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Press Release

43rd Annual General Meeting of the Malta Employers' Association

The 43rd Annual General Meeting of the Malta Employers' Association was held on 29th 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 pleasure to be addressing this annual general meeting upon completion of my second year as president of the Malta Employers' Association. This has been a year of hard work that, through the collective efforts of the Council, Secretariat and members, has yielded positive results, one that has further consolidated MEA's position as the constituted body that voices employers' interests on matters of employment and social policy in Malta. During the past twelve months the Association has further increased its membership, and today our membership employs more than 45,000 persons in all sectors of the economy.

This AGM comes at a time when Malta stands on the eve of a general election, a time when the citizens are called to make a democratic choice about the direction that this country should take in the coming legislature. The Malta Employers' Association has presented its views to the political parties, with concrete recommendations on how to achieve economic and social progress in the coming years. The country has passed through significant changes in the past five years. Chief among these is membership in the European Union, which was also the result of a democratic decision by all Maltese. Membership in the European Union has transformed our society, and, as the Association consistently emphasised in the run up to membership, the balance between the opportunities and the threats depends on how well we manage this membership, since membership per se is not a guarantee of economic and social improvement. Irrespective of who is elected in the coming elections, it is imperative that Malta continues to strive to achieve the best results from EU membership. This means that Malta should make its voice heard through active participation in dialogue with the EU whilst respecting the mechanics and structure of its institutions.

Allow me to take a step back and take stock of the major changes that the economy has been through since Malta became an EU member. Towards the end of 2004, the social partners were engaged in hot debate at the MCESD to design a social pact. At the time, employers were concerned about the impact that the relocation of manufacturing companies to cheaper destinations were having on domestic competitiveness. This anxiety was also shared by the unions, and the general consensus was that a set of measures were necessary to raise productivity, safeguard competitiveness and protect jobs, particularly those in vulnerable industries. As we all know, no agreement was reached on the format of such an agreement, and as things turned out, the concerns of the social partners were justified, as there were a number of significant closures in the following years, leading to thousands of jobs being lost. This was also a time when the fiscal deficit needed to be addressed, public debt stood at 74% of GDP, and the economy was also suffering from a stagnant real GDP growth. Tourism figures were also disappointing.

However, the current situation is proof of the resilience and flexibility of our economy. It was hard to imagine in 2004 that unemployment figures will stand at less than 6,000, and that GDP growth will rise to 4% by 2008. The aggressive effort to market Malta as a destination for foreign direct investment is bearing fruit, and the introduction of low cost airlines, combined with other measures has also brought a recovery in the tourism industry which is expected to carry on in the coming years. Perhaps the acid test of our economy has been the decision to join the Eurozone this year. Much as the business community looked favourably on the prospects of euro adoption, there was general scepticism at MCESD that the criteria regarding the fiscal deficit, the public debt and inflation would be met, particularly when oil prices took a sudden turn for the worse. In the face of such adverse conditions, the experience of the past three years demonstrates that the Maltese economy can face considerable challenges if it has the determination to do so. This experience should be the basis of economic policy in the coming years.

Basically what employers are asking of political parties is to avoid sudden shocks that might have a negative effect on business confidence. The memorandum that we have presented to the political parties is based on three fundamental principles – Sustainability, Competitiveness, and Proactivity.

Political parties can too easily succumb to deliver pre-electoral promises at the expense of sustainability, and it is the Association's belief that the target for a balanced budget by 2010 should be adopted irrespective of who is in power in two weeks' time. This is not just to satisfy the parameters that have to be respected as part of the Eurozone, but because it is healthy for the economy. This entails designing sustainable welfare systems, together with a more efficient and lean public sector. Fiscal policy should ensure that expansionary measures do not have an adverse effect on the deficit. The experience of the past couple of years has shown that prudent reductions in the tax burden have not increased the budget deficit. However, this was because of the increased revenue generated through economic growth. Although one can argue that the tax cuts themselves contributed to the positive growth through an increase in aggregate demand during 2006 and 2007, one must not lose sight of the fact that any tax reductions can only be feasible if supported by increased economic activity. This is why MEA advocates measures that increase labour participation as a means of ensuring sustainability.

The principle of sustainability also applies to environmental policy, and it is recommended to give priority to the diffusion of alternative energy sources to reach the targets established in the Lisbon agenda.

The Association also places competitiveness as a pre condition for economic growth. Employers have reason to complain about unnecessary bureaucracy that is the source of inefficiencies. The

port reforms, as well as the shipping services need to be further enhanced to reduce the difficulties currently being faced by manufacturers. MEA is in favour of improved working conditions, as long as these reflect productivity and enable employers to remain competitive. A reversal of the decision on public holidays will have an adverse effect on many companies and may place jobs in danger.

MEA has also proposed measures through which the country can be proactive in the face of global developments. Among these is the development of health tourism as a key segment in the tourism industry, establishing Malta as a centre of Islamic Banking, and also building Malta's image as a bridge between Europe and North Africa. The recent forum held in Malta between the Arab League and the EU is a worthy initiative that can be followed up to develop Malta's potential as a diplomatic centre. MEA has also been proposing to add value to all of Gozo's agricultural produce by converting it to organic farming. These proposals are among others that have been presented to the political parties in various position papers over the past years.

MEA's main focus has always been the labour market, and part of the economic achievements over the past years has been the result of stable industrial relations in Malta. The Association has been instrumental in maintaining excellent relations with the unions. A recent example of this is that in the coming weeks we shall be running a media campaign about health and safety with the Union Haddiema Maghqudin. MEA has also participated and organised a number of activities with the General Workers Union and I am sure that this collaboration with the unions will be extended in future.

The feedback we have from our members point towards a shortage of labour in many sectors and in practically all skill levels. MEA thus supports measures that have the objective of increasing the supply of labour. Three key target segments are females, the older segment and foreign workers.

The introduction of family friendly measures is a step towards encouraging a higher female participation in the labour market. Incentives that address child care, tax incentives and related other legislation can yield results. MEA has been on record in supporting such measures as long as they do not increase the costs of employment. However, employers must weigh the costs of wage induced inflation that arises from a shortage of labour against the possible cost of introducing family friendly measures to increase the labour supply.

It is also important to encourage employees to stay longer in the labour force. The incentive given to pensioners to get their full wage and their pension after retirement age is definitely a step in the right direction. MEA has also been insisting on controlling early opt outs from the labour force since these reduce the labour supply and increase the welfare gap.

There are currently around 7,000 foreign persons with a work permit in Malta, and there is a growing demand for foreigners by employers in many areas. It is expected that this demand will increase to satisfy the needs of many investment projects in the pipeline. This will become a necessary feature of our economy. However, MEA stands for safeguarding the rights of foreign workers and condemns any exploitation that may occur when foreigners are employed in the informal economy.

Education will play an ever increasing role in achieving Malta's aspirations as a dynamic economy and an attraction to investment. As in other areas, the efficient use of limited resources is important to generate the optimal labour force. For example, is there a case to reduce the duration of courses at University and MCAST to extend the working life of graduates? There is definitely scope for increased dialogue between employers and the educational sector.

Whatever the outcome of the elections, MEA will always work in the national interest. We will promote social dialogue at national and, equally importantly, at enterprise level, to ensure that employers have their say in the country's decision making. Through our secretariat, we are constantly seeking ways to upgrade our services and establish strong relationships with our expanding membership. Our strength lies with our members and the responsiveness of our secretariat. In the coming months, besides our regular consultancy advice, we will be focusing more on research activities related to labour market issues. I am happy with the response that we get from our members, particularly with respect to the seminars and information sessions that we have been holding on a regular basis, and look forward to the coming twelve months with optimism and enthusiasm.