



THE MALTA CHAMBER

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The Malta Chamber rejects claim that businesses prefer cheap foreign labour to investment

Calls Out State Policy for Stagnant Productivity

Whereas The Malta Chamber shares Minister Clyde Caruana's concern that population growth is placing unnecessary and unsustainable pressure on Malta's infrastructure and quality of life, The Malta Chamber begs to differ on the Minister's claim that the private sector prefers low-cost third-country nationals (TCNs) to capital investment.

It misdiagnoses the root cause of Malta's economic bottlenecks. The Finance Minister is well aware of how the current labour market framework was built – it was a PL administration that pushed for economic growth based on foreign labour. Businesses are currently operating within a regulatory and administrative environment that was designed for volume-driven growth, and that model has not been reversed in any way, even though there have been multiple calls over the years to move from quantity to quality and more value-added. It is neither fair nor accurate to place the full burden on employers now that physical and infrastructural limits are being reached.

Furthermore, recruiting TCNs is also far from a cheap or easy option for employers, as it comes at a steep cost in terms of HR administration and time.

Over the last decade, Malta's Gross Value Added grew by 81.9%. Of that growth, 68.9% came purely from expanding the labour force. Shifts towards higher value-added sectors contributed only 9.9%, and actual productivity gains, meaning output per worker, accounted for a mere 3.1%. This volume-driven model was encouraged by state policy, and it is unrealistic to expect private enterprises to single-handedly undo a decade of state-backed workforce expansion, even more so when one takes into consideration that Government has repeatedly ignored implementing proposals which would help improve productivity.

Through the Malta Vision 2050, Government itself acknowledged the imperative to pivot away from labour-driven growth towards higher productivity. We must now ensure that its outlined KPIs are rigorously tracked and achieved, rather than merely remaining aspirational talking points.

If Government had truly been pushing in a different direction, we would have seen a decisive increase in capital and targeted expenditure to avoid the recurring electricity disruptions, to address the traffic gridlock, to address the disruptions brought about by abusive planning and construction, to support effective digitalisation across the public sector and private industry, and to support reskilling and upskilling. We have not seen any of this.

Instead, we had initiatives being delayed from one budget to another – this undermines corporate budgetary planning.

Furthermore, all fiscal incentives and grant support measures must be available at the outset of the budgetary year, coupled with clear and unambiguous disbursement timelines.

Existing fiscal and financial frameworks actively actually discourage the much-needed productive investment. Until state policy de-risks productive capital investment compared to flexible labour and speculative assets, businesses cannot realistically be expected to alter their behaviour in the quantum needed to bring real effective change.

If Government really wants to bring about a difference, it must focus on a budget where government incentives, funding mechanisms and tax structures are decisively realigned to reward automation, digitalisation, and upskilling, which results in enhanced productivity.

The Malta Chamber has repeatedly warned that an economic model dependent on ever-increasing numbers of workers and visitors is unsustainable, and that no amount of infrastructure investment will keep pace if demand grows unchecked. Recent projections reinforce the point: Malta's population stood at 588,254 at the end of 2025, with foreign residents making up around 31%, and is projected to approach 636,000 by 2030, in what is already one of the world's most densely populated countries. Whereas Malta's economy grew faster than any other EU country between 2021 and 2025, the same cannot be said for its productivity growth. Real GDP increased by 22.9%, however real GDP per hour worked fell by 0.2%. That puts us at 21st place for productivity growth, when compared with the 27 EU countries. These figures call for a decisive infrastructure and productivity response from the State, not for shifting the blame onto employers.

The Malta Chamber also rejects the narrative that local businesses continuously demand foreign labour because of a reluctance to modernise. Businesses that have optimised their internal operations through automation, lean processes, and digital tools are seeing their localised efficiency gains frequently eroded by systemic bottlenecks in the wider economy –private firm optimisation is being neutralised by public infrastructure deficits, such as public administration delays in processing of applications/queries/paperwork, inconsistencies between one department and another, and the lack of One-Time-Only solutions, amongst others.

Reliance on TCNs is further aggravated by constant aggressive public sector labour absorption, which spikes higher closer to elections. It would be useful if Government were to commission an independent, third-party audit of all government departments and entities to identify structural redundancies, streamline bureaucratic layers and uncover surplus capacity, with the objective of improving efficiency rather than expanding headcount – this should include a thorough review of human resource requirements and resources within the public sector, complimented with a transition programme to support the secondment and redeployment of surplus public sector personnel into the private sector.

The Malta Chamber stands ready to work with Government and Opposition on an evidence-based plan that combines infrastructure investment, simpler administration and well-designed incentives, so that Malta's growth is driven by productivity rather than headcount.

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