



MALTA EMPLOYERS' ASSOCIATION

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Media Release

42nd Annual General Meeting of the Malta Employers' Association

The 42nd Annual General Meeting of the Malta Employers' Association was held on 23rd February at the Corinthia Palace Hotel, Attard. Below is the President's address delivered by Mr Pierre Fava on this occasion.

Fellow members,

It gives me great satisfaction to be addressing the Annual General Meeting of the Malta Employers' Association following the last twelve months during which I was president. It has been a pleasure to work with a dynamic Council and secretariat and I can safely state that the past year has been a positive one for the Association and the high level of activity is a reflection of the rapid restructuring that Malta is also passing through.

This positive trend is the result of hard work and involvement by the council and secretariat, whose efforts has led to sustained activity and increased membership that is enabling the Association to fully live up to its stated mission of being the leading political and social lobbying force for employers in matters related to employment and social policy on the Maltese islands. It is indeed encouraging that more companies are approaching MEA for membership and today our members employ more than a third of the country's labour force. The diversified membership is also enabling us to involve ourselves more deeply into specific sectoral interests of our members within the parameters of our mission statement. The amendment to the statute, whereby the structure of the sector groups was changed last year, has also been instrumental to this end. During 2006, MEA also embarked on a much needed refurbishment exercise of its premises and any visitors can already note that the offices and boardroom today project a better image of the Association and also provide a better working environment for the secretariat.

During 2006, the Association has also continued on its previous trend of expanding its services to members, through a regular schedule of courses, seminars and other activities to which the members have always responded through strong attendance. The most recent event was the breakfast seminar about the Green Paper on Labour Law that was issued by the Commission. This was an example of a successful event because it responded to a need of employers to be kept abreast of what is happening in the field of social dialogue at European Level. I can assure our members that MEA has a hands on approach on all current issues related to employment. Over the past few months, we have also been invited to participate and present papers on labour related issues in seminars and conferences at European Level. Our Director General was part of a panel of speakers on a conference on life long learning organised by the Commission in Lapland last November. He has also delivered a speech on labour mobility during a joint conference organised by the ILO and the Commission that was held in Brussels recently. MEA is constantly kept updated on labour related matters at EU and global level through its active participation in CEEP and ILO, and through such participation, disseminated information among its members through its web site and publications.

I firmly believe that one of the main reasons for MEA's positive performance has been its strong and sustained communication with its members, and its quick response to any queries and problems that arise. This factor in itself has generated an increased demand for MEA's services. The secretariat report that is forwarded to council every month reveals a trend of constantly increasing number of queries by our expanding membership that, thus far, has been met without the need to employ additional staff or an increase in subscriptions. The image of the Association is that it provides value for money through a professional service and a proactive approach with its membership. This is evident in both of the main areas in which we operate, that is the Association's function as a lobby group for employers, and its role as provider of consultancy on HR related issues.

With respect to the latter, besides the regular queries by our members, there have also been a number of requests for in-house training to which our secretariat has responded. We are also seeking ways to extend the services that are being offered. I am convinced that with the launch of the Human Resources handbook we shall further boost the profile of the Association among members, and also among non-member companies. We are conscious of the fact that SME's and micro-enterprises, are also faced with HR related matters, and they should also have access to MEA's services since they are also employers that can benefit from membership.

MEA has lobbied extensively to promote employers' interests on a number of national issues. Our Annual General Conference focused on flexicurity, something which is being discussed at European level and we have been promoting the concept of flexicurity as a means of having a more flexible and adaptable labour market that can be brought about through changed attitudes by employers and employees. On the one hand, employers across Europe are realising that the way to encourage a more active labour force is to offer more flexible working arrangements which may detract from the traditional forty hour week schedules. Of course, now that such job opportunities are being offered, employers are being accused of resorting to atypical employment contracts – you never win in Brussels!

Employees are also coming to terms with the need to shift from a job security mentality to one of employment security. As economies, including ours, are being subjected to rapid changes in an increasingly globalised world, there are fewer job for life opportunities, and employability depends not on the extent to which one can hold on to a job, but on the extent to which one can move from one occupation to another.

The labour market is thus being subjected to increased mobility to which both sides of the labour market need to adapt. However, it is my view that labour mobility is a force that has to be managed to yield positive economic and social results. Therefore, occupational mobility resulting from a better educated labour force that is being subjected to training to avail itself of new and more rewarding employment opportunities is something that is beneficial to the economy. Labour mobility resulting from a brain drain, on the other hand, is a depletion of national resources, which Malta cannot afford. We do face a threat of brain drain in a number of areas, partially resulting from inherent labour market inflexibilities, such as poor wage differentiation. Another cause of inflexibility is our social benefit system that frequently acts as an incentive to stay out of employment.

One of the positive aspects of EU membership has been access to ESF funded initiatives, of which the Training and Employment Exposure scheme (TEES) was one. Contrary to expectations, the experience of the management committee for this scheme, which was chaired by our Director General, was that the major barrier to the operation of the scheme was not employer response, but the willingness of the unemployed segment over forty years to accept a full wage for a six month training period, plus a job placement. In my opinion, this sheds light on the true nature of the unemployment situation in Malta. We need to be stricter with abusers, and our remuneration packages should reflect the level of responsibility and productivity that different jobs entail. Through our educational institutions we also need to channel students to follow courses that are and will be in demand to match emerging requirements. We have supported the amendments in the stipends system to incentivise students to follow more science-orientated courses. I would also like to give a tip of the hat to MCAST for its proactivity with the business community.

The concepts of flexibility and mobility are equally, and perhaps more importantly, applicable at national level. Employers have almost given up on the conclusion of the much anticipated port reforms. There seems to be consensus on the need for such reform to safeguard competitiveness, but the will to forge ahead with the implementation is clearly lacking. Another saga of frustration for employers has been the handling of the public holidays issue. Following the decision by the ILO, and months of negotiations between the social partners (for which I must thank Arthur Muscat for his efforts in heading the negotiations from the employers' side), there has been failure to reach a resolution to the issue at the Employment and Relations Board, in spite of the fact that the employer bodies had offered a sensible package for a solution, and agreement appeared to be in sight. What makes the situation worse is when such matters end up in the political arena, where blind opportunism prevails over economic logic. Can anyone seriously doubt the importance of increasing the number of productive days to maintain competitiveness and safeguard jobs? Is it just wishful thinking to expect that matters of national importance should be placed above short sighted partisan politics? The only result of procrastination is that we will be taken over by events, rather than shaping such events to generate progress. This is the reason why MEA has continuously pronounced itself in favour of the need for concrete action on matters such as pension reform, since delay is costly and should not be considered as an option. A case in point where action has led to immediate results is the introduction of the low cost carriers in Malta. After years of hesitation, the outcome to let Ryan Air operate certain destinations is yielding positive results that will hopefully contribute to reverse the negative trend in tourism performance during 2005 and 2006.

In spite of these rigidities, the economy continues to transform itself at a rapid pace. Fiscal indicators reveal an improvement in the deficit situation which, combined with a modest inflation rate, should result in the adoption of the EURO on the targeted date. The real GDP growth of 3% for 2006 reveals an increase in economic activity that we believe will be sustained, and ideally

enhanced, during 2007. This has partly been achieved through controllable factors such as better management of government finances and a sustained reduction in public sector employment over the past few years, and external developments, among them falling oil prices during 2006. The increasing current account balance, however, points to a vulnerability that needs to be addressed for sustained economic growth, through improved export performance and foreign currency earnings.

The stable unemployment figures, combined with an increased labour force reflect the diversified productive job opportunities that are being generated and which are absorbing employees made redundant in declining sectors of the economy. A point of concern is that, in spite of the substantial investment in education, so many finish secondary education without basic literate skills. Employers are also being faced with skills shortages in a many sectors (not just construction) that threaten to push up labour costs. It is envisaged that there will be an increased demand for foreign employees in the coming years, fuelled by the healthy and unprecedented surge in foreign direct investment, and the realisation of projects such as Smart City and the expansion of companies like Lufthansa Technik. It is hoped that these developments will act to further develop a positive brand image for Malta and establish our country as a magnet for further investment through the combined and concerted efforts of all social partners. This should be the focus of the exercise of social dialogue in Malta.

As an Association, we will seek to be an integral part of this process. We will be working to establish closer ties with educational institutions and to be a channel of communication between employers and the educational sector. We will also be enhancing our research activities to have more information of existing situations and emerging trends regarding social policy matters. Foremost among these is the situation with respect to family friendly measures. We have already made our views on this sensitive matter public, and we shall be looking into the extent of the diffusion of such measures in the private sector to correct any misperceptions and generic statements on this issue. Through our secretariat, we will continue to be a focal point of advice and information to all our members to enable employers to continue to generate productive employment and to maximise the potential of the human resource in the national interest. I am positive that MEA will sustain the momentum of activity that it has built over the past years and look ahead to its future with optimism.