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Press Release

There is still Fire under the Ashes

The Director General of the Malta Employers' Association, Mr. Joseph Farrugia addressed the delegates present at the 99th session of the International Labour Conference held in Geneva this month.

The following is the full text of Mr. Farrugia's address.

Speech by Mr. Joseph Farrugia Employers' Delegate for Malta

The Report of the Director General raises the concern that, in the aftermath of the devastating financial crisis, the signs of an economic recovery have not yet translated into job creation, as unemployment levels in many parts of the world remain at unprecedented levels.

It is conspicuous that, both in the Director General's report, and in the document that was the conclusion of the Committee for the Recurrent Discussion on Employment, there is a deliberate avoidance of references to flexicurity principles and atypical employment as a means of productive job creation. I believe that emerging forms of employment contracts, such as part time, employment on a definite contract basis, and temping work will be conducive to turning the current rather anemic recovery being experienced by many economies into one which lives up to the ILO's aspirations of matching economic revitalization with job recovery. In a number of labour markets, more flexible work agreements will encourage an enhanced activity rate, by attracting segments like housewives and retired persons to the labour market. For countries that are facing rapid demographic changes, increasing the labour activity rate through flexible work contracts will play a key role in having a sustained economic growth. This is definitely the situation facing the Maltese labour market, which suffers from a low activity rate resulting from a low female participation and a relatively early average exit age from employment. Governments and unions, in Malta and elsewhere, need to distinguish between precarious and atypical employment, and should not resist flexible forms of work organization, provided that these are regulated. In a changing world of work, there is more room for such a thing as atypical, quality employment that responds to both workers' and employers' needs.

A flexible labour market is particularly required in countries which are undergoing a rapid rate of economic transformation, which is the case in Malta. Recent developments such as the privatization

of the shipyards, the establishment of the aircraft maintenance sector and the sustained expansion of the financial services sector call for targeted labour market policies to shift employment towards higher value added activities. Employers should be involved more closely in educational strategies to match changing labour demand with skills and human resources supply.

The fact that Malta has been relatively unaffected by the financial crisis as a result of prudent financial institutions, and that public finances are in a better state than those of many other economies in the Eurozone should make Malta an attractive investment destination in the coming years.

Last year's conference occurred at a time when many economies were still in recession, but there was a ray of hope that recovery was on the horizon. The Global Jobs Pact, which offers a set of policy responses necessary for economic recovery was designed against this backdrop and the concerns by the social partners that there might be a time lag between the acceleration of economic activity and a reduction in unemployment levels are a current reality in many countries, as a jobs rich recovery has been, thus far, elusive. Governments that have, for years, run the economy on recurring deficits and mounting national debts have limited fiscal options in stimulating economic growth. Many are faced with the dilemma of having to curb unsustainable deficits by cutting down on expenditure – affecting remuneration packages, employment levels in the public sector and welfare benefits - at a critical time when government generated stimulus is sorely needed. One of the reasons for this is that, for years, economic realities have been ignored in favour of political convenience, and in many instances governments have succumbed to unrealistic demands by unions and the electorate by feeding workers' and their families tomorrow's harvest. We see this in overmanned and inefficient public sectors, and unsustainable welfare systems which have dragged some economies on a dangerous path towards insolvency.

In a scenario where many economies are still in recession or, at best, experiencing a mild recovery, and where what most governments have been constrained to implement austerity measures which, while necessary, also threaten to prolong the negative effects of the recession, it remains for employers and private enterprise to play a central role to achieve what paragraph 36 of the Director General's Report refers to as *'the agenda for policy dialogue and action on an employment-orientated framework for strong, sustainable and balanced growth'*. For this reason, although the objectives identified for the fulfillment of this agenda are commendable, a stronger emphasis on the requirements of private business to flourish is recommended. These requirements include a less cumbersome legislative and regulatory bureaucracy that can deter business start ups; allowing for more labour market flexibility to facilitate employment; support schemes for SME's; closer matching between education and training and employers' needs; and a recognition that competitiveness and productivity are necessary conditions for the creation of employment opportunities. These and other priorities have been presented by employers at the G20 Labour Ministerial in Washington.

I conclude by saying that although the worst part of the international crisis may be over, there is still fire smoldering beneath the ashes. A continuous common effort between the social partners is required, which gives the ILO a central and focused role to play to steer the Global economy back towards sustained economic growth and decent job creation. If necessary, there should be a reallocation of resources to enable the ILO to connect with its constituents, and to provide technical support where required, by, for example, assisting them in the application of the Global Jobs Pact,

and conducting research to have a more clear and objective picture of the actual state of labour markets in many parts of the world.