

Between 2018 and 2020, 3.5 per cent of the enterprises employing 50 employees or more relocated a business function abroad. Information technology was the most internationally sourced business function.

## Global Value Chains and International Sourcing: 2018-2020

Cut-off date:  
30 June 2022

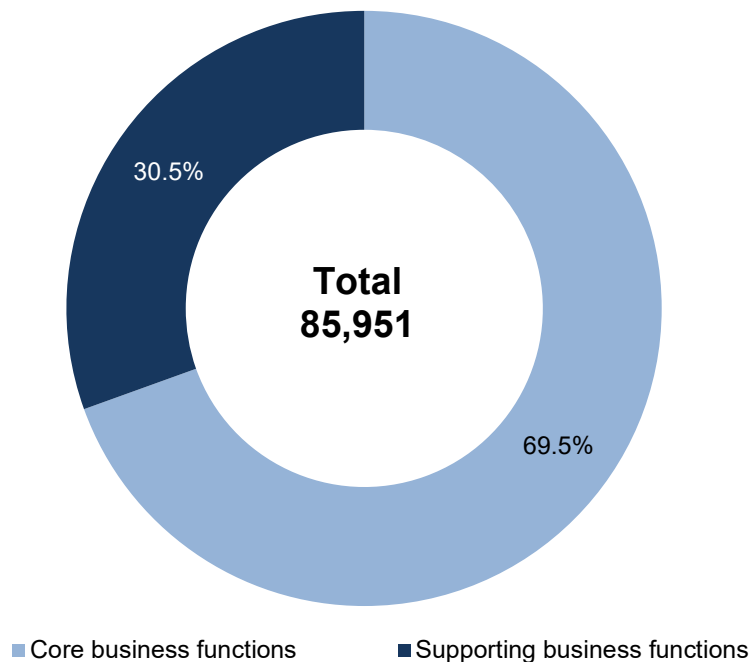
Growing opportunities for outsourcing business functions have created new possibilities for enterprises to reorganise their business processes to benefit from specialisation and economies of scale. Global Value Chains (GVC) statistics examine the organisational and spatial movements in the production arrangements of domestic and global value chains by enterprises employing 50 employees or more. These patterns allow nations to monitor the effect of such movements on the domestic labour market and other key economic indicators.

### Number of employees and self-employed persons by business function

Business functions are job categories of common tasks that enterprises must carry out on a regular basis, either internally or externally, in order to bring goods and services to the market. These groupings are spread into eight categories and distinguished between core and supporting business functions, depending on the main activity of each individual enterprise.

At the end of 2020, 69.5 per cent of employees were engaged in core business functions (Chart 1, Table 1).

**Chart 1. Persons employed by business function in entities employing 50 employees or more by the end of 2020**



The development of GVC Statistics in Malta has been partially funded by the European Union.



**Table 1. Number of employees by business function in entities employing 50 employees or more: 2020**

Type of business function	no.
Core business functions	59,740
Supporting business functions	26,211
<b>Total</b>	<b>85,951</b>

**International Sourcing**

From a conceptual point of view, international sourcing is specifically defined as the total or partial movement of business functions which must lead to the loss of jobs of existing roles in the domestic economy. International sourcing does not include the expansion of a business or the subcontracting of new business functions. GVC statistics measure the type of business function sourced, the location where the sourcing is shifted to and the number of jobs lost or created as a result of the relocation of such business function.

3.5 per cent of the surveyed enterprises carried out international sourcing during the period 2018 to 2020 (Table 2). 43 per cent of the total sourcing was established within the European Union (Table 4, Chart 5). Information technology (IT) was the most sourced business function (Table 3, Chart 2).

**Table 2. Number of enterprises engaged in incremental international sourcing between 2018-2020**

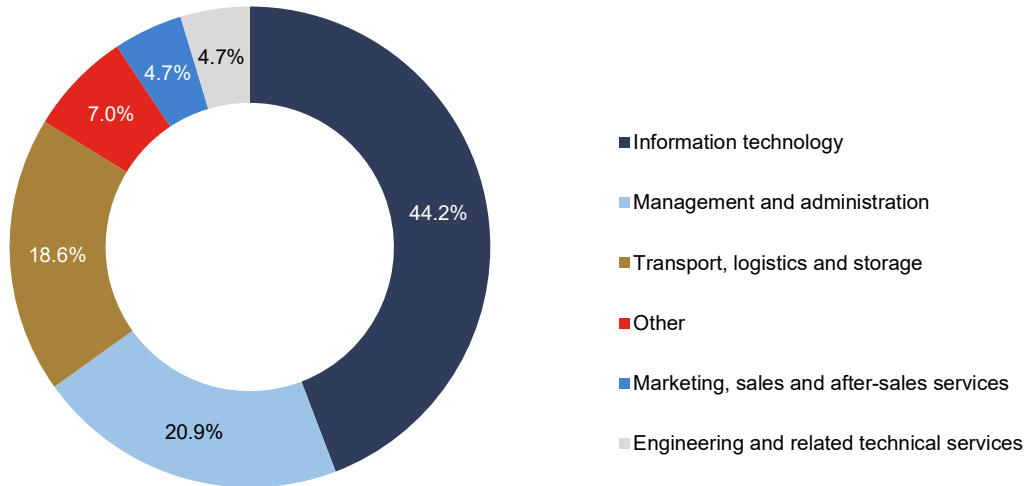
Type of engagement	no.
Number of enterprises not engaged in international sourcing	499
Number of enterprises which started or expanded international sourcing	18
<b>Total</b>	<b>517</b>

**Table 3. Sourced business function by destination between 2018-2020**

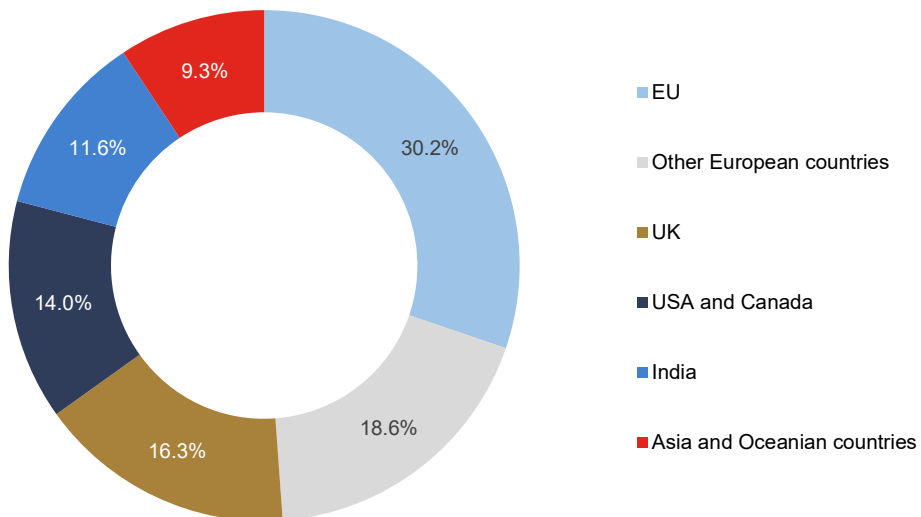
Type of business function	EU	UK	Other European countries	India	Asia and Oceanian countries	USA and Canada	Africa	Central and South America	China
	Frequencies								
Information technology	3	4	4	5	2	1	-	-	-
Management and administration	5	-	1	-	2	1	-	-	-
Transport, logistics and storage	3	3	-	-	-	2	-	-	-
Other <sup>1</sup>	2	-	1	-	-	-	-	-	-
Marketing, sales and after-sales services	-	-	1	-	-	1	-	-	-
Engineering and related technical services	-	-	1	-	-	1	-	-	-
Research and Development	-	-	-	-	-	-	-	-	-
Production of goods and materials	-	-	-	-	-	-	-	-	-

<sup>1</sup> For a definition of other business function refer to methodological notes.

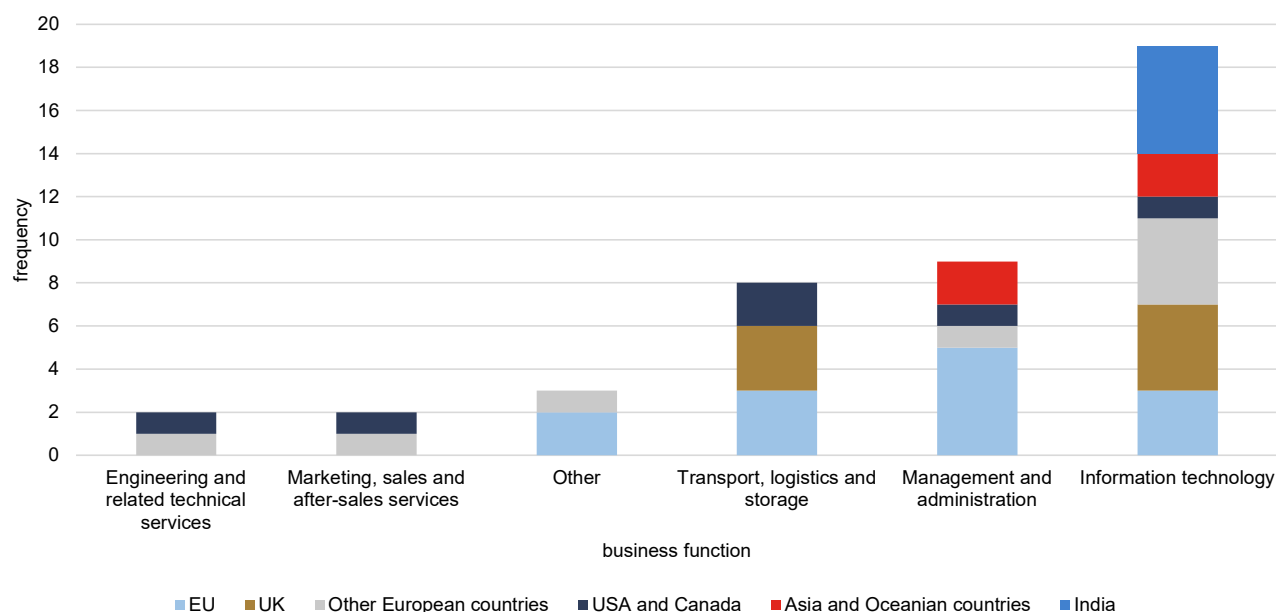
**Chart 2. International sourcing frequencies by business function between 2018-2020**



**Chart 3. Destinations of sourced business function between 2018-2020**



**Chart 4. Frequency of sourced business function by destination between 2018-2020**



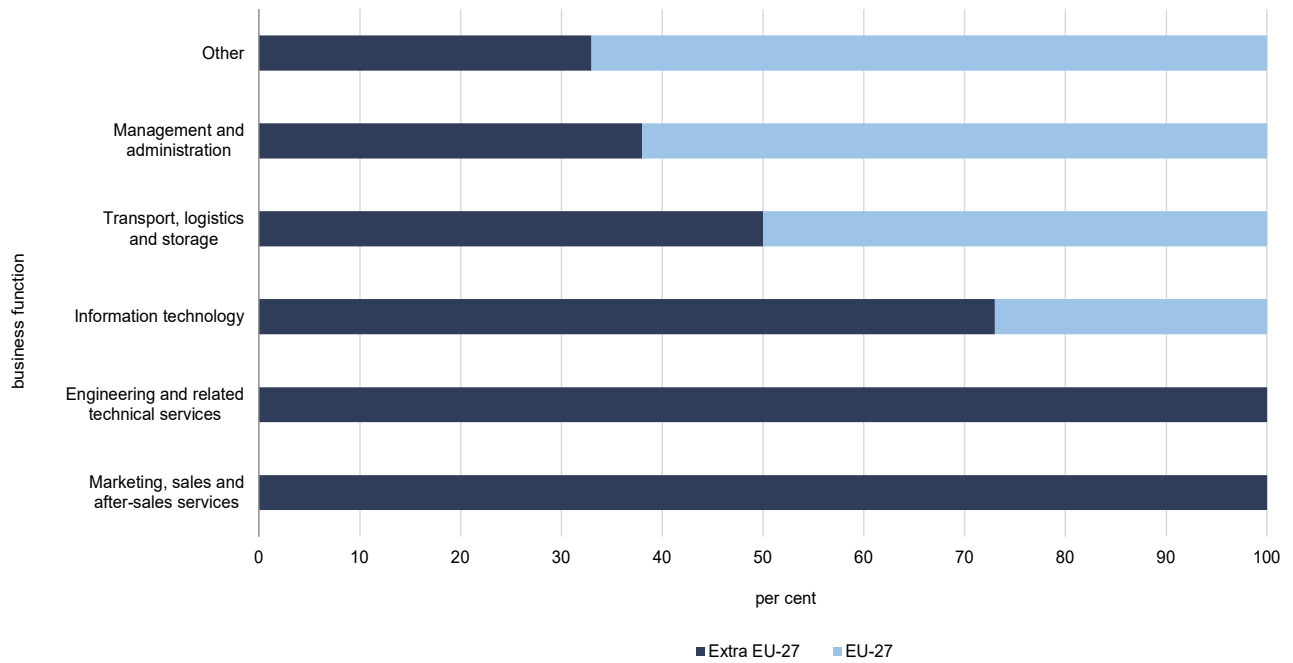
**Table 4. Frequency of sourced business function by geographical area between 2018-2020**

Type of business function	EU-27	Extra EU-27 <sup>1</sup>
	Frequencies	
Information technology	3	8
Management and administration	5	3
Transport, logistics and storage	3	3
Other <sup>2</sup>	2	1
Marketing, sales and after-sales services	-	1
Engineering and related technical services	-	1
Research and Development	-	-
Production of goods and materials	-	-

<sup>1</sup> The Extra EU-27 area is a sub total of all geographical areas except the EU. To avoid double counting, enterprises which have sourced business function in one or more regions outside the EU, are counted as only one in the Extra EU-27 subset.

<sup>2</sup> For a definition of other business function refer to methodological notes.

**Chart 5. Share of sourced business function by EU-27 and Extra EU-27 countries between 2018-2020**



**International sourcing motivations and barriers**

Strategic decisions taken by the group head followed by the Access of specialised knowledge or technologies abroad were considered as very important motivators for international sourcing, while COVID-19 related effects followed by the Reduction of costs other than labour costs were considered as not important for international sourcing (Table 5, Chart 6).

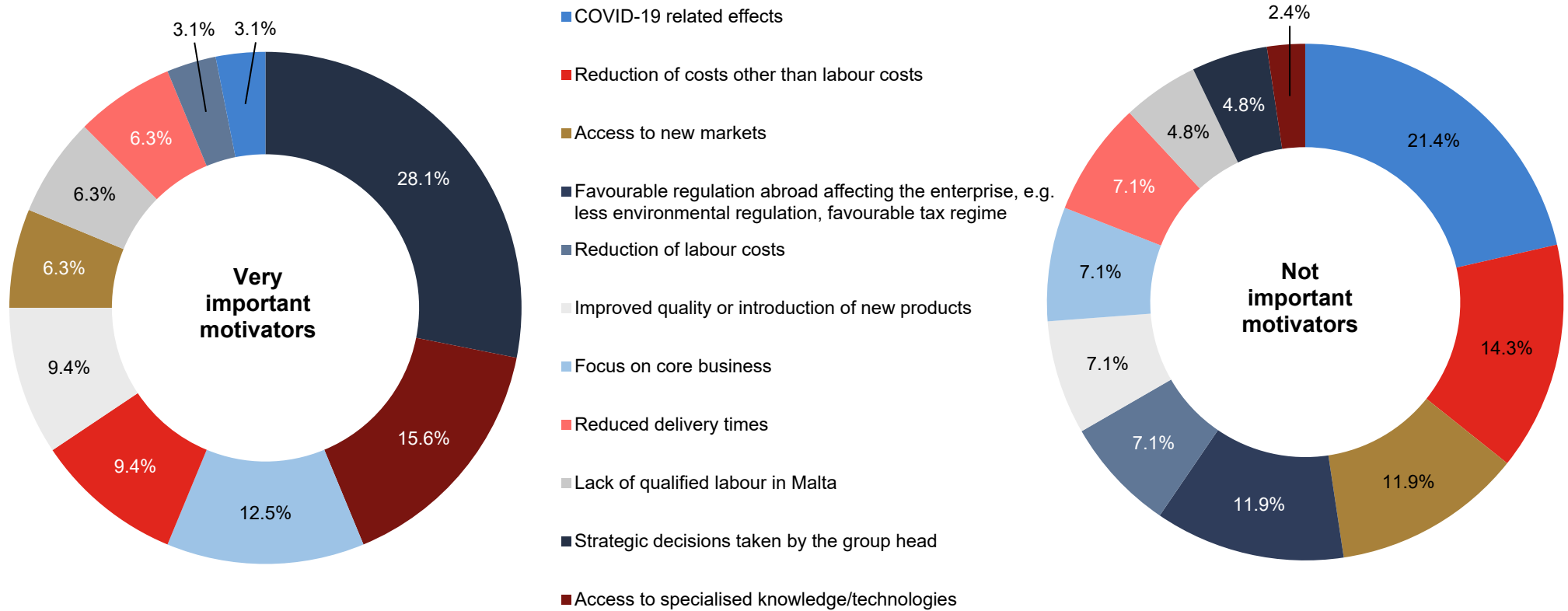
Legal and administrative barriers followed by Linguistic or cultural barriers were considered as very important for international sourcing, while Proximity to existing clients in Malta followed by COVID-19 related concerns and issues were considered as not important (Table 6, Chart 7).

**Table 5. International sourcing motivators (frequencies from all enterprises sourcing abroad) between 2018-2020**

Motivators	Very important	Moderately important	Not important	Not applicable/ don't know
	Frequencies			
Reduction of labour costs	1	8	3	6
Reduction of costs other than labour costs	3	5	6	4
Access to new markets	2	3	5	8
Lack of qualified labour in Malta	2	5	2	9
Access to specialised knowledge/technologies	5	3	1	9
Improved quality or introduction of new products	3	3	3	9
Focus on core business	4	4	3	7
Reduced delivery times	2	6	3	7
Strategic decisions taken by the group head	9	5	2	2
Favourable regulation abroad affecting the enterprise, e.g. less environmental regulation, favourable tax regime	-	5	5	8
COVID-19 related effects	1	-	9	8

Note: The total number of frequencies may not add up due to rounding.

Chart 6. international sourcing motivators by level of importance between 2018-2020

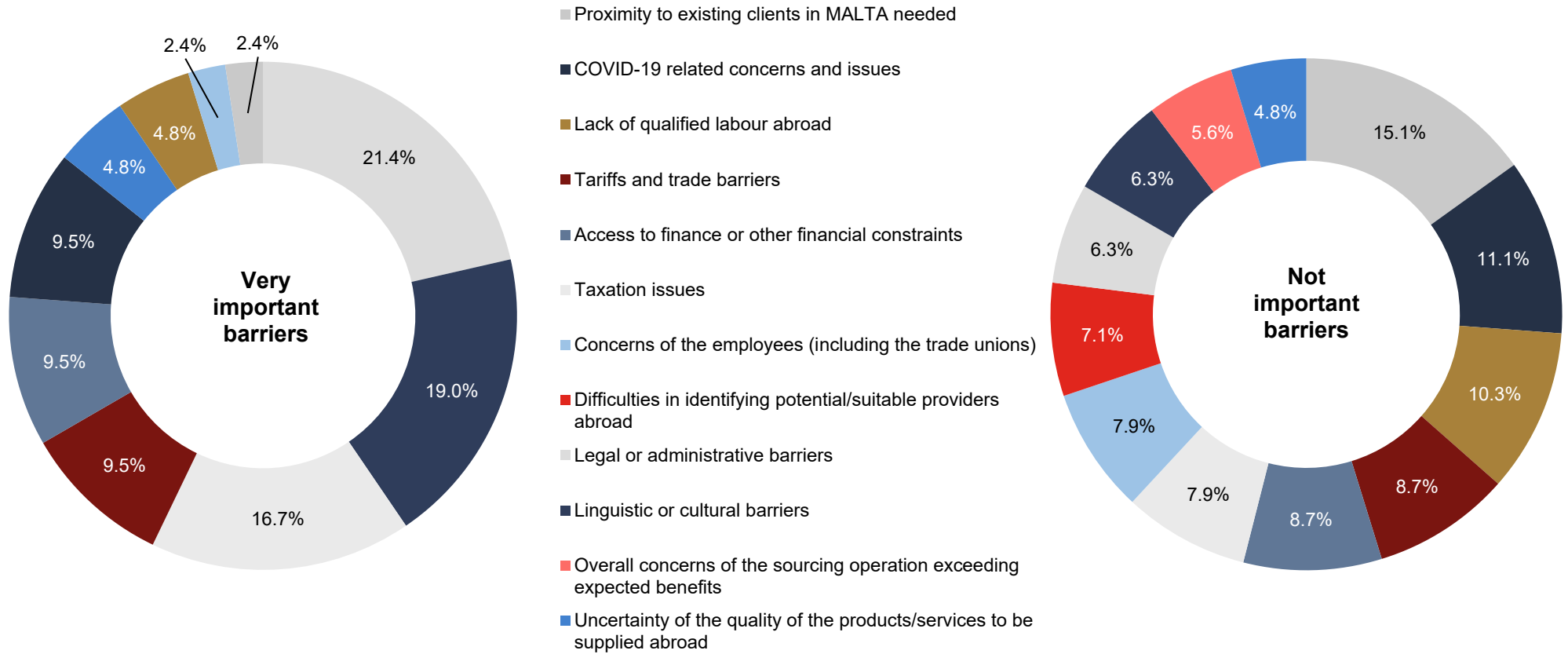


**Table 6. International sourcing barriers (frequencies from all enterprises sourcing abroad) between 2018-2020**

Barriers	Very important	Moderately important	Not important	Not applicable/ don't know
	Frequencies			
Legal or administrative barriers	9	9	8	4
Taxation issues	7	9	10	4
Tariffs and trade barriers	4	7	11	8
Access to finance or other financial constraints	4	6	11	9
Linguistic or cultural barriers	8	9	8	5
Proximity to existing clients in Malta needed	1	5	19	5
Difficulties in identifying potential/suitable providers abroad	-	14	9	6
Uncertainty of the quality of the products/services to be supplied abroad	2	16	6	5
Lack of qualified labour abroad	2	7	13	7
Concerns of the employees (including the trade unions)	1	6	10	12
Overall concerns of the sourcing operation exceeding expected benefits	-	14	7	9
COVID-19 related concerns and issues	4	4	14	7

Note: The total number of frequencies may not add up due to rounding.

Chart 7. international sourcing barriers by level of importance between 2018-2020





## Number of jobs lost (or relocated abroad) as a result of international sourcing

A job is considered an activity, occupation or task. High skilled jobs are a separate sub-set and include expert occupations such as managers, senior officials, researchers, IT experts or other technical occupations, normally employing tertiary education persons. Generally high skilled jobs will require high education level (ISCED 5 and higher).

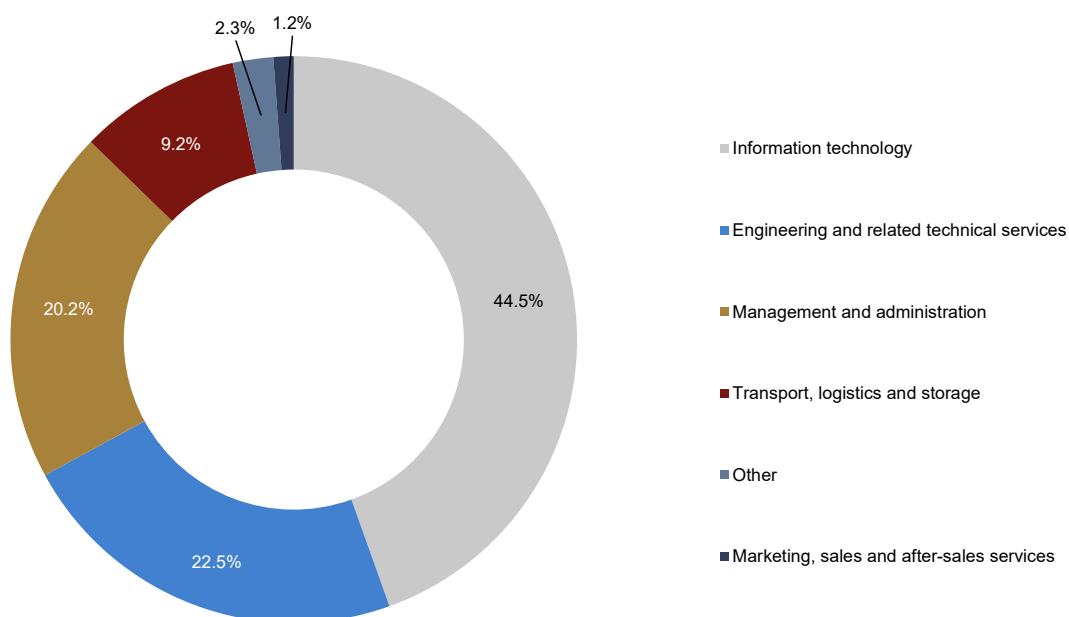
173 jobs were lost between 2018 and 2020 due to international sourcing. This amounts to 0.2 per cent of the total jobs within companies employing 50 employees or more. From the total jobs lost, 77.5 per cent were of a high skilled nature (Table 7, Chart 8). No jobs were lost between 2018 to 2020 due to international sourcing in NACE B to G (manufacturing and trade in goods industries) (Table 8).

**Table 7. Number of jobs lost resulting from business function relocation between 2018-2020**

Type of business function	Number of jobs lost	
	Total	High skilled
Information technology	77	72
Engineering and related technical services	39	39
Management and administration	35	15
Transport, logistics and storage	16	4
Other <sup>1</sup>	4	2
Marketing, sales and after-sales services	2	2
Production of goods and materials	-	-
Research and Development	-	-
<b>Total</b>	<b>173</b>	<b>134</b>

<sup>1</sup> For a definition of other business function refer to methodological notes.

**Chart 8. Percentage of jobs lost resulting from international sourcing by business function between 2018-2020**



**Table 8. Number of jobs lost resulting from international sourcing by industry group and business function between 2018-2020**

Type of business function	Number of jobs lost	
	NACE B to G	NACE H to N
Information technology	-	77
Engineering and related technical services	-	39
Management and administration	-	35
Transport, logistics and storage	-	16
Other <sup>1</sup>	-	4
Marketing, sales and after-sales services	-	2
Production of goods and materials	-	-
Research and Development	-	-
<b>Total</b>	<b>-</b>	<b>173</b>

<sup>1</sup> For a definition of other business function refer to methodological notes.

#### Impact of the COVID-19 pandemic on international sourcing

Due to the measures that were introduced in the EU during the first quarter of 2020, global travel and business restrictions affected the international trading markets. Such measures also affected the enterprises' desire to engage in international sourcing.

1.7 per cent of the enterprises employing 50 employees or more temporarily considered to move or planned to move business functions back from abroad, 3.3 per cent temporarily considered to engage or planned to engage in international sourcing whilst 15.5 per cent temporarily had their international sourcing plans disrupted (Table 9).

**Table 9. Number of decisions taken as of a result of the fallout from COVID-19**

Decisions	Yes		No impact
	Temporarily	Permanently	
	no.		
As a result of the COVID-19 outbreak, we moved or plan to move business function(s) back from abroad	9	5	503
As a result of the COVID-19 outbreak, we engaged or plan to engage in international sourcing	17	6	494
COVID-19 related issues have disrupted our international sourcing plans	80	4	433

## Methodological Notes

1. The data has been collected through a census survey of enterprises employing 50 employees or more during the reference period 2018 to 2020. Enterprises were divided into strata depending on the size class (50-249 and 250+ employees) and economic activity, in-line with NACE Rev.2 classification (Sections B to N).
2. The final population for reference period 2018 to 2020 was 517 enterprises. The response rate achieved for the Global Value Chains (GVC) survey was that of 70 per cent. Non respondents were extrapolated based on the patterns from the observations collected.
3. Definitions are based on the classification of Business function manual as part of the GVCIS methodology, that may be accessed from:  
[https://ec.europa.eu/eurostat/cache/metadata/en/iss\\_esms.htm](https://ec.europa.eu/eurostat/cache/metadata/en/iss_esms.htm)

**Sourcing:** The total or partial movement of business functions (core or support business functions) currently performed in-house of a resident enterprise to either non-affiliated (external suppliers) or affiliated enterprises located either domestically or abroad.

**International sourcing:** The total or partial movement of business function (core or support business functions) currently performed in-house or currently domestically sourced by the resident enterprise to either non-affiliated (external suppliers) or affiliated enterprises located abroad. Sourcing does not include: Expansion domestically or abroad; for example a set-up of a new production line domestically or abroad without a movement of business functions domestically or abroad (core or support business function) nor reduction of activity and/or jobs in the concerned enterprise.

**Insourcing and outsourcing:** The survey distinguishes between international sourcing to a foreign affiliate or daughter company within the same multinational enterprise group - so-called insourcing - and sourcing to external providers, called outsourcing.

**Core business function:** Production of final goods or services intended for the market/for third parties carried out by the enterprise and yielding income. Core business function equals in most cases the primary activity of the enterprise. It may also include other (secondary) activities if the enterprise considers these to comprise part of their core functions.

**Support business function:** Support business function (ancillary activities) are carried out in order to permit or facilitate production of goods or services intended for the market/for third parties by the enterprise. The outputs of the support business functions are not themselves intended directly for the market/for third parties.

The business functions are divided into:

- Production of goods and materials for the market (Manufacturing; processing; assembly; refining; printing and binding; casting of metals; building of ships; Mining; extraction of gas and oil; stone quarrying; power generation (except trade of electricity); Development of building projects; civil engineering; specialised construction tasks, including demolition).
- Transportation and logistics (Road, water, rail and air transport activities; passenger and cargo transport; postal services), Warehousing and storage (Warehousing; storage; packaging).
- Marketing and after-sales services (Advertising and media representation; market research and public opinion polling; call centres), Sales (Retail and wholesale; trade of gas and electricity; sales agents and real-estate trading).
- Information and communication technology services (Software publishing, and computer consultancy activities; programming and broadcasting tasks; telecommunications tasks; data processing and hosting; web portals and related information service tasks; installation of mainframe computers; maintenance and repair of computers and communications systems), Software programming (Computer programming, consultancy and related tasks).
- Management (Financial services example banking, insurance, financial leasing, fund management; activities of head offices; HRM activities), Administration (Financial markets administration; legal tasks; bookkeeping, accounting and auditing; office administration and business support services; public administration services).
- Engineering and related technical services (Examples: Support tasks for raw material extraction; sound recording and video production; architectural and engineering tasks, and technical analysis).
- Research and development (Examples: Research and experimental development in the area of natural sciences and engineering, and social sciences and humanities).

- Other business functions, Facility management (Accommodation e.g. hotels and camps; food and beverage services e.g. cafes and restaurants; landscape services; libraries; museums; sports centres), Maintenance and repair services (Maintenance and repair of non-ICT electronic equipment, transportation vehicles, and personal and household goods), Other services (Water, waste collection and, sewerage; remediation services; professional services e.g. photography and translation; travel agency activities; rental and operational leasing activities; security; education; human health activities and residential care; social services; creative and arts activities; gambling and betting; sports activities excluding facility management).

**Global Value Chains (GVC):** This comprises the full range of cross-border activities required to bring a product or service from conception through the different production and delivery phases to final consumers.

**Enterprise:** The statistical unit of this survey is the enterprise. The enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit but can also be part of an enterprise group. The head of an enterprise group can either be located in the same country as the enterprises or in another country.

**Global group head:** A group head which is not controlled either directly or indirectly by any other legal unit (not a local group head, which has a foreign parent).

**Jobs lost:** Jobs moved abroad as a result of international sourcing. This also includes jobs that have been moved abroad but the persons previously performing these functions are still employed in the company carrying out other tasks.

**Jobs created:** A common reason for job created is the increased availability of funds due to international sourcing. These funds, in turn, can lead to job creation in another business function (e.g. outsourcing some IT personnel lead to some cost savings, which enabled the enterprise to hire more sales staff).

4. In June 2022, Eurostat published the latest EU GVC survey results, covering the years 2018-2020 for 17 European countries participating in the GVC survey. Data is available in Eurobase: Global value chains and international sourcing statistics – survey 2021 – experimental statistics (iss\_21).
5. Statistics in this news release should be interpreted in the context of the COVID-19 situation.
6. The public sector and nonprofit organisations are excluded except for public corporations featuring in the non financial business economy.
7. References to this news release are to be cited appropriately.
8. A detailed news release calendar is available on:  
[https://nso.gov.mt/en/News\\_Releases/Release\\_Calendar/Pages/News-Release-Calendar.aspx](https://nso.gov.mt/en/News_Releases/Release_Calendar/Pages/News-Release-Calendar.aspx)