PART-TIME EMPLOYMENT AND SOCIAL LEGISLATION IN MALTA

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Abstract. The aim of this paper is to identify the factors that give rise to part-time employment in Malta. It is argued that though labour market policies should first and foremost aim to promote full-time employment, there is also scope for promoting part-time employment, given that certain segments of society, including wives and mothers, can only work, or prefer to work, on a part-time basis. In this regard, the study briefly dwells on the distinction between voluntary and involuntary part-time employment. The study puts forward recommendations as to how the Government of Malta can use active labour market policies so as to motivate women, younger and older persons, who would otherwise be inactive, to join the labour market on a part-time basis.

Introduction

An analysis of part-time work is of interest from an economic policy perspective, as the promotion of part-time work may be an important measure through which the flexibility of labour markets can be increased. On the labour demand side, it allows employers to adjust hours worked to cyclical conditions. From the labour supply side viewpoint, part-time work may increase the employment choices open to individuals and may draw people that would otherwise be unwilling to work into the labour market.

Part-time work, compared to full-time work has been increasing over the past few decades in many developed countries. This increase can be due to an increase on the demand side (from employers), as a means to reduce labour costs and in an attempt to introduce labour market flexibility in reaction to changing work organization within industry. The increase could also have been due to the growth of the services sector.

* This paper is an abbreviated version of the author’s dissertation submitted in partial fulfillment of the B.Com (Hons) degree in Economics from the University of Malta.

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On the supply side, the increase in part-time employment could be due to an increase in the supply or availability of women workers such as housewives, as well as students and retirees. There is growing recognition that part-time work can be a means of enhancing the employment rate among older workers in current debates about ‘active ageing’.

Part-time Employment in Malta

Figure 1 shows that the rate of part-time employment in Malta is lower than the EU average.

However, it is well within the average when compared to other European-Mediterranean Member States with a level of development comparable to that of Malta in terms of per capita GDP, such as Cyprus, Portugal and Slovenia. In 2006, the average EU part-time rate stood at about 19%, while that in Malta was 10%. In the case of men, the EU part-time rate was 7.7% compared to Malta’s 4.8%, while the rate for women was 32.7% in the EU compared to Malta’s 21.8%.
Brief Literature Review

There is no agreed international definition of part-time employment in terms of the minimum number of hours in a week worked. The legal definition of a ‘part-time worker’ according to the European Framework Agreement on Part-time Work, (European Communities, 1997) is as follows:

“An employee whose normal hours of work, calculated on a weekly basis or on average over a period of employment up to one year, are less than the normal hours of work of a comparable full-time worker”.

The literature on part-time job developments can be divided into two main areas, namely the microeconomic and the macroeconomic aspects.

The Microeconomic Aspect

Many researchers argue that part-time work is used as a stepping stone to full-time employment or other labour market situations such as inactivity or unemployment (Millar et al., 2006: 19). Personal characteristics and household composition constitute major determinants in the level of part-time employment for both males and females. These include, the number of children (especially young children), in the case of women. Other factors which relate to men and women are age, educational attainment, personal hobbies, volunteering in community services, caring for health conditions and the need for extra money.

The Macroeconomic Aspect

The Business Cycle: There are two main effects of the business cycle on the demand side. These include (a) shifts between sectors, which is also referred as the compositional effect, and (b) shifts within sectors. These factors may increase part-time employment during downturns as employers offer part-time employment as a way to adjust hours worked over the cycle. (Budd et al., 2004). An important determinant is the expansion of several tertiary activities.¹ Employers in the tertiary sector usually hire part-time workers to deal with predictable demand peaks (“rush hours”), to extend hours on

¹ This sector is mainly made up of health and education, sales, hotels and catering, and personal services which rely particularly on the use of part-time employment,
evenings and weekends beyond the shifts worked by a full-timer, or to replace any sickness or leave entitlement to full-time employees. From the employees’ supply side perspective, in the case of an economic downturn, workers may be more willing to consider part-time work as an alternative to full-time employment. In addition, the so called ‘discourage’ worker effect’ may also be related to the business cycle. The effect of the business cycle on the rate of part-time work will be positive or negative depending on the relative importance of these effects (Budd et. al, 2004).

Labour Market Institutions

Institutional and sociological factors are likely to influence the long-term level of part-time employment. According to Smith et al. (1998) specific regulations on part-time work can affect part time work due to several factors including restrictions on the use of part-time work, indirectly through wage regulation and the social protection or the tax and benefit system. A case in point is Portugal where hourly wages for part-time and full-time work are by law equal. Lower pension entitlements can also restrict labour supply of part-time jobs. The lack of childcare centres can also constitute a major disincentive to take up employment. These can have strong adverse effects on the female participation rate. Unemployment benefits may also create an ‘unemployment trap’ especially when it is given at a high rate and for a long duration. High income tax rates may also deter formal part-time work and hence may also create such unemployment trap.

Other Structural Variables

There are several other factors that affect the rate of part-time work including the fact that women may be inclined to work on a part-time basis due to cultural and sociological reasons such as separation of tasks between husband and wife, with males considered as the ‘breadwinners.’ Many researchers have also found that part-time employment is often associated with students. Hence the involvement rate of young people between the age of 15 and 24 is likely to have a positive impact on the part-time rate (Budd et. al, 2004).

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2 This occurs when an unemployed person who receives unemployment benefits or any other benefits, is deterred from taking a new job because the reduction or removal of benefit will make him/her worse off.
Figure 2
Part-time Male and Female Employees as a Percentage of the Respective Labour Force

![Graph showing part-time male and female employees as a percentage of the respective labour force.](image)

*Source: Workings by Author*

**Trends on Part-time Employment in Malta**

Figure 2 shows that the ratio of part-time employees as a percentage of the labour force has increased with regards to both men and women. In the case of women, the rate has increased from 6.7% in 1983 to 23.2% in 2004, while in the case of men the increase was from 1.7% in 1983 to just 7.1% in 2004.

The figure also shows that part-time employment in the Maltese labour market is dominated by females.

Figure 3 shows the increasing trend in the female participation rate\(^3\) between 1985 and 2006. According to the Labour Force Survey (LFS) for Malta computed by the National Statistics Office for the fourth quarter of 2007, the female participation rate stood at 40.5%, whereas that for males was 77.9%, leading to an activity gender gap of 37.4 percentage points.

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\(^3\) Female participation rate, also known as female activity rate, is calculated as the female labour force as a proportion of the female working population (between 15 and 64 years of age).
The possibility of work flexibility and part-time employment has been found to be one of the main factors affecting labour supply (OECD, 2004) and hence female participation.

Results of an econometric study relating to female employment in Malta, (Caruana, 2006) where the female participation rate was regressed on several explanatory variables, including part-time employment, showed a positive relationship between part-time employment and female participation rate. This is consistent with the theoretical implication that improvement in work flexibility increases the chances for a woman to participate both in the labour market and in housework.

It is to be noted here that the employment targets set out for EU countries at the European Council in Lisbon and Stockholm include: an employment rate for women of 57% by 2005 and 60% by 2010 and an overall employment rate of 70% of the work force by 2010. These targets are not being met in Malta.

Three main priorities were identified for Malta by the EU Commission in order to attract people to join the labour market to eventually meet these targets.
These are:
• raising the female employment rate through an increase in childcare facilities.
• reforming the tax benefit system so that the gap between the minimum wage and employment is less of a disincentive to work.
• increasing older worker employment rate by 2.4% by 2010.

Part-Time Employment as a Primary and Secondary Occupation

Figure 4 shows the number of part-time employees in Malta. Traditionally part-time employment was dominated by housewives. However, the overall growth rate has been caused by the growth rate of both male and female part-time workers. This could be in response to a more favourable income tax treatment of part-timers and the implementation of the EU directive. The figure also indicates that overall, the number of males working on a part-time basis is higher than that of females.

Unemployed part-timers cannot register for work under Part I of the Employment and Training Corporation Scheme, which entitles the person registered for unemployment benefits.
Figure 5 shows that the trend in the total share of part-time employment as a primary occupation is more prevalent among females than males. This share increased by 5,609 employees (38%) in the case of males and 9,030 employees (62%) in the case of females in the 1990-2003 period. This is probably because most women are wives, mothers and carers for the elderly and they are the ones who, in general are expected to adjust their working hours.

Figure 6 shows that the share of part-time employment as a secondary occupation is much higher in the case of males than it is in the case of females. Secondary occupation refers to the situation when part-time employment is taken in conjunction with a full-time occupation. This shows that part-time employment of males is general undertaken as an additional source of income.

Part-time Employment and the Industrial Structure

Figure 7 shows that the Maltese economy is in the midst of an important transformation from one based on manufacturing to one based on services. This could be one of the main factors leading to the increase in flexible type arrangements, including part-time employment outside the normal 40 hours per week, in the evenings, nights and during the weekends.
Figure 6  
Trend of Part-Time Employment as Secondary Occupation  


Figure 7 shows also that most of the increase in part-time employment occurred in the services sector.  

Figure 7  
Part-time Employment in Malta According to the Industrial Structure  

The importance of part-time employment in the services sector is also shown in Figure 8, which relates to primary occupation. Females dominate part-time employment as a primary occupation in the services and non-market sectors.
sector and there is a significant difference between the part-time employment of men and women. The dominance of men over women in the direct production sector may be attributed to the fact that this sector incorporates industries such as agriculture, fisheries, quarrying, construction and oil drilling, which mainly provides employment for men.

Figure 9 shows that male part-time employment as a secondary occupation is higher than that of women in all 3 major sectors of the economy. The greatest share of secondary part-time employment was found in the services sector especially in the tourism sector where male employment makes up 83% of total employment. The female share of employment in the direct production sector is just 284 employees out of a total of 3,508 employees.

**Part-Time Employment and Age**

Figure 10 indicates that part-time employment as a percentage of total employment in Malta is at its highest in the youngest age segment. This can be the consequence of an increasing share of youths pursuing post-secondary and tertiary education and as a result engaging in part-time rather than full-time employment in order to finance their studies.
It is also evident that females dominate in all age sectors, whereas, the greatest share of females in part-time employment as a percentage of the total labour force is found in the 50–64 age bracket. This rate stood at 25.5% in 2006. The low male part-time employment in the middle-age class shows the male preference for full-time employment due to his family role as a ‘breadwinner’.

When the trend of part-time employment in various age groups is analysed, it is evident that part-time employment at the youngest age group has remained stable over the years while the trend in the middle and older age groups has taken an upward trend since mid-2003.

*Part-time Employment and Gender*

As already shown the majority of part-time workers as a percentage of total part-timers are women. This is confirmed in Figure 11, which expresses part-time employment as a ratio of total employment.

In Malta specific gender roles are becoming less distinct and the compatibility between housework and market work is increasing, due to technological advance as well as changing cultural attitudes.

**Figure 11**

*Part-time Workers as a Percentage of Total Employment*

![Graph showing part-time employment trends from 2000 to 2006 for males, females, and total employment. The graph indicates an upward trend in part-time employment for females and a stable trend for males and the total. Source: Eurostat.]*
It is likely that these factors will lead to more women wanting to join the labour force, leading to further increases in part-time employment. It is important to note that, if proper in-work benefits are in place, part-time employment can substantially increase the female activity rate in Malta especially widows and single mothers who need additional income.

It is to be noted that according to the Malta Labour Force Survey of September 2003, nearly two-thirds of inactive women cite personal or family responsibilities for their inactivity (64.1%). The two largest groups of inactive men cite retirement (55.2%) and education or training (25.7%) as reasons for inactivity. (NAP, 2004)

**Voluntary and Involuntary Part-time Employment**

Voluntary part-time employment occurs when an individual deliberately chooses to work on a part-time basis. Involuntary part-time employment refers to the situation when an individual takes a part-time job due to the inability of finding full-time employment. This distinction is essential for an economic analysis of such employment as the upward trend of part-time employment may be attributed to an increase in involuntary part-time employment. According to the ILO definition, this would be tantamount to ‘underemployment.’

The distinction between voluntary and involuntary part-time work is subject to debate. It is probable that in Malta a large proportion of part-time employment is not involuntary. Given the choice, people will in most cases choose full-time employment but in the case of certain persons, especially women, part-time employment is chosen deliberately due to its flexibility. Figure 12 shows that Malta has the lowest rate of involuntary part-time employment when compared with other Euro-Mediterranean Member States with a level of development most comparable to that of Malta in terms of per capita GDP. This rate in 2006 stood at 22.4%, which is still however a significant proportion of total employment.

Figure 13 indicates that the percentage rate of involuntary part-time employment as a percentage of total employment in Malta, followed a cyclical pattern and on average this percentage has hovered around 20%. A matter of concern is that since 2003 this rate has been increasing, hence there is an increasing proportion in part-time employment which could be associated with the inability to find a full-time job.
Involuntary part-time employment tends to be higher in the case of men when compared to women. In fact, the rate for men in Malta according to the European Labour Force Survey stood at 40.3% in 2003, whereas that of women stood at 19% in the years 2005 and 2006. According to the National
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Action Plan for Employment, 2004, one third of female employees working on a part-time or full-time on a reduced hours basis stated that they did so as they did not want a full time job.

Part-time Employment and the Underground Economy

The tax-benefit system in Malta may also lead to a higher degree of informal part-time employment that is in the underground economy. This mainly arises from the fact that unemployment benefits are not taxed, while labour income is. In addition, a person working on a part-time basis is not entitled to unemployment benefits. Another related matter is that a widower cannot earn more than the national minimum wage from part-time employment otherwise the entitlement to the widow’s income is withdrawn.

Zerafa (2006) estimated that the Marginal Effective Tax Rate (METR) for a single individual is equal to 76%. This led the author to the conclusion that an individual who decides to give up unemployment benefit to take a part-time job will only gain 16.19 per week. The same conclusion can be applied to a married individual since these benefits are completely withdrawn if any of the partners enters the labour market. This shows that the social security system can increase the level of part-time work in the underground economy. In fact, it may be argued that part-time employment per se is not a problem, but the underground economic activity associated with it is. It is easier to conceal part-time than full-time employment.

Policy Implications

There are various measures that the government can take to maximise the benefits of part-time employment and minimise the problems associated with such employment. These include the following:

Given that many women, younger persons and older workers have a preference for part-time work, the Government can promote investment in economic activities that can operate efficiently through a flexible hours regime. Telework is a case in point.

Child-care centres are still underdeveloped in Malta. According to recent labour force surveys by the NSO, over 60% of women take vacation leave
due to the unavailability of child carers. Equally important is the promotion of day-care centres for the elderly.

The government can also promote further training for inactive workers aged 40 and over. It is important to note that only those who today are under 51 years had the opportunity to benefit from the introduction of compulsory secondary education introduced in 1970.

Reform in the tax-benefit system, which currently acts as a disincentive for employment in formal activities, particularly in jobs which carry a relatively low salary (Zerafa, 2007) should also help in increasing the labour market activity rate. Hence the government should reform the social security system to ‘make work pay’ by for example raising the minimum non-taxable income a part-timer as a primary occupation can earn. This would promote part-time employment among women, younger persons and older persons, who would otherwise prefer to remain unemployed. In addition, the income tax rate for those working on a part-time basis as a secondary occupation could be lowered.

In order to avoid the ‘unemployment trap,’ unemployment benefits could be reduced or made receivable for a specific time period. If this time period elapses and the person remains unemployed, the benefit should be stopped unless that person retrains in an area with good chances of employment. Tax credits of up to 3 years can be introduced for inactive parents, disabled people and persons aged over 50s who decide to take up part-time employment, provided that they stay in employment for a minimum number of years (say 5 years) after the break in employment.

Legislation should be enacted so that the hourly rate of part-timers would at least be equal to that of full-timers as in the case in Portugal. This may increase the incentives for both females and the aged workers to join the labour force.

Likewise legislation should be enacted so that part-time employees will be entitled to training and pro-rata performance related bonuses, as is the case of full-time employees. This will also increase loyalty and motivation among part-time workers to the company.

Employers should give greater consideration to the values pertaining to an ageing workforce. These include maturity, responsibility, experience, loyalty,
expertise, dedication and less sporadic leave off-work. In turn, this could result in improved part-time employment opportunities for persons in the eldest age bracket.

Conclusion

The primary focus of labour market policies should be full-time employment. However, part-time employment provides an option for those who cannot work full-time, notably women, and may also permit employers to adjust to cyclical demand conditions. It may thus help satisfy employers’ and employees’ exigencies. If proper conditions, accompanied by incentives, are put in place, part-time employment would increase the female participation rate. It would also promote employment among the older persons, thereby mitigating the problems of an ageing society.

References


