

**MUTUAL LEARNING PROGRAMME:
PEER COUNTRY COMMENTS PAPER - MALTA**

**Increasing the Employability of Young Persons: Is the Portuguese
Professional Traineeship Programme Transferable to Malta?**

Peer Review on “Professional Traineeships for Young Adults”
Portugal, 19-20 November 2009

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1 LABOUR MARKET SITUATION IN THE PEER COUNTRY

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Malta's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

During the past year, as in other EU countries, the Maltese economy slowed down as an effect of the global economic situation. According to preliminary estimates for the second quarter of 2009, the GDP contracted by 3.3 % on annual basis¹. Lower tourist arrivals together with a downturn in exports are major causes of the decline in the economic activity. The manufacturing enterprises in the automotive sector were affected the most. However, rather than dismissing employees, several companies adopted a wait-and-see strategy, reducing the working week in agreement with trade unions. Indeed, the employment in the manufacturing sector increased by 7.5 % between the second quarters of 2008 and 2009. Similarly, the number of workers in the tourism industry increased marginally over the same period (by 1.9 %)². However, recent data on tourist departures indicates that inbound tourists in August 2009 have dropped by 3.5 % compared to the corresponding month in 2008. This was accompanied by a 5.5 % decrease in the total nights spent in Malta over the same period³. Such figures can lead to a decrease in employment in the tourism sector when figures for the summer 2009 are published.

Despite the global recession, overall, the Labour Force Survey (LFS) for Q2 2009 indicates that employment in Malta increased by 0.8 % when compared to the same quarter of the previous year (NSO, 2009b). This translated to a marginal decrease in the employment rate of 0.5 percentage points (from 55.4 % to 54.9 %). Construction, financial intermediation, education, and health and social work were among the sectors that registered a decrease in the number of workers. Considering the difficult period, the unemployment rate increased only marginally by 1 percentage points between Q2 2008 and Q2 2009 (from 6 % to 7 %). This turned to an additional 1 848 unemployed.

While the figures above appear better than the general situation in Portugal and Europe, one should note that the overall activity rate in Malta is much lower than the EU-27 average (58.8 % and 70.9 % respectively in 2008) due to a particularly low level of female activity rate (40.1 % when compared to 63.9 % in the EU-27 in 2008).

The unemployment rate among 15 to 24 year olds is three times higher than that of the 25+ population (15.7 % and 5.2 % respectively). Besides, between the second quarters of 2008 and 2009, the unemployment rates of 15 to 24 year olds increased substantially by 2.7 percentage points. The number of unemployed youths in the second quarter of 2009 was 4 679, amounting to 38.6 % of all the unemployed persons.

In the Host Country Discussion Paper, the impact of the Portuguese PTP was examined in a context in which almost 70 % of the employed population have lower secondary education only. While the situation with regards to the educational levels of the employed population in Malta is better than that of Portugal, with about 60 % having lower secondary education, the majority of the Maltese working population still has low qualification levels. The evolution in the educational gap among the employed between Malta and the EU average has been somewhat similar to that of Portugal - between 2001⁴ and 2008, the gap with regards to the

¹ National Statistics Office, *Gross Domestic Product for Q2/2009*, Malta, 2009.

² National Statistics Office, *Labour Force Survey Q2/2009*, Malta, 2009.

³ National Statistics Office, *Departing Tourists: August 2009*, Malta, 2009.

⁴ Figures for 1997 for Malta are unavailable.

percentage of workers with higher education has decreased, while the gap with regards to those with upper secondary education increased.

Maltese students have 11 years of compulsory education when compared to the current 9 years in Portugal. However, only 54.2 % of the youth (aged 20-24) in Malta have at least upper secondary education, when compared to the 78.5 % in the EU-27 and the 91.3 % in Portugal⁵. Young Maltese women tend to have significantly higher educational levels than young men. Indeed, 58.3 % of young women have ISCED Level 3, compared to 50.5 % of young men.

One should note that there has been an overall increase of 9.1 percentage points in the number of youths reaching ISCED Level 3 between 2003 and 2008. The general educational profile of Maltese youth is improving thanks to the efforts that the government is carrying out at both post-secondary and tertiary levels of education. The number of students currently studying at the University of Malta and the Malta College of Arts, Science and Technology has increased substantially over the past five years.

⁵ European Commission, Indicators for monitoring the Employment Guidelines including indicators for additional employment analysis 2009 compendium, Brussels, 2009.

2 ASSESSMENT OF THE POLICY MEASURE

The *Employment and Training Corporation* (ETC) set by an Act of Parliament in 1990 is Malta's public employment service. The ETC has a dual role of assisting the unemployed in their employment search and managing state-financed vocational training schemes. The ETC provides a range of training schemes as part of the government's active labour market policies. Some of the schemes cater specifically for young persons. However, no scheme includes all the following aspects of the Portuguese *Professional Traineeship Programme* (PTP):

- Targeting young persons until 35 years of age, holding upper secondary education, post-secondary level or higher degree level.
- Assisting financially the Promoter Organisations and raising their awareness of new qualifications and promoting employment in new areas.
- Duration of 12 months.

For instance, the Job Experience Scheme (JES) involves a 13-weeks long placement to a job in the private or public sector. The JES exposes young worker, who are paid an allowance, to new work skills. More than 830 persons took part in this scheme since its launch in 2003⁶. The Active Youth Scheme (AYS) is another scheme for young adults who have been unemployed for more than 6 months. The scheme involves a placement of up to 6 months in a job at an NGO in which the participant is also paid an allowance. Over 220 persons benefited from this scheme since its launch in 2006⁷.

The ETC also organizes apprenticeship schemes based on the dual VET system, with a longer duration spanning from 3 to 4 years. There are two available types of apprenticeship schemes: the Technician Apprenticeship Scheme (TAS) and the Extended Skill Training Scheme (ESTS), both including on- and off-the-job training. A Journeyman's Certificate is awarded to those who successfully complete the apprenticeship at technician level in the case of TAS apprentices and at Craftsman level to ESTS apprentices. Since the ETC was launched, 8 453 persons received apprenticeship training⁸.

The ETC also offers a shorter version of apprenticeship schemes called Traineeship Scheme, which is probably the most similar programme that the organisation offers to the Portuguese PTP. The ETC draws up ad hoc training programmes to cater for specific market needs and calls for interested employers to provide on-the-job training for new labour market entrants. Like apprenticeship schemes, this scheme includes both on- and off-the-job training and its current duration is between 10 and 39 weeks, based on a 40-hour long week, varying according to the particular needs of the programme. Entry into the Traineeship Scheme is possible throughout the whole year. While about 20 % of the training is conducted off-the-job, the remaining 80 % is carried out on-the job. Trainees have to develop a Training Portfolio as evidence of their learning and skill development. Past schemes have focused on sectors such as ICT, Croupiers, Operators, Machine Setters, Slaughtering and Deboning Butchers, Steel Fixers, Form Workers and ICT Programmers. Due to its ad hoc nature, this scheme can promote employment in new areas, assisting employers to accommodate newly arising skills needs.

The entry requirements to traineeships vary depending on the nature of the job involved. However, the traineeships normally cater for the needs of unemployed persons with low levels of skills and qualifications, rather than those with higher education. Trainees are

⁶ Employment and Training Corporation, *Youth Strategy 2008 / 2009*, Malta, 2008.

⁷ Ibid.

⁸ Ibid.

entitled to an allowance of 80% of the national minimum wage (NMW). On the other hand, the on-the-job training service provider receives a training subsidy in the amount of 20 % of the NMW for each trainee. The Traineeship Scheme is co-financed by EU funds (85 %) and national funds (15 %)⁹.

An interesting feature of this programme, which is probably not present in the Portuguese PTP, is that upon completion of the traineeship, those who show proficiency in a range of skills sufficient for a particular occupation are awarded a Certificate of Achievement by the same Trade Testing Board which certifies those who complete apprenticeship schemes. Over 800 persons benefited from this scheme since it started some 8 years ago.

While, as was briefly shown above, the ETC has several schemes focusing on young adults, it offers limited training opportunities for highly qualified workers (especially university graduates). Indeed, the ETC has traditionally focused more on the lower qualified part of the population, with higher incidence of unemployment. To date, the employment needs of the highly educated part of the population are often met by the various private recruitment agencies, rather than the ETC.

The situation might be changing as in its Youth Strategy 2008 / 2009 document, the ETC states to be considering the development of a new scheme targeted specifically at university graduates, offering them opportunity to apply their skills and knowledge gained during their studies to a work environment. It is envisaged that participants will be placed at workplaces that are relevant to their studies for a period of eight weeks.¹⁰

⁹ Employment and Training Corporation, *Traineeship Scheme – General Profile*, Malta, 2009.

¹⁰ Employment and Training Corporation, *Youth Strategy 2008 / 2009*, Malta, p. 18.

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

The utility of a traineeship programme focusing on the highly educated young persons in Malta

To-date, highly qualified young persons in Malta appear not to have suffered from substantial difficulties to find employment. It has to be noted that Eurostat data for unemployed in Malta with higher and upper secondary education are unavailable due to the small size of the sample. Studies about the career outcomes of graduates over the past years indicate that while unemployment of new graduates is increasing, it has not reached alarming levels yet¹¹. However, such studies also show that during past years, there has been a rise in the under-employment of graduates, at least in the early part of their careers.

The Host Country Discussion Paper argues that the transferability of the Portuguese programme might be “threatened by the public co-funding feature of the programme, so important for its success”. But this would probably not be a problem in Malta, as the ETC relies on substantial financing from the ESF for similar projects. However, despite the recent increase in the number of unemployed young adults in Malta, it is debatable whether funds and resources should be allocated for the development and running of a traineeship programme focusing on highly educated young persons. At the same time, it is clear that the existing schemes for young persons in Malta are often not beneficial to highly educated young persons. It is of particular interest that the grants received by the Trainees in the Portuguese PTP vary according to their level of education. Such system does not exist in any of the schemes run by the ETC.

The Host Country Discussion Paper states that having a narrower target population of highly educated unemployed persons made the Portuguese PTP more “coherent with general education, vocational training, and labour market needs”. The need for a solid traineeship programme (of about a year of duration) for highly educated persons in Malta will probably increase in the coming years with the ever increasing number of students graduating from the University of Malta and the Malta College of Arts Science and Technology.

The ETC schemes for young persons in Malta tend to view youths as those between 16 and 25 years of age. Raising the age limit of beneficiaries in line with the Portuguese PTP makes more sense if one or more Maltese schemes were to start catering for the more highly qualified unemployed young persons. Having said that the Traineeship Scheme does not have an age limit, despite the fact that it attracts mostly persons under 25 years old. Indeed, the particular characteristics of the Traineeship Scheme (mainly the off-the job training and the training allowance) make the scheme more appealing to young adults rather than to mature adults who are either well qualified for the labour market or who show urgency to find employment because of financial exigencies.

The potential adoption of the online procedures used in Portugal

The tendering process of the Professional Traineeship Programme is processed online, simplifying the administrative burden and facilitating the promoter organizations. The use of internet in Malta is very high – while more recent statistics are unavailable, by 2003, 94 % of Maltese enterprises already used internet¹². Thus, such system is accessible to all Maltese employers. Besides, the Maltese government has embarked on policy to increase government services online. However, to-date the Traineeship Scheme was managed

¹¹ Debono, M., Debono, A. & Caruana, N., *Career Outcomes of Graduates 2004 – A Career. Guidance Tool*, University of Malta, Malta.

¹² National Statistics Office, *Survey on Information Communication Technologies: Usage of Enterprises 2003*, Malta, 2005.

successfully using traditional means. The process from the first advert for the training organisations to the placement of trainees normally takes about a month. The process appears to be faster than that of the Portuguese PTP where the IEFP has 30 days to notify the promoters of its decision regarding the promoter's application form.

However, the number of traineeships in Portugal is considerably greater than that of Malta. Presumably, the need for ETC to use ICT increases if the number of trainee places grows.

The transferability of eligibility criteria to Malta

The Host Country Discussion Paper states that originally "in order to apply to become an organizing entity, a minimum of 30 traineeships had to be previously negotiated with promoter organizations in order to be presented in the tender"¹³. Such regulation would not be transferable to Malta due to the small size of enterprises. Indeed, some 95 % of all enterprises in Malta are micro enterprises, employing 9 persons or less¹⁴.

The revised version of the Portuguese PTP excludes NGOs due to lack of involvement. The situation in Malta reflects that of Portugal, as NGOs tend not to have the capacity to enter such contracts. Thus, NGOs would probably have to be excluded from such programme.

The utility of carrying out a thorough assessment of the programme

The Host Country Discussion Paper discusses the impact of the PTP by referring to the employment situation of the trainees (3 months after ending their traineeship) and the per capita costs of the scheme. Relatively low costs of the programme together with the results are interpreted as indices of successful impact.

The evaluation of public training schemes in Malta tends to be minimal and the results are not always available for public scrutiny. I believe that the ETC can improve the quality of the impact analysis of its traineeship and other schemes by referring to what is being done with regards to the Portuguese PTP.

¹³ It is unclear whether this regulation still applies in 2009.

¹⁴ National Statistics Office, *Business Demographics 2000-2008*, Malta.

4 QUESTIONS

The Host Country Discussion Paper states that the services of the traineeship tutor are not funded since 2009. Can this have a negative impact on the quality of tutoring?

The Paper also shows that the co-financing by IEFP varies according to the type and size of the promoter organization, from 60% in the case of 'Private non profit' organizations to 20% in the case of 'Private for profit [organizations] with 250 or more workers'. Can a relatively small subsidy discourage larger companies from recruiting trainees? This question is particularly important since large employers can potentially be the best recruiters as they can recruit and train a greater number of persons.

The length of the Professional Traineeship Programme was increased from 9 to 12 months. Apart from the fact that trainees had more time to practice in their work, were there other ways through which this increase in length increased the effectiveness of the programme? One might argue that the best length for a traineeship depends on the type and level of skills required by a particular job.

The Host Country Discussion Paper states that the scheme's objective "promotes the improvement of qualifications" (p.9) of workers. How does this happen? Is there a formal accreditation of new skills acquired by persons involved in the traineeship, in line with the traineeship programme in Malta?

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
<ul style="list-style-type: none"> • In the second quarter of 2009, the Maltese economy contracted by 3.3 % in real terms. • In the second quarter of 2009 employment increased slightly year-to-year. • The overall unemployment rate in Malta is 7 %, while among young persons it increases to 15.7 %. • The activity rate in Malta is very low due to the low share of women in paid employment. • About 60 % of the Maltese population has only lower secondary education, while only 54.2 % of persons aged between 20 and 24 have upper secondary education.
Assessment of the policy measure
<ul style="list-style-type: none"> • In Malta there isn't a scheme identical to the Portuguese PTP. The closest scheme is the Traineeships programme. • It includes on- and off- the job training and lasts for 10 to 39 weeks. • After successful completion of the traineeship scheme, students get a Certificate of Achievement. • No active labour market scheme in Malta focuses exclusively on highly qualified unemployed.
Assessment of success factors and transferability
<ul style="list-style-type: none"> • The benefit of having traineeship programmes for the highly educated in Malta is debatable. • The Maltese Traineeships programme appears to work well without online tools. • The eligibility criteria of the Portuguese PTP might not all apply to Malta. • The ETC can upgrade its evaluation of schemes in line with what has been done about the Portuguese PTP.
Questions
<ul style="list-style-type: none"> • Can the lack of funding of the traineeship tutor have a negative impact on the quality of tutoring? • Is there a danger that the relatively small subsidy larger companies get for recruiting trainees might not be sufficient to entice them? • How did the increased length of the PTP from 9 to 12 months improve its effectiveness? • Does the PTP include a formal accreditation of the new skills acquired by the traineeship participants?