



Operational Programme II Cohesion Policy 2007-2013

**Empowering People
for more jobs
and a better quality of life**

Draft Document for Consultation

July 2006

Note: Statistics which appear in this document are based on official figures available as on 16th March 2006 unless otherwise stated.

List of Acronyms

AA	Audit Authority
DIER	Department of Industrial and Employment Relations
DFSAE	Department for Further Studies and Adult Education
CA	Certifying Authority
EAFRD	European Agricultural Fund for Rural Development
ECDL	European Computer Driving License
EES	European Employment Strategy
EFF	European Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	Employment and Training Corporation
EU	European Union
FCCD	Fisheries Conservation and Control Division
FDI	Foreign Direct Investment
FES	Foundation for Educational Services
GDP	Gross Domestic Product
IAID	Internal Audit and Investigations Directorate
ICT	Information and Communication Technology
IP	Intellectual Property
ITS	Institute of Tourism Studies
MA	Managing Authority
MC	Monitoring Committee
MCAST	Malta College for Arts, Science and Technology
MCESD	Malta Council for Economic and Social Development
MEYE	Ministry for Education, Youth and Employment
MFSS	Ministry for the Family and Social Solidarity
MQC	Malta Qualifications Council
NAP	National Action Plan for Employment
NAP Inc.	National Action Plan for Inclusion
NCHE	National Commission for Higher Education
NCPE	National Commission for the Promotion of Equality
NRP	National Reform Programme
NSO	National Statistics Office
NSRF	National Strategic Reference Framework
OHSA	Occupational Health and Safety Authority
OHS	Occupational Health and Safety
OP	Operational Programme
OPM	Office of the Prime Minister
PPCD	Planning and Priorities Co-ordination Division
PPS	Purchasing Power Parity
RTDi	Research, Technological Development and Innovation
R&D	Research and Development
SDO	Staff Development Organisation
SEA	Strategic Environment Assessment
SMEs	Small and Medium Sized Enterprises
SWOT	Strengthens, Weaknesses, Opportunities and Threats
UNHCR	United Nations High Commission for Refugees
VET	Vocational Education and Training
THP	Temporary Humanitarian Protection

Introduction

The National Strategic Reference Framework (NSRF) is the strategic document that sets out Malta's strategic objectives for the Cohesion Policy 2007-2013. The NSRF is complemented by two Operational Programmes, comprising a number of priority measures aimed at achieving the national strategic objectives for the period 2007-2013.

The strategic objectives of the NSRF provide the basis for the selection of priorities in both Operational Programmes. Priorities under the two Operational Programmes represent the policy mix that Malta has identified and chosen as the main focus areas for Cohesion Policy support during the period 2007-2013¹. The Operational Programmes and their components take account of the needs and priorities emanating from the NSRF and National Reform Programme (NRP) exercises, the strong link between Cohesion Policy and the achievement of the Lisbon objectives, as well as the regulatory restrictions of the funds. The priorities proposed, together constitute a plan of action for the period 2007-2013, whereby investment in the various sectors is not seen as an end in itself but as a means of contributing to the realisation of the vision and the attainment of the underlying strategic objectives. The two operational programmes do not include other measures that are best funded through national funds and/or other Community/International financial instruments, including the programmes under the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) and the Territorial objective in which Malta will participate².

This Operational Programme, hereinafter referred to as Operational Programme II, is to be co-financed by the European Social Fund (ESF). The Operational Programme aims to primarily address the development of human resources and the employment needs of the country. This Operational Programme is complemented by another Operational Programme, Operational Programme I, to be co-funded by the European Regional Development Fund (ERDF) and the Cohesion Fund, which focuses on the infrastructural needs of the country. Both Operational Programmes will support schemes targeting the private sector.

This document begins with a situation analysis of the main focus areas of this Operational Programme. Chapter II presents an analysis of the country's strengths, weaknesses, opportunities and threats (SWOT). Chapters III and IV delineate Malta's strategic direction of the Operational Programme and the list of Priority Axes, respectively. The Priority Axes are firmly based and linked to the attainment of the Lisbon objectives. Priority Axes have been kept to a number which allows for maximum flexibility during the implementation period. The Chapter on the Priority Axes includes a description of the principal measures foreseen under each priority. Chapters V and VI present the financial tables and the provisions for implementation.

The financial tables constitute the total expenditure foreseen under each Priority Axis³. In this regard, it is important to note that Strategic Objective 4 of the NSRF, namely addressing Gozo's regional distinctiveness, will be achieved by a commitment of Government to spend a minimum of 10 per cent of the funds under this Operational Programme on measures contributing to Gozo's socio-economic development. Chapter VI is mainly technical in nature and arise from the requirements as outlined in the relevant Regulation⁴. This chapter focuses primarily on the implementation procedures. Following the mid-term update carried out on the 2004-2006 programme which focused on efficiency issues, a number of changes (vis-à-vis the 2004-2006 procedures) in the implementation procedures are being proposed.

This Operational Programme is currently undergoing an ex-ante evaluation by independent evaluators which will be concluded in the coming weeks. The results of the ex-ante evaluation will be discussed and the document may undergo changes.

¹ The two Operational Programmes fall under the Convergence Objective.

² The Territorial Objective Programmes are the new Interreg Programmes for 2007-2013.

³ Whether financed by the EU, national and where applicable, private funds.

⁴ XXXXXXXXXXXX

Chapter I - Situation Analysis

1.1 Introduction

In March 2000, the European Council launched the Lisbon Agenda with the aim for Europe to become by 2010 “the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment”. With the re-launch of the Lisbon Strategy in March 2005 and the adoption of the integrated guidelines for growth and jobs, Malta has committed itself to contribute to the Lisbon priorities. This commitment is reflected in the National Action Plan for Employment, which outlines Malta’s principal employment strategy for the years 2005 and 2010, and subsequently in the National Reform Programme (NRP) and the Pre-Budget Document. The NRP outlines how the guidelines are being integrated into the national strategy and the expected outcome, while the Pre-Budget Document⁵, being a consultation document in preparation to the 2006 budget, highlights Government’s priorities over a five-year (2006-2010) span.

Government believes that investment in human capital is one of the main drivers towards the attainment of the objectives of higher economic growth and more and better jobs. As highlighted in the National Strategic Reference Framework (NSRF), in terms of GDP at market prices in Purchasing Power Standards (PPS), the Maltese economy showed a decrease for most of the years from 2000 onwards compared to the EU average. In addition, labour productivity and employment rates are below the EU average with evident disparities between the male and female employment rates. Government believes that while investments in infrastructure foreseen under Operation Programme I provide the much needed enabling environment primarily through upgrades in infrastructure, improvements in human capital and in the labour market, through the provision of quality education and training for all citizens, are crucial for the country’s long-term socio-economic development and its international competitiveness.

1.2 Labour Market Analysis

1.2.1 Overview of the labour market

During 2005, the total population of Malta stood at 402,727, with a labour force of 160,836, of which 149,091 were employed (vide Table 1.1). Table 1.2 shows that the labour force increased by 0.4 per cent between 2004 and 2005 and by 2.6 per cent between 2000 and 2005. A decrease of 0.4 per cent was, however, registered between 2003 and 2004, which mainly reflects the implementation of voluntary retirement schemes in public enterprises.

⁵ The Pre-Budget Document is in the process of being updated and will be discussed again with stakeholders through consultation.

Table 1.1

Labour Status	Labour Status for the whole population for 2005					
	Gender				Total	
	Males		Females			
No.	%	No.	%	No.	%	
Employed	103,234	51.7	45,857	22.6	149,091	37.0
Unemployed	7,279	3.6	4,466	2.2	11,745	2.9
Inactive	48,528	24.3	114,476	56.4	163,004	40.5
Children less than 14years	40,722	20.4	38,165	18.8	78,887	19.6
Total Population	199,763	100	202,964	100	402,727	100

Source: National Statistics Office, Annual Labour Force Survey data sets

During 2005 the employed population increased slightly when compared to the previous year. The unemployment rate increased marginally between 2004 and 2005, from 7.2 per cent to 7.3 per cent, which is lower than the highest rate of 7.5 per cent (2003) registered in the 2000-2005 period.

Table 1.2

Labour Force	The Labour Market Situation - overall situation					
	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
Employed	146,246	146,017	148,452	148,764	148,618	149,091
Unemployed*	10,498	10,064	11,018	12,093	11,518	11,745
Total	156,744	156,081	159,470	160,857	160,136	160,836
Unemployment Rate (%)*	6.7	6.4	6.9	7.5	7.2	7.3

Source: National Statistics Office, Annual Labour Force Survey data sets

* The unemployment figures and rate are based on the Labour Force Survey (annual data sets). The Labour Force Survey is a household survey carried out by the NSO in accordance with methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation. It is important to note that the actual figures and rate of unemployment based on registered persons with ETC is represented in Table 1.8.

In 2005, 12,608 persons of the employed population held a part-time job as their main occupation. This resulted in an expansion of part-time employment between 2000 and 2005. Over the previous year an increase of 10.9 per cent was registered, while an increase of 21.5 per cent was registered since 2000. Disaggregating this information by gender, the increase was of 26.5 per cent and 19.1 per cent for males and females respectively. Although the growth rate has been higher for men, females who have a part-time job as their main occupation outnumber their male counterparts. In 2005, this amounted to 4,170 and 8,438 for males and females respectively. Over the recent years increasing importance is being attached by both economic operators and employees to part-time work. This indicates changing working patterns and a relative degree of flexibility in the labour market.

Overall, the employment rate in 2005 stood at 54.3 per cent. An analysis of employment rates by age group illustrates that the highest rates for males are found in the 25 to 54 age bracket

(89.2 per cent) whereas female employment rates tend to be higher in the 15 to 24 age bracket (43.9 per cent) . Over a six year period, the employment rate for the lower age group (15-24) was on a decreasing trend, while for the two other age groups (25-54, 55-64) it was on an increasing trend (vide Table 1.3).

Table 1.3

Employment Rates						
Age Group	2000	2001	2002	2003	2004	2005
	%	%	%	%	%	%
15-24	47.5	52.4	50.5	47.1	46.2	45.3
25-54	60.6	61.1	61.7	62.2	62.0	62.6
55-64 ⁶	27.9	29.3	29.8	32.3	31.7	30.8

Source: National Statistics Office, Annual Labour Force Survey data sets

1.2.2 Labour cost and productivity

In 2004, labour productivity increased by 0.6 per cent. Real unit labour costs declined by 3.8 per cent. Productivity per employed person in Malta is higher than that in several other new EU Member states, but is still behind that of the EU25 average. It is also below that in some of the EU 15 Member States.

1.2.3 Employment by economic sector

a) Private sector

The private economic sector in Malta is predominantly made up of small and medium sized enterprises (SMEs). In fact, in 2003, 99.9 per cent out of 33,501 enterprises were SMEs (including micro enterprises). Over 90 per cent of the SMEs are micro-enterprises, employing less than ten persons.

Over the past six years private sector employment has increased. As shown in Table 1.4, in 2005, private sector employment stood at 101,029, reflecting an increase of 1,669 (1.7 per cent) over the previous year and an increase of 5,364 jobs (5.6 per cent) when compared to 2000⁷. The share of total private sector employment over total employment stood at 67.8 per cent in 2005, an increase of 0.9 percentage points over the previous year and an increase of 2.4 percentage points since 2000.

Table 1.4

Total Employed by Economic Sector						
Labour Force	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
Private Sector	95,665	97,419	97,564	99,022	99,360	101,029
Public Sector	50,581	48,598	50,888	49,742	49,258	48,062
Total employment	146,246	146,017	148,452	148,764	148,618	149,091

Source: National Statistics Office, Annual Labour Force Survey data sets

⁶ It is important to note that the retirement age is 61 for males and 60 for females, with the females having the option to retire at the age of 61.

⁷ This is due in part to major privatisation measures that occurred throughout these years.

Over six years, the increase in employment in the private sector reflects an expansion in private market services. At a disaggregated level, the shift in private sector employment from manufacturing activities towards service-oriented sectors is evident in Table 1.5. In particular, the private sector complement in employment in direct production registered an overall decrease of 3.2 per cent between 2000 and 2005. This is mainly the result of a considerable decrease of jobs in the manufacturing sector (11.8 per cent between 2000 and 2005). These developments mainly reflect the restructuring efforts in the manufacturing industry. It also reflects the open nature of this sector which during the years under consideration had to cope with an unfavourable international economic scenario, as well as trade liberalisation and increasing international competitive pressures. Conversely, total employment in the main private market services increased by 6,605 over the same period. This increase is attributed to an expansion in employment in real estate, renting and business activities; transport, storage and communications; and in health and social work⁸.

Table 1.5

Private Sector by Economic Activity						
Economic Activity	2000 No.	2001 No.	2002 No.	2003 No.	2004 No.	2005 No.
Direct production						
Agriculture, hunting and forestry	1,428	1,708	1,550	1,763	1,703	1,374
Fishing*	435	574	471	499	547	479
Mining and Quarrying	715	771	637	951	678	787
Manufacturing	29,487	28,102	26,460	25,770	26,614	26,018
Electricity, Gas and Water Supply*	161	153	54	18	47	0
Construction	6,952	7,336	7,990	7,882	7,821	9,279
Sub total	39,178	38,644	37,162	36,883	37,410	37,937
Market services						
Wholesale and retail trade	20,522	20,797	20,670	21,404	21,933	21,049
Hotels and restaurants	10,403	12,499	13,150	12,272	11,995	11,994
Transport, storage and communications	4,810	5,404	5,206	6,011	5,894	5,986
Financial Intermediation	5,191	5,187	4,624	5,373	4,204	5,733
Real Estate, renting and business activities	5,364	5,481	6,359	7,043	7,034	7,381
Public admin. and defence; compulsory social security*	449	0	125	85	51	86
Education	3,066	2,888	3,397	3,430	3,481	2,912
Health and Social Work	1,980	2,123	2,542	1,748	2,713	2,410
Other community, social and personal service activities	4,268	4,004	3,908	4,289	4,197	5,184
Private households with employed persons*	303	224	137	348	130	94
Extra-territorial organisations and bodies*	131	168	284	136	318	263
Sub total	56,487	58,775	60,402	62,139	61,950	63,092
Total Private Sector	95,665	97,419	97,564	99,022	99,360	101,029

Source: National Statistics Office, Annual Labour Force Survey data sets

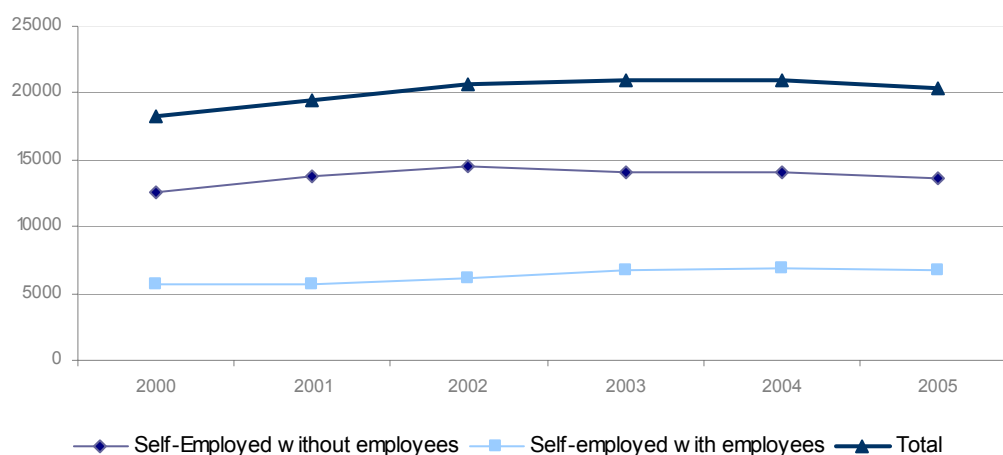
*This data indicates that the sample size is small and caution should be made in interpreting the results of those lines in terms of their statistical relevance.

⁸ Between 2000 and 2005

The share of private market services over the total private sector employment stood at 62.4 per cent in 2005, which is 0.1 percentage points more than the previous year. However, when taken over a period of six years, it registered an increase of 3.4 percentage points. These developments indicate long term trends towards greater reliance on market services as the main source of employment creation in the private sector. The private direct production category registered declines owing to re-orientation of manufacturing towards less labour intensive and higher value-added activities as well as increased competitive pressures faced by certain sectors.

In 2005, a total of 20,380 persons were self-employed (with or without employees). This amounts to 13.7 per cent of the labour force, of which 86.5 per cent and 13.5 per cent were males and females respectively. An increase in self-employment of 11.2 per cent was registered between 2000 and 2005, an increase of 10.8 per cent for males and 5.2 per cent females. The main expansion was registered for self-employed with employees, where between 2000 and 2005 an increase of 19.0 per cent was registered. An increase of 7.7 per cent was registered for self-employed without employees. As indicated in Figure 1.1, the peak for self-employed without employees was reached in 2002 and a decreasing trend subsequently followed. As regards self-employed with employees, the peak was reached in 2004.

Figure 1.1: Total number of self-employed (main occupation)



b) Public sector

The wider public sector in Malta can be classified into four distinct groups: ministries and government departments; statutory corporations and authorities⁹; government-owned limited liability companies and foundations; and local councils. The Public Service is part of the wider public sector. It consists of staff in ministries and departments recruited under the authority of the Public Service Commission. The Public Service in Malta, however, has a broader scope than that of many larger countries. Given Malta's small size, most public functions fall under the responsibility of the central Government. The relevant ministries, for example, manage public schools and hospitals including health clinics, and their employees are considered part of the public service. This explains the relatively high rate of 21.0 per cent rate (in 2005) of employment in the public service over the total employed population.

Public sector employment in general has decreased by 5.0 per cent between 2000 and 2005. This decrease was a direct result of the restructuring of public enterprises, privatisation initiatives and Government's drive to reduce manpower in non-essential categories in

⁹ including autonomous regulatory bodies.

Government Departments¹⁰. Disaggregating this information by gender, the decrease was only recorded in the case of men (-11.8 per cent), while women registered an increase of 14.5 per cent. At the end of 2005, total employment in the public sector stood at 48,062 persons, representing a cumulative decrease of 2,519 persons since 2000. Additionally, a decrease of nearly 9 per cent between 2000-2005 was registered for Government Departments. Around a quarter of the decline was concentrated in the direct production category. The share of Government Departments in public sector employment in 2005 increased 0.9 percentage points over the previous year, while it decreased by 2.9 percentage points between 2000 and 2005. Employment in independent statutory bodies increased by approximately 33.6 per cent over the same period, which is mainly the result of job creation within the market services category.

Table 1.6**Employment by Economic Public Sector**

Public sector - labour status	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
Public Majority	7,895	7,636	8,514	7,271	5,828	5,676
Men	7,131	6,560	7,081	5,873	4,554	4,525
Women	764	1,076	1,433	1,398	1,274	1,151
Independent Statutory Bodies	8,298	9,541	10,461	10,422	11,785	11,087
Men	7,314	8,072	8,528	8,343	9,731	9,115
Women	984	1,469	1,933	2,079	2,054	1,972
Government Depts & Ministries	34,388	31,421	31,913	32,049	31,645	31,299
Men	23,088	21,885	20,830	20,878	19,975	19,481
Women	11,300	9,536	11,083	11,171	11,670	11,818
Total	50,581	48,598	50,888	49,742	49,258	48,062
Men	37,533	36,517	36,439	35,094	34,260	33,121
Women	13,048	12,081	14,449	14,648	14,998	14,941

Source: National Statistics Office, Annual Labour Force Survey data sets

1.2.4 Unemployment

As indicated under Table 1.2, the unemployment rate as at 2005 stood at 7.3 per cent which represents an increase of 0.1 percentage point over that for 2004. Between 2001 and 2004, the unemployment rate in Malta has been constantly lower than the EU average. The latter standing at 8.4 per cent in 2001, increasing to 9.0 per cent by 2004.

A breakdown of unemployment by age shows the concentration at the lower-end of the age brackets (vide Table 1.7). Approximately 47.7 per cent of the unemployed in 2005 were aged between 15-24. Overall, both the level of and distribution in unemployment in 2005 mirror the situation of 2004. However, it is important to note that apart from the age brackets of 15-24 and 35-45, all others experienced an increase over the previous year.

¹⁰ By improving employee utilisation and redeploying surplus staff, coupled with the offer of early retirement schemes in various public entities.

Table 1.7

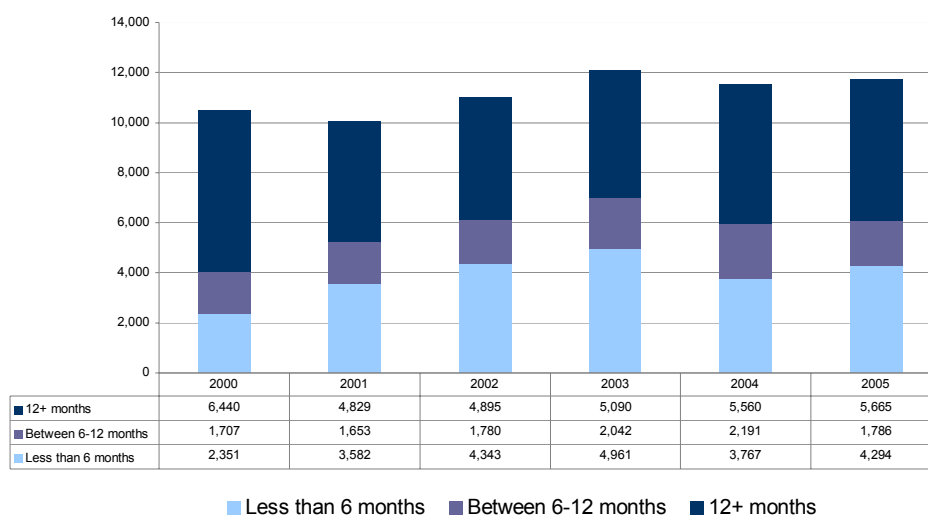
Total Unemployed by age group						
Age Group	2000 No.	2001 No.	2002 No.	2003 No.	2004 No.	2005 No.
15 – 24	2,204	5,058	5,028	5,655	5,598	5,597
25 – 34	3,122	1,551	2,037	2,524	1,821	2,133
35 – 44	1,942	1,720	1,930	1,933	2,092	1,408
45 – 54	2,835	1,467	1,746	1,642	1,677	2,164
55 - 64* ¹¹	395	268	277	339	330	443
Total Unemployment**	10,498	10,064	11,018	12,093	11,518	11,745

National Statistics Office, Malta: Annual Labour Force Survey Statistics data sets

*This data indicates that the sample size is small and caution should be made in interpreting the results of those lines in terms of their statistical relevance.

** These unemployment figures are based on the Labour Force Survey (annual data sets). The Labour Force Survey is a household survey carried out by the NSO in accordance with methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation. It is important to note that the actual figures of unemployment based on registered persons with ETC is represented in Table 1.8.

As illustrated in Figure 1.2, during 2005, unemployment of a duration of 6 to 12 months improved over the previous year, while an increase of unemployment was registered on short-term unemployment (less than six months) and long term unemployed (12 months and over). Over a six-year period, one notes an increase for the short-term unemployed and unemployment of a duration of 6 months and over, while a decrease was registered for the long-term unemployed.

Figure 1.2: Unemployed by duration of unemployment

Source: National Statistics Office, Annual Labour Force Survey data sets

¹¹ Vide footnote 6

Persons registering for Employment

An overview of those registering for employment with the Employment Training Corporation (ETC) shows that in 2005 there were a total of 7,379 persons registering for employment, amounting to 5.1 per cent of unemployment rate. Of these 6,696¹² registered for employment under Part 1 and 683 were registered under Part 2¹³. This represents a decrease of 8.9 per cent over the previous year. Between 2000 and 2004, the majority of the unemployed under Part 1 were those looking for elementary and low-skilled occupations. In 2005 a reclassification exercise was carried out by ETC which resulted in a revision of the registration options in line with labour market demands. The outcome was a decrease of elementary and low-skilled occupations registered over the previous year.

Table 1.8

Unemployment by Occupation Sought						
Occupation Sought by persons registering under Part 1	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
Legislators, senior officials, and managers (& supervisors)	93	97	82	93	92	193
Professionals	34	40	41	82	81	294
Technicians and associate professionals	188	201	229	270	301	547
Clerks	596	702	679	791	705	1,031
Service workers and shop and market sales workers	632	755	758	809	858	1,194
Skilled agricultural and fishery workers	101	89	95	108	79	191
Craft and related trade workers	811	763	795	975	947	1,224
Plant and machine operators and assemblers	1,185	1,191	1,214	1,302	1,198	956
Elementary occupations	2,943	2,915	2,881	3,064	3,129	1,066
Total	6,583	6,753	6,774	7,494	7,390	6,696
Unemployment rate (%) ¹⁴	5.0	5.1	5.2	5.7	5.6	5.1

Source: National Statistics Office - as per ETC administrative records - December

1.2.5 Gender equality and females in the labour market

Government has embarked on various measures towards an integrated approach to promote gender equality and to increase the female participation rate, the latter currently comparing unfavourably with the EU 25 as identified in Table 1.9. In this respect, in 2004 Government established the National Commission for the Promotion of Equality (NCPE) whose terms of reference include the identification and monitoring of national policies addressing

¹² This figure is based on the administrative records of ETC which classifies the gainfully occupied population according to the standard NACE classification of the economic activities. This classification was introduced during 2005 and was applied to employment statistics as from 1992 onwards. As a result, this figure is not directly comparable with the other data included under this section.

¹³ Registered unemployed with ETC is composed of both Part I and Part II of the Register. Part I of the Register includes those who are eligible for work and registering with ETC as employed, while Part II incorporates other categories of persons searching for work but are not eligible to register under Part I since they did not comply with established rules and regulations.

¹⁴ Unemployment rate considering both those registering under Part 1 and 2.

discrimination and the promotion of gender equality. Gender equality has been given a firm legislative basis by means of the Equality for Men and Women Act (2003) which strengthened the national machinery for gender equality. Through the Income Tax Act (CAP. 123) Government introduced new fiscal incentives to encourage more women to return to the labour market¹⁵.

In addition, as part of the new Collective Agreement for Employees in the Public Service which came into effect in January 2005, further flexible family friendly measures are envisaged which will enable employees to combine their work and family responsibilities through extended and more flexible parameters in the utilisation of unpaid parental leave and reduced hours.

This notwithstanding, further efforts are still required. In 2005, the total overall employment rate stood at 54.3 per cent. Disaggregating this information by gender one notes that whilst the rate for males stood at 74.4 per cent males (EU25: 71.3 per cent), the rate for females was of 33.9 per cent (EU25: 56.3 per cent). The same trend followed for the activity rate, where the rate for males stood at 79.3 per cent as opposed to 36.9 per cent for females. Females also experienced a higher unemployment rate of 8.9 per cent when compared to 6.6 per cent for males.

Table 1.9

Labour market information by gender for 2005

	Males %		Females %		Total %	
	MT	EU 25	Malta	EU 25	Malta	EU 25
Activity Rates	79.3	77.8	36.9	62.5	58.3	70.2
Employment Rate	74.4	71.3	33.9	56.3	54.3	63.8
Unemployment Rate	6.6	7.9	8.9	9.8	7.3	8.7

*Source: National Statistics Office, Annual Labour Force Survey data sets
EU figures are extracted from the Eurostat Database*

1.2.6 Employment services and governance

a) Employment and Training Corporation

In 1990, Government established the ETC, Malta's public employment service agency, with the aim to provide and maintain an employment service, to assist the registered unemployed in finding employment, to assist employers in finding suitable employees, to provide training service to clients seeking new jobs and to clients already on the job but wanting to improve their knowledge and skills¹⁶. In addition, ETC controls abuse in employment benefits resulting from registering jobseekers having illegal employment or by employers employing persons illegally. The payment of fines or the provision of opportunity for regularisation is also, at times, opted for as a corrective action¹⁷. From August 2005, ETC has also assumed responsibility for the consideration and issue of employment licences to non-Maltese nationals.

Between October 2004 and September 2005, the Corporation's drive to attract more vacancies from employers (to which it may then refer job seekers) resulted in an increase of 11 per cent of job vacancies registered, an increase of 37 per cent in the number of placements and a decrease of 13 per cent in the unemployed register of ETC. Over the same

¹⁵ One of these provisions gives women who have been absent for more than five years from work, will be exempt from tax for the first year during which they return to work, while an other measure relates to part-time job as a secondary source of income for a married couple which gives them the possibility to qualify for a 15 per cent flat rate tax on the part time job of the other spouse who holds a part-time job as a primary source of income.

¹⁶ ETC also has a job centre in Gozo.

¹⁷ During the above-mentioned period, 3850 on-site inspections were conducted with more than 2000 infringements found.

period, the training programme has been characterised by the introduction of the new apprenticeship framework, an increase in the number of participants in mainstream courses, and the introduction of a number of new programmes and initiatives targeting specific client groups. Moreover, the number of persons trained by the Corporation increased by 9 per cent of all registered jobseekers¹⁸.

b) Occupational Health and Safety Authority

Government established the Occupational Health and Safety Authority (OHSA) in 2000 intended to promote occupational health and safety (OHS) training and adequate health and safety levels at all workplaces, and the dissemination of information to ensure compliance with the OHSA Act¹⁹. In terms of the Act, the OHSA has the responsibility to ensure that the physical, psychological and social wellbeing of all workers in all workplaces are safeguarded. It also ensure compliance with the EU *acquis* in the area of occupational health and safety. In the last three to four years the OHSA participated in a number of EU initiatives including a Twinning Agreement with the UK to aid with its institutional and capacity building facility²⁰.

The OHSA is promoting the concept of employability, adaptability and healthy lifestyles through education, training and investment in OHS. A tripartite OHSA Board ensures the full involvement and participation of social partners on matters related to occupational health and safety. Between October 2004 and September 2005²¹, OHSA carried out 1,364 workplace visits. During the former period²² OHSA prosecuted in 146 cases before the Court of Criminal Judicature. It also vetted 2,907 equipment certificates and delivered 659 hours of training to 1,987 participants. Training courses, both of a general nature as well as tailor made training were organised and demand for such training is on the increasing side. However, on a general level, the OHSA is continuously faced with the challenge of changing mentalities at the different levels of the labour force as well as the general public about the importance of OHS and its benefits for all stakeholders as well as the high costs²³ incurred due to poor OHS policies

c) Department for Industrial and Employment Relations

The Department of Industrial and Employment Relations (DIER) within MEYE is responsible for ensuring that the conditions of employment emanating from the Employment and Industrial Relations Act, 2002, and subsidiary legislation are observed through appropriate monitoring and enforcement. The Department provides mediation and conciliation through early intervention in industrial disputes with a view to reconciling the parties thereby promoting social dialogue at enterprise level and industrial peace. It also acts as the national focal point with regard to matters relating to the International Labour Organisation and ensures that EU labour legislation is implemented in Malta through the promulgation of legal instruments establishing standard conditions of employment.

In consultation with the social partners, DIER provides the necessary framework for the registration and cancellation of trade unions and employers' associations and for receiving annual returns as prescribed by law. The Department also provides support services to the Industrial Tribunal²⁴, National Employment Authority²⁵, Guarantee Fund Administration

¹⁸ The 2004-2006 ESF projects contributed to results mentioned.

¹⁹ Laws of Malta, Chapter 44, Act XXVIII of 2000.

²⁰ Through Pre-Accession and Transition Facility Funds, the OHSA benefited from an allocation of €1.6 million to support the effective implementation of Occupational Health and Safety Law in a Pre-Accession context, institutional building of the OHSA; and the strengthening of administrative capacity of the National Labour Inspectorate (OHSA component).

²¹ OHSA's calendar year.

²² October 2003 and September 2004.

²³ Financial, physical, psychological and human.

²⁴ The Industrial Tribunal is a juridical Tribunal established by the Employment and Industrial Relations Act 2002(Cap 452). It has exclusive jurisdiction to consider and decide all cases of alleged unfair dismissals and all cases falling within its jurisdiction by virtue of Title I of Chapter 452 (Employment Relations) or any regulations issued thereunder.

²⁵ The National Employment Authority's function is to adjudicate appeals submitted by unemployed persons.

registering under Part II at the Employment & Training Corporation and declared not eligible to register under Part I.

Board²⁶, and Employment Relations Board²⁷. The Department carried out over 2,700 workplace inspections in 2005 and processed more than 16,000 queries on conditions of employment from the public. It intervened in 59 industrial disputes with agreement being reached in over 80 per cent of cases.

1.3 Education and Training

1.3.1 Education sector and structure

Human resources are Malta's main natural resource and Government's priority remains that to encourage and support people to realise their full potential in order to contribute to Malta's socio-economic development. The development of human capital is crucial since skills, creativity and competence growth are most likely to result in a strong sense of individual fulfilment and cohesion to society's values. Furthermore, a citizen who is better equipped, flexible and confident will also be more productive, creative and innovative, thereby enhancing the society of which one forms part.

Over the past fifty years the Maltese Government has been delivering free education for all at primary and secondary levels, while at tertiary level, education became free in 1970. The education sector has continually experienced change and evolution. During the past three years, various areas within this sector have been placed under critical analysis with the main target of improving the quality of education provided to all. All this is indicative of the dynamic character and importance Government gives to this sector.

Education is provided for free in all State and church schools and is compulsory up to the age of 16. Additionally, most of post-secondary institutions are free of charge and those students following full-time post-secondary courses receive a basic student maintenance grant to encourage participation in further and higher levels of education. At the tertiary level, students attending their first full-time degree course at the University are eligible for a student maintenance grant subject to satisfying eligibility criteria. Since the introduction of the students' maintenance grants in 1988, reforms have been made to this system to make it more effective.

In total, there are 166 schools in Malta and Gozo providing for compulsory education, of which 109 (67.9 per cent) are state schools²⁸. State schools (primary – 74 and 35 secondary), Church (34) and Independent (20) schools provide education starting from pre-primary to post-secondary levels. All State schools and a number of non-state schools provide kindergarten services, which are attended by around 93 per cent of the age cohort (3-4 years).

At the post-secondary level, five colleges provide general education of which three are state run²⁹ and two are church schools³⁰. In addition, the Malta College of Arts, Science and Technology (MCAST), and the Institute for Tourism Studies (ITS)³¹ are two public colleges providing post-secondary vocational education. Tertiary level education is provided predominantly by the University.

²⁶ The Guarantee Fund Administration Board is the body established by Legal Notice 432 of 2002 responsible for the administration of the guarantee fund set up by article 21 of the Employment and Industrial Relations Acts. The Fund is utilized to guarantee payment of valid claims for employees' outstanding wages and for contributions to be paid by the employer in respect of occupational pension schemes resulting from contracts of service, when the Board is satisfied that the employer concerned has become insolvent.

²⁷ The Employment Relations Board is the body established by article 3 of the Employment and Industrial Relations Act which makes recommendations to the Minister responsible of industrial and employment relations as to any national minimum standard conditions of employment and sectoral conditions of employment. Moreover, it advises the same Minister on any matter relating to conditions of employment.

²⁸ During the scholastic year 2003-2004 (Source: Education Division)

²⁹ Gian Frangisk Abela Junior College (Malta), Giovanni Curmi Higher Secondary School (Malta) and Sir Michelangelo Refalo Post Secondary Complex (Gozo).

³⁰ De La Salle College and St Aloysius College

³¹ Under Malta's Structural Funds Programme 2004-2006, a new and modern facility is being built in Gozo which will enable the institute to deliver more tourism related courses there.

1.3.2 Pupil/student population

Between 2000 and 2004, the overall pupil population at primary level decreased from 34,261 to 31,064 (-9.3 per cent). At the secondary level³² student population has increased from 27,254 to 29,540 (+8.4 per cent). The most substantial changes have occurred in the post-secondary sector (including vocational education) where the opening of MCAST has seen the student population at post-secondary and vocational level increase from 9,453 in 2000 to 12,520 in 2004 (+32.4 per cent). The student population at ITS in 2004 stood at 544 students, with an additional 163 students studying part-time.

As highlighted in Table 1.10, the University student population increased from 5,362 in 2000 to 7,955 in 2004 (+48.4 per cent). A sharp increase was registered between 2002 and 2003 (+41.6 per cent), while a decrease of 11.7 per cent was registered between 2003 and 2004. This is likely the result of a sharp increase at the vocational level (51.9 per cent) over the same period.

The increase of students both at the University and MCAST led to a corresponding increase in resources, student maintenance grants and the need for additional physical space. Trends are indicating that early, primary and secondary levels will experience a general decline in pupil/student population in the future as a result of a declining birth rate. However, the post-secondary and tertiary sectors should experience an increase in the underlying population of target age cohorts. Malta aims to address the issue of education and training infrastructure through Operational Programme I (ERDF).

Table 1.10

Enrolment at different levels of education

Level	Primary	Secondary	Post-secondary	Tertiary	Vocational ³³
2000 Total	34,261	27,254	5,191	5,362	4,262
Males	17,605	13,543	2,278	1,961	3,255
Females	16,656	13,711	2,913	3,401	1,007
2001 Total	33,530	27,647	5,122	7,493	4,134
Males	17,315	13,814	2,516	3,392	3,131
Females	16,215	13,833	2,606	4,101	1,003
2002 Total	32,717	28,126	4,973	6,362	4,262
Males	16,946	14,302	2,705	3,159	2,764
Females	15,771	13,824	2,268	4,173	1,026
2003 Total	31,708	28,560	5,169	9,006	4,635
Males	16,454	14,443	2,298	3,888	3,168
Females	15,254	14,117	2,871	5,118	1,467
2004 Total	31,064	29,540	5,479	7,955	7,041
Males	16,084	14,988	2,318	3,515	5,063
Females	14,980	14,552	3,161	4,440	1,978

Source: National Statistics Office, *Malta in Figures 2004: Education and Culture*

³² Up to the age of 16.

³³ Including post-secondary vocational courses.

1.3.3 Participation rates

The performance of a country aiming to become a knowledge-based economy can be measured in terms of the number of young people aged between 20 and 24 years achieving upper-secondary education levels or more. As shown in Table 1.11, Malta's source for this indicator increased from 40.7 per cent in 2000 to 53.7 per cent in 2005. It is interesting to note that whereas in 2000, 41.4 per cent of males and 39.8 per cent of females achieved this level of education, in 2005 female participants stood at 57.1 per cent when compared with 50.5 per cent for males.

In post secondary education, the participation rate for the 17 year olds³⁴ in 2004 stood at approximately 64 per cent³⁵. As per the NRP, Malta aims to achieve the target of 65 per cent of people aged 22 years old completing upper secondary education by 2010³⁶.

Table 1.11

Percentage of 20-24 year old achieving upper secondary education level or more						
Gender	2000	2001	2002	2003	2004	2005
	%	%	%	%	%	%
Males	41.4	37.7	38.7	41.6	49.8	50.5
Females	39.8	40.4	47.2	49.0	52.5	57.1
Total	40.7	39.0	42.9	45.3	51.1	53.7

Source: National Statistics Office, Annual Labour Force Survey data sets

1.3.4 Vocational Education and Training (VET)

As highlighted under section 1.2.2 and illustrated in Figure 1.3, the participation rate at vocational level of education is on an increasing trend. In fact between 2000 and 2004 this has increased by 65 per cent. The increase is mainly attributed to the launch of MCAST in 2001, which serves as an umbrella for technical and vocational education and training in Malta³⁷. Between 2000 and 2005 public investment in the institute increased from Lm579,856³⁸ to Lm4.9 million.

The establishment of the Institute for Tourism Studies (ITS) in 1988 upgraded the professional standards of human resources for the tourism industry through the provision of adequate training (with a high degree of practical experiences both in Malta and abroad) to the prospective workforce.

Participation in these institutes is expected to continue increasing. Malta is currently undergoing a process of reform in VET by designing new curricula at the different levels and in various areas and expanding the institutions further to cater for more and new areas of vocational education and training provision.

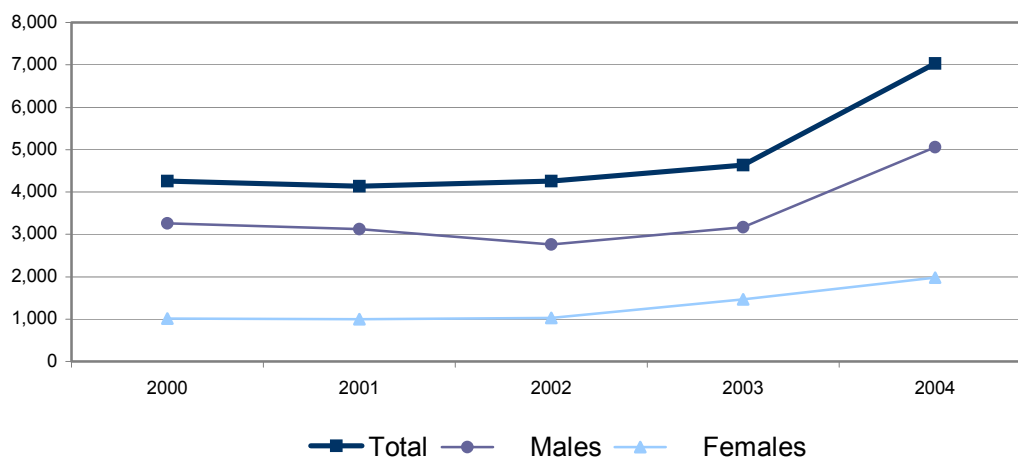
³⁴ One of the accepted measures of post-secondary participation rates is the participation rate of the population aged 17. This is regarded as the "ideal technical age" cohort to use since most of the students would have completed the secondary level, and would not have yet started attending University. (State Higher Education Funding, Nov, 2004)

³⁵ This participation rate is worked out as a percentage of the total 17 year old population mid year demographic review for 2004.

³⁶ In 2003, the rate stood at 47.5 per cent (National Action Plan for Employment, 2004)

³⁷ MCAST offers technical and vocational education and training in fields such as electronics and engineering, business and commerce, art and design, maritime studies, agribusiness, engineering and community services.

³⁸ A number of vocational education and training institutions which existed in 2000 and were eventually incorporated in MCAST are not covered by the year 2000 expenditure. In fact, during 2000, an additional Lm562,415 and Lm502,808 were invested in the Trade School and Technical Institutes respectively, which institutes were later taken over by MCAST.

Figure 1.3: Enrolment at vocational level of education

Source: National Statistics office, *Malta in Figures 2004: Education and Culture*

Government established the Malta Qualifications Council (MQC) by an amendment to Legal Notice 215 of 2000.³⁹ This Council is vested with the authority to endorse professional and vocational standards of competence and to review these standards in order to ensure mobility, transparency and relevance to the labour market internally and at European level. In this regard, the main challenges for MQC are to ensure that formal, informal and non-formal qualifications are accredited and certified, that vocational education and training qualifications reflect relevance to the economy, to steer the development of the National Development Framework and to oversee the training and certification leading to qualifications in VET. Both the VET reform and the establishment of the MQC are a means of improving the match between the demand and supply of the labour market.

1.3.5 Tertiary education

At tertiary level the participation rate of 19 year olds stood at 23.0 per cent in 2004⁴⁰. If the students participating in higher-level courses in the vocational sector are also taken into account this figure would go up to 26 per cent⁴¹. However, the official 26.0 per cent, participation in tertiary level education still needs to be further enhanced and increased in comparison to European levels⁴². The forecast, as established in the Pre-Budget Document 2006-2010, is to reach 30.0 per cent participation rates at the tertiary level by 2010, implying that the general post-secondary capacity must expand in parallel and that a broader range of courses including bridging courses must be in place to facilitate the pathways into the tertiary level including those following vocational streams who intend furthering/extending their studies at University.

The participation in post-graduate programs including those at a Masters or Doctoral level are low. In this regard, further financial investment for research and basic research facilities at the University needs to be supported to increase the participation rates. Incentives are being designed to boost the number of doctoral research in Malta, to provide an increasing pipeline of basic and applied research projects⁴³.

The rate of graduates in engineering and sciences related courses at the tertiary level in the scholastic year 2003-2004 stood at 9.9 per cent (Figure 1.4), which needs to be increased to

³⁹ The MQC is the successor of The Malta Professional and Vocational Qualifications Award Council (MPVQAC).

⁴⁰ Chalmers Report, (2004) State Higher Education Funding

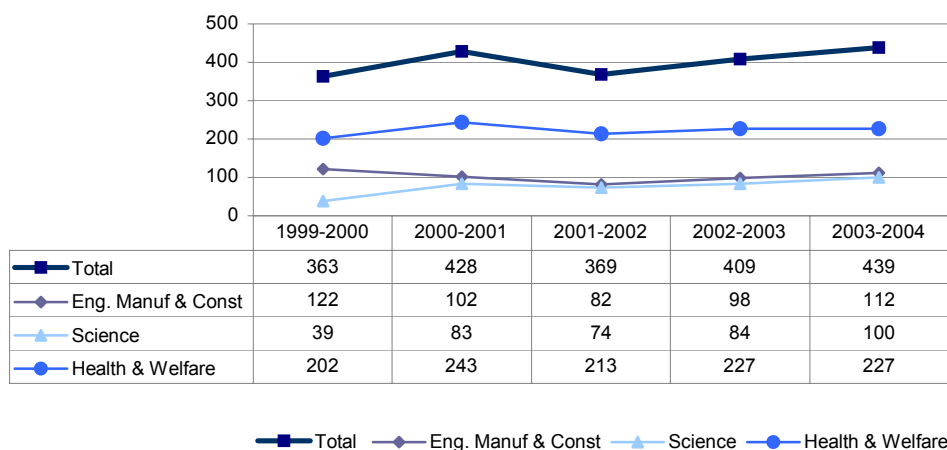
⁴¹ There are a number of individuals who follow courses at all levels in private institutions but are not captured in statistics.

⁴² Chalmers Report, (2004) State Higher Education Funding

⁴³ Government's commitment of Lm200,000 in this year's budget towards scholarships at Masters and Doctorate degree level is a step in the right direction.

compare the EU25 average of 24.1 per cent in 2003⁴⁴. However, as illustrated in Figure 1.4 an increase of 31.7 per cent was achieved between the 1999-2000 and 2003-2004 scholastic years. As regards health and welfare, the rate of graduates in Malta stood at 11.9 per cent in the 2003-2004 scholastic year, which is close to the EU25 average of 14.1 per cent in 2003⁴⁵. In this area, an increase of approximately 12.4 per cent was achieved between the 1999-2000 and 2003-2004 scholastic years.

Figure 1.4: Tertiary education graduates in engineering, manufacturing, construction, sciences and health and welfare



Source: National Statistics office, Education Statistics

As shown in Table 1.12, at tertiary level, women are overall still predominantly present in teaching (73.7 per cent) and health and welfare courses (63.7 per cent) and are significantly under-represented in engineering (27.7 per cent) and the sciences (30.0 per cent), thus restricting their potential participation in economic activity in these areas later in life.

Table 1.12

Graduates by field of study, and gender

Field of Study	2003/2004 (ISC. 5a/5b/6)					
	Males		Females		Total	
	No.	%	No.	%	No.	%
Engineering, manufacturing & construction	81	8.8	31	2.5	112	5.2
Health and Welfare	93	10.1	163	13.3	256	11.9
Social Sciences, Business & law	446	48.5	521	42.5	967	45.1
Education	108	11.7	304	24.8	412	19.2
Humanities & Arts	96	10.4	165	13.5	261	12.2
Science	70	7.6	30	2.4	100	4.7
Agriculture	21	2.3	7	0.6	28	1.3
Services	5	0.5	4	0.3	9	0.4
TOTAL STUDENTS	920	100	1225	100	2,145	100.0

Source: National Statistics Office, Education Statistics

⁴⁴ Eurostat estimate

⁴⁵ Eurostat estimate

1.3.6 Research, Technological Development and Innovation (RTDi)

RTDi is a critical driver for the success of a competitive knowledge-based economy. Government is committed to incrementally step up the country's investment in RTDi to approach to the extent possible from 0.273 per cent of GDP in 2004 to 0.75 per cent of GDP by 2010. Overall, Malta needs to strengthen its science and technology culture by investing more in capacity building measures relating to human resources and RTDi at enterprise level. This challenge needs to take into consideration the necessity of having supporting institutions such as technology transfer centres.

On a general level, as illustrated in Table 1.10, even though the number of people enrolling at tertiary and vocational levels has increased significantly (including in the science field – vide Figure 1.4) over the past 5 years, in the two scholastic years falling between 2002-2004 there has been little change in the number of students reading science and engineering courses. The low level of participation in science and engineering careers⁴⁶ may be attributed to the fact that students are motivated to move to areas other than science and technology. Government has tilted maintenance grants towards science and technology subjects to try to achieve a higher take-up in these subjects. The participation in research and post-graduate programmes at Doctoral level (PhD) at the University is also relatively low especially in the field of science and technology⁴⁷ which creates limits on the institution's capacity in assisting the local industry in entering the indigenous sector.

Increasing participation rates in the areas of science and technology need to be supported by the creation of employment opportunities arising in the R&D industry in Malta. Coupled with this, Malta needs to see an increase in public research infrastructure including facilities, equipment and consumables required to carry out research projects. This investment is critical to the realisation of investments under this Operational Programme.

Another challenge to the state of affairs with respect to RTDi in Malta includes the need of a legal framework for business to university collaboration. The University has a strong science basis and has the potential to transfer this knowledge to business in the form of Intellectual Property (IP). However, there is an absence of an IP framework which is leading to a lack of a strong business-to-academia links arising from the existence of barriers to the commercialising of the University's IP. The absence of an IP framework is resulting in a lack of clarity over the ownership of IP in research collaborations.

It is also important to highlight that the low rate of R&D investment in 2004 may also be attributed to the existing methodology framework for the generation of statistics which does not have a consistent yardstick for the definition of 'research', 'technological development' and 'innovation'. This is having consequences on RTDi statistics since it is generating a negative understanding of the level of RTDi in Malta.

1.3.7 Quality of educational experience and outcome

Participation rates in further levels or in a different mix of subjects depend on a number of factors within the system that are not as straightforward as the issue of increasing capacity. In this regard, Government introduced an educational reform intended to improve quality education for all. The major reforms planned for compulsory education was launched in June 2005, with a document entitled *For All Children To Succeed*. Government is spearheading an intensive and creative reform to upgrade all educational services with the ambitious aim of providing quality education for all. An array of critical analyses on issues such as governance, autonomy, decentralization, absenteeism, inclusive and special education, assessment, career guidance and adult basic skills were carried out. Experience and analysis has clearly indicated that the basis for all policy direction and strategy should be early intervention and a strong base of trained professionals to deliver the array of services within the education sector. The earlier difficulties are identified and addressed by professional

⁴⁶ Excluding health and welfare

⁴⁷ Presently, the Faculty of Engineering has six students registered for PH.D

experts, the more effective the result will be and in the long term will lessen worrying situations such as children lagging behind, illiteracy, absenteeism, early school leaving and unemployment.

During the past decade emphasis has been placed on issues such as the national curriculum, school development plans, inclusion, literacy programmes, family literacy programmes, parent participation in education, schools as hubs of community learning, ICT in schools, standards and quality, level descriptors, and teachers and school accountability as drivers for school improvement. The different initiatives embarked upon in the recent past brought about important developments in all areas and levels of the educational services in Malta and Gozo. However, the education system needs continuous renewal in order to remain relevant to current economic developments. This calls for a new phase of reform which entails the strengthening of the educational system by transforming it into a new framework that will make it respond in a more relevant, effective and timely manner to meet the needs of the students and the country.

In this context, Government established a number of structures, including the Malta Qualifications Council (MQC) for the development of the National Qualifications Framework, the National Commission for Higher Education (NCHE) as an advisory commission for the development and transformation of the post-secondary and tertiary sectors, and a working group that is currently working on identifying the needs for the adult education and training sector. Moreover, Government embarked on a comprehensive process of educational review which covers early childhood education provision; inclusive education policies, structures and services; school attendance and absenteeism; state primary and secondary schools; education division restructuring; Matriculation and Secondary Education Certificate; adult basic skills; career guidance; higher and tertiary levels of education; and lifelong learning.

1.3.8 ICT and e-learning

Government acknowledges the potential of ICT to increase Malta's economic development and competitiveness. In this regard, Malta has made huge strides to bring about an inclusive information society. Between 1994-2004, in order to promote e-accessibility, Government launched a large number of electronic services and invested substantially in ICT in public schools, which has allowed the Maltese education sector to be ranked as one of the most technologically-connected in the world. At present, the ratio of students per PC is 7:1 in state primary schools whilst in state secondary schools the ratio is 14:1. All state schools are connected to the internet. ICT in education is frequently used not merely for the teaching of its use for its own sake but also as a pedagogical tool. At secondary level, ICT is treated as a subject and is geared towards a skills-based exam leading to the acquisition of the European Computer Driving License (ECDL). It is also used as a teaching tool during mathematics lessons and an initiative has been launched to use ICT across the curriculum.

At post-secondary and tertiary levels, ICT education is developed with a number of recognised educational institutions, state and private owned, which offer diverse opportunities to pursue a career path in ICT. The two state institutions which offer ICT courses at this level are the University and MCAST. The number of ICT graduates in these two institutes is increasing albeit at a slower pace than required, particularly in view of the potential of current developments in the field. Over a period of three years (2002-2005) the percentage increase of ICT graduates amounted to 33 per cent which is relatively still low when compared with the expected needs of the industry.

IT academies have also been set-up in Malta which provide opportunities to students to attain an international industry certification. To widen the potential range of ICT specialisations and support to individuals in pursuing the acquisition of ICT skills, Government established tax credits for ICT training to increase the accessibility and affordability of gaining the ICT knowledge required by the industry.

In line with Government's efforts to take the maximum leverage from technology, the introduction of e-learning both in the formal education sector and for the public at large is the

next step for Government to promote further ICT education. Through investment in e-learning Government would also be supporting the social inclusion of those who have difficulties in physically attending training courses and therefore would be mitigating against insularity and double insularity problems which Malta and Gozo continuously face. The implementation of e-learning in general is, however, facing a number of challenges.

Low awareness of the potential of e-learning poses the risk of resistance to e-learning in schools. Regular teacher training being organised by the Education Division⁴⁸ is having the desired effect on increasing teachers' ICT confidence,. This training has been gradually moving away from ICT basics to the pedagogical use of ICT. Peripatetic teachers are contributing to the diffusion of ICT as a teaching and learning vehicle, and teacher training at the University included an increased ICT element.

Furthermore, for those who fail through the formal educational system in terms of ICT, Government is providing the opportunity to all public secondary school leavers to undergo training in basic ICT skills leading to an internationally recognised certification and is providing a number of computer labs within public secondary schools for use after school hours. This is further complemented by the Employment and Training Corporation, which provides IT courses which range from short basic courses to advanced ECDL and programming courses, and MCAST which provides a range of ICT courses at different levels, building on the student's prior learning.

Government's investment in the area of ICT education should be further geared to ensure a constant output of ICT practitioners possessing the ICT skills demanded by the industry to minimise the skills' gaps and fill in adequately the ICT-related jobs generated as a result of investment in technology by firms operating in Malta and for the jobs created through foreign direct investment (particularly in view of SmartCity@Malta). ICT education and training is also a crucial element of e-accessibility and the resultant benefits for the quality of life of an insular population – young and old alike.

1.3.9 Continuous and workplace training and education in the context of a Lifelong Learning strategy

Government is investing highly in adult basic and further education and training through a number of entities. These include the Employment and Training Corporation (ETC), which in this context focuses on providing training courses for basic skills; the Department for Further Studies and Adult Education (DFSAE) within the Education Division which focuses on offering numerous subsidised courses and running the National Life Long Learning Centre for adult learners; MCAST and the University which offer numerous evening courses in a variety of areas and at different levels while having full-time courses open also to adult learners; the Foundation for Educational Services offers a range of specialised courses for teachers as well as non-formal courses for parents at community level and a number of privately provided courses, to mention but a few examples.

It is important to note that although over the years there was an improving trend in participating in continuous education and training, in 2005 only 5.4 per cent of adults aged 25 to 64 participated in education, training or courses. It is also worth noting that the highest participation rates were registered for those aged 25 to 34 (8.0 per cent), and for those having tertiary level of education (17.2 per cent). Low participation rates of 3.9 per cent and 2.6 per cent were registered for persons aged between 45-54 and 55-64 respectively, implying that further efforts are required towards lifelong learning and active ageing. In this context, a working group has been specifically set up to address the issue of adult basic development and propose a national strategy to improve educational service provision in the area.

Government has embarked on its own initiative in investing in the skills of its employees through the establishment of the Staff Development Organisation (SDO). In 1990 – this central agency responsible for training and human resource development policy in the Public

⁴⁸ Also supported by the ESF under the Structural Funds Programme for Malta 2004-2006.

Service was set up. SDO delivers programmes which vary from year to year and continuously tries to meet the increasing challenges and demands faced by the Public Service. Courses range from short courses in languages, management, information and technology, and EU-related, subjects to the provision of sponsorships for Diplomas and Masters Degrees in specific areas. Ad hoc training programmes are also designed for the specific needs of the ministries and departments.

1.4 Labour market requirements⁴⁹

Structural reform in education and training requires a responsive process to anticipated changes in the labour market, and foresight to anticipate changes in the labour market over the next decade. As explained in section 1.1.3, over the period 2000-2005 the market experienced a shift from public sector employment to private sector employment. Within private sector employment, a shift was also experienced from direct production to market services which is having a direct impact on the skills and competences required resulting more and more in the need for companies to become “learning organisations” with the capacity to innovate and survive in a highly competitive market environment. On a general level, there is the need to continually promote an entrepreneurial culture within the business community and among those who are still furthering their education.

1.4.1 Agriculture and fisheries

In 2005, the agriculture⁵⁰ and fisheries sectors employed some 3,000 persons. Both sectors experienced a decline in the number of persons employed between 2000 and 2005. These sectors’ contribution to the GDP in 2005 amounted to 2.2 per cent and 0.2 per cent for the agriculture and fisheries sectors respectively.

Despite these industries’ marginal contribution to the economy, they have a high level of social, economic, cultural and environmental importance. Besides providing for the livelihood of farmers and fishermen, both sectors provide a contribution to the tourism sector. The variety and quality of the fish species and local crops (including wine) found in local restaurants along with the colourful traditional fishing vessels and land parcels are an attraction to the tourists visiting Malta. Moreover, agriculture is important to retaining rural areas – both for economic and leisure aspects.

The sectors are, however, facing challenges in terms of availability of personnel that can be recruited by the industry and by the administration. Whilst training in the agricultural sector is largely institutionalised, this is not the case in the fisheries sector. For the latter, the know-how is passed on from one generation to another and the operational knowledge of the operators engaged in fish farming and tuna penning has been obtained through years of research and practice. Some assistance and training is provided by the central administration, mainly through the Fisheries Conservation and Control Division (FCCD), which provides *ad hoc* courses to the diverse operators.

Despite the institutionalised educational structure for the agricultural sector, training needs to be further strengthened to broaden the skills’ base of the agricultural workforce to enable it to meet the challenges of the re-orientation of agriculture, therefore contributing to the new demands of the rural economy. Agribusiness entities have been under the pressure of a wide range of forces that have obliged a need for change, including changing technology, rapid product obsolescence, knowledge explosion, changing nature of the workforce and quality of working life.

⁴⁹ The list included under this section has been classified in line with the NACE criteria, which represents the EU classification of economic activities. The list is not exclusive and in no way excluded other sectors which may increase in importance over the years or new emerging industries.

⁵⁰ Including hunting and forestry

1.4.2 Construction

The construction industry is a growing industry and its contribution to the GDP amounted to 4.7 per cent in 2005. During the same year, the industry employed almost 12,250 persons, marking an increase of 17.0 per cent since 2000. The industry consists of some 3,700 employers, the majority of which are micro-enterprises. This sector can be split into two – the production side (which incorporates building and quarrying) and market services (which consists of real-estate and property market including housing both private and public).

The growth in this sector has mainly been the result of improved building machine technology, and large-scale projects commissioned by both public and private entities. Training in this sector is essential especially in road construction and maintenance, upgrading of knowledge of conventional trades (e.g. mason plasterers), scaffolding erection and primary maintenance equipment, fabrications and structure welders for hybrid buildings and in finishings. MCAST has been making a contribution to the training of personnel in various building and construction related trades.

1.4.3 Manufacturing

In 2005, the manufacturing sector contributed 17.3 per cent to the GDP (at basic prices), which represents a decrease of 0.6 percentage points from the previous year. In 2005, the manufacturing industry in Malta contributed to an employment of 28,736 persons in the public and private sector. The sector has been changing with the emphasis on the traditional low cost base having largely been abandoned in favour of higher value added activities. The contribution of the textile sub-sector, for example, has been eroded and has caused a major proportion of job losses. Other sub-sectors have become more attractive, such as manufacturing activities in the pharmaceutical sub-sector, where the operators' competitive advantage lies in value added. In addition, Malta's industrial shift towards new knowledge-intensive or research oriented activity and away from labour intensive production means that Government needs to intensify the symmetry between industrial policy and employment and education policy.

This shift has led to different skills' requirements of the work force engaged in the manufacturing industry. Given Malta's small size, any reduction in activity in a specific sector or even the demise of one large firm can have serious repercussions unless the Maltese workforce is continually trained, retrained and reskilled to meet changing realities. Unlike larger economies, Malta cannot adapt quickly to mismatches in labour supply and demand through inter-regional worker mobility. Although ongoing employee training is provided by the support services (including organisations such as ETC, MCAST and Malta Enterprise), Malta's small size dictates that policies must be adopted to enable people to develop their skills' levels, thereby attaining the necessary flexibility to meet the requirements of an ever changing market place and to support further industrial specialisation. This is essential to support Government's efforts to attract investment of higher value activities primarily on the basis of skills and an environment that spurs fast growth, innovation and knowledge transfer which can impact on reversing the downward trend in most manufacturing sectors or restructure it in a way so as to attract more and faster growing sectors.

1.4.4 Tourism

Tourism in Malta contributes to 24.3 per cent of GDP and to 29 per cent of full time employment, amounting to a total of 40,050 direct, indirect and induced full-time and part-time jobs⁵¹.

Given the high level of competition faced by Malta, the development of a well-trained workforce⁵², capable of sustaining high levels of service is critical to the tourism industry in order to sustain existing jobs and create new job opportunities in this sector. Recent research

⁵¹ The Economic Impact of Tourism in Malta, Malta Tourism Authority, University of Nottingham report, 2003

⁵² The tourism workforce is varied. It comprises people taking up elementary occupations, craft workers, skilled workers and professionals.

shows that knowledge, skills and ability requirements for human resources in the tourism industry have grown for all occupations, while changes in demand are causing a shift in supply towards higher quality service at all levels and lower costs⁵³. This also includes language skills, where the same research identified that 70.8 per cent of respondents highlighted the need for further training in language skills since, at times, employees find difficulties in clearly communicating with clients. Efforts must also be directed to tackle skill levels, employees' attitudes and entrepreneurial issues which directly effect operators' competitiveness. Mentoring programmes focusing on ICT, innovation, people management, would also enhance the industry's competitiveness. Since its establishment in 1988, the ITS is providing the tourism sector with personnel trained to international standards to support the recent trends in tourism which has increased the pressure on the local labour market for highly qualified technical, supervisory and management personnel as well as hospitable people in elementary occupations.

1.4.5 Other Service Activities

Information and Communication Technology is creating new markets and revolutionising those that already exist. Government's commitment towards the improvement of Malta's competitiveness through ICT, has led to the introduction of state-of-the-art telecommunications and IT infrastructures that have positioned Malta at the forefront of the knowledge society. This development has been crucial to the emergence of the knowledge-worker sector, a sector that has the potential to provide services of quality. Within the context of internationalising the Maltese ICT industry, in February 2006, Government announced the framework discussions with Tecom Investments of Dubai on the setting up of a new 'SmartCity@Malta'. Upgrading of skills to match the growth rate of this sector is important to ensure that the expansion in this sector is not hindered.

The financial services sector is also a success story of the Maltese economy and has now become a significant contributor to Malta's economic output. As at 2005, the share of the private financial intermediation sector in total employment in the private sector stood at 5.7 per cent. Within the services sector, the logistics, health care and creative industries' activities are also exhibiting growth and it is envisaged to continue to facilitate further growth through the availability of compatible skills.

1.5 Social Inclusion

The recent socio-economic developments are taking place within the context of an aging population, changing family structures, improved living conditions, more tolerance for diversity, the promotion of gender equality and a diversifying employment sector. As a result of these changes new demands were placed on the social welfare system as well as the need to devise social inclusion policies. The process for social inclusion incorporates a different range of beneficiaries that include children, lone parents (generally women), large and unemployed families, disadvantaged young people, victims of domestic violence and addiction, persons with a disability, persons suffering from mental health problems, the elderly and irregular immigrants. These groups face difficulties in entering the labour market either because they lack the necessary education and skills demanded by the jobs on offer or due to the lack of formal support services.

During the 2004-2006 Structural Funds programming period, interventions with the aim of integrating the disabled and the socially excluded persons pro-actively into the Maltese labour market were supported. The forthcoming programming period, will continue to give particular attention to the inclusion of the most vulnerable groups in society and in the labour market.

⁵³ 'An Employment and Training Service of the Tourism Industry in Malta', Malta Tourism Authority 2001; 'Skills Analysis and Employment Forecasts for the Tourism Industry in Malta 2004-2008', Malta Tourism Authority 2004)

1.5.1 Early School Leavers and illiteracy

Over the past years, Malta has undertaken significant investment in the education sector, with notable results. However, a number of issues such as rates of illiteracy and early school leavers are still matters of concern. Considering the small size of the population, each and every individual counts in the development of human capital. Government has a philosophy that every child matters and a child lost is a loss of potential both on an individual and on a societal level. With regard to illiteracy, the 11.2 per cent⁵⁴ needs to be clearly explained in that it includes the whole population including the older age groups who were not provided with compulsory education for all at the time. The statistics that will come out of the upcoming census report will give a wholistic update on this issue.

Although statistics of early school leavers indicate that Malta has a rate of 38.9 per cent⁵⁵ (2005)⁵⁶, it needs to be clearly understood that this includes all those students who complete two years of kindergarten, six years of primary schooling and five years of secondary schooling, that is the compulsory course of education, yet do not continue to further or higher education.

A snapshot of unemployed young people indicates that out of those registering, 20 per cent did not complete secondary education, illustrating the disproportionate risk that this category faces with respect to unemployment. Disadvantaged young people (such as those with challenging behaviour and leaving care) also tend to have limited educational attainment and appropriate skills to advance up the career ladder or hold a job. To mitigate against illiteracy and early school leaving, the Education authorities are piloting a range of initiatives within the education reform as a whole. Moreover, a range of innovative educational initiatives in the field of literacy, support family literacy and other basic skills are being provided, spearheading a change within this field particularly through parental involvement. Furthermore, to respond to the needs of disadvantaged young people, the Foundation for Social Welfare Services⁵⁷ and the Richmond Foundation⁵⁸ provide a range of social welfare services to support young persons to integrate in their communities.

1.5.2 Persons with Disability

There were around 2,500 individuals of working age registered with the National Commission for Persons with Disability in 2003⁵⁹. During the same year, only 28.1 per cent of registered persons with disability of working age were in employment. Certain persons with disability may require added support to live and work independently. In this context, Government is providing support and resources to integrate persons with disability into the labour market through ETC programmes and funding to NGO's⁶⁰. The education and training system is responding to the needs of "at-risk groups" through a series of new initiatives aimed at integrating these persons into the mainstream education system as well as developing targeted facilities for a diverse range of persons with a disability. ETC operates a number of measures for persons with disability through its Support Employment Division. Through the ESF funded Supported Employment Scheme, this Division is placing severely disabled persons in employment by giving work exposure to persons with disability and others with social difficulties.

⁵⁴ National Action Plan against Poverty and Social Exclusion 2004-2006, Light Update Report 2005, pp. 7

⁵⁵ This marks an improvement of 3.7 percentage points over the previous year.

⁵⁶ According to Eurostat methods of measurement. Method of measurement for Malta and Eurostat is different since Malta school leaving age is 16, whilst Eurostat is 18 years.

⁵⁷ The Foundation for Social Welfare Services (FSWS) incorporates the three main agencies within the Ministry for the Family and Social Solidarity that offer comprehensive programmes of prevention, support and treatment services, both on community and residential settings within the fields of substance abuse, domestic violence and disability.

⁵⁸ Richmond Foundation, an organisation governed by a Board of Trustees composed of twelve members, serves the Maltese community as a leader in the provision of community rehabilitation and support services for persons with mental health difficulties.

⁵⁹ National Commission Persons with Disability, *National Disability Survey 2003*, <http://www.knpd.org/>

⁶⁰ In addition, Government is providing for the adaptation of the accommodation according to their needs to help these persons to live independently and improving accessibility in the community

1.5.3 Persons with Mental Health Difficulties

Mental health accounts for 19.5 per cent of all disability-adjusted life years⁶¹, 40 per cent of chronic diseases, 35 per cent to 45 per cent of absenteeism from work and constitutes four of the ten leading causes of disability in developed countries⁶². It is clear that consequences of mental health for individuals and society are significant on different levels, namely the human element, the health services dimension, the employment and the social inclusion aspect. Social exclusion, stigmatisation and discrimination of persons suffering from mental illness are still a reality in the labour market. As well as providing assistance through its Supported Employment Division, ETC operates a partnership agreement with the Richmond Foundation whereby the latter trains and seeks placements for persons with mental health difficulties.

1.5.4 Unemployment, poverty and substance abuse

Research has shown a positive association between substance misuse, unemployment and poverty. In 2003, the profiles of drug abusers indicate that 47.4 per cent of heroin users, 20 per cent of cannabis users, and 15 per cent of cocaine users were unemployed. Substance misuse, especially chronic use, reduces physical and cognitive abilities and, thus, may have a negative impact on educational achievement and productivity at the workplace. It is also a well-known fact that the lifestyle adopted by persons with addictive behaviours, especially those with substance-related problems, is not conducive towards employment. Rehabilitation programmes in Malta place a considerable amount of emphasis on housing, employment, education and training as part of the reintegration process of persons with addictive-related problems. In this context, ETC operates a partnership agreement with Caritas Malta, whereby the latter trains and seeks placements for ex-substance abusers.

1.5.5 Family issues

Between 2001-2003 an increase of 56.5 per cent was registered in the amount of referrals to the Domestic Violence Unit. Besides the emotional difficulties, the victims - mainly women with children - face substantial financial difficulties due to their financial dependence on their spouse or on social assistance. Very often victims of domestic violence are repeatedly controlled with the result that they feel that they are unable to access the labour market or able to keep their present employment. Victims of domestic violence, particularly women with children, also find it more difficult to access the labour market due to the traumatic experience of abuse and the responsibility of their children. Improving the employability of victims of domestic violence remains an important policy objective for Government.

Another salient issue with regards to the family is that of lone parents. This family type runs the highest risk of poverty as the lone parents face particular challenges to take up work. In many cases, this is compounded by the fact that lone parents may have terminated their education prematurely. ETC has been running a pilot project to train and place lone parents in work for some months and the initial results are encouraging.

1.5.6 The elderly

Malta, like many other countries, faces an ageing population. The working age population accounted for approximately 64 per cent of the total population in 2002, with people aged 1-15 years accounting for around 20 per cent of the total population. During the same year, the elderly population (aged over 61 years) constituted some 16 per cent of the population. As indicated in Table 1.13, during the period 2002 to 2005 the percentage of young people has gradually declined, highlighting the shift to an ageing population. This trend is expected to continue, with the percentage of people aged over 61 expected to reach 33.8 per cent for by 2050.

⁶¹ At any point in time within a person's lifespan who suffers from disability as a result of mental health difficulties.

⁶² EAPN Malta – Mental Health Target Group Presentation, EAPN Malta General Assembly, December 2005

In this scenario, Malta will have to provide an appropriate framework for people living longer while ensuring social and economic sustainability in an ageing world. In this context, Government is at present embarking on pensions reform.

Table 1.13

Population Trends						
Age	2002	2005	2010	2020	2030	2050
	%	%	%	%	%	%
1-15	20.1	18.5	16.2	14.7	14.9	15.1
16-61	63.9	65.0	63.8	60.3	57.1	51.1
61+	15.9	16.4	20.0	25.0	28.0	33.8

Source: Pensions Reform Working Group

Due to this rising ageing population trend, Government is increasing the capacity within the main home for the elderly in Malta (St. Vincent de Paule Residence – SVPR and Mellieha Home)⁶³ and invested in fifteen day centres for the elderly. Other community care services, such as Home Help, Telecare, Handyman and Meals on Wheels are also being provided. This eventually led to an increase in the labour demand for workers in this area. Besides nurses and paramedics, this sector is providing for job opportunities for care-workers and carers. A number of organisations, including MCAST and ETC, contribute to the development of this sector.

1.5.7 Refugees and migrants

For the past few years, Malta has experienced a sustained influx of asylum seekers and irregular immigrants. A statistical snapshot shows that between 2002 and 2005, there were almost 6,000 asylum seekers and irregular immigrants, mainly from nations of the African Horn and Sub Sahara Region, who depart by boat from Libyan shores. Unlike other industrialised countries, where the number of asylum seekers has fallen by half, Malta faced a gradual increase in asylum applications, where in 2005, it increased by 17 per cent over the previous year. On average, the ten new Member States registered a reduction of 35 per cent in the number of asylum applications between 2004 and 2005. In 2004, the UNHCR report ranked Malta in the second place for the number of refugees per capita. This influx is causing significant logistical problems and a strain on resources, especially when one considers that one arrival in Malta is *per capita* equivalent to 140 arrivals in Italy and 150 arrivals in the United Kingdom or France.

This phenomenon is also posing new challenges in the administrative capacity required in these areas, especially in the provision of a high standard service. Training has been provided to stakeholders working in the area of irregular immigration through a number of institutional building projects under the EU pre-accession and transition facility programmes, and also other specific Community Instruments targeting the issue of refugees and illegal immigration.

Recognised refugees and persons with temporary humanitarian protection (THP) are given the right to work (although a work permit is still required) whilst asylum seekers whose application has not been determined by the competent authority after 12 months are given access to the labour market. ETC operates the work permit system while the conditions of work of foreign nationals – which should be equivalent to those of Maltese nationals – are monitored by the Department for Industrial and Employment Relations. With respect to training, ETC offers training to immigrants under a project co-financed by the Equal Community Initiative together with a trade union and an NGO.

⁶³ Government plans to open the third block by October 2006.

1.6 Institutional Capacity Building

Since 1990, a lot of attention and investment have been channelled into the public administration in order to render the service more productive and cost-effective. The reform process began in 1988 when Government appointed a Public Service Reform Commission “to examine the Public Service and to recommend means by which the Service can efficiently respond to the changing needs for effective government”. As a complementary exercise Government also commissioned an Operations Review which looked at the adequacy of the structures and the administrative facilities of Government.

These initiatives highlighted a need for restructuring and modernisation in several areas and produced a wide-ranging agenda of change which has been implemented starting from 1990. Key changes have included the reorganisation of the entire classification structure of the Public Service; the delegation of management powers to line ministries; improvements in financial management; the strengthening of the ethical framework of public administration through the publication of a code of ethics backed up by the establishment or strengthening of institutions such as the Ombudsman; the Public Accounts Committee of Parliament and the National Audit Office; the institution of a massive programme of investment in information technology; and the expansion of in-service training activities for public officers. These changes have served as the foundation for the launch of a new phase of reform aimed at delivering visible results to the public. This phase of reform consists primarily of the Quality Service Charter initiative and the electronic government programme. In October 2003, the Government launched a White Paper on a Public Service Act to improve the efficiency in Government operations through more flexible, results oriented management. A major sectoral reform has also been initiated in education, whilst pensions and health reforms are being planned and discussed.

In the context of Public Finances, during 2005, Government introduced measures to strengthen financial discipline in state institutions. Efforts are being made to limit staff recruitment and to rationalise the use of human resources across the public sector through retraining and redeployment across organisational boundaries. Opportunities for organisational rationalisation are being sought in order to reap economies of scale.

In the context of investment in ICT, as highlighted in section 1.3.8, Government launched a large number of electronic services and invested substantially in public schools. Substantial investment was also made across the public service, including the electronic government programme aimed at making possible the delivery of public services via the Internet as well as other mechanisms such as local council offices, call centres and mobile phone messaging. In 2004, Government also launched a National Strategy and Action Plan on ICT and is also revolutionising the way it interacts with the business sector. Government aims to continue with the steady programme of investing in appropriate technologies and promulgating e-government to bring Government services to the premises of businesses and citizens.

Over the period 1999-2005, the Maltese authorities have invested in institutional building activities through National Funds⁶⁴, EU Pre-Accession⁶⁵ and Transition Facility⁶⁶ assistance. This investment has assisted Malta in its efforts to strengthen its administrative capacity to transpose and implement European Union legislation and to foster the exchange of best practice. Although most areas of the administration have been targeted; agriculture, environment, transport, internal market, justice and home affairs and taxation are the key sectors where much of this assistance was concentrated.

⁶⁴ National Programme for the Adoption of the Acquis.

⁶⁵ The Pre-Accession fund is a European Union financial instrument which provides financial assistance to candidate countries in preparing for their tasks in adopting the *acquis communautaire* i.e. the institution building process. These include the establishment of a modern, efficient administration and institutions that are capable of applying the *acquis* to the same standards as the current member states.

⁶⁶ Transition Facility provides assistance to the new member states in areas where their administrative and institutional capacity still shows some weaknesses in comparison with the ‘old’ member states in the field of *acquis* transposition.

Government also introduced the concept of local government in 1993, a measure undertaken to respond to local needs and permit the devolution of decision-making and service delivery to the localities where people live. In all there are 54 local councils in Malta and 14 in Gozo, with around 440 elected members. In the day-to-day administration of local government, local councillors are facing numerous challenges arising from voluminous legislation regulating the functions and operations of local government as well as the ever-increasing developed responsibilities to Local Councils, including the provision of training within the community.

1.6.1 Supporting partnerships and pacts

Social and civil dialogue in Malta are mainly embodied within the Malta Council for Economic and social Dialogue (MCESD). The MCESD serves as a consultative and advisory body to government on matters of economic and social policy. It is a tri-partite body which represents interests from Government, Unions and Employers. The Council also houses a committee representing Civil Society interests.

In general, the Council serves social partners to obtain a better understanding of each other's situations and concerns, thereby contributing to industrial peace. The Council also operated relatively successfully in drafting documents by working groups composed of members within the Council in preparation for the discussion for the social pact, which subsequently resulted in failed negotiations. In other instances, the Council was successful in contributing to the drawing-up of important frameworks, such as in the case of the Employment and Industrial Relations Act (1999). However, it is also argued that the capacity and ability of social partners and their motivation to partner more actively within the employment policymaking process should be further developed.

Civil society in general has a long and valued tradition in Malta. It provides independent views on politics, culture, use of leisure time, social and environmental issues and other important life aspects and activities. On a macro level, civil society plays an active role in political reform, educational, environmental, cultural and social development.

The participation of social partners and civil society, should however be further developed beyond the representative councils, where one-to-one consultations between Government, social partners and civil society should be enhanced thus widening the social and civil dialogue.

1.7 Territorial Cohesion - The Island Region of Gozo

The islands of Gozo and Comino are separated from Malta by about 4km of sea. The present link to Malta and the world is primarily by ferry. A helicopter service between Malta and Gozo is also available. The issue of double insularity impacts negatively on all sectors of the economy particularly in the areas of movement of persons, goods and services. This is undermining the quality of life on the island particularly in the areas of provision of education and training, specialised health care and employment opportunities.

The GDP at factor cost for Gozo in 2003 stood at Lm80.5 million, giving a per capita GDP figure of Lm2,636 when compared to Malta's Lm3,811 in the same year. The difference is largely due to a low labour market activity in Gozo⁶⁷, employment in lower-value added activities⁶⁸ and the large number of Gozitans working in Malta due to insufficient employment opportunities in Gozo.

⁶⁷ The labour market activity rate in 2003 stood at 27.3 per cent of the entire Gozitan population when compared to Malta's 34.8 per cent.

⁶⁸ The Labour Force Survey shows that the average wage in Gozo is around 12 per cent lower than the national average. This largely reflects the competitive disadvantaged of Gozo, where jobs available are of a relatively low skilled nature and higher market access costs which are reflected in lower wages.

1.7.1 The labour market

Gozo's labour market is characterised by a low labour market activity rate and extensive employment in lower-value-added activities. When compared to Malta, the employment rate in Gozo is lower, standing at 49.6 per cent in 2005 (Malta: 54.3 per cent) with 69.6 per cent being males (Malta: 74.4 per cent) and 29.6 per cent females (Malta: 33.9 per cent).

Lower participation rates largely reflect the unavailability of full time productive jobs in Gozo, leading to seasonal, part-time and irregular employment. This is evidenced by the trend in part-time employment as a primary occupation, which increased from 10,379 in 2000 to 12,608 in 2005 (+21.5 per cent). The seasonal nature of tourism reinforces the trend in part-time employment as a primary occupation and lends itself to a higher rate of unemployment in the winter and shoulder months. Furthermore, the Gozitan labour market is characterised by considerable levels of underemployment. The unavailability of jobs in Gozo does not always instigate Gozitans to move or commute to Malta, especially due to the hardships (social, financial and others) that are associated with work in Malta. The Gozitan labour market is also characterised by a lack of appropriate skills, including skill mismatches and negative attitudes towards labour market employment.

The Gozitan economy also depends even to larger extent than that of Malta, on the public sector. In 2005, employment in this sector in Gozo accounted for 48.2 per cent of total employment on the island when compared to 32.2 per cent in Malta.

1.7.2 The Economic Structure

The main economic sectors in Gozo are agriculture, fisheries, manufacturing (including crafts), tourism and other services. The manufacturing sector, presently in decline, employed 611 workers in 2005, which represents 6.1 per cent of persons employed in Gozo. This economic activity is mainly dominated by a few SMEs and a number of micro enterprises which are predominantly either low-technology firms, or operators in the agro-food industry. The services sector is an important economic activity in Gozo and has the potential for further growth.

In 2005 the tourism industry in Gozo employed about 935 workers in hotels and restaurants. From a supply-side point of view, tourism activity (particularly domestic tourism) is relatively more important (for employment) in Gozo than in Malta. In Gozo, it however faces more acute seasonal problems than Malta. Statistics show that in Gozo the tourism-related employment rate stood at 9.3 per cent compared to 8.3 per cent in Malta. Accommodation facilities, which abound for all types of tourist markets, have occupancy levels of only 33 per cent. Gozo has distinct advantages for tourism, including the overall ambiance of the island, natural landscapes and assets people's way of living, as well as cultural and heritage attractions that provide potential for further growth. The services sector in general (including ICT) needs to be exploited since such activities can contribute to high-value-added activity if not excessively disadvantaged by the inevitable inter-island transport cost.

Chapter II – SWOT Analysis

Five national SWOT meetings were held on 26, 27 and 28 September 2005, for which the relevant public agencies, NGOs, social partners and relevant stakeholders were invited to participate. Furthermore, an email address was created to receive input on SWOT separate from the meetings. The SWOT meetings were organised along the following thematic areas of accessibility, economic development and competitiveness, employment, education and social inclusion, the environment and Gozo. Moreover, a number of public dialogues were held (in various localities in Malta and Gozo) addressing the same sectors in the first quarter of 2006 in order to consolidate and build upon the first SWOT exercise carried out in September 2005.

SWOT factors pertaining to the Priority Axes of Operational Programme II, are set out in the following table:

Table 2.1 – SWOT Analysis

Strengths

- Flexible, reliable, and adaptable workforce;
- Effective employment and training infrastructure;
- English language spoken by almost all the labour force;
- Good industrial relations climate;
- Free education for all;
- Diversified and accessible educational infrastructure;
- Established and reputable university;
- Established tourist destination;
- Strong financial services/institutions;
- Wide-spread use of ICT;
- Well-established social welfare system.

Weaknesses

- Low labour market participation rates, particularly female participation;
- Labour market mismatches;
- Absence of temping agencies to support female participation;
- Limited childcare facilities;
- Limited use of flexible forms of work organisation;
- High level of unskilled labour, illiteracy levels;
- Low level of formal qualifications of skilled workers;
- Relatively high levels of early school leavers;
- Low participation in upper secondary education and beyond;
- Low participation in science and engineering fields at tertiary level;
- Low participation in continuous training and education;
- Low participation in doctoral studies
- Low levels of RTDi;
- Poor culture of entrepreneurship;
- Skill shortages in certain key areas;
- Difficulties in sustaining existing jobs in tourism;

Opportunities

- Active ageing and life-long learning;
- Diversification of educational and training provision;
- Provision of mentors and role models to stimulate entrepreneurship, in particular for females;
- Affordable childcare and after school care services;
- Expansion of back office operations in Gozo;
- Development of framework of vocational qualifications which facilitates recognition of qualifications and mobility;
- Potential development of emerging sectors (pharmaceuticals, creative industries, financial services);
- Labour absorption by and skill transfer from large multinationals;
- Proven track record to attract FDI;
- Increased communication and information to the public on funding opportunities;
- Potential increase in RTDi activities;
- Improved and more focused vocational training;
- High level of adaptable unskilled labour that may shift from industry to industry.

Threats

- Mismatch of education provision and labour market needs;
- Difficult to anticipate labour market demands;
- Ageing population and raising retirement age which may limit openings for younger job seekers;
- Reduced international competitiveness;
- Unsustainable social security and pension system
- Brain drain;
- Lack of entrepreneurial spirit among young generation;
- High level of illegal immigration and asylum seekers;
- Loss of employees for the tourism sector moving to higher paid sectors.

Chapter III – Strategic Direction

3.1 The European Employment Guidelines

The Guidelines for the employment policies of the Member States⁶⁹ provide an updated package of employment guidelines (2005-2008) based on a refocused Lisbon Strategy on growth and employment, as agreed upon in the Spring European Council 2005. They are built on the Communication from the President of the Commission of the European Communities⁷⁰ on the Integrated Guidelines for Growth and Jobs (2005-2008) and on the draft Communication from the Commission on Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013. The employment guidelines require Member States to conduct policies which aim towards full employment, improving quality and productivity at work and strengthening social and territorial cohesion. The priorities in addressing these objectives focus on:

- Attracting and retaining more people in employment, increasing labour supply and modernising social protection systems;
- Improving adaptability of workers and enterprises; and
- Increasing investment in human capital through better education and skills.

Malta's response to these guidelines has been formulated in the National Reform Programme 2005-2008 (NRP) which supports the objectives of the National Action Plan for Employment (NAP). The NAP was the first plan outlining Malta's principal employment strategy for the years 2005-2010. It was submitted as a key instrument of the European Employment Strategy⁷¹ (EES) and sets out Government's policy priorities and measures for employment and the labour market, intended to effectively approach Malta attain the Lisbon objectives. The priorities of the NAP are closely interlinked to the priorities of the European Employment Guidelines. These are:

- Increasing the adaptability of workers and enterprises;
- Attracting more people to the labour market and making work a real option for all; and
- Investing more and more effectively in human capital and lifelong learning.

The NRP outlines how the guidelines are being integrated into the national strategy and their outcome. It has a governance structure based on a three-year cycle commencing in 2005, and will be renewed in 2008. The NRP is divided into five strategic themes⁷². For each strategic theme, the NRP briefly outlines the current situation, the key issues and challenges, the policy response and measures proposed in order to address Malta's priorities. Two particular strategic themes, namely Employment and Education and Training, are of particular relevance to this Operational Programme.

Within the Employment strategic theme, the NRP reiterates Government's intention to raise the overall employment rate, where particular emphasis is placed on female and older workers. The aim is to achieve this through personalised employment pathways, the provision of training, a review of tax and pension systems and the provision of a series of family-friendly measures. The NRP also reiterates Government's commitment to provide employees with the necessary support for transition in occupational status between training, self-employment and business creation, whilst aiming to improve the capacity to anticipate, trigger and absorb economic and social change.

⁶⁹ Council Decision of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC).

⁷⁰ In agreement with vice-President Verheugen and Commissioners Almunia and Spidla.

⁷¹ The European Employment Strategy is an instrument based on the open method of co-ordination, wherein the efforts and outcomes of member states' labour market policies are made visible through an annual cycle of planning, implementation and reporting.

⁷² Sustainability of Public Finances, Competitiveness, Employment, Education and Training, and Environment

Under the education and training strategic theme, the NRP emphasises Government's intention to sustain the pace of reform in education so as to further increase existing participation rates in further and higher education in an inclusive manner in line with the nation's socio-economic development needs. In particular, Government aims to implement inclusive education and training policies aimed at adult learners and at reducing the number of early school leavers. Government is also committed towards making education and training pathways attractive, accessible and flexible to provide maximum possible fulfilment of the potential of all persons throughout their working lives. Furthermore, the aim is to respond to new occupational needs, key competences and future skills requirements.

The National Strategic Reference Framework (NSRF) 2006, which is the strategic document that sets out Malta's strategic objectives for the EU's Cohesion Policy 2007-2013, reflects and builds on the key priorities identified within the NRP.

3.2 Strategic Objectives

The NSRF identifies four strategic objectives for Malta's socio-economic development (vide Figure 3.1), namely sustaining a growing and knowledge-based, competitive economy; improving the quality of life through environment protection and urban regeneration; investing in human capital; and addressing Gozo's regional distinctiveness. These objectives support Malta's vision to promote competitiveness, a high-value-adding economy and to achieve sustainable socio-economic development earmarked for a better quality of life.

The NSRF strategic objective of most relevance to this Operational Programme is *Investing in human capital*, which focuses on education and employment. This NSRF strategic objective supports the provision of quality life-long education for all, leading towards the maximum possible fulfilment of the potential of every person. It sets the vision for fostering a knowledge based culture to improve the country's competitive edge, in line with the nation's needs with regard to sustainable growth and development. The NSRF focuses on the need to support an increased supply of knowledge workers, improving the adaptability of the workforce and implementing a life-long learning perspective, increasing employment rates in disadvantaged segments of the population and administrative capacity building.

Another NSRF strategic objective of direct relevance to this Operational Programme is *Addressing Gozo's regional distinctiveness*. This strategic objective focuses to support Gozo's economic activity and growth, which is currently underpinned by a low labour market activity rate with extensive employment in lower-value added activities, considerable rates of 'underemployment' and high levels of economic seasonality. In this regard, this Operational Programme will contribute towards achieving a better skilled Gozitan labour force and creating job opportunities in Gozo in order to raise the overall employment rate.

This Operational Programme will also support strategic objective 1 of the NSRF *Sustaining a growing and knowledge-based, competitive economy* in that it will provide the human resource component necessary support for the transition to a competitive, knowledge based economy. NSRF strategic objective 2 *Improving the quality of life through environment protection and urban regeneration* will also be indirectly supported through the ESF Operational Programme in that it will support environment related training.

3.2.1 Overall Objective of the Operational Programme

The overall objective of this Operational Programme is to raise the overall employment rate. With an employment rate of 54.3 per cent (compared to the 63.8 per cent of the EU25), Malta recognises the need to raise the employment rate in order to secure economic growth, meet the challenges of globalisation and improve the quality of life of the Maltese population.

3.2.2 Specific Objectives

The overall objective of the ESF Operational Programme will be achieved through the attainment of two specific objectives as illustrated in Figure 3.2.

1. **Investing in human capital;**
2. **Strengthening labour market structures.**

Investment in human capital aims to improve the quality of education and skills level of the labour force to achieve the necessary flexibility in the labour market for it to be in a better position to respond to the needs of Malta's economic growth and development, whilst supporting disadvantaged segments of the population. This objective includes support to enterprises to help them face the ever changing challenges of the market and sustaining a growing competitive economy.

The specific objective of strengthening labour market structures aims to increase the employment rate by ensuring that those facing difficulties or barriers to enter work or to retain employment are supported. This is based on the reform of the tax benefit system to make work pay, particularly for the unemployed and inactive, while strengthening law compliance with respect to the identification of irregular employment, the honouring of work permit conditions, the prevention of benefit fraud and the monitoring and enforcement of minimum working conditions and health and safety regulations. It also aims to address the need to promote flexible forms of work organisation which allow for an acceptable balance of work and personal life as well as an affordable childcare system. The need to further improve Malta's ability to forecast and respond to labour and skills shortages and to ensure the best possible matching of unemployment to vacancies and the need to continue to refine the employment licence policy and procedure also fall within the scope of this specific objective. This objective includes also the commitment to achieve effective and efficient public administration and effective social dialogue which supports socio-economic development, growth and employment.

The objectives of this Operational Programme have been developed taking into account a number of crucial realities that affect Malta's socio-economic development for the planning period 2007-2013. These realities emanate from the analysis of the socio-economic situation and the SWOT analysis described in Chapter I and II of this document respectively, and include:

- Low employment participation rate, especially for women;
- High rate of early school leavers⁷³;
- Low participation rates in upper secondary education and tertiary education;
- Low rates of graduates in engineering and sciences, especially for women;
- Low participation in continuous education and training;
- An ageing population;
- The absence of a regulated and affordable childcare infrastructure;
- Labour shortages in key areas, particularly low skilled;;
- An increase in the number of work permit applications for EU and third country nationals;
- Lack of critical mass for all sectors.

3.2.3 Priority Axes

These challenges which are based on the realities outlined under Chapter I and II represent the framework of Malta's specific needs that must be addressed by this Operational Programme during the 2007-2013 period. This analysis together with the feedback arising from meetings with stakeholders and from public consultation meetings⁷⁴; the strengths, weaknesses, opportunities and threats of the current socio-economic situation in Malta;

⁷³ According to Eurostat methods of measurement. Method of measurement for Malta and Eurostat is different since Malta school leaving age is 16, whilst Eurostat is 18 years

⁷⁴ Organised in September 2005 and the first quarter of 2006

priorities emanating from national strategies⁷⁵ and also the experiences gained in implementing EU funded programmes and projects during the period 2004 – 2005 have led to the identification of the following Priority Axes to be addressed under this Operational Programme:

- **Priority Axis 1 – Improving education and skills;**
- **Priority Axis 2 – Investing in employability and adaptability of the work force;**
- **Priority Axis 3 – Supporting an equal and inclusive labour market;**
- **Priority Axis 4 – Strengthening institutional and administrative capacity;**
- **Priority Axis 5 – Technical Assistance.**

As illustrated in Figure 4.2, each Priority Axis has an operational objective and a number of specific objectives and is underpinned by a number of focus areas of intervention.

3.2.4 Cross-cutting Priorities

Article 3(4) of the proposal for a Regulation of the European Parliament and of the Council on the European Social Fund (XXXXX) establishes that *in implementing the objectives and priorities ..., the ESF shall support the promotion and mainstreaming of innovative activities.* In line with Article 7 of the same regulation, the Managing Authority is required to choose the themes for the funding of innovation in the context of partnership and to define the appropriate modalities of implementation.

Article 3(5) of the same regulation also establishes that *the ESF shall support trans-national and inter-regional actions in particular through sharing of information, experiences, results and good practices, and through developing complementary approaches and co-ordinated or joint action.*

In line with these articles, the Maltese Authorities propose to include innovation and transnationality as cross cutting priorities across all Priority Axes. In the context of partnership, specific actions aiming at the promotion and mainstreaming of innovative actions shall be supported in line with the themes included under each priority. Innovation, which can be process-, goal-, and context-oriented, focuses on testing new materials, methods and approaches to develop new ways of tackling labour market discrimination and inequality. Mainstreaming is the process which enables activities to impact on policy and practice.

Transnationality shall be implemented both as a separate action within the priority or as a supporting action to individual projects. In particular, as established in Article 3(5) of the ESF regulation, the principle of transnationality can be implemented through sharing of information, experiences, results and good practices, and through developing complementary approaches and co-ordinated or joint action. In general, transnational co-operation can be supported at project level between projects in different member states, at national level between networks/institutions, between national actors, and between national organisations in several member states. The objective of transnational co-operation is to contribute to economic and social cohesion by improving strategy and delivery of national and regional employment and vocational training, social inclusion and equality policies through collaboration across national borders.

⁷⁵ Including the Pre-Budget Document “A Better Quality of Life” 2006-2010

**Figure 3.1
NSRF – STRATEGIC OBJECTIVES 2007-2013**

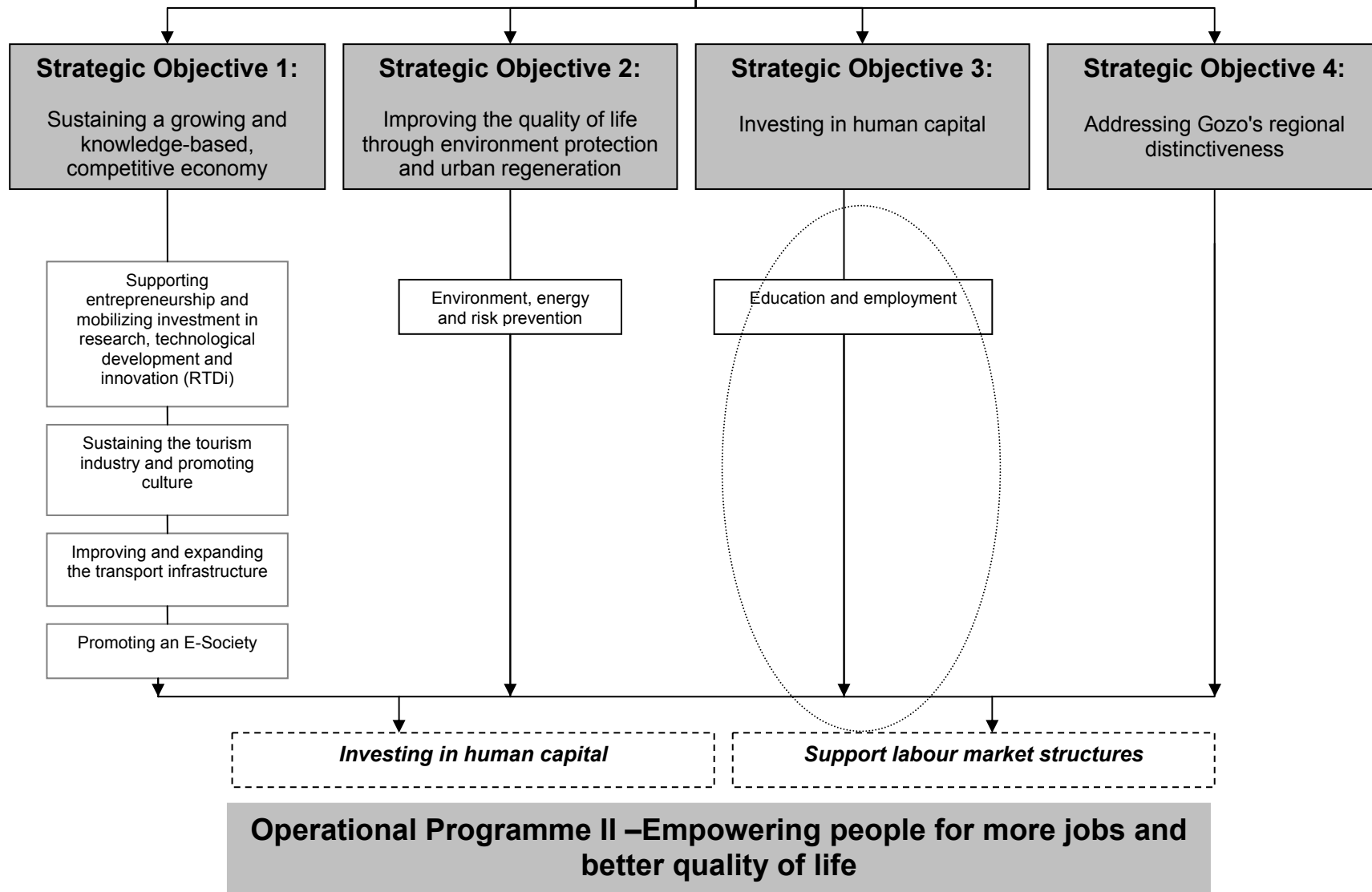
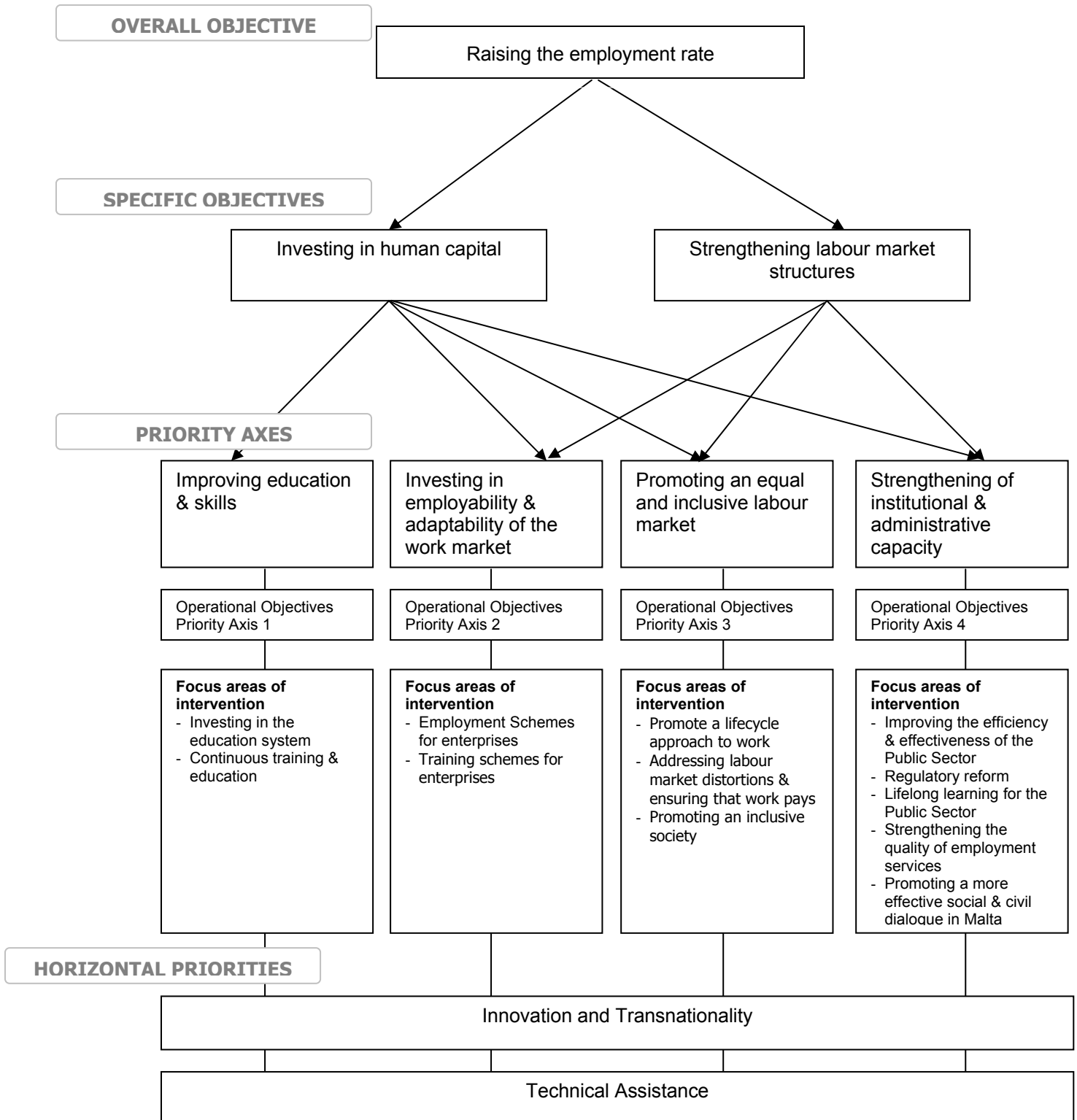


Figure 3.2

**OPERATIONAL PROGRAMME
OBJECTIVES AND PRIORITIES**



3.2.5 Linking the Priority Axes to the Employment Guidelines

In 2005, the European Council adopted new guidelines for the employment policies of the Member State which are based on the conclusions of the Spring European Council of 22 and 23 March 2005. In line with these 2005 Spring Conclusions, the Union committed itself to mobilise all appropriate national and Community resources – including Cohesion Policy – in the Lisbon Strategy's three dimensions (economic, social and environmental) so as to better tap into their synergies in a general context of sustainable development. As highlighted under section 3.1 of this Operational Programme, the objectives of full employment, job quality, labour productivity and social cohesion must be reflected in three clear priorities: to attract and retain more people in employment, increase labour supply and social protection systems; to improve the adaptability of workers and enterprises; and to increase investment in human capital through better education and skills.

As illustrated in Table 3.1, the Priority Axes for Malta to support growth and jobs within the ESF Operational Programme are built on the employment guidelines. Priority Axes II, III and IV of this Operational Programme feed into the first employment guideline *Attracting and retaining more people in employment, increase the labour supply and modernise social protection systems*. These three Priority Axes contribute towards the raising of the employment rate in an inclusive manner. They provide special attention to the promotion of a lifecycle approach to work, support of inclusion of those facing difficulties in entering the labour market and strengthening of labour market institutions.

Priority Axes II and III also contribute directly towards the second employment guideline *Improve adaptability of workers and enterprises*. Priority Axis II focuses on the flexibility of the workforce and enterprises to respond to sudden changes in demand for their goods and services, adapt to new technologies and are in a position to innovate constantly in order to remain competitive. Priority Axis III aims to support workers in their lifecycle approach to work, including the promotion and dissemination of innovative and adaptable forms of work organisation with a view to improving quality and productivity at work, including health and safety.

Priority Axes I, III and IV contribute to the third employment guideline *Increase investment in human capital through better education and skills*. These Priority Axes aim to ensure that the education attainment levels of the population are improved and that the Maltese people are equipped with the necessary key competences required by the labour market. They aim towards more inclusive education and labour market actions and the retention of people (adults and students) in education (also through strengthening lifelong learning systems). Priority Axis IV, in particular, shall also be targeted towards institutional and administrative capacity, including that of the social partners and civil society, in order to achieve an efficient and effective public administration and partnerships, which could support the growth of the economy and the labour market.

Table 3.1: Cross-referencing of OPII - Priority Axes and Employment Guidelines

Employment Guidelines/ Community Strategic Guidelines	OPII - Priority Axes			
	Improving education & skills level (P.I.)	Investing in employability & adaptability of the work force (P.II.)	Supporting an equal and inclusive labour markets (P.III.)	Strengthening institutional & administrative capacity (P.IV)
1. Attract and retain more people in employment, increase labour supply and modernise social protection systems		✓	✓	✓
2. Improve adaptability of workers and enterprises		✓	✓	
3. Increase investment in human capital through better education and skills	✓		✓	✓

3.2.6 Linking the Priority Axes to the NRP

The National Reform Programme (2005) for Malta was developed in response to the re-launch of the Lisbon Strategy, adopted in March by the European Council. The NRP represents a comprehensive three-year strategy to implement the integrated guidelines for growth and jobs. These integrated guidelines are a direct reflection of priorities at the European level which aim to boost the Union's growth potential in order to achieve the overarching objective of sustainable development.

Table 3.2 gives a snapshot of the links that exist between the NRP and the Priority Axes and objectives of this Operational Programme. All Priority Axes of this ESF Operational Programme are earmarked to address the policy responses of the Employment and Education and Training NRP strategic themes. As highlighted under section 3.2.1, the overall objective of this Operational Programme is to raise the employment rate. This fits perfectly with the policy responses identified in the NRP under the Employment strategic theme. The link is further strengthened since the NRP places particular emphasis on the female employment rate. Besides being a horizontal objective across all Priority Axes of the Operational Programme, female employment rate is specifically dealt with under Priority Axis III, which aims to address the issue of female participation in the labour market through the promotion of a lifecycle approach to work. In line with the NRP's particular focus on older workers, the ESF Operational Programme aims to support active ageing across all Priority Axes through lifelong learning actions, employment schemes and the promotion of inclusive labour markets.

Under the employment strategic theme, the NRP focuses on the provision of the necessary support for transition in occupational statuses between training, self-employment and business creation. In this context, the Operational Programme aims to contribute towards the strengthening of guidance and counselling services, to support self-employment (entrepreneurship) and business creation, and to improve the quality of employment services through Priority Axes I, II and IV respectively.

The specific objective of this Operational Programme *Investing in human capital* contributes directly to the Education and Training strategic theme of the NRP. This specific objective shall be supported through all Priority Axes. As highlighted under section 3.1, the NRP places particular emphasis on the implementation of an inclusive education and training policies aimed at adult learners and reducing the number of early school leavers. It highlights Government's commitment to ensure that education and training pathways are attractive,

accessible and flexible to provide maximum possible fulfilment of the potential of all persons throughout their working lives. Furthermore, it highlights the need to respond to new occupational needs, key competences and future skills requirements. In this context, the Priority Axes are envisaged to support the education system, continuous training and education, the skills level of the workers to respond to the enterprises' efforts to expand, re-structure and adapt and to achieve inclusive labour markets. Finally, through the Priority Axis IV, investment in the capacity of the institutional and administrative setup shall be supported to ensure that the support services provided by Government, social partners and civil society sustain economic growth and socio-economic development.

This Operational Programme shall also complement Government's policy responses under the Sustainability of Public Finances strategic theme of the NRP. In this context, Priority Axes III and IV of the Operational Programme directs investment towards reducing benefit fraud, retraining and redeployment of human resources in the Public Sector and restructuring of public sector entities leading to increased efficiency.

Under the Competitiveness strategic theme of the NRP, the Government committed itself to provide incentives and support to enterprises to meet the current and future needs of the country. The ESF Operational Programme shall address this policy response through Priority Axes II and IV by providing assistance to enterprises in terms of training to help them adapt to the needs of the economy and by supporting regulatory reform to improve Malta's competitiveness and reduce regulatory burden on enterprises.

Finally, in response the Environment NRP strategic theme, the ESF operational programme shall support environmental training in order to support the upgrading of the nation's environment to ensure an improved quality of life through sustainable development.

Table 3.2: Cross-referencing of OPII - Priority Axes/Objectives and NRP

	OPII - Priority Axes	OPII - Objectives		National Reform Programme Strategic Themes				
		Investing in human capital	Strengthening labour market structures	Sustainability of public finances	Competitiveness	Employment	Education and training	Environment
1	Improving education & skills	✓				✓	✓	
2	Investing in employability & adaptability of the work force	✓			✓	✓	✓	✓
3	Promoting an equal and inclusive labour market	✓	✓	✓		✓	✓	
4	Strengthening of institutional and administrative capacity	✓	✓	✓	✓	✓	✓	

3.3 Financial Concentration

This Operational Programme covers the whole territory. All Priority Axes listed above shall cover the challenges that are being faced by Malta and Gozo. Government is committed to spend a minimum of ten per cent of the funds under this Operational Programme in Gozo on measures contributing to Gozo's socio-economic development.

3.4 Integration of horizontal priorities

3.4.1 Equal opportunities

Government is committed to increase the female employment rate and increase the labour supply from groups with low employment rates⁷⁶. This commitment will be implemented through a number of actions which prevent and address discrimination; provide incentives for groups with a low employment rate to take-up work; and a series of measures which enable a better balance between work and family life. To ensure that the European Social Fund Operational Programme supports Government's commitment in terms of equal opportunities, the document was prepared in conjunction with persons who have good knowledge of gender issues and equal opportunities in Malta. Advice was continuously sought from the Ministry for the Family and Social Solidarity (MFSS), as the drivers of equal opportunities in Malta. The National Commission for the Promotion of Equality in Malta, within MFSS, which is the body responsible to monitor the implementation of the Act on Equality for Men and Women and to promote equality in spheres where it may be lacking, was also directly consulted to ensure that gender issues are taken into account as appropriate. This continuous consultation aided in the proper 'visioning' of the drafting of the Operational Programme in terms of equality of opportunities as an underlying horizontal theme across the programme.

Equal opportunities will also be integrated at the individual project level. To this end, project promoters will be requested to indicate clearly in the proposals how they intend to contribute to the horizontal priority of equal opportunities. This will be given due consideration in the project selection process. Monitoring will also be made to determine whether actions envisaged are followed up. In this regard, equality requirements will be given due consideration in reports monitoring progress. When carrying out general publicity of the programme or publicity in pursuance to project funded by the ESF, due account will be taken to ensure gender balance.

Given the importance of equal opportunities, specific activities in relation to equal opportunities have also been integrated into the strategy of this document through the inclusion of a specific priority aiming to promote equal and inclusive labour markets. These include the promotion of a lifecycle approach to work, actions which support the reduction of the gender gap and combat occupational segregation and the promotion of social inclusion in general.

3.5 Partnership Process

The start of the partnership process of this Operational Programme has to be seen in the overall context of the consultation process of the NSRF process. The National Strategic Reference Framework has gone through different layers of involvement of the Partners spanning almost a whole year starting in the third quarter of 2005 to the second quarter of 2006⁷⁷. Four Working Groups were set up in the third quarter of 2005 focusing on a number of priority areas, namely: Economic development and Competitiveness; Accessibility;

⁷⁶ Including early school leavers, the low-skilled and persons with disability.

⁷⁷ If one takes into account the partnership process for the Pre-Budget Document and also the National Reform Programme this period would extend to over 18 months.

Environment; and Employment and Social inclusion, the latter being of particular importance for this Operation Programme.

The Working Groups were chaired by experts in the field and brought together Line Ministries, public sector organisations and relevant partners (NGOs and socio-economic partners) for discussions on the strategic framework pertaining to each priority areas. Questionnaires were distributed to the main public stakeholders and bilateral meetings were organised, under the auspices of the Chair of the Working Group, between specific stakeholders and the NSRF drafting team.

A national SWOT workshop spanning five half-day sessions was organised in September 2005. Four sessions dealing with the same thematic areas as the Working Groups were held in Malta and a fifth session was held in Gozo dealing with Gozo special needs. Over 80 organisations – public organisations, socio-economic partners, NGOs and other representatives of the private sector were invited to the workshops. As part of the national SWOT workshop, an e-mail address was set up: nsrf@gov.mt.

Following the agreement of the Council on Financial Perspectives in December 2005, five public dialogues were organised by the Office of the Prime Minister in the first quarter of 2006, of which, one specifically dealt with human resources⁷⁸. These public dialogues were led by the Prime Minister of Malta and apart from the participation of the general public, relevant organisations (public and non- public) received a specific invitation to attend. Prior to the dates of the individual public dialogues, an invitation to the public was published in the newspapers which was accompanied by a write-up on the specific area (relevant to the public dialogue) with examples of current interventions under the 2004-2006 programming period. On the day of the dialogues short video-clips were used to set the scene (introducing Cohesion Policy in general and highlighting Cohesion Policy interventions in Malta) to ensure a focused discussion.

Apart from members of the general public, over 80 public sector organisations, representatives of local Government, and non-Government organisations participated in the public dialogues which were also given good coverage in the media. An average of 45-50 interventions were made at each session. The dialogues were also supported by a help-desk on site where the participants could ask for further information or pass on written submissions on the issues discussed. Moreover, self-addressed (and paid) envelopes which could be sent to the NSRF drafting team with comments, positions and ideas were made available on site. An e-mail address djalogi@gov.mt was set up and all video clips were posted on the website of the department of information. At the end of this extensive consultation period, the draft NSRF and the first drafts of the Operational Programmes were produced in March, June and July 2006 respectively⁷⁹.

Following an internal inter-governmental consultation, the first draft of the Operational Programme was published⁸⁰ for public consultation through a press conference. The draft Operational Programme was made available in hard copy version from the Office of the Prime Minister and also the Ministry of Finance and in soft copy version on several Government websites including that of the Department of Information.

The document will be formally present to the extended Malta Council for Social and Economic Development (MCESD). The extended MCESD is composed of a number of senior civil servants from the economic, social and financial sectors, the socio-economic partners in Malta, including the Chamber of Commerce, the Federation of Industry, representatives of the tourism sector, employers organisations, trade unions, representatives of the professional bodies, consumers association, representatives of local government and civil society groups including organisations representing equal opportunities, the elderly and

⁷⁸ The other public dialogues covered the following areas: environment, accessibility, enterprise and tourism, and Gozo.

⁷⁹ The first draft NSRF was produced in March, OP I (ERDF and CF) was published in June and OP II (ESF) in July 2006.

⁸⁰ The draft Operational Programme was published in book format and was available electronically on a number of government websites.

youth – all of whom had been invited and participated in one or more of the SWOT workshops and the relevant public dialogues . The MCESD was also invited to provide input to the sections relating to partnerships and to institutional capacity building.

Updates on the programming process of Cohesion Policy 2007-2013 was also given at Monitoring Committees for Structural Funds (2004-2006) where Government socio-economic partners and civil society are represented.

Chapter IV - Priority Axes

The underlying direction provided by the Community Strategic Guidelines is to concentrate the limited resources available to Cohesion Policy on those areas where EU Structural Funds can contribute most to the overall development objective of the country.

The four Priority Axes selected are earmarked to contribute to strengthening economic and social cohesion by improving employment and job opportunities, encouraging a high level of employment and generating more and better jobs in line with the main tasks of the European Social Fund and the objectives identified for this Operational Programme. The technical assistance Priority Axis aims at facilitating the implementation of this Operational Programme.

Each Priority Axis consists of a background overview, the overall and specific objectives pertaining to the Axis, the broad target groups and a number of focus areas of intervention. Focus areas are being seen as the main potential areas of intervention of the Priority Axis and not comprehensive of the Priority Axis or excluding other areas of intervention which could contribute to the attainment of the objectives of the Priority Axis.

Priority Axis I – Improving education and skills

Background

Malta's economic growth and development demands quality education for all. The country's ability to compete in the high-value-added, knowledge-intensive markets requires a highly skilled and adaptable workforce. Given that human resources are Malta's premier resource, knowledge and advanced skills are critical contributors to Malta's economic growth and the improvement of the standard of living of the citizens. A highly-skilled workforce is the product of lifelong education, starting from very early childhood, through effective primary and secondary schooling, moving onto vocational or tertiary education, and continuing subsequently with postgraduate education and professional training.

Despite the huge strides made in the past years in the provision of quality education and training, statistics indicate that, when compared to European averages, Malta has to make further efforts to reach certain targets such as that of higher education⁸¹ and lifelong learning⁸². Apart from the objective of reaching the *quantitative* targets, education reform currently under implementation foresees measures which will not only attract more pupils, students, young people and adults to participate in education and training but will also result in enhancing the *quality* of the "education experience" in terms of the value of qualifications on the labour market.

Objectives

This Priority Axis will invest in human capital in order to increase the overall participation rates in education and training at all levels, thereby increasing and upgrading the skills levels of the current and future labour force.

The specific objectives of this Priority Axis:

- to increase student participation in higher levels of education and training;
- to increase the participation rate in continuous training and education at all levels;
- to undertake measures aimed at improving the *qualitative experience* of education and training.

⁸¹ The target is to increase the participation rates in upper secondary education level or more of 22 year olds to 65 per cent by 2010, (NRP, p. 16)

⁸² The aim is to increase the participation rate of adults participating in continuous education and training to 7 per cent by 2010 (NAP 2004, p. 9)

Broad target groups

- Youth;
- Unemployed;
- Disadvantaged groups;
- Un/semi-skilled;
- Skilled labour force
- Inactive;
- Students;
- Educators;
- Parents;
- Adults;
- Professionals.

Focus areas of intervention

→ Investing in the education system

Measures introduced by Government in the field of education over the past decade have been far-reaching. During the last eight years, Government has embarked on a critical analysis of the whole education system with the aim to review policy and implement reform. The direction is to further develop the knowledge and skill base of the current and future workforce in view of the increasing volatile and changing economic climate. Within the overall objective of increasing the participation in higher and further levels of education and training within a wide range of fields, Government believes that quality education for all (of initial, vocational, tertiary and post-graduate education and training) should be given prime importance.

Investment in human resources to support the implementation of educational reform is pivotal especially with respect to supporting reform of provision of early childhood education, the building of expertise for the improvement and development of curricula and the training of staff in new areas which are not yet an integral part of the system.

Other areas of critical importance include: acquiring expertise for institutional management, administration and leadership; a statistical and diagnostic framework complemented by experts in educational policy for advanced analysis, planning and development; a national qualifications framework with all the necessary expertise to develop effective standards, accreditation processes and services; and an enhanced level of quality assurance across all levels of education.

Malta aims to increase the participation rate of all 22 year olds having obtained post-secondary qualification from 53.7 per cent in 2005 to 65 per cent in 2010⁸³. The objective is not merely to increase numbers but to increase numbers in areas critical to the current and future needs of the labour market. Encouraging pupils/students to pursue studies (including vocational education and training, graduate and postgraduate training) that are in greatest labour market demand is essential to minimize labour supply and demand mismatches. Failing to match labour supply and demand may hinder the development and growth of specific segments of economic activity, or induce a time lag until new economic opportunities can be actively targeted. In this context, research, foresight, promotion and information dissemination mechanisms to strengthen career guidance services are needed. Assessment and trade testing of the unemployed who participate in training programmes are also essential to reduce this gap.

Investment in guidance and counselling is critical across all levels of education. The aim is to facilitate access to learning opportunities and create a learning culture that ensures that

⁸³ National Action Plan for Employment, 2004 and National Reform Programme, 2005

everyone can easily access good quality information and advice on learning opportunities and future job prospects. This is crucial especially in education systems that offer a wide range of choices and courses which make it difficult for people (particularly young people) to find their way among all possible options. Furthermore, the support of an effective communication strategy to inform, motivate and assist students (and parents) in knowing the choices available and the possibilities that exist in terms of career options and pathways is important. Focus will also be made on entrepreneurial skills through education to reinforce an entrepreneurial culture from an early stage and to increase the pool of people who have the career orientation, motivation, opportunity and ability to start their own businesses.

Malta considers research and innovation in science and technology as a vital component towards the attainment of overall national competitiveness. In this regard it is important that a culture for RTDi is rooted from the primary years of education in order to increase the potential participation rates in science and technology education at a later stage and eventual specialization in these areas. This can be supported through specific science and technology actions and national competitions. Substantial investment is also needed to popularise science subjects in society at large and to bring information on the increasing opportunities in the field of science and technology to teachers and parents (as well as children) given their influence on the educational and career choices made by children. In this context it is essential to strengthen the research capacity of institutions (including the University) to attract students not only to undertake first degrees in these areas but also to continue research beyond this point. In this regard, this Operational Programme will also support the provision of research grants including at postgraduate and postdoctoral levels. Given the relatively low rates of females in science related education, this priority will seek to attract more female students to areas such as architecture, engineering, information technology, and other science related studies.

Research in the humanities and the arts and the social sciences also needs to be strengthened to make Malta more competitive through innovation. This will eventually translate into a better collaboration between businesses and the University. In this context, for an effective knowledge transfer to businesses, the University's IP framework and technology transfer capacities shall be strengthened through training support in technology transfer and innovation management for university staff and junior researchers together with the relevant Government agencies and industry representative bodies.

In line with Malta's strategic shift from the traditional manufacturing sectors to higher value-added economic sectors, consideration should also be given to the development of courses to address such needs, the provision of internships and field training scheme for students following skill-based and professional courses and development of conversion courses to provide flexibility and upgrading of the labour force. In addition, the investment in network arrangements with other universities or institutions abroad is important in this particular area.

In line with Government's strategy to establish Malta as a center for excellence in ICT⁸⁴, Government intends to accelerate the pace in this area to ensure that the specialized human resources are available in line with the needs of the industry. Specifically in the education sector, Government also aims to shift from the provision of the technology itself to the integration of ICT within the pedagogical content and to provide digitized library services to students, researchers, teachers and lecturers. In this regard, steps will be taken to deploy a national e-learning platform. ICT has a central role to play in the quest to improve the quality of life of the population and overcoming the insularity problems. The quality of life stands to benefit from a more widespread and efficient utilisation of ICT in the various spheres of the socio-economy. ICT also serves to overcome the insularity problem faced by Malta in terms of application of new technologies irrespective of territorial boundaries, limitations and economies of scale. Undoubtedly more investment in education and training in the area of ICT will go a long way towards diffusing the application of new technologies from an early age as a result of intervention in the different levels of the schooling system. More education and training in ICT will serve to feed in and provide the required human resource capability required by the emerging ICT industry in Malta. It is envisaged that more investment in ICT in

⁸⁴ In the light of setting up of 'SmartCity@Malta'.

education and training will provide the required threshold capabilities upon which to meet the objectives of a better quality of life and assist in overcoming the ensuing insularity problems.

Government is also focusing efforts on tourism segments such as cultural tourism, leisure, sports tourism, language learning and educational tourism, meetings, incentives, conferences and exhibitions. In regard, investment shall be channelled to ensure that the right human resources are available to enhance Malta's physical products by presenting and sharing what Malta has to offer (including heritage, and contemporary arts) to visitors in an authentic and enjoyable manner.

→ **Continuous training and education**

A skilled workforce is not only developed through the formal sphere of education but also through a whole process of lifelong learning which goes beyond the formal education sector. Government's policy is to promote lifelong and life-wide education and training both in Malta and Gozo. In this context, it is considered essential to have the required institutions and to provide programmes which offer the widest possible range of opportunities to satisfy the needs of individuals and the economy at the levels of knowledge, competence and skills. In this regard, economic sectors of increasing importance merit specific attention particularly those involving research and innovation.

The economy will be supported to sustain high rates of growth in employment through assisting workers to adapt to change. This is essential since flexible labour markets endow an economy with a capacity to adapt more to emerging trends and developments and enables human resources to shift from declining to expanding sectors with minimal disruptions to employment. This may include learning new skills, multi-tasking, or job mobility. Government policy aims at ensuring employability of the workforce in the face of constant challenges rather than using the traditional policy of protecting jobs. Life-long learning is a critical element for the implementation of this policy.

Widening the opportunities for youths/adults that have already left school to further their education and training requires the adoption and implementation of "extended policies" such as open, distance and e-learning strategies. Collaboration between all relevant stakeholders is essential in this respect. Education and training pathways need to become more attractive, accessible and flexible to provide maximum possible fulfillment of the potential of all persons throughout their working lives. In this context, the provision of research grants, scholarships (locally and abroad) for those who wish to continue with their studies will also be supported.

An important way of facilitating access to continuous education and training is to strengthen the concept of schools as "community learning centers". This principle combines the commitment of a holistic education with the recognition of the importance of lifelong learning. Moreover, community learning can have a significant impact on the vulnerable and less mobile groups of society such as parents with tenuous links to the educational system, parents with young children who have never considered accessing non-formal learning opportunities and who may consider training leading to flexible occasional work. Community learning is also seen to contribute to active ageing. In this context, partnerships between schools, community based organizations, NGOs, local councils and national education and other relevant authorities is crucial and should be further developed. State colleges and local councils will be encouraged and assisted to actively collaborate to provide day and evening courses targeting both specific priorities (sectors) in their community/ies and also the inactive population (mainly females).

→ **Innovative Activities**

- Innovative actions that facilitate the participation of adults in continuous education and training;

- Innovative actions to promote a National Qualifications Framework for Lifelong Learning and a VET Qualifications Policy. Such actions should invest in innovative ways of self certifying quality assured VET qualifications with access to higher education, the labour market and lifelong learning;
- Innovative actions which stimulate an entrepreneurial culture among young people;
- Actions that instill a culture of innovation through creativity

Priority Axis II – Investing in the employability and adaptability of the labour market

Background

In support of Malta's overall strategic goal to increase the employment rate⁸⁵, Government believes that while there is need for continuous training to increase adaptability and employability, enterprises must be prepared at all time to face and respond to the continuous challenges of market openings and the ongoing introduction of new technologies. A number of employment and training schemes will be devised under the relevant state aid regime to support the efforts of enterprises in this regard.

This Priority Axis will be implemented through a number of employment and training schemes with the direct participation of the private sector. Employment schemes aim to provide employment opportunities and improve the skills profile of different groups, including the unemployed. Training schemes will support enterprises' in their efforts to expand, re-structure re-train and re-skill and adapt their workforce to remain competitive in the global economy.

Objectives

This Priority Axis will invest in human capital with the aim to reduce the level of unemployment and ensure that workers and enterprises become flexible to respond to the needs of the economy.

The specific objectives of this Priority Axis:

- to contribute towards the reduction of unemployment levels;
- to support the adaptability of the workforce in the private sector⁸⁶ through skills improvement and upgrading.

Broad target groups

- Inactive persons of working age⁸⁷;
- Actively employed;
- Youth;
- Disadvantaged;
- Enterprises;
- New business start-ups.

Focus areas of intervention

→ Employment Schemes for enterprises

Employment schemes will be mainly focused on the unemployed, the inactive, persons at the risk of redundancy, and other disadvantaged people facing difficulties in accessing the labour market. The implementation of these schemes will increase the employment rate by facilitating access to employment for those that are outside the labour market or are at risk of losing employment. The schemes will not only facilitate access but efforts will be constantly renewed to ensure that the schemes are truly responsive to the needs of the economy, of employers and of job seekers.

⁸⁵ NRP, 2005-2008

⁸⁶ Continuous training of public administration and civil society will be implemented under Priority Axis IV

⁸⁷ Including females

The employment schemes will *inter alia* address:

- the skill level and activation of the unemployed;
- the provision of re-training and placement of unemployed and prospectively redundant employees;
- the provision of employment opportunities for the youth and other groups with low participation rate;
- entrepreneurship.

→ Training Schemes for enterprises

Direct production

Manufacturing

The main focus of the training needs of manufacturing enterprises evolves around the upgrading of skills brought about by innovation and shifts in the manufacturing sector from the traditional low cost base to knowledge intensive or research oriented activity. Under the 2004-2006 Structural Funds Programme, a training needs analysis of the sector is being undertaken with the aim to identify the training needs of companies and improve their chances of remaining in employment, whilst improving the competitiveness of the enterprises. Strengthening and promoting investment in human resources is also essential in order to increase the adaptability of enterprises with a view to improving the anticipation and positive management of economic change.

The training schemes for enterprises will include:

- the creation of the right mechanisms for the transfer of knowledge to SMEs through the provision of employment of science and technology graduates with the supervision by pre-registered innovation advisors;
- support to training efforts of enterprises in growing sectors;
- the recruitment/secondment of researchers within industry to facilitate the mobility of research between academia and industry;
- the provision of training, job assistance and mentoring to increase the skills of SMEs in product and process innovative action;
- the provision of training on innovation management techniques;
- the provision of traineeships in new and emerging industries.
- The provision of training grants, including the BPA regulation 14 and training subsidy scheme.

Other direct production sectors

Due to the general decline experienced in the private direct production sectors, training support to enterprises⁸⁸ working in these economic activities⁸⁹ is essential to mitigate against this decline and to support potential growth. Economic activities experiencing growth will also be supported especially in the light of a shortfall faced in the supply of specialised workers which may hinder further growth.

Market Services

Tourism

The Maltese tourism industry is facing numerous challenges due to the shift in supply towards higher quality service and lower costs. In this regard, the employability and entrepreneurial issues which directly effect operators' competitiveness will be addressed. It is essential that the training needs of tourism enterprises and the provision of training and retraining courses

⁸⁸ Including micro-enterprises

⁸⁹ Including agriculture and fisheries.

focusing on staff personality, attitudes and soft skills are addressed to enhance the quality of service provided.

The training schemes for tourism enterprises will be focusing on the investment in human capital through the promotion of continuous professional development within the tourism industry as part of the effort of improving the quality of the tourism product and therefore also strengthen the industry's overall competitiveness.

The training schemes for tourism service providers and will include:

- Mentoring private enterprises in areas such as marketing, e-tourism, innovation and creativity, entrepreneurial skills, people management, trends in tourism, competitiveness, health and safety.
- Provision of training grants for those who wish to continue their studies or conduct research in tourism, heritage management and conservation.
- Supporting training initiatives undertaken by private enterprise and/or by social partners or civil society being representatives of the tourism private sector.
- The development of training and continuous professional development programmes.

Other services sectors

Training for the services sector is also considered important, especially in the light of the significant expansion experienced in the private market services between 2000 and 2005. During this period this sector has become the main source of employment creation in the private sector. This is due to the success of particular sectors such as the financial services ICT . Training schemes will focus in areas where skills shortages have been identified, both in current and future skill requirements in support of further growth of the services sector in general.

Childcare services

The Government is committed to facilitate the increase of female participation in the labour market. This includes the issue of childcare⁹⁰. In this context, the Government intends to encourage different forms of support to promote the expansion in these services. These include the provision of training opportunities within the childcare sector.

Employment schemes aiming at providing the unemployed with employment opportunities within the childcare sector, start-up schemes and other incentives⁹¹ to enterprises/organisations in order to encourage the setting up of more childcare services at the place of work⁹² will be supported.

Horizontal training schemes

All economic sectors may benefit from horizontal training schemes such as those related to RTDi, ICT, and environment. As regards the latter, the provision of training and certification to improve technical competence in environmental management is considered important.

Innovation

Within the above context, innovative schemes which facilitate access and return to the labour market for those who have difficulty in being integrated or re-integrated in the labour market and innovative schemes which support the adaptability of firms and employees will be supported.

⁹⁰ NAP Employment, p.41

⁹¹ This may include ERDF type of interventions which amount to XX per cent of the funds allocated under this priority

⁹² This applies across all sectors, including direct production.

Priority Axis III – Promoting an equal and inclusive labour market

Background

The Maltese labour market is particularly characterised by a low female participation rate. Home-making, backed up by traditional cultural norms, is still considered as a socially acceptable and fulfilling role for women. However, for those who wish to work, their involvement in paid employment is constrained by a number of factors, including the lack of affordable and regulated childcare for children aged 0-2⁹³, absence of flexible work organisation, unequal sharing of domestic responsibilities, low or irrelevant skills upon their return, lack of information about existing work opportunities and unfavourable tax and benefit system).

Low employment rates are also seen among disadvantaged groups (including victims of domestic violence, and substance use, persons with disabilities, persons with mental health difficulties and refugees), who often have a low level of education. These also encounter difficulties in gaining access to labour-market and training services, due for instance to mobility problems, the absence of facilitating aids as well as discrimination.

In this context, a number of strategic thrusts to secure inclusion through facilitating access to employment and upgrading of skills are essential. The challenge is to develop and deliver co-ordinated policies which encourage the uptake of employment by particular target groups as well as by persons engaged in the informal economy. This is to be supported by inclusive and accessible quality education for all, leading to high levels of literacy, social skills and employability.

Objectives

This overall objective is to promote the development (in terms of education, training and support⁹⁴) and the uptake of stable and quality employment by women and vulnerable groups.

The specific objectives of this Priority Axis are:

- to contribute towards the integration of inactive persons and vulnerable groups in the labour market, whilst retaining the level of those in employment;
- to contribute towards the reduction in the rates of early school leavers and illiterate persons;
- to contribute towards the elimination of discrimination and irregularities in the labour market.

Broad target groups

- Inactive, particularly women;
- Parents;
- Young people;
- Older workers;
- Disadvantaged groups⁹⁵;
- Long-term unemployed;
- Persons receiving unemployment/invalidity benefits.

⁹³ There is a universal provision of kindergarten services from the age of 3 to compulsory school age (namely 6 years); however this is available only on schooldays and during school hours.

⁹⁴ Including mentoring and coaching

⁹⁵ Including unemployed, persons with disability, persons with mental health difficulties, substance users, victims of domestic violence and refugees and asylum seekers.

Focus areas of intervention

→ Promote a lifecycle approach to work

A lifecycle approach to work aims to address and achieve an acceptable balance between work and personal life, taking into consideration the different challenges of people along the different stages of life and gender differences. It will be supported through flexible and adaptable forms of work organisation which are expected to have a potential positive impact on the level of employment of different groups within the workforce, especially women, the elderly and the disabled.

Within the context of promoting a life-cycle approach to work, the provision of flexible working arrangements is considered to be a key factor. To ensure that job penetration, retention and mobility is not restrictive for certain categories of employees (in particular for females with young children and/or ageing parents) actions which support flexi-time, job sharing and tele-working will be supported, together with the promotion of part-time work possibilities in all work categories, including skilled work, and the further evolution of temporary employment.

As part of the objective to increase the female participation rate in the labour market, Government will seek to promote the increase in the availability of good quality and affordable childcare, including “after-school” child-minding services. Moreover, childcare support for those participating in courses co-funded by the European Social Fund will be made available to facilitate the access to training of women and lone parents.

Promotion of a lifecycle approach to work also requires the implementation of measures which improve health and safety at the workplace. With the aim to improve healthy lifestyles, the promotion of occupational health and safety is considered critical in an effort to decrease the number of discriminatory work practices and of occupational ill-health, injuries and fatalities.

→ Addressing labour market distortions and ensuring that work pays

It is Government Policy to make work as attractive as possible for men and women, and in particular for disadvantaged groups, while ensuring a minimum income for those unable to work. In this regard, Government wants to ensure that each social benefit facilitates the inclusion of all beneficiaries in society with the ultimate aim of ensuring that society becomes healthier with each and every individual realising his/her potential. In essence, social benefits should become tailored to facilitate further the entry of beneficiaries into the labour market. A strategic approach to this issue is to design and introduce a number of reforms to ensure that the tax and benefit interaction have a favourable impact on those furthest away from the labour market⁹⁶. In this regard, Government aims to support the integration into the labour market of people living on social security, persons with family responsibilities, persons with health problems and older workers. Due consideration will also be given to those having seasonal work in sectors such as tourism.

As part of the measures aimed at removing irregularities in the labour market, Government intends to eradicate illicit receipt of unemployment benefits and other social benefits in order to ensure that individuals who are working or should be working are not receiving benefits. In this context, the aim is to develop a programme whereby those receiving benefits, where possible, would be required to undertake work assignments for a number of hours equivalent to the benefits they receive. Government also aims to reduce the incidence of undeclared work through the improvement of both positive and punitive measures, including the support of various employment forms such as co-operatives to provide a framework for the regularisation of precarious work, and enhanced enforcement capability⁹⁷. This would also yield positive results to those receiving benefits as they would have the opportunity to remain closely attached to the labour market, thus increasing their employability prospects.

⁹⁶ National Action Plan for Employment, p. 51

⁹⁷ Pre-budget Document 2006-2010, p. 60

→ Promoting an inclusive society

Inclusive labour markets require both improvements in terms of access to employment and also facilitation and support in accessing education, lifelong learning and support which would eventually feed into improved prospects of finding employment. Government aims to increase the labour supply from disadvantaged groups with low employment rates and to enhance their employability and productivity.

The aim is to meet the challenges of social inclusion by addressing educational and labour market weaknesses and strengthening social cohesion to prevent vulnerability and poverty. Very often social exclusion occurs when individuals and families struggle to cope with a series of problems such as chronic lack of basics resulting in underemployment and unemployment, discrimination, lack of higher level competences, low income, poor housing, high crime, ill health, drug abuse, specific learning difficulties, disability, and family breakdown. This pattern lands such families in a vulnerable trap that becomes a cycle which is difficult to break out from. In this regard, specific actions will support the integration in education and employment of the groups most at risk of poverty and social exclusion in Maltese society, including the unemployed, disabled people and single parents. Support will also be targeted towards measures aimed at decreasing dependency of socially excluded persons on the State.

The development of special programmes, to support women in re-entering the labour market and improving their career prospects and actions that reduce the gender gap, form an integral part of the strategy of this Operational Programme. This includes support to address the particular needs of women in disadvantaged situations in order to give them the necessary support and skills to access the labour market. Actions to combat occupational segregation will also be focused upon by broadening the career aspirations of young men and women and avoiding gender stereotyping in both education and employment.

In line with the principles of aligning the labour market and education strategic visions, emphasis will be placed on minimising the risk of social exclusion by reducing the number of early school leavers⁹⁸ and putting into place measures to combat and prevent illiteracy. In this regard, the elimination of barriers to education (including the provision of specific assistance for those facing particular constraints) should be given prime importance. Focus should be made on those who do not succeed through the education system and face difficulties in entering the labour market, including through special programmes providing tailored training and working opportunities. Furthermore, supporting the capacity building of educators, social service workers and parents for innovative educational approaches to working with specific groups including children facing difficulties and their families is a priority. Another key element is the undertaking of studies to evaluate systems' failures and propose mitigating measures/reform and the identification of best practices and methodologies for wider dissemination.

Government's policies concerning persons with disability and persons with mental health difficulties are also based on the principles of social inclusion and equal opportunities. In this context, given the diverse needs of persons with disability and persons with mental health difficulties, different initiatives to enhance their chances to enter the labour market will be supported. The integration of these disadvantaged persons in the labour market will ensure that such persons contribute to the general wealth of society while enhancing their dignity and financial independence.

In the light of Government policy⁹⁹, employment of refugees and asylum seekers is a key part of their integration process. Employment is central to support these persons to realise their potential and lead an independent life, thus contributing towards the economy. In fact employment of immigrants is crucial to some sectors of the economy where there is limited supply of employees. The provision of opportunities to assist asylum seekers in their integration process through language skills, cultural orientation and employment skills shall be

⁹⁸ The target is to reduce the rate of early school leavers to 35 per cent by 2010

⁹⁹ Irregular immigrants, refugees and integration – Policy Document (February 2005), Part II, no. 18(d)

undertaken through the European Integration Fund, however this axis will seek to complement actions undertaken through this fund.

The unemployed and the underemployed are also a high-risk group for social exclusion. It is therefore important to stimulate the readiness to access training and re-training of such groups to help them consider new occupational needs, gain key competences and meet future skill requirements in line with market demands. The unemployed need the flexibility and ability to adapt to different situations. This enhances one's employability since a trained person creates fewer problems for management and is a more motivated resource. In the light that the concentration of unemployment in Malta is in the lower end of the age brackets (15-24 years), a specific focus on young people will be made since unemployment at the start of a potential working career is likely to have long-term consequences for the person's economic development, social inclusion and social welfare. Focus will also be made on disadvantaged young people (such as those with challenging behaviour, leaving care and substance abusers) to ensure their inclusion in the labour market.

Non Governmental Organisations (NGOs), including culture NGOs, are very active in the area of social exclusion. Their role, often led and supported by volunteers, is considered to be very important within the economy as a whole. NGOs work at grass root level and can act as the catalysts for socially excluded persons to enter the labour market. For this reason, this OP will support the involvement of NGOs whose aim is to increase the participation of disadvantaged groups in the labour market and overall job creation. Possibly networks could be created among these NGOs to share best practices and experiences.

→ **Innovative Activities**

▪ **Flexible forms of work organization**

Government believes that the private sector may also benefit from innovative actions that improve adaptability through the design of innovative and more productive forms of work organization within the context of a lifecycle approach to work, including health and safety.

▪ **Social inclusion support**

Access to education and employment should be available for all. Making use of the potential of each individual is essential for the country's responsiveness. Knowledge activation and learning stimulation require investment in new policy approaches. In this regard, Government believes that the ESF should also invest in innovative ways of investing in human capital to ensure that groups facing difficulties in accessing the labour market can fully participate in education, training and employment. These cover the development of new methods, tools and approaches to the integration of excluded people in education, training and employment; the addressing of improvements to existing methods of human capital investment; and the promotion and implementation of the concept of active ageing with the aim to prolong working lives.

Priority Axis IV – Strengthening of institutional and administrative capacity

Background

Government firmly believes that its role in the economy should be as a regulator and facilitator for growth generated by the private sector, rather than that of an active economic operator. For the Government to provide an efficient and effective service which sustains economic growth and socio-economic development it must continuously invest in its institutional and administrative capacity across a number of areas.

The Government also recognises the importance of the contribution made by social partners and civil society in the successful design and implementation of policies promoting the country's socio-economic development. In this regard, specific attention will be given to social partners and civil society in relation to capacity building activities in order to strengthen the effectiveness of social and civil dialogue in Malta, thereby supporting also good governance.

Objectives

This Priority Axis will invest in human resources development and mechanisms in order to strengthen institutional capacity and efficiency of public administrations, local government, social partners and civil society.

The specific objectives of this Priority Axis are:

- to contribute towards the investment in human capital in order to support an efficient and effective Public Sector;
- to contribute towards the implementation of public sector reforms;
- to contribute towards the development of effective partnerships in a wide range of policy areas.

Broad target groups

- Public administration (organisations and employees);
- Socio-economic partners and civil society in general.

Focus areas of intervention

→ Improving the efficiency and effectiveness of the Public Sector

Government aims to support further the reforms initiated in a number of sectors, such as public service, pensions and health. In this regard, the upgrading of Government employees' skills to support the implementation of these reforms is essential. Furthermore improvements and efficiencies in public administration will continue by means of consolidation of entities, thereby ensuring less fragmentation and duplication, which at present is happening across various entities. For example, there will be efforts to centralise some of Government's back office operations to take advantages of the opportunities offered by information technology. Investment in human resources to support the adaptability of the workforce is essential to ensure that reforms are implemented efficiently and effectively.

Government recognises that, despite successful measures already undertaken, the public sector continues to be over-manned in certain areas (mainly the unskilled/semi-skilled). This issue is already being tackled through Government's re-deployment policies. However, further efforts are required for the successful implementation of such policies, which will be supported under this Priority Axis.

Additional efforts will take place to streamline management processes within the Public Service with a view to facilitating more rapid decision-making and implementation and more accountability for results. These efforts will take place within the context of the passage of a new law to regulate public sector management. The draft Public Service Act, which was published as a white paper in 2003, is currently being revised in line with current needs and circumstances. The new law is a major element in the Government's plans for public sector modernisation and it is proposed that the Act (which may also be retitled) will cater for:

- more flexibility in staffing, which is a key element of the Public Service's ability to respond to changing future requirements;
- greater accountability and more emphasis on performance management;
- the introduction of agencies, a new organisational form combining operational flexibility with strong ethical safeguards;
- better coordination between departments and other government entities within a strengthened framework of direction and oversight at ministry and central Government level.

Local government will also be strengthened by providing training to local councillors and staff especially in the light of the voluminous legislation regulating the functions and operations of local government, as well as the ever-increasing devolved responsibilities. It is intended to provide a continuous development programme to all Local Council Executive Secretaries every year with a view to strengthen their competencies and to render the position on a professional level. Other training will also be provided to Local Council staff on specific matters directly related to their field of work. A series of information seminars is also planned for newly elected Local Councillors.

→ **Regulatory Reform**

Government's priority to foster and encourage entrepreneurship will be reflected in measures supporting the reduction of the regulatory burden on businesses. In this context, Government has set up a Better Regulation Unit. Support will be targeted towards this Unit to regularly monitor bureaucratic procedures, particularly those related to enterprise, and submit reports on how they can be simplified; request regulatory authorities to submit recommendations for the simplification or removal of regulations in their respective fields; and re-engineer Government work practices and processes so as to make them more streamlined and better attuned to the needs of enterprise. The Better Regulation Unit is functioning but requires more support in performing the full range of its duties. In this context, revisions of the employment legislation to bring it in line with a 'better regulation' environment and with modern needs of the industry are also required.

→ **Lifelong Learning for the Public Sector**

Within the overall context of continuous education and training, Government aims to enhance and expand its training and re-training programmes for its employees in line with its own lifelong learning objective. Investing in human capital is essential to support Government's strategy to adopt an efficient and effective public service, thus increasing its productivity and service quality. This is also essential in the light of the new challenges of the administration brought about by EU membership.

A training needs analysis for the Public Sector is essential to address those areas which are most in need of capacity building. Horizontal and sectoral training together with the upgrading of training material shall be supported. The provision of scholarships and internships (local and abroad) are also envisaged to strengthen and increase the skills level of Government employees. Such internships and exchange schemes are not only deemed to be more efficient than more traditional training methods, but also tie in with the principle of mobility and transnational experiences.

Government also aims to strengthen the effectiveness of its development programmes and heighten the awareness of their importance for staff development. Emphasis on accreditation of trainers and academic development and preparedness of its officers is also a priority.

→ **Strengthening the quality of employment services**

The strengthening and modernisation of employment services is vital to enhance access to employment of job seekers and inactive people. In addressing labour market distortions Government aims to strengthen the technical and administrative capacity of the employment services to continuously evaluate labour market programmes. In addition, Government aims to invest in the skills level of the staff at the national employment agency to enhance the level of service which is provided to the unemployed and other “clients”, especially with respect to the public employment service’s brokerage role in capturing vacancies and better matching of job seekers to available vacancies. Furthermore, efforts shall also be directed towards strengthening of competences in marketing, communications and internal audit.

The need to refine the employment licence policy and procedure, to ensure that non-EU nationals are only recruited where Maltese or EU/EFTA nationals are not available for the posts and that appropriate skills transfer are made to Maltese counterparts is also important.

→ **Promoting a more effective social and civil dialogue in Malta**

Social and civil dialogue play an important role in a democratic system as they can be used to devise policies with sufficient endorsement for its credibility by stakeholders. An important consideration relating to the effectiveness of social and civil dialogue in Malta is the perception of insufficient representation of wide interests on the MCESD both with respect to constituted bodies and civil society. The extension of consultation within or outside MCESD should be enhanced in order to ensure the participation of the relevant actors in the formulation of reforms or the introduction of policy, especially in the areas of employment and social inclusion.

Social and civil dialogue could be improved through better organisation of sectoral interests in the country, which at present are somewhat fragmented. This should lead to better focus and more clarity of debate on important economic and social issues.

Information is crucial for an effective process of social and civil dialogue within a democratic system. Social and civil dialogue in Malta can be improved through the availability of better information and analysis to the social and civil partners, also in the form of relevant research output regarding EU-wide developments as well as local issues. The insufficient provision of information often reflects inadequacies in the technical backup to the discussions being undertaken. This mirrors a lacuna in human resources availability towards sustaining the process of social and civil dialogue in Malta.

Capacity building activities¹⁰⁰ addressing the needs of social partners and civil society to contribute to the successful design and implementation of policies and legislation development to promote socio-economic development and contribute to growth and employment is important. Furthermore, the enhancement of capacity to ensure sustainability within the EU framework will be supported. This includes the management of structural funds which can lead to further development of more sustainable health, social and environmental services and contributions.

Capacity building and activities jointly undertaken by social partners as regards the adaptability of workers and enterprise will be supported. The aim is to improve the anticipation and positive management of economic change in the areas of lifelong learning and investment in human resources by enterprises and workers and in the design and dissemination of innovative and more productive forms of work organisations.

¹⁰⁰ Including training and support for networking

Priority Axis V – Technical assistance

Background

The actions under this Priority Axis will support and accompany the programme implementation, in accordance with Article 44 of the Council Regulation laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, and will fund preparatory, management, monitoring, evaluation, information and control activities, and activities to reinforce the administrative capacity for implementing the Funds.

The objectives of the Priority Axis include ensuring the proper administration and implementation of the programme through an effective application of the regulations, optimising the programme quality and efficiency of the interventions, and increasing the visibility and awareness on Structural Funds interventions through dissemination of relevant information and targeted publicity actions.

Objectives

The overall development objective of Priority Axis 5 is to reinforce the administrative capacity for implementing the 2007-2013 programme.

The specific objectives of this Priority Axis are:

- to ensure the administration and implementation of the programme through an effective application of regulations;
- to optimise the programme quality and efficiency of the interventions;
- to support the Operational Programme's communication plan.

Chapter V – Financing Plans

Financing plans for the ESF operational programme

5.1 Financing plan of the OP giving the annual commitment of each Fund in the operational programme

Commitments shall be made on an annual basis according to the following plan:

Operational programme reference (CCI number):

Year by source for the programme, in € 000,000:

	Structural Funds (ESF) (1)	Cohesion Fund (2)	Total (3) = (1)+(2)
2007			
In Regions without transitional support	6	0	6
In Regions with transitional support	0	0	0
Total 2007	6	0	6
2008			
In Regions without transitional support	6	0	6
In Regions with transitional support	0	0	0
Total 2008	6	0	6
2009			
In Regions without transitional support	8	0	8
In Regions with transitional support	0	0	0
Total 2009	8	0	8
2010			
In Regions without transitional support	10	0	10
In Regions with transitional support	0	0	0
Total 2010	10	0	10
2011			
In Regions without transitional support	12	0	12
In Regions with transitional support	0	0	0
Total 2011	12	0	12
2012			
In Regions without transitional support	15	0	15
In Regions with transitional support	0	0	0
Total 2012	15	0	15
2013			
In Regions without transitional support	17	0	17
In Regions with transitional support	0	0	0
Total 2013	17	0	17
Grand Total 2007-2013	74	0	74
Total in Regions without transitional support (2007-2013)	74	0	74
Total in Regions with transitional support (2007-2013)	0	0	0

5.2 Financial plan of the operational programme giving, for the whole programming period, the amount of the allocation of each Fund in the operational programme, the national public contribution and the rate of reimbursement by Priority Axis.

Payments are made as reimbursements of expenditure actually paid out according to the following plan.

Financial plan concerning operational programmes expressed in total expenditure¹⁰¹

Operational programme reference (CCI number):

Priority Axes by source of funding (in € 000,000)

	(a)	(b)	(c)	(d)	(e)	For information	
	Community Funding	National Public funding	National private funding	Total funding (a)+(b)+(c)	Co-financing rate (a)/(d)	EIB contributions	Other funding
Priority Axis 1 – Improving education and skills level of the labour supply	30	5.25	0	35.25	85%		
Priority Axis 2 – Investing in the employability and adaptability of the labour market	11	0	11	22	50%		
Priority Axis 3 – Promoting an equal and inclusive labour market	17	3	0	20	85%		
Priority Axis 4 – Strengthening of institutional and administrative capacity	12	2.1 ¹⁰²	0	14.1	85%		
Priority Axis 5 – Technical Assistance	4	0	0	4	100%		
Total	74	10.35	11	95.35	78%		

¹⁰¹ 2004 prices

¹⁰² Part of the amount will be sourced from the budget of final beneficiaries from the socio-economic partners and civil society category.

Chapter VI – Implementation Procedures

6.1 The Managing Authority

6.1.1 Introduction

The Planning and Priorities Co-ordination Division within the Office of the Prime Minister (OPM) is entrusted with the management and overall coordination of this operational programme. The Planning and Priorities Co-ordination Division is set up in line with the established national procedures of the Government of Malta. The Planning and Priorities Co-ordination Division will carry out the tasks and functions of a Managing Authority as described hereunder in full accordance with the institutional, legal and financial systems of Malta.

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6.1.2 Tasks and Functions of the Managing Authority¹⁰³

The Managing Authority shall be responsible for managing and implementing the operational programme in accordance with the principle of sound financial management. In particular the Managing Authority will:

- (a) ensure that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply, for their whole implementation period, with applicable Community and national rules;
- (b) verify¹⁰⁴ the delivery of the co-financed products and services and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules;
- (c) ensure that there is a system for recording and storing in computerised form accounting records of each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation is collected;
- (d) ensure that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- (e) ensure that the evaluations of operational programmes are carried out in accordance with Article 45 of Council Regulation XXXX/06;

¹⁰³ Article 59 of the Presidency Compromise on a Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (Doc. 7175/06 dated 9 March 2006) .

¹⁰⁴ Verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the Commission Regulation setting out detailed rules for the application of Council Regulation XXXX/2006.

(f) set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit are held in accordance with the requirements of Article 88 of Council Regulation XXXX/06;

(g) ensure that the Certifying Authority shall receive all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;

(h) guide the work of the Monitoring Committee and provide it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;

(i) draw up and, after approval by the Monitoring Committee, submit to the European Commission the annual and final reports on implementation;

(j) ensure compliance with the information and publicity requirements laid down in Article 68 of Council Regulation XXXX/06;

(k) provide the European Commission with information to allow it to appraise major projects in line with Article 39 of Council Regulation XXXX/06.

6.1.3 Additional Responsibilities

In addition to the above, the Managing Authority will be tasked with the following functions (to be carried out in coordination with the European Commission and other competent authorities):

Programming

(1) ensure with the Commission that assistance from the Funds is consistent with the activities, policies and priorities of the Community, in particular with the priorities listed in the Community Strategic Guidelines on cohesion and in the national strategic reference framework.¹⁰⁵ In addition, the Managing Authority will ensure that actions supported by the ESF will be consistent with and contribute to actions undertaken in pursuance of the European Employment Strategy.

(2) participation in national coordination structures aimed at ensuring co-ordination of assistance from the operational programme co-financed by the ESF, the programmes financed by the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF), the interventions of the EIB, where applicable, and of other existing financial instruments;¹⁰⁶

Implementation

(5) co-ordinate with the competent authority to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementing the Funds and, in particular, access to them;¹⁰⁷

(6) re-examine and revise the operational programme in agreement with the European Commission, in case of significant socio-economic changes, or in order to take greater or different account of major changes in Community, national or regional priorities, or in the light of evaluation referred to in Article 46 of Council Regulation XXXX/06 or following implementation difficulties;¹⁰⁸

¹⁰⁵ Article 8(2) of Doc. 7175/06 dated 9 March 2006

¹⁰⁶ Article 8(3) of Doc. 7175/06 dated 9 March 2006

¹⁰⁷ Article 14 of Doc. 7175/06 dated 9 March 2006

¹⁰⁸ Article 32 of Doc. 7175/06 dated 9 March 2006

(7) entrust, if deemed desirable, the management and implementation of a part of this operational programme to one or more Intermediate Body/ies. This delegation of authority will be laid down in an agreement between the Managing Authority and the designated Intermediate Body/ies;¹⁰⁹

(8) finance, through technical assistance, the preparatory, management, monitoring, evaluation, information and control activities of the operational programme together with activities to reinforce the administrative capacity for implementing the Funds.¹¹⁰

(9) lay down rules at national level on the eligibility of expenditure taking into account exceptions provided in the specific Regulations for each Fund, to revenue-generating estimates as set out in Article 54 of Council Regulation XXXX/06 and ceilings on state aid;¹¹¹

(10) ensure the application of Article 56 of Council Regulation XXXX/06. In case of modifications, the Managing Authority is to inform the European Commission in the annual implementation report required under Article 66 of Council Regulation XXXX/06;¹¹²

(11) encourage adequate participation of social partners in the activities under the scope of assistance of the ESF;

(12) encourage adequate participation and access of non-governmental organisations to the funded activities, notably in the domain of social inclusion, gender equality and equal opportunities;

(13) coordinate with the competent authority the promotion of a balanced participation of women and men in the management and realisation of the operational programme at local and national level, as appropriate;

(14) choose the themes for funding of innovation in the context of partnership and define the appropriate modalities of implementation and inform the Monitoring Committee of the chosen themes;

Evaluation

(15) co-ordinate the carrying out of evaluations¹¹³ and send the results to the Monitoring Committee and the European Commission¹¹⁴

(16) draw up, an evaluation plan which presents the indicative evaluation activities which are intended to be carried out in the different phases of the implementation;¹¹⁵

(17) assess through evaluations the contribution by the operational programme to the implementation of the European Employment Strategy and the objectives of the Community in the fields of social inclusion, non-discrimination and equality between men and women, and education and training in Malta

Reporting

(18) provide the competent authority responsible for the drawing up of the annual implementation report on the National Reform Programme with information on the contribution of the Funds;¹¹⁶

¹⁰⁹ Article 41 of Doc. 7175/06 dated 9 March 2006

¹¹⁰ Article 44 of Doc. 7175/06 dated 9 March 2006

¹¹¹ Article 55 of Doc. 7175/06 dated 9 March 2006

¹¹² Article 56 of Doc. 7175/06 dated 9 March 2006

¹¹³ Article 46 of Doc. 7175/06 dated 9 March 2006

¹¹⁴ Article 46 (3) of Doc 7175/06 dated 9 March 2006

¹¹⁵ Article 46 of Doc. 7175/06 dated 9 March 2006

¹¹⁶ Article 27 (2) of Doc. 7175/06 dated 9 March 2006

(19) submit a summary on the contribution of the operational programme towards the promotion of the relevant labour market aspects of social inclusion to the competent public authority responsible for the compilation of the national reports on social protection and social inclusion.

(20) send by 30 June of each year (starting for the first time in 2008), an annual implementation report and by 31 March 2017 a final implementation report containing the information laid out in Article 66 of Council Regulation XXXX/06,¹¹⁷ including a synthesis of the implementation of gender mainstreaming and any gender specific actions, actions to increase participation in employment of migrants and thereby strengthen their integration, actions to strengthen integration in employment to improve social inclusion of minorities and other disadvantaged groups, innovative activities with presentation of themes and their results, dissemination and mainstreaming, and trans-national and/or inter-regional actions is to be included;

(21) examine with the European Commission every year, following submission of annual report, the progress made in implementing the operational programme, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation;¹¹⁸

Monitoring

(22) co-ordinate the setting up of a Monitoring Committee for the operational programme within three (3) months starting from the date of the notification of the decision approving the operational programme;¹¹⁹

(23) provide the secretariat to the Monitoring Committee;¹²⁰

(24) carry out in conjunction with the Monitoring Committee monitoring by reference to financial indicators and the indicators referred to in Article 36 of Council Regulation XXXX/06 and specified in the operational programme;¹²¹

(25) inform the Monitoring Committee of comments made by European Commission on reports concerning the operational programme, in particular the annual implementation report;¹²²

Control

(26) co-ordinate with the competent public authority that management and control systems for the operational programme are set up in accordance with Articles 57 to 61 of Council Regulation XXXX/06 and function effectively and correctly;¹²³

(27) co-ordinate with the competent public authority/ies the prevention, detection and correction of irregularities;¹²⁴

(28) co-ordinate with the competent authorities the recovery of amounts unduly paid.

(29) submit to the European Commission before the first interim payment or at the latest within twelve months from approval of the operational programme a description of systems containing details laid down in Article 70 of Council Regulation XXXX/06;¹²⁵

¹¹⁷ Article 66 of Doc. 7175/06 dated 9 March 2006

¹¹⁸ Article 67 of Doc. 7175/06 dated 9 March 2006

¹¹⁹ Article 62 of Doc. 7175/06 dated 9 March 2006

¹²⁰ Article 63 of Doc. 7175/06 dated 9 March 2006

¹²¹ Article 65 of Doc. 7175/06 dated 9 March 2006

¹²² Article 67 of Doc. 7175/06 dated 9 March 2006

¹²³ Article 69 of Doc. 7175/06 dated 9 March 2006

¹²⁴ Article 69 of Doc. 7175/06 dated 9 March 2006

(30) ensure that all supporting documents regarding expenditure and audits on the operational programme are kept available for the European Commission and the Court of Auditors as specified in Article 88 of Council Regulation XXXX/06;¹²⁶

¹²⁵ Article 70 of Doc. 7175/06 dated 9 March 2006. Note: The description of the systems will be accompanied by a report setting out the results of the assessment of the setting up of the systems and giving an opinion on their compliance with Articles 57 to 61 of Council Regulation XXXX/06. The Audit Authority of this operational programme will be overall responsible for the establishment of this report.

¹²⁶ Article 88 of Doc. 7175/06 dated 9 March 2006

6.2 The Certifying Authority

6.2.1 Introduction

The European Union Paying Authority Directorate within the Ministry of Finance (MFIN) is entrusted with the certification of the declarations of expenditure and applications for payment in relation to the priorities of this operational programme before they are sent to the European Commission. The European Union Paying Authority Directorate is set up in line with the established national procedures of the Government of Malta.

The European Union Paying Authority Directorate will carry out the tasks and functions of a Certifying Authority as described hereunder in full accordance with the institutional, legal and financial systems of Malta.

Contact Details:

Head of the Certifying Authority,
European Union Paying Authority Directorate,
Ministry of Finance,
Maison Demandols,
30, South Street,
Valletta CMR 02

Tel: +356 259998297

Fax: +356 21251356

E-mail: info.mfin@gov.mt

Website: www.mfin.gov.mt

6.2.2 Tasks and Functions of the Certifying Authority¹²⁷

The Certifying Authority shall be responsible for certifying declarations of expenditure and applications for payment before they are sent to the European Commission. In particular the Certifying Authority will:

(a) draw up and submit to the European Commission certified statements of expenditure and applications for payment in line with the provisions laid down in Council Regulation XXXX/06;

(b) certify that the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents and that the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;

(c) ensure for the purposes of certification that it has received adequate information from the Managing Authority and other relevant public bodies on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;

(d) take account for the purposes of certification of the results of all audits carried out by or under the responsibility of the Audit Authority;

(e) maintain accounting records in computerised form of expenditure declared to the European Commission;

(f) keep an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the

¹²⁷ Article 60 of the Presidency Compromise on a Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (Doc. 7175/06 dated 9 March 2006)

general budget of the European Union, prior to the closure of the operational programme by deducting them from the next statements of expenditure in line with the provisions laid down in Council Regulation XXXX/06¹²⁸;

(g) send at the latest by the end of April to the European Commission a provisional forecast of likely payment applications for the current financial year and the subsequent financial year ;¹²⁹

(h) ensure that the beneficiaries receive the total amount of the public contribution as quickly as possible and in full from the body responsible for making payments;¹³⁰

(i) declare to the European Commission any interest generated by the pre-financing at the time of the final closure of the operational programme;¹³¹

¹²⁸ The Certifying Authority shall be responsible for the notification to the European Commission of the recovery of amounts unduly paid together with interest on late payments in view of Article 69 (1b) of Doc. 7175/06 dated 9 March 2006.

¹²⁹ Article 75 of Doc. 7175/06 dated 9 March 2006

¹³⁰ Article 79 of Doc. 7175/06 dated 9 March 2006

¹³¹ Article 82 of Doc. 7175/06 dated 9 March 2006

6.3 The Audit Authority

6.3.1 Introduction

The Internal Audit and Investigations Directorate within the Ministry of Finance under the supervision of the Internal and Audit Investigations Board within the Cabinet Office is entrusted with verifying the effective functioning of the management and control system of the operational programme. The Internal Audit and Investigations Directorate is set up in line with the established national procedures of the Government of Malta and is functionally independent of the managing authority and the certifying authority of the operational programme.

The Internal Audit and Investigations Directorate will carry out the tasks and functions of an Audit Authority as described hereunder in full accordance with the institutional, legal and financial systems of Malta.

Contact Details:

Head of the Audit Authority,
Internal Audit and Investigations Directorate,
Ministry of Finance
Lower Ground Floor,
Valletta Buildings,
South Street,
Valletta CMR 02

Tel: +356 21237737
Fax: +356 21237681
E-mail: info.iaid@gov.mt
Website: www.iaid.gov.mt

6.3.2 Tasks and Functions of the Audit Authority¹³²

The Audit Authority shall be responsible for verifying the effective functioning of the management and control system of the operational programme through the carrying out of audits. In particular the Audit Authority will:

(a) ensure that audits are carried out to verify the effective functioning of the management and control systems of the operational programme;¹³³

(b) ensure that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;¹³⁴

(c) present to the European Commission within nine months of the approval of the operational programme an audit strategy covering the bodies which will perform the audits referred to in (a) and (b) above, the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;

(d) establish a report setting out the results of an assessment of the setting up of systems and giving an opinion on their compliance with Articles 57 to 61 of Council Regulation XXXX/2006.

¹³² Article 61 of the Presidency Compromise on a Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (Doc. 7175/06 dated 9 March 2006)

¹³³ Where the audits are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence. (Article 61(1a))

¹³⁴ Where the audits are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence. (Article 61(3))

The report will accompany the description of the systems, covering in particular the organisation and procedures of the Managing Authority, the Certifying Authority, the Audit Authority, other bodies carrying out audits under the responsibility of the Audit Authority and intermediate bodies, where applicable.¹³⁵

(e) submit to the European Commission by 31 December of each year from 2008 to 2015, an annual control report setting out the findings of the audits carried out during the previous 12 months ending on 30 June of the year concerned¹³⁶ in accordance with the audit strategy of the operational programme and report any shortcomings found in the systems for the management and control of the programme. The information concerning the audits carried out after 1 July 2015 will be included in the final control report supporting the closure declaration described in (h) hereunder.

(f) issue an opinion by 31 December of each year from 2008 to 2015, on the basis of the controls and audits that have been carried under its responsibility, as to whether the functioning of the management and control system provides reasonable assurance that statements of expenditure presented to the European Commission are correct and that the underlying transactions are legal and regular;

(g) where applicable, submit by 31 December of a given year, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

(h) submit to the European Commission at the latest by 31 December 2017, a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

(i) ensure that the audit work including that carried out by contracted bodies take account of internationally accepted audit standards.

(j) meet with the European Commission on a regular basis, at least once a year, to examine together the annual control report and opinion described in (e) and (f) above, and to exchange views on other issues relating to the improvement of the management and control of the operational programme;¹³⁷

(k) co-ordinate with the competent authorities the prevention, detection and correction of irregularities. The AA will also be responsible for communicating irregularities to the Commission.¹³⁸

¹³⁵ Article 70 of Doc. 7175/06 dated 9 March 2006. The report and opinion can be carried out by a public or private body, other than the Audit Authority, which is functionally independent of the Managing Authority and the Certifying Authority, and shall carry out its work taking account of internationally accepted audit standards. Where the Audit Authority is not carrying out the report itself, it shall be responsible for the contracting of the task.

¹³⁶ The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008.

¹³⁷ Article 72 of Doc. 7175/06 dated 9 March 2006

¹³⁸ Article 69 (1b) of Doc. 7175/06 dated 9 March 2006