

# An Empirical Study on the Economic Impact of Foreign Workers on the Maltese Economy: The Perception of Financial Services Professionals

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## Background

Since the Schengen agreement was incorporated in the Treaty of the European Union, which Treaty allows free movement within the European Union (Boswell & Geddes, 2011), Malta has been experiencing an upward trend in hosting foreign workers (Central Bank of Malta, 2016).

Published literature indicates that there are numerous implications on the host economy as a consequence to increased foreign employees (Borjas, 2014). There are studies that suggest that foreign workers increase the skills base and improve the cultural development of the host countries, whilst other researchers argue that the labour migration distorts the wage structure of the host country as a result of increased supply of human resources in addition to increased pressures on public finances (Barrett, et al., 2000).

Given that each economy has its own economic variables stemming from the position within the economic cycle, the implications on one country may not be representative to others and hence, this study will be serving the purpose of determining the extent of the consequences posed by foreign workers on the Maltese economy.

## Objectives

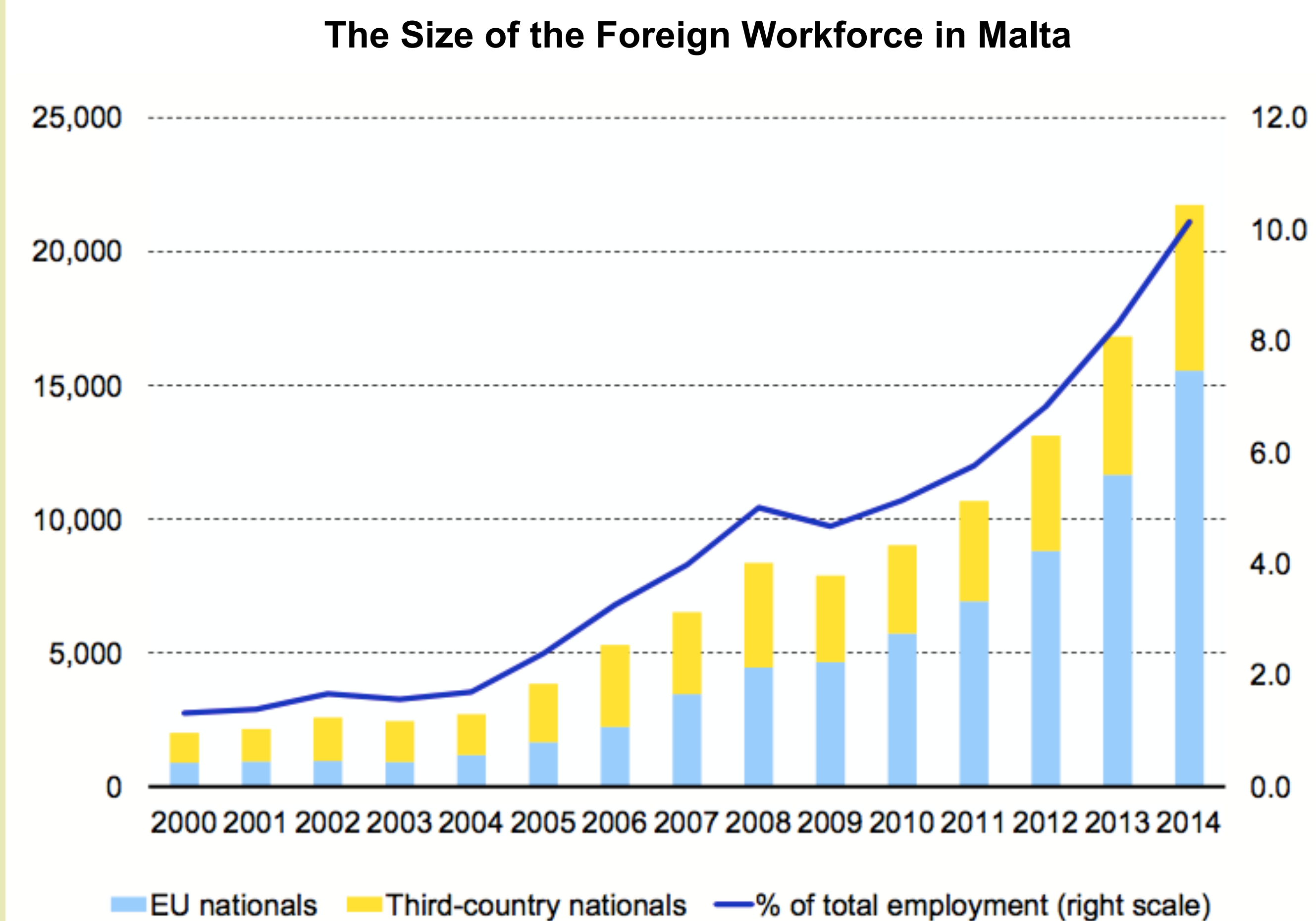
The 3 main objectives of the research study are:

1. To identify the effects of foreign labour on the economic development in Malta.
2. To investigate the correlation between foreign labour and employment rates in Malta.
3. To examine the relationship between foreign labour and wages labour costs in Malta.

## Research Variables

- The research will be investigating the relationship between foreign workers and their impacts on the Maltese economy. In this study, the independent variable is the foreign workers, and the dependable variable is the Maltese economy.

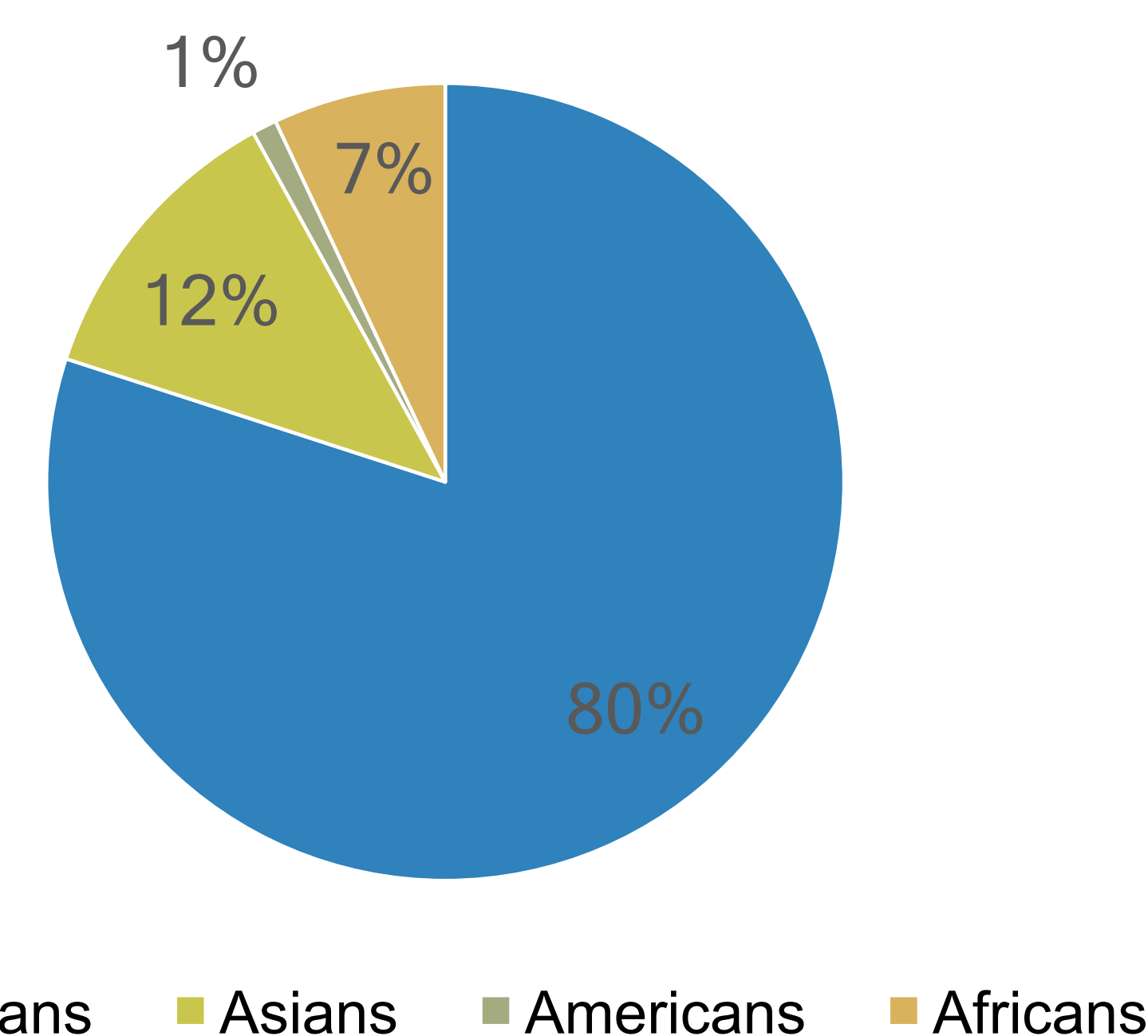
## Preliminary Findings



Adapted from: (Central Bank of Malta, 2016)

The above graph shows the migration of persons of working age to Malta between 2000 and 2014. It is evident that by joining the EU, Malta attracted thousands of foreign nationals to migrate and work on the island. It is noticeable that the number of foreign workers plummeted in 2008 as a consequence of the economic crisis. However, one can note that between 2004 and 2014, the number of foreign workers rose from 2% to 10% of the total working population in Malta.

### Composition of Foreign Workers in Malta



Adapted from: (Central Bank of Malta, 2016)

The above pie chart highlights the composition of the total foreign workforce in Malta and Gozo. As at the end of 2016, the majority of workers, that of 80% originated from Europe, 12% from Asia, 7% from Africa, and the remaining 1% from America.

## Methods

### Method 1



#### Method 1: Survey Instruments

A survey instrument will be distributed amongst the employees of the Central Bank of Malta, who will be expected to fill in the surveys based on their judgement and experience working in the financial services sector.

### Method 2



#### Method 2: Interviews

Face-to-face interviews will be carried out with three authoritative and competent bodies. The interviews will be conducted to validate the results of the survey instruments and to gather further detailed information from the intended sources.

## References

- Central Bank of Malta, 2016. Assessing The Economic Impact of Foreign Workers in Malta, Valletta: Central Bank of Malta.
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- Borjas, G. J., 2014. *Immigration Economics*, Cambridge: Harvard University Press
- Barrett, A., FitzGerald, J. & Nolan, B., 2000. Earnings Inequality, Returns to Education and Immigration into Ireland, Dublin: Economic and Social Research Institute.