

In-work poverty in Malta between 2013 and 2022

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My doctoral thesis investigates whether the Maltese Government adopted a pro-business policy orientation and examines its impact on economic inequality and workers' purchasing power between 2013 and 2022, a decade characterised by remarkable economic expansion, historically low unemployment, and rising employment rates. Conventional economic reasoning suggests that job creation and sustained economic growth should reduce poverty. Yet Malta presents an empirical paradox: despite strong macroeconomic performance, the rate of in-work poverty increased during this period.

The analysis begins from a critical premise widely recognised in the literature: employment alone does not necessarily protect individuals from poverty. Although low wages are often identified as the principal driver of in-work poverty, the phenomenon is considerably more complex. Household composition, the number of dependents, work intensity, labour market segmentation, migration patterns, rising living costs, and the design of social benefits all interact in shaping economic vulnerability. In particular, single earners supporting dependents, as well as households facing health or disability related challenges, appear especially exposed to financial hardship.

In the Maltese context, full-time employment increasingly proved insufficient to guarantee economic security for certain groups. At the same time, rapid increases in housing and food prices eroded gains in disposable income.

The Research Method

This study adopts a longitudinal research design that combines qualitative and quantitative analysis. The qualitative component focuses on political discourse. Budget speeches delivered by the Minister for Finance in Parliament are analysed using qualitative content analysis to identify recurring priorities, strategic narratives, and rhetorical shifts that may signal a pro-business agenda. By examining how policy objectives are framed and justified over time, the study seeks to uncover the underlying econo-

mic philosophy guiding governmental action.

This discourse-based analysis is complemented by a longitudinal examination of secondary statistical data obtained from the National Statistics Office (NSO) and other official sources. Key indicators, including economic growth, employment rates, wage trends, inflation, income distribution measures, and in-work poverty rates, are analysed over the selected period. The aim is to move beyond political rhetoric and evaluate whether policy orientation corresponds to measurable socioeconomic outcomes. By integrating discourse analysis with empirical data, the study explores whether a correlation exists between policy design and changes in inequality and purchasing power.

In addition, the thesis applies Game Theory to evaluate key government policy decisions. This analytical framework facilitates the examination of strategic interactions between three principal actors: the Government, businesses, and low-paid workers. Rather than assuming that policies are neutral or purely welfare-oriented, the Game Theory approach analyses incentives, payoffs, and equilibrium outcomes arising from these interactions. Six major policy areas were selected for detailed analysis:

- Housing schemes and rent subsidies;
- The Development Control Design Policy, Guidance and Standards 2015 (DC-15);
- The facilitation of foreign labour outsourcing;
- Increases in the minimum wage;
- Full subsidies on energy and fuel prices;
- The introduction of an additional Cost-of-Living Adjustment (COLA) mechanism.

Each measure was examined to determine whether it structurally strengthened workers' purchasing power or primarily safeguarded business competitiveness. The objective was not to assess political intentions, but rather to

evaluate the distributive consequences embedded in policy design.

The Main Findings

The empirical evidence confirms the paradox at the heart of the study. During the period under review, Malta experienced strong real GDP growth and a substantial increase in employment. Female participation rose dramatically, and overall household disposable income increased in nominal terms. However, these improvements did not translate into stronger purchasing power for low-paid workers. Inflation, particularly in housing and food, significantly eroded income gains. Housing costs emerged as a central driver of economic vulnerability. When rent or mortgage payments absorb a large proportion of household income, families face reduced capacity to meet essential needs. In Malta, property prices and rental costs rose sharply, partly fuelled by population growth linked to foreign labour inflows and tourism expansion.

Labour market dynamics also contributed to structural inequality. The economy displayed clear signs of job polarisation: growing demand for both high-skilled and low-skilled occupations, accompanied by declining opportunities in middle-skilled jobs. High-skilled sectors offered strong wage growth, while sectors employing large numbers of low-paid workers, such as retail, accommodation, and food services, lagged behind. Consequently, wage dispersion widened over time.

The increasing reliance on foreign labour played a significant role. While facilitating labour outsourcing helped sustain economic expansion and address labour shortages, it also weakened the bargaining power of low-skilled workers. Many foreign workers, particularly from third countries, accepted lower wages due to economic necessity and limited union representation. This dynamic placed downward pressure on wage growth in certain sectors and contributed to persistent vulnerability.

Policy Analysis Through Game Theory

The Game Theory analysis highlights a consistent pattern: many government interventions provided short-term relief to households while preserving or reinforcing business interests.

Housing schemes and rent subsidies alleviated hardship for some families but did not address the structural drivers of housing inflation. By sustaining demand without directly constraining price formation, these measures allowed construction and real estate interests to continue operating within a high-price equilibrium. The repeated expansion and renewal of such schemes suggest that they mitigated symptoms rather than resolving underlying imbalances.

Similarly, the DC-15 policy increased property development opportunities, thereby contributing to higher property valuations. While partly intended to address supply constraints, its overall effect reinforced asset appreciation and strengthened construction sector profitability.

Facilitating foreign labour outsourcing ensured that economic growth would not be constrained by labour shortages. However, it also intensified housing demand and weakened wage bargaining in low-skilled sectors, creating a feedback loop between labour supply expansion and housing inflation.

Energy subsidies and the additional COLA mechanism benefited both households and businesses by cushioning inflationary pressures. Yet these measures shifted the responsibility for maintaining real incomes from employers to the State. Instead of structurally increasing wages, the burden of income supplementation was transferred to public finances.

Minimum wage increases represented compromise solutions. They modestly improved disposable income for minimum-wage earners while avoiding substantial cost pressures on employers. However, incremental adjustments were insufficient to counterbalance broader structural forces eroding purchasing power.

Conclusions

The research concludes that, between 2013 and 2022, Malta's policy framework was predominantly growth-oriented and pro-business in its structural orientation. While the Government introduced numerous redistributive and compensatory measures, these interventions largely addressed the consequences of economic growth rather than reshaping its distributive foundations.

In-work poverty increased despite rising employment and nominal income growth. Purchasing power was under-

mined by inflation, housing dynamics, and wage dispersion. Job polarisation widened income inequality, and labour market strategies prioritised economic expansion over wage strengthening.

The findings support the central research hypothesis: policy choices during the period under review primarily aligned with business competitiveness objectives and only partially improved the economic position of low-paid workers. The State frequently intervened to supplement household income, but without fundamentally altering wage-setting mechanisms or housing market dynamics.

The broader implication is clear. Economic growth, while necessary, is not sufficient to eradicate in-work poverty. Without structural attention to wage adequacy, labour bargaining power, and housing regulation, employment expansion may coexist with persistent or even rising economic vulnerability.

For policymakers and scholars alike, the Maltese case illustrates the importance of analysing not only growth outcomes but also distributional mechanisms. Sustainable social progress requires aligning economic dynamism with equitable income structures and resilient purchasing power.

