

# MALTA EMPLOYERS

# **Debating the Concept of a Four Day Week in Malta**

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## Arguments in favour of Shorter Working Hours

- Increased concern about the balance between economic activity and well-being
- The pressures of a forty hour week on two income families and its effect on the declining birth rate in many developed economies
- The forty hour week model has been enshrined in labour market practices for more than a century and is detached from current economic and social realities. A reduction in working hours is seen to be a sign of social progress and thus desirable in itself.
- Technological advancements, AI in particular, are shifting the emphasis of the working relationship from number of hours worked to productivity and output.
- Increased demand for flexible work arrangements following the Covid-experience.
- A four day week may make business sense through a more motivated and productive work force
- More leisure hours increase consumer spending and boost economic activity

## Defining the 4 Day Week

A week of 32 hours spread over four days, with pay remaining comparable to a forty hour week

A week of 32 hours spread over four days with pro rata pay and benefits

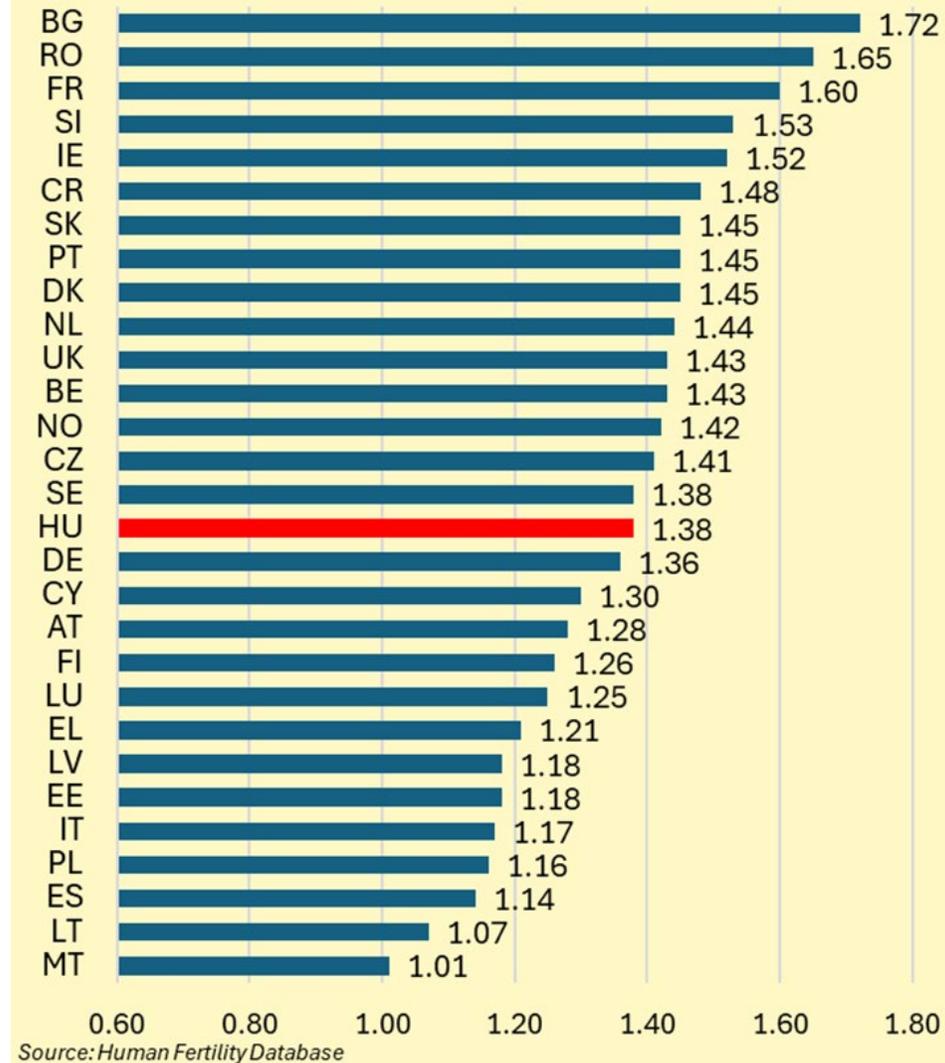
A forty hour week, with hours spread over four days – the compressed week.

# Characteristics of the Maltese Labour market



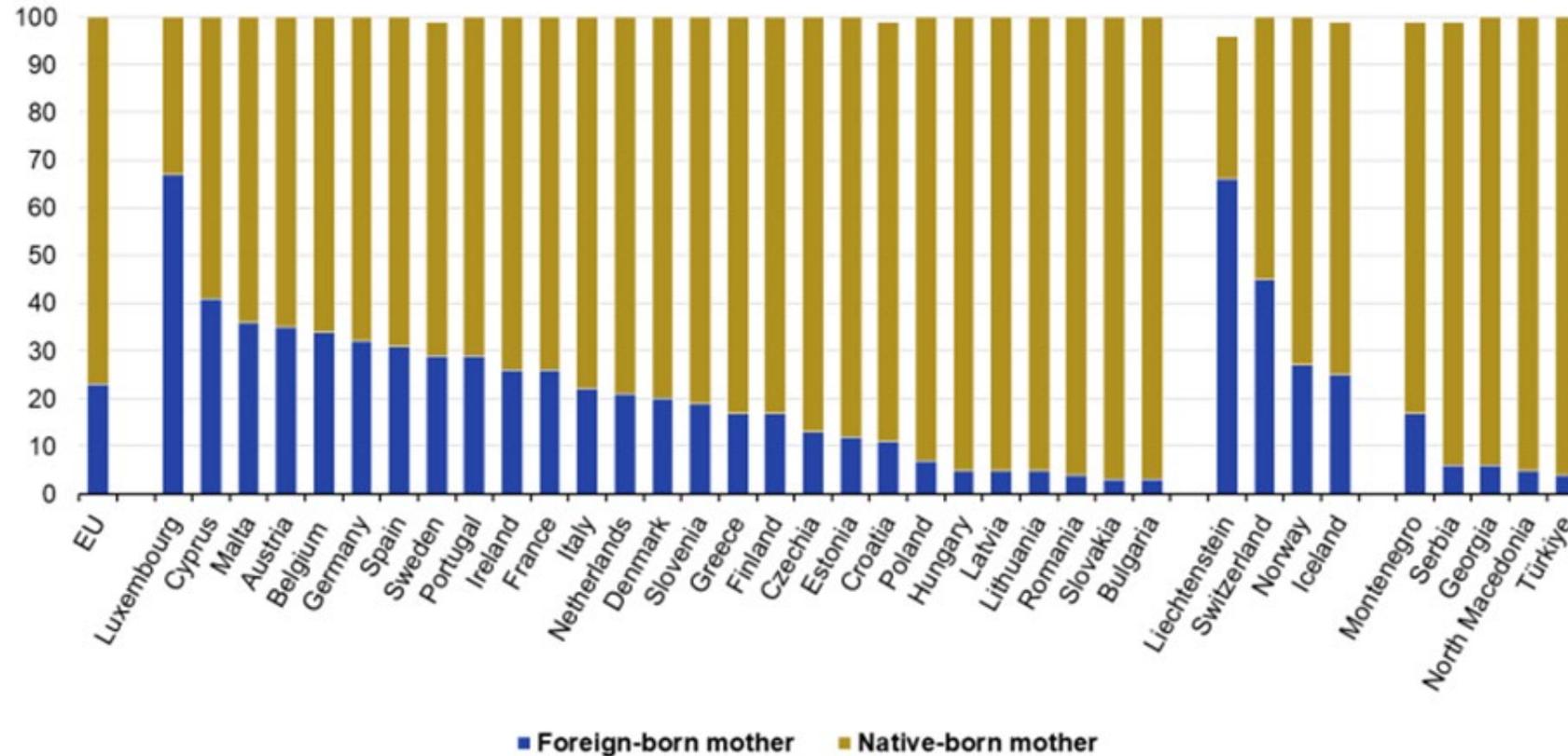
- Low unemployment – mostly frictional
- Demand for labour outpaces supply
- High rate of labour importation - a third of the labour force is non-Maltese- higher in the private sector
- Increasing wage disparities
- A rapidly ageing labour force
- A dangerously low birth rate
- 36% of births in Malta are to foreign born mothers
- Private sector competing with the Public sector for Maltese employees
- Many sectors complain of skills mismatches
- Work organisation is becoming more flexible
- Many employees engaged in low value added, labour intensive economic activity
- Relatively low labour productivity

## Fertility Rates in Europe, 2024



## Share of live births from foreign-born and native-born mothers, 2023

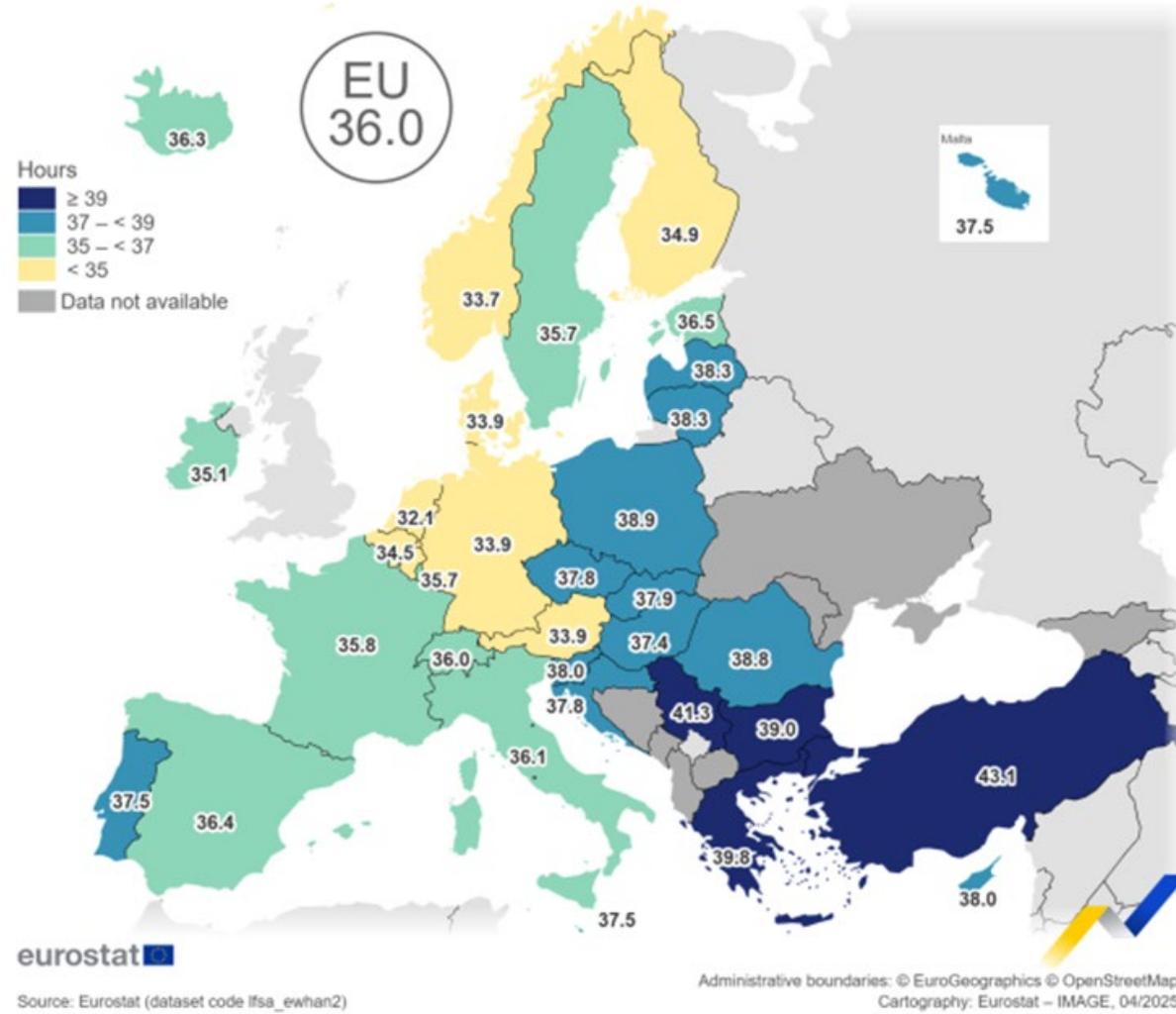
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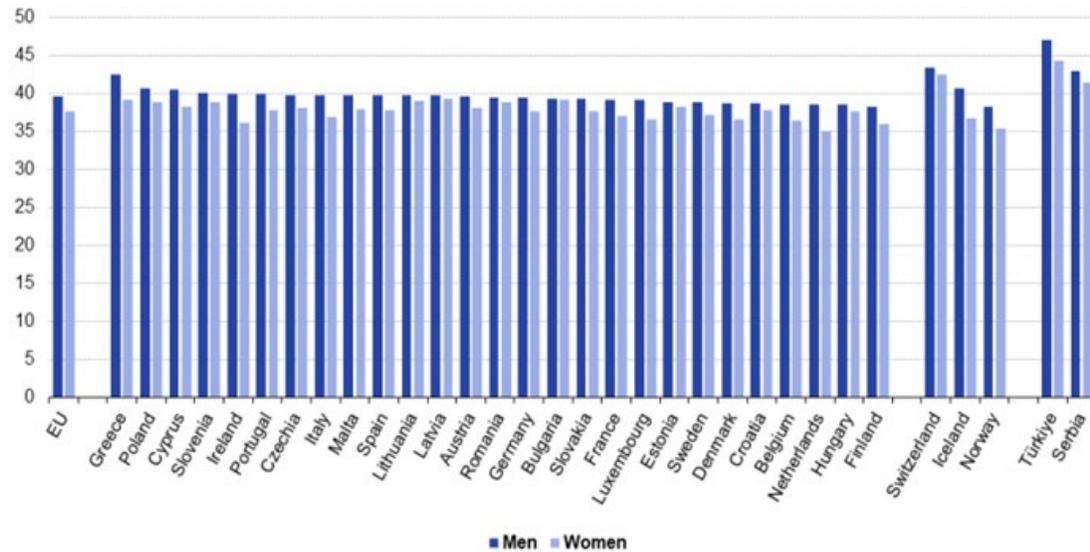
Note: mothers of unknown country of birth are not included. Sorted on foreign-born mother.

Source: Eurostat (online data code: demo\_facbc)

## Average number of actual weekly hours of work in main job, 2024 (employed people aged 20 to 64)

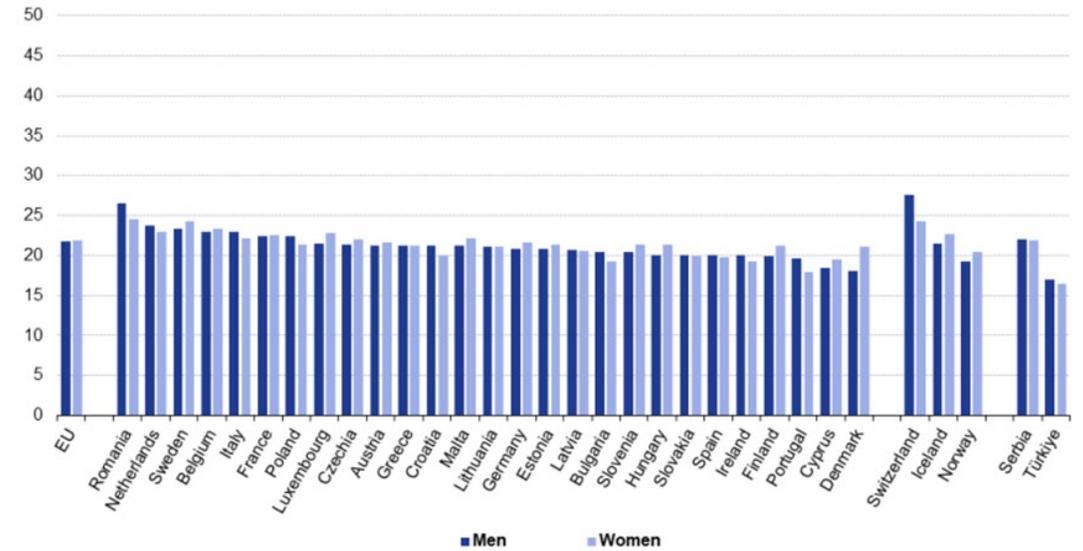


**Average number of actual weekly hours of work in the main job for full-time, by sex, 2024**  
(people aged 20 to 64)



Source: Eurostat (dataset code ifsa\_ewhan2)

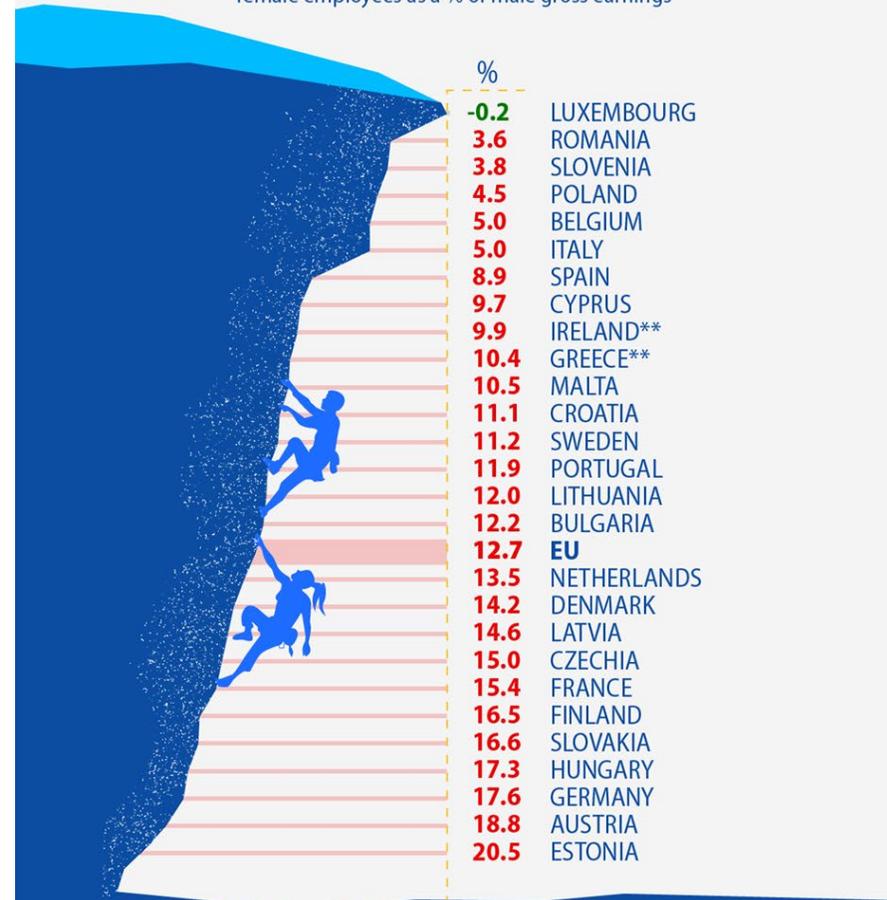
**Average number of actual weekly hours of work in the main job for part-time, by sex, 2024**  
(people aged 20 to 64)



Source: Eurostat (dataset code ifsa\_ewhan2)

# Gender pay gap by EU country

Difference between average gross hourly earnings of male and female employees as a % of male gross earnings\*



\* Data calculated for enterprises with 10 or more employees, except for Czechia, which has data for enterprises employing one or more employees

\*\* Data for all countries is provisional from 2021, except for Greece (2018) and Ireland (2020)

# International Trends

- The ILO
- Iceland
- Belgium
- France
- Germany
- Netherlands
- Portugal
- Poland
- Lithuania
- Japan
- The OECD

# The Four Day Week as a Productivity Tool

‘If there was a proven, straight forward relationship between shorter working hours and productivity increases, many employers would have implemented shorter working hours ages ago’.

- The compressed working week is commonly applied in Malta – Roster systems
- Some companies already work less than 40 hours per week
- Possible advantages mentioned are: improvements in efficiency; lower operational costs; reduction in traffic congestion
- The compressed week could create burnout problems

## The Four Day Week as a Work/Life balance or a Family Friendly Measure

- Difference between WLB and FFM
- Time pressures faced by dual income families
- Is there a link between family pressures and the low fertility rate?
- Current practices:
  - Flexible working hours
  - A reduced working week
  - Teleworking
  - Seeking assistance from other family members
  - Childcare or child minding services
- Compressing the working week, teleworking could cause burnout if not handled well
- Some families decide to reduce hours worked, sacrificing disposable income for better well-being

## Pilot Studies

- Different pilot studies have given mixed results
- Selection bias: private/public sector employees; different areas of public sector; volunteering companies may already have a favorable disposition towards the concept
- The 'Honeymoon Effect'
- Issues with productivity measurement
- Sectoral differences
- High contact industries will require additional manpower to maintain service quality
- Workload compression may cause burnout
- A mandated reduction may result in an increase in hourly income which will be temporary if there is a fall in output.
- At worst, the result of a reduced hour week will be a reduction in labour supply.
- Introducing a shorter working week will be difficult to reverse even if it does not give desired results

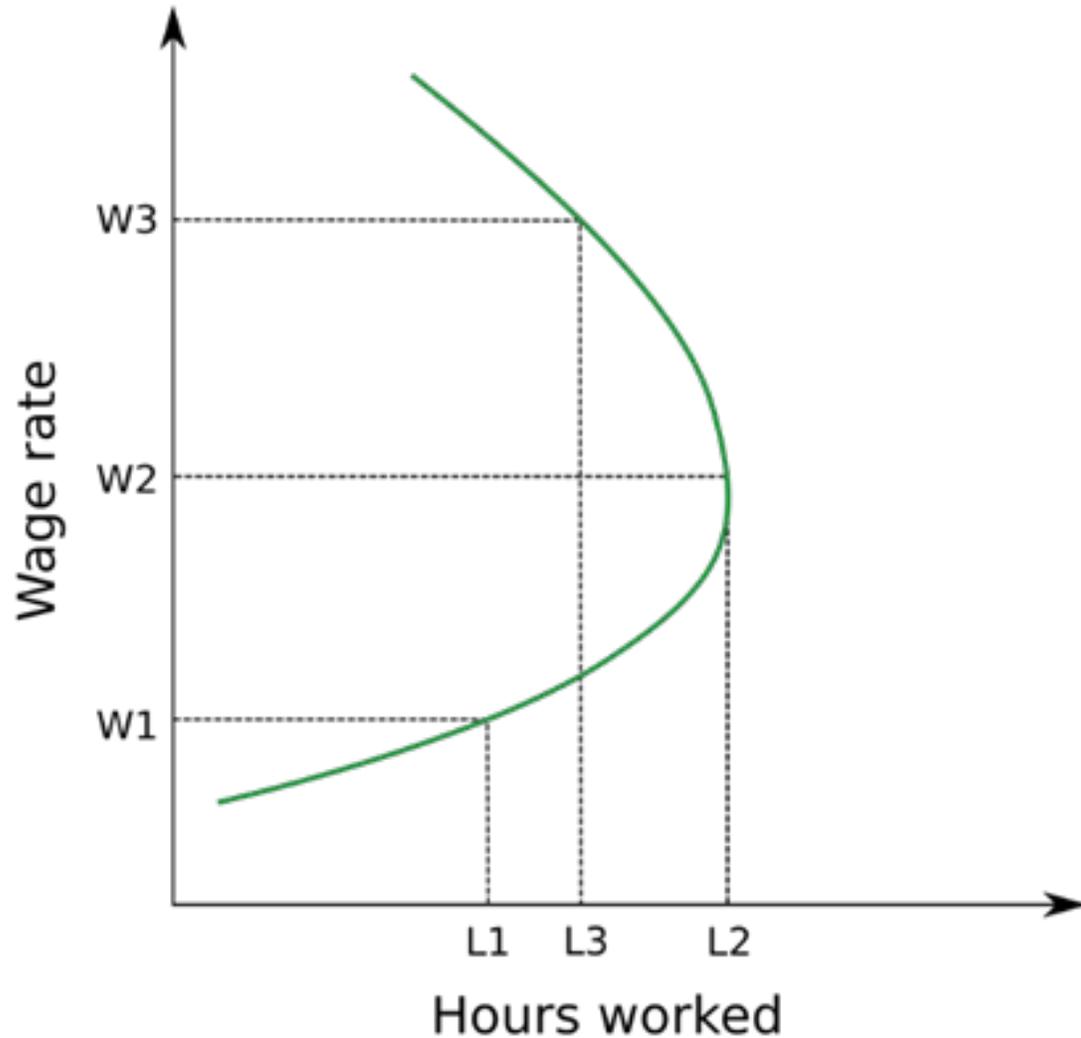
## Recommendations

The widespread adoption of a reduced hours four day week carries considerable risk and can affect many companies, and entire industries negatively. Malta's economy is heavily reliant on high-contact service industries. A reduction in the supply of labour hours will undermine the competitiveness of many companies, especially if the 32 hour week model is adopted. Reducing the working week and banking on a 25% productivity gain is highly improbable, particularly in sectors with time dependent output. The compressed model also presents severe limitations when applied to many industries.

Therefore a blanket measure that is enforced on the economy places at risk jobs and competitiveness and will be counterproductive.

Compressing efficiency into less hours less hours may be counterproductive and difficult to sustain.

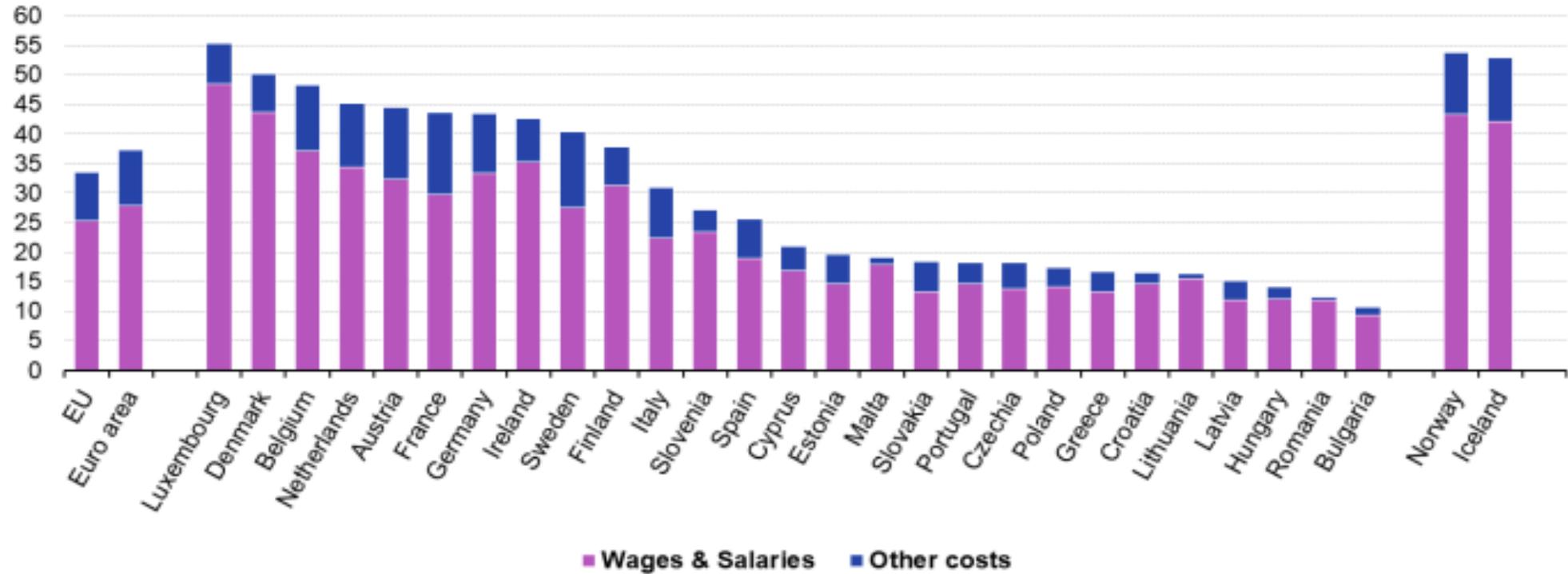
- 1. Address Family Friendly Measures, not Work Life Balance**
- 2. The Netherlands Model: working week is 40 hours, actual average hours worked is 32**



- The backward bending supply curve of Labour
- Beyond a certain income, leisure may be given preference over additional spending power
- Based on voluntary agreements between employers and employees
- Hourly Labour costs in Netherlands: €45 Malta: €20
- GDP per capita in Netherlands: 63k; Malta: €20k

Q: To what extent will a reduction in the working week be converted into part-time employment?

## Estimated hourly labour costs, 2024 (€)



Source: Eurostat (online data code: lc\_lci\_lev)

**3. Economic Transformation:** shifting to higher value added economic activities that are less capital intensive

**4. Investment in Digitisation, AI and automation**

**5. Re-skilling of labour force**

**6. Parents with second child may request to work a 32 hour week. Lost earnings may be subsidised by government**

**7. Extension of School hours**

**8. Extension of Child care facilities**

**9. Inculcating a flexible work culture – the same measures cannot apply for all jobs**

**10. Steer away from legislation**

**11. The compressed working week may be introduced at enterprise level. Retaining atypical work organisation where it exists if it works for the organisation**

**12. A reduced working week as part of active ageing. Encouraging later exit from the labour force**

**13. Lifestyle changes to increase the value of leisure hours**

Note to Political Parties:

**NO SURPRISES, PLEASE**

