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Media Release

MEA Director General Addresses the 97th Session of the International Labour Conference

The Director General of the Malta Employers' Association, Mr. Joseph Farrugia addressed the delegates present at the 97th 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

In many ways, the report of the Director General for this session of the ILO conference builds upon the report of the previous year, which dealt with Decent Work for Sustainable Development. On behalf of the Maltese employers, the Director General is to be congratulated on the manner in which the report for this year manages to single out the strategic challenges that face all countries in the promotion of decent work within the context of an international economic and social environment that, in recent years, has become more turbulent, and which presents the social partners with fresh challenges in their efforts to improve the world of work.

The Director General's report rightly refers to the fact that there is growing worldwide acceptance of the decent work programmes, but what is equally important is to move from the awareness and acceptance stages to more concrete implementation of such programmes, and, in particular, to report on any measured positive outcomes. It is interesting to note that the concept of flexicurity, which originated from the European Union is also being discussed in ILO fora, and policies that promote employability, rather than job security, can be integrated in customised decent work country programmes for enhanced job creation, for increased participation in the labour force, and also for a shift from informal to formal economic activity. The report mentions that the informal sector is increasing worldwide and the ILO needs to formulate a concrete response to curtail this phenomenon.

In Malta there has been considerable interaction between educational institutions and employers to match skills with the emerging and changing needs of industry. For example, in the field of airline maintenance, dialogue between employers and educational institutions has resulted in tailor-made courses that ensure a

steady supply of qualified human resources in this sector in the coming years. There are also many other instances of collaboration between employers and government institutions, most notable the Employment and Training Corporation, in designing targeted apprenticeship and employment schemes that are channelling students and unemployed persons towards productive job opportunities. Since its entry in the European Union, Malta has accessed European Social Funds to invest in its human resources. A recent illustration is the utilisation of the European Globalisation Fund to provide training and re-skilling to employees facing redundancies due to international outsourcing. Other similar initiatives between government and employers included the diffusion of IT skills among the labour force.

One of the results of all these combined efforts, sustained by constructive social dialogue, is that today Malta has the lowest rate of unemployment in the last fifteen years, and which also stands among the lowest in the EU. Another outcome is that, in spite of a continuous process of 'creative destruction' in the last years, particularly in the manufacturing industry, Malta has managed to attract a healthy influx of foreign direct investment and to divert redundant labour and new entrants into emerging sectors, amongst which are information technology, pharmaceutical manufacturing, and financial services. Within this context, I must state that the contents of the discussions in this year's conference, on skills for improved productivity, employment growth and development are very relevant to Malta.

It is the employers' ambition for this momentum to be sustained, and such an objective can only be achieved if there is acceptance of global realities by all social partners. Government should take note of the criticism contained in the IMF report that was published last week, that wage increases should be productivity based, and that the system that is practiced in Malta, of granting annual national automatic cost of living increases can threaten competitiveness and jobs in many sectors of the economy that are still vulnerable to international competition. The current system carries the threat of fuelling a wage price spiral in response to inflationary pressures that will drive many businesses out of the market.

There is also the need to address environmental challenges, and Malta's heavy dependency on fossil fuels and susceptibility to basic food prices calls for pressing action to generate green jobs, with full realisation that this may imply a decline in some areas of economic activity and an expansion of others.

The Director General's report refers to the importance of expanding the middle class and the reduction of income inequalities. As stated in the report rapid economic transformation can result in rising inequality. In Malta the Gini coefficient stands at 0.32, and although this implies a low to moderate degree of inequality, it is true to say that these inequalities may increase as conditions of employment vary between mature and declining areas and emerging ones with a significantly higher value added per capita. This raises the challenge of guaranteeing opportunities for all through investment in education for young people and employees to avail themselves of better prospects for career improvement. The current high rate of job and occupational mobility in Malta points towards this direction.

As a final comment, I suggest that the ILO goes for depth rather than range in order to focus on its core areas of activities, and to make such activities more relevant to its constituents through tangible assistance and intervention, rather than debates. A key segment that needs to be given more prominence is SME's, as in many cases these enterprises are the main drivers of job creation. Given that, as with any other organisation, the ILO has to work with limited resources, the best strategy would be to prioritise the issues rather than attempt to exert its influence beyond its core mandate – i.e the world of work and social dialogue.