

A note on the Gozitan Economy

Pro Lino Briguglio

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The Gozitan economy was until a few decades ago characterised by very high unemployment and emigration rates. In recent years the economy expanded considerably, with the total labour force exceeding 10,000 persons.

The most important differences between the Gozitan economy and that of mainland Malta are that in Gozo there is a higher rate of self-employment, relatively larger agriculture and fisheries sectors and a relatively smaller manufacturing sector. Traditionally, the unemployment rates in Gozo were higher than was the case in mainland Malta.

The Agricultural and Fishing Sectors Agriculture.

The agriculture sector in Gozo is very fragmented, with about 82% of all holdings being smaller than one hectare. However, because of its geological formation, Gozo is more fertile than mainland Malta. The number of full-time farmers in Gozo has decreased constantly in recent decades, and their number is now about 200. There are about 5000 part-time farmers. Practically all agricultural workers are self-employed with only about 50 of them working as hired employees.

The agriculture sector in Gozo can be divided into three categories.

1. Livestock rearing and dairy farming. Gozo at present produces about 25% of all milk supply in the Maltese islands.
2. Vegetable and forage production. This activity is important for household consumption and as input for economic activities such as food processing and livestock rearing.
3. Horticulture. This is relatively underdeveloped in Gozo but there seems to be a good potential for its development.

Fishing. The fishing industry in Gozo does not employ many people on a full time basis, and it cannot be considered as a major industry in Gozo. However it is an important supplier of food for local consumption and for the tourist industry.

The major problem of agriculture and fishing in Gozo relates to inefficient production due to outdated methods of cultivation (see Camilleri, 1992). This is to an extent associated with the fact that a very large proportion (about 40%) of Gozitan farmers and fisherman are over 50 years of age.

The Construction and Quarrying Industries

The construction and quarrying industries in Gozo provide full-time and part-time employment in Gozo. Many Gozitans participate in construction activity by building or helping to build their own houses. The construction and quarrying industries have a high multiplier effect since they contain a high proportion of inputs (labour and stone) which are domestically based. In addition they generate a high level of demand from other industries such as woodwork, and activities related to the finishing of the building (plumbing and electricity installation, plastering, tile-laying, painting and others).

The major problems faced by the construction and quarrying industries is that the basic raw material, namely stone, necessitates quarrying which tends to damage the environment, and the construction activity itself produces inert waste which also creates environmental problems. In addition, new building is associated with increased demand for land, which if allowed to proceed unabated, would intrude further into agriculture land and areas of scenic beauty, with consequent environmental problems.

The Manufacturing Sector

The manufacturing sector in Gozo is relatively small. About 10% of the Gozitan gainfully occupied population work at the Xewkija Industrial Estate. Many others work in craft-related manufacturing. This sector is made up of two main segments, namely (i) factory-based industry and (ii) cottage industry.

The factory based industry is mostly located at Xewkija, and may be classified in three categories, which are (1) low technology operations, using low-skill labour, employing mostly females. These tend to be export-oriented. These include the clothing and electronics manufacturing industries. The clothing industry, which employs about 40% of the factory-based manufacturing, may not have a promising future, since it faces continuous competitive threats from countries with lower unit labour costs; (2) domestically-oriented manufacturing which utilises imported material as input, such as the furniture industry. This industry employs a relatively high proportion of skilled labour, mostly men. This industry is also under threat and to an extent survives behind a wall of protective levies; (3) manufacturing utilising primary products, mostly food-processing.

The basic problem faced by industry in Gozo relates to the very small domestic market which necessitates exports and which, therefore, have to compete in the international market. This should stimulate efficiency, but as will be shown, Gozo faces serious constraints in this regard.

Another important problem, which can be mitigated through an industry support policy, relates to transport costs. Because of the insularity problems (double insularity in the case of Gozo) industry incurs relatively high per unit costs on imported material and on exported finished products (see Magro 1992).

The Gozitan manufacturing sector is also negatively affected by unreliable electrical supply and a limited pool of human resources from which to draw suitable administrators.

Cottage industry. Cottage industry is widespread and a well established activity in Gozo. It includes production of knitted woollen garments and carpets (often utilising the wool of sheep bred in Gozo) and the production of cheeselets, utilising milk from Gozitan livestock. Another popular cottage industry is lace-making. The products of this industry are in demand by tourists.

The Services Sector

An important characteristic of the economy of Gozo is its dependence on tourism. Gozo attracts many thousands Maltese visitors and about half a million international tourists (mostly day-trippers) yearly.

Economic activity associated with tourism generates considerable income and employment to the Gozitans, since, as is well known, tourism tends to have a high multiplier effect. In the case of Gozo this effect is likely to be higher than in mainland Malta, since a high proportion of tourism expenditure in Gozo goes on food, accommodation and transport, in which Gozitans tend to have a high stake.

There are four types of tourists visiting Gozo, namely:

- International tourists who spend most of their visit in Gozo;
- International tourists who visit Gozo as day-trippers;
- Maltese visitors who visit Gozo for a few days annually;
- Gozitan emigrants, who sometimes stay in Gozo for a few months, mostly in summer.

In 1997, there were 1414 licensed hotel and guest-house beds and 1498 licensed holiday-apartment beds in Gozo. The annual occupancy rates is rather low amounting to 36%, and this is principally due to the low turnout in the winter months. There are about 600 full time jobs in hotel and catering establishments and many other jobs in economic activities related to tourism.

Some problems associated with tourism in Gozo are that Gozo is not marketed adequately as a separate tourist destination, and that the transport between the airport and the Gozitan hotels, as well as the inter-island transport in general, is not properly developed.

Another problem relates to seasonality. The bulk of tourists visit Gozo during the summer months, and this gives rise to seasonal fluctuations, with a very high level of demand in summer and very slack demand in the winter and shoulder months.

Other service activities

There are other service activities in Gozo, including transport and communications, banking, wholesale and retail trades, and personal activities such as plumbing, plastering, painting and maintenance work. These services are mainly in demand by the Gozitans themselves, but such services are also utilised by the tourism industry.

Major Problems faced by the Gozitan Economy

The major problems facing the Gozitan Economy arise from small size and insularity

Small economic size.

The small size of the Gozitan economy can be associated with limited natural resource endowments, leading to a relatively high import content; a very small domestic market, requiring external markets for economic development; severe constraints on the ability to exploit economies of scale; and limited opportunities for specialised skills, leading to brain and skill drains.

In addition, there are a number of problems associated with public administration in a small economy. These include the small manpower resource base from which to draw experienced and efficient administrators, indivisible administrative functions leading to high overhead costs, and difficulties related to recruitment, promotion and utilisation of employees.

Double Insularity

Gozo suffers from what is known as double insularity, since it is on the periphery of another small island. This necessitates air and sea transport with mainland Malta and with the rest of the world. The transport connections between Malta and Gozo are mainly by ferry and by helicopter. The Mgarr (Gozo) and Cirkewwa (Malta) ports are those mostly used for passenger transport, while Sa Maison (Malta) port is generally used for cargo transport. There are grave problems with the Cirkewwa and Mgarr ports, both being too small, and lacking passenger facilities. Cirkewwa, in addition, is unsafe in inclement weather. Passenger transport to Gozo is rendered more problematic as a result of inadequate public transport to Cirkewwa.

Problems related to passenger transport cause considerable discomfort to Gozitan employees and students who work or study in Malta and have to use the service frequently, sometimes daily (see Mizzi 1988). In the case of industrial supplies and merchandise transport, the problems are mostly associated with time-delays and unreliability of transport services. These problems give rise to additional costs for Gozitan producers.

Even with improvements in inter-island transport, Gozitan producers will always face additional costs associated with the double insularity of the island, due to fact that imports are landed in mainland Malta and exports are dispatched from the same place. Similarly, traffic related to tourism is centred in mainland Malta.

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