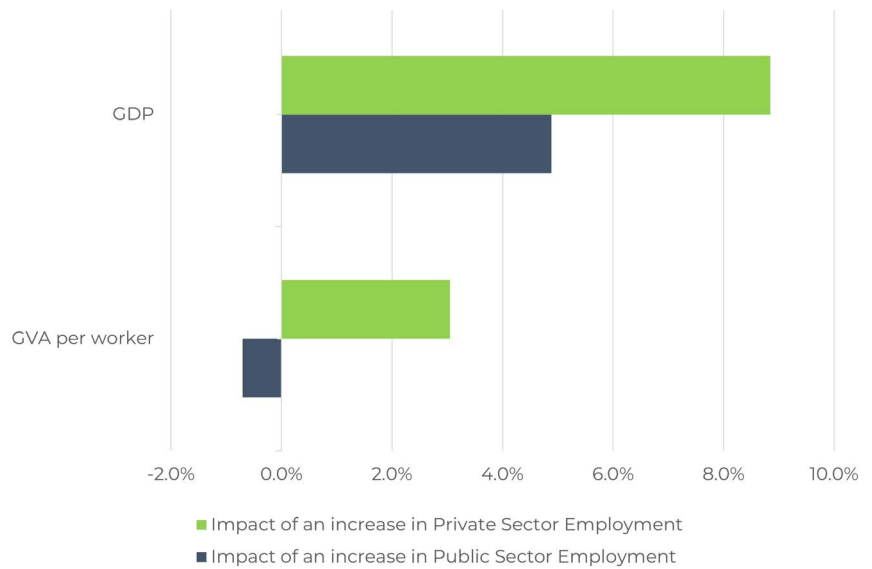
Given Gozo's high share of public employment, several arguments have been put forth by various stakeholders that the public sector is crowding out private employment in Gozo. Briguglio (2001) pointed out that overemployment might exist within Gozo's public sector, reflecting Gozitan's strong drive for public sector jobs. This drive is generated through various channels including the labour market, as the greater job security or higher likelihood of securing a public sector job may lead individuals to prefer or wait for public sector employment rather than seek private sector jobs. This effect can also be seen in the education market, where individuals pursue qualifications tailored for public sector jobs rather than skills needed for productive private sector employment. The private sector echoes this perspective, often arguing that public sector overemployment contributes to a shortage of available workers for private sector positions.

The high share of public sector employment might dampen long term growth prospects. In fact, literature suggests that the over-reliance on public sector jobs could create distortionary effects including inefficient resource allocation and lower worker productivity. Furthermore, there is evidence from literature that a high share of public sector employment could crowd out private investment and employment opportunities, further limiting economic growth prospects.

The GRDA modelled the impact of a gradual increase of 1,000 employees over a ten-year period under two different scenarios: one scenario employment being the public sector while the other employment being private.⁵ According to such estimates, a gradual increase of 1,000 public sector workers would have a smaller impact on the island's long-term growth potential when compared to the same employment increase but in the private sector.

Specifically, the modelling exercise shows that a gradual increase of 1,000 public sector workers would result in a 4.9% rise in GDP over a 10-year period (see Chart 5). However, this increase in public sector employment would not contribute to higher productivity; in fact, productivity per worker would marginally decline. On the other hand, if this gradual increase of 1,000 workers occurred in the private sector in industries such as professional, financial and insurance services, or IT, it would lead to an increase of 8.8% in GDP, 4.0 percentage points higher than that of the same increase in public sector employment. Additionally, productivity per worker would increase by 3.1%, a more positive outcome compared to the impact of an increase public sector employment.

Chart 5: Long-term impact of a gradual increase of 1,000 employees



Data Source: GRDA estimates, Oxford Economics.

⁵ To model this impact, the GRDA made use of an impact model for the Gozo economy provided by Oxford Economics.



GOZO REGIONAL
DEVELOPMENT AUTHORITY

Tel: +356 22156338

Email: info@grda.mt

www.grda.mt

