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Media Release

MEA Director General Addresses the 96th Session of the International Labour Conference

The Director General of the Malta Employers' Association, Mr. Joseph Farrugia addressed the delegates present at the 96th 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

On behalf of the Maltese Employers' delegation for this conference, I would like to convey my congratulations for the Director General's insightful report to the conference. It has a sense of freshness and novelty in the sense that rather than focusing one major theme, the report opts to tackle a number of major issues that are interconnected in the manner that they address different aspects of the promotion of decent work for sustainable development.

The debate on sustainable enterprises, which is part of this year's conference agenda, is a step in the right direction in that the role of business is recognised as being central to the achievement of decent work in the economy. However, the report seems to suggest that world business is dominated by multinational enterprises, at the expense of ignoring the pivotal role of small and medium sized enterprises, which are frequently the main generators of new investment, innovation and employment opportunities. This is definitely the case in Malta, where more than 85% of enterprises are classified as SME's. If the ILO is to cover labour issues in their entirety, the debate on sustainable business and decent work needs to come down from a rather elevated and idealised level of discussion to cater for the reality that is faced by the vast majority of enterprises, which need the support of a business friendly regulatory environment for them to flourish and generate employment.

Certainly one major global challenge facing humanity is the conciliation of economic development and the material well being of the world's citizens within environmental constraints. The Report rightly points to the need for a fully integrated sustainable development strategy, and that the technological transition to sustainability can itself be a source of creation of 'green jobs'. The point that sensitivity to environmental

issues and job creation are not mutually exclusive is certainly relevant for Malta, as over-development may provide short term boosts to the economy, but have negative long- term consequences.

In his Report, the Director General states that: ‘Trade liberalisation is associated with both job destruction and job creation’. This certainly reflects the experience of the Maltese economy over the past few years, in particular since it became a member of the European Union. There has been considerable job destruction as numerous low value added manufacturing units have relocated to cheaper cost destinations, and thousands of jobs were lost. On the other hand, Malta has experienced an unprecedented influx of foreign direct investment during 2007, which, together with a healthy expansion in financial services, has resulted in the creation of new jobs, a positive increase in real GDP growth and a drop in the rate of unemployment. It is a challenge for all social partners to see that the gains of these developments are available to all society. A section of the labour force is still employed in low value added sectors, others have lost their job and need retraining to integrate themselves in jobs requiring new skills. There is also a stronger need for closer collaboration and stronger dialogue between employers and educational institutions to channel the human resource into more productive channels, and to reduce the number of school drop outs, which, in spite of substantial investment in education, is still of concern in Malta. The Report provides a negative view of income inequality. However, it must be acknowledged that income inequality resulting from labour market forces can also be a way of encouraging job and occupational mobility to reflect the needs of a dynamic economy. Income inequality can, in fact, be a positive force as long as all citizens have the opportunity to avail themselves of better employment prospects.

The Director General’s report makes a reference to the ILO constitution, which states that the organisation of work cannot be separated from the organisation of social responsibilities. This principle applies to all social partners, not just employers. Governments must live up to their social responsibilities through providing a regulatory framework that promotes enterprise. Unions also need to carry their share of responsibility in acknowledging that companies operate within a competitive environment. This is the way that social partners can work to reduce decent work deficits. The Director General points at regular full time wage employment as an indicator of the extent of decent work deficit. I think that it is difficult to have an international benchmark to measure decent work deficit. Moreover, although Malta has a relatively high percentage of the labour force in full time indefinite employment, new demands from both organisations and workers may require a move away from traditional forms of employment. This should not automatically be interpreted as a widening decent work deficit. The concept of flexicurity that is being discussed in the European Union seeks to promote the interests of both employees and employers through more flexible work contracts. For example, the provision of part time employment, and temporary agency work, can, together with other measures such as child care, facilitate a higher female participation rate in the labour force.

On social protection, the Report is over-ambitious when it suggests a global approach ‘to organise solidarity across borders’. It would be more realistic for ILO to be instrumental in diffusing tripartism across nations, and through such tripartism, customised solutions to the issue of sustainable social protection can be designed, since national situations differ tremendously in their demographic characteristics, availability of resources and socio-cultural dimensions. The concept of social solidarity across borders is useful in tackling problems that small nations in particular cannot be expected to resolve on their own. A clear case in point is migration across the Mediterranean Sea. A comprehensive, trans-national effort is required to address this problem, as small nations like Malta cannot be reasonably expected by the international community to handle such massive and dramatic demographic movements single-handedly.

The tripartite model of social dialogue that defines the character of the ILO is reflected in the Maltese social dialogue institutions, and through the strength of this constant collaboration major challenges have been faced and surmounted. This is evident in the fact that Malta has been successful in its efforts to join the Eurozone in the beginning of 2008. This achievement opens a new chapter in the history of economic

development, which has been possible through the input of all social partners. It is a clear demonstration that a convergence of ideas between government, unions and employers is possible on crucial issues to further the national interest. As the report states, this is the basis of good governance in democratic societies and dynamic economies.