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1. Introduction

In the fourth quarter of 2009 there were about 21 137 self-employed persons in Malta, 68 % of whom were without employees, (NSO, 2010). Self-employed persons represent about 13 % of the total working population. The great majority of the self-employed workers are men (82 %). Indeed, the gender imbalance in this sector of the labour market is considerably higher than that of the general working population. Besides, out of the self-employed women, only 15 % have employees, when compared to the 36 % among self-employed men.

The international crisis appears to have affected self-employment considerably, which decreased by about 7 % between the last quarter of 2008 and the last quarter of 2009 (NSO, 2009). The drop was felt by self-employed men but not by self-employed women, whose number increased slightly during the same period. A substantial proportion of self-employed persons, especially men, work in wholesale and retail trade and construction, two areas which were particularly hit during the crisis. It is also useful to point out that during the same period (2008-2009), the number of employees increased by nearly 3 % (NSO, 2009). This indicates that the effects of the international crisis were felt more by self-employed persons than by employees.

Self-employment has traditionally been viewed with scepticism by Maltese workers who place a high value on job security. While this mentality is changing, the ratio of self-employment in Malta is still lower than the EU average. Over the past years, the Maltese government has been promoting self-employment as a means of increasing the overall employment levels in Malta and decreasing the size of the public sector. Many measures are managed by Malta Enterprise (ME), the government agency responsible for investment, and the Employment and Training Corporation (ETC), Malta's public employment service.

2. Assessment of national LM policies and recovery measures

In recent years, the government has implemented several different measures meant to promote business creation and self-employment. Many of these measures are under the responsibility of ME, which started operating in 2004 and was given new responsibilities in 2007. Under the revised Malta Enterprise Act, ME is empowered to issue incentives in line with EU State Aid Rules to help the development of business start-ups and of established firms through specific subsidiary legislation. Over 1 000 firms had benefited from grants and fiscal assistance by ME by mid 2008 (GOM, 2008a). The following is a discussion of some of the government policies and measures grouped under the headings of better regulation and business support structure, direct financial aid, and tax incentives.

2.1 Better regulation and business support structure

Over the years, the Malta Chamber of Small and Medium Enterprises (GRTU) has been vociferous against government bureaucracy and overregulation, which, according to the organisation, decreases the sustainability of self-employment. It is also of concern that surveys indicate that the proportion of Maltese persons who think that business start-ups are difficult due to complex administrative procedures increased by nine percentage points between 2007 and 2009 (to 65 %) (EC, 2009). Acknowledging such problems, the government is working to improve the existing regulation and business support structure.

The government recently started implementing a Better Regulation Strategy (2008-2010), aiming to reduce administrative burdens on businesses by 15 % by 2012 (GOM, 2009). The strategy aims to strengthen the Better Regulation Unit, in charge of improving and simplifying the regulatory environment, with more resources. Whereas a considerable amount of consultation across various economic sectors has been carried out, the extent to which such actions have resulted in significant improvements is yet unclear.

The government is reviewing the Small Business Act in a bid to increase the competitiveness of SMEs by improving the legal environment in which they operate. Apart from amending existing legislation, the government also announced its intention to set up an online database through which entrepreneurs would only submit certain information once, thus saving them time. The system would also make it easier for government officials to chase the required information. In 2009, the General Accounting Principles for Small Entities (GAPSE) were introduced in order to reduce audit and financial statement reporting requirements for SMEs. The GRTU has recently asked the government for an abridged version of GAPSE as it is still viewed as being 'too cumbersome and costly' (GRTU, 2010).

A study reported in 2007 revealed that according to 60 % of respondents, Maltese public institutions 'are not aware of the specific needs and difficulties encountered by small businesses' (Department of Information, 2010). The government will soon establish an Enterprise Consultative Council in order to increase the synergy among regulatory authorities and business organisations and in the process, create a better business environment (Times of Malta, 2010).

Malta Enterprise (ME) is working to set up the Business Support Centre (BSC), meant to serve as a one-stop-shop for business start-ups by meeting their bureaucratic needs in the process of starting new companies. Such needs include 'the process of registering a new start-up, setting it in line with Inland Revenue and VAT procedures, facilitating recruitment with ETC and providing access to banks amongst others (Malta Enterprise, 2010). If the BSC becomes operational, it has the potential to drastically reduce the administrative burden of small entrepreneurs.

2.2 Direct financial aid

In the Budget 2009, ME was allotted EUR 20 million spread over a five-year period to launch five new schemes. These include EUR 2.5 million for the Small Start Up Scheme, in order to help innovative start-ups (GOM, 2008b). The budget allocated to these schemes is substantial enough to offer significant help to several hundred entrepreneurs.

The Kordin Business Incubation Centre (KBIC) was set up under the responsibility of ME to facilitate entrepreneurs to develop their start-up businesses intelligently and cost effectively. Between 2001 and 2009, KBIC helped 46 companies to start-up and start working independently (Pulis, 2009). In a bid to improve KBIC, in the Budget 2009, EUR 2.8 million was allocated for its enlargement (GOM, 2008b).

Acknowledging that government aid cannot be enough to support all the needs of the self-employed and SMEs, some years ago, the government reached an agreement with the European Investment Fund through which businesses in Malta may benefit from guarantees for medium and long-term investment loans from some Maltese commercial banks. Despite this measure, there is still ample space for local banks to improve their loan schemes to the

self-employed, particularly for investment in new niches such as the green economy and research and innovation.

Some measures promoting self-employment fall under the responsibility of the ETC. For instance, the Ibda Negozju Tieghek (INT) scheme trains and supports the unemployed wishing to start a business by providing them with a package consisting of training, business planning and a grant (ETC, 2009). While INT is an innovative way of pushing the unemployed into the labour market, it is taken up by too small a number of unemployed every year (e.g. 15 persons in 2008) to have a significant impact on unemployment figures.

In 2008, the ETC managed to tap the European Globalisation Adjustment Fund in order to help 660 persons made redundant by two manufacturing companies. The initiatives provided through this project included entrepreneurial start-up grants (up to EUR 5 823) for persons interested in starting their own business.

2.3 Tax incentives

Tax incentives are among the main ways through which the government promotes and sustains entrepreneurship. For example, in 2005, regulations giving tax credits were enacted to promote particular entrepreneurial activities such as back office services, reinvestment of profits by SMEs, hosting e-business services by SMEs, and the development of warehousing in free zones GOM (2005).

In line with the government's objectives of reducing the female inactivity rate in Malta, which is the highest among the EU member states, several tax incentives were set up to attract inactive women or keep them into self-employment. In one of the recent measures, mothers who remained in or returned to self-employment (or employment) after the birth of a child, born on or after 1 January 2007, were granted tax exemptions (GOM, 2009). More recently, mothers who returned to self-employment (or employment) on or after 1 January 2008 after a period of absence of at least five years, were also granted tax exemptions (GOM, 2009). Judging by the trend of self-employed women, the measures appear to be having positive results. Among others, by March 2010, 1 848 women benefited from the income tax exemption for children born after 1 January 2007 (Di-ve.com, 2010).

Another target population for tax incentives are older unemployed persons. As from 2008, the government started paying social security contributions (for their first year of activity) for persons over 45 who have been unemployed for five years and choose to become self-employed (GOM, 2008b). This initiative has the potential of encouraging older workers to re-integrate in employment and reduce long-term unemployment, which has increased substantially during the international crisis.

Whereas several tax incentives are focused on directly helping individuals to join, return or remain in self-employment, other tax incentives are designed to help entrepreneurs expand their business and increase their employees. In January 2010, the government launched the Microinvest scheme consisting of a 40 % tax credit to be given to self-employed persons and enterprises employing 10 persons or less, who in the next two years, will refurbish, upgrade or invest in premises, new machinery and technology that would improve operations or generate energy, or create new jobs. This tax credit will be raised to 60 % for those traders operating in Gozo. It was reported that interest in this scheme had been 'substantial' (Zahra, 2009).

3. Quality of self-employment jobs

Self-employment is very heterogeneous in nature and different groups experience different levels of working conditions. This section will briefly discuss the working conditions of self-employed persons, undeclared work and false self-employment. Finally, the efforts to improve self-employment through training and the promotion of entrepreneurial culture will be examined.

3.1 Working conditions among self-employed persons

As stated earlier, Maltese persons are traditionally particularly preoccupied with employment security. Indeed, the main reason why Maltese persons prefer to be employees rather than self-employed appears to be stability of employment (EC, 2009). The issue of stability is felt differently by self-employed persons with or without employees, with the former potentially enjoying higher levels of financial and employment security.

A fourth of all self-employed persons without employees have managerial, professional and technical occupations (Grech & Debono, 2009). These appear to have a higher quality of employment than other self-employed. They tend to earn more, have greater control over their work, and receive more lifelong learning and training. Many self-employed professionals are members of influential associations such as the Medical Association of Malta and the Malta Chamber of Advocates.

NSO data reveals that in general, several aspects of the working conditions of the self-employed are worse than those of employees. For example, the self-employed work longer hours and work more at the weekend. They participate less in lifelong learning and make less use of maternity/paternity leave (Grech & Debono, 2009). Self-employed persons do not enjoy employee rights awarded by the Employment and Industrial Relations Act (2002), Malta's main employment legislation, which only considers employees. Among others, they cannot strike, thus being potentially less able to protect their interests. Self-employed workers also have significantly lower social security entitlements when compared to employees with regards to sick leave, sickness benefits, maternity leave and unmarried/widow benefits.

The largest association representing the rights of self-employed persons in Malta is the Malta Chamber of Small and Medium Enterprises (GRTU) which has some 7 000 members working in various economic sectors. Some other groups of self-employed persons are represented by smaller specialised employers' associations, all of which strive to improve the working conditions of their members.

3.2 Undeclared work and false self-employment

Self-employment is known to be strongly tied to the informal economy. Over the years, achievements were registered in the fight against undeclared work, resulting among others in an increase in enforcement inspections and in reported infringements. Some measures to combat the informal economy are particularly relevant to the self-employed. For example, the 2007 Budget included a measure to reduce undeclared work by giving incentives to spouses working in family businesses to register as employees of the business (GOM, 2006). The effectiveness of such measures is unknown. In 2009, it was announced that the ETC would examine the possibility of creating a scheme to help self-employed persons in socially necessary occupations where income is limited and irregular, such as household workers, cleaners and carers, thus bringing them out of the informal economy (GOM, 2009).

False self-employment is another type of abuse related to self-employment, where workers have all the characteristics of employees but are classified as self-employed. The phenomenon appears to have increased over the past years. Trade unions and other organisations have often alleged that employers are forcing part-time employees to resign and register as self-employed in order to bypass legislation that grants pro rata benefits and bonuses. However, it is difficult to eliminate this practice as in most cases employees agree to become self-employed in the fear of losing their job. Some categories of workers appear to be more prone to false self-employment. These include gas distributors, port hauliers, lotto agents, beverage salespersons, English language tutors, cable television installers, hotel staff, security, and cleaners, among others. There have also been reports stating that government ministries and other public sector entities made use of such practices. In response to a parliamentary question, the Prime Minister stated that, at times, self-employed persons are engaged in the public sector in order to supplement regular employees. In 2009, the government announced that it would embark on a review of the situation regarding genuine self-employment and dependent self-employment 'allowing the authorities to take any action deemed necessary to correct the situation' (GOM, 2009).

3.3 Entrepreneurial training and the promotion of entrepreneurial culture

Lifelong learning is a major approach through which the Maltese government is working to boost the number of self-employed and the quality of self-employment. Training in entrepreneurship is becoming more common in higher education institutions such as the University of Malta and the Malta College of Arts, Science and Technology (MCAST). For example, the Edward Debono Institute offers entrepreneurship training as part of a number of university courses. Several government entities including ME and MCAST collaborated together to start organising a training programme called 'Discover Enterprise', which aims to deliver entrepreneurship education and generate cultural change by sponsoring projects within local educational institutions (MCAST, 2007).

While less Maltese persons would prefer to be self-employed than the EU average, they do not consider such undertaking to be significantly less feasible than other EU citizens (EC, 2009). This data indicate that in order to increase the number of self-employed, an entrepreneurial culture needs to be instilled among Maltese people. It is regretful that a scheme meant to give hands-on entrepreneurial experience to secondary students called SCOOPS has been discontinued. On the other hand, other initiatives have been developed. For example, in 2002, the Junior Chamber International (JCI) Malta started an annual Best Business Plan Competition, meant to stimulate young entrepreneurs to embark on innovative business ventures. Other awareness raising activities are also set up from time to time. For example, in May 2010, the Minister of Finance, Economy and Investment launched a week of activities, called Training Business Champions, to promote entrepreneurship, creativity and innovation (Times of Malta, 2010). Such activities are very important to help foster an entrepreneurial culture in Malta.

Entrepreneurship training and awareness courses are also regularly offered by the ETC for unemployed or inactive persons, and in support of persons who already have their own business. For example, in 2007, the ETC launched a project aimed to promote an entrepreneurial culture among women and to increase the rate of females starting and

managing their own businesses. The project included training in business skills, a mentoring skills course and a TV campaign, among others (ETC, 2009). The more recently launched EU funded Employment Aid Programme (EAP) consists of a number of training initiatives aimed, among others, to assist persons interested in starting a business. The initiatives include basic skills training, work orientation, re-training programmes, traineeships, a training subsidy scheme and a skills assessment system (GOM, 2008a). On the other hand, the Training Aid Framework (TAF) provides training grants to the self-employed and to private sector employers who provide their staff with on- and off-the-job training. The TAF is expected to provide for the training of a substantial 2.5 % of the labour supply (GOM, 2008a).

Throughout the years, hundreds of self-employed persons have also benefited from training through programmes such as Leonardo da Vinci, Interreg and the Sixth Framework Programme. For example, in 2006, EUR 10 million were spent from such funds to train about 300 self-employed including carpenters, beauticians, farmers, engineers, clothes retailers, boat builders, ceramic makers, owners of small hotels and tour operators (Department of Information, 2010).

4. Conclusions

The nature of self-employment is more precarious than that of paid employment. The working conditions of many self-employed are not as good as those of employees. Besides, they have lower job security, as indicated by the fact that self-employed persons in Malta were hit more strongly by the international recession than other workers. At the same time, as was discussed in this article, the government is investing in self-employment in a bid to generate employment. Considerable efforts are directed towards the setting up of a more effective business support structure, simpler regulatory framework, direct financial aid, tax incentives, and lifelong entrepreneurial education and training. Such efforts appear to be bringing positive results and new business ventures are becoming more sustainable. Indeed, NSO data show that whereas the yearly number of business start ups between 2000 and 2008 increased by about 54 %, the number of closures decreased by some 96 % (NSO, 2009).

However, this data should not give rise to complacency, as much more work needs to be done. According to a recent survey, 81.7 % of Maltese persons still believe that it is difficult to start a business due to lack of available financial support, while 64.5 % believe that it is difficult to start a business due to complex bureaucratic procedures (EC, 2009). It is also of concern that in comparison to other Europeans, Maltese persons are particularly afraid of failure, thus limiting their entrepreneurial aspirations (EC, 2009). Such public perceptions indicate that apart from better flexicurity measures, there need to be wider campaigns to improve the way Maltese persons view self-employment.

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