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### **Media Release**

#### **MEA's reactions to the National Action Plan on Employment**

The Malta Employers' Association expresses its satisfaction about the formulation of a National Action Plan for Employment. Besides being a requirement to satisfy the requirements of the European Employment strategy, in itself it serves as a useful and practical document through which Malta can plan strategies to generate employment.

An important feature of the NAPemp is that it is ongoing. Perhaps an annual update of the report is too frequent, since a longer time perspective will be required to effectively gauge the impact of labour market policies. This is especially the case when it comes to implementing strategies related to upgrading of the labour force's skills, and those of social inclusion.

Another interesting aspect of the NAPemp is that the targets set are a departure from those set by the Lisbon Agenda. Indeed, many EU countries recognize that the labour targets in the Lisbon agenda are too optimistic, and that their economies are simply not generating sufficient employment opportunities to reach these targets. The main reason for this is that there has been too much emphasis on incentivising an increase in the supply of labour without the corresponding consideration for demand strategies. The Lisbon agenda focused too much on the EU's internal situation and ignored global economic realities. Consequently, investment, particularly in manufacturing, has been draining from EU countries into those that are a better magnet for enterprise.

To reach the targets as set by the Lisbon agenda Malta would have to generate approximately 30,000 jobs by 2010, which given current conditions, is an impossibility. The MEA notes with satisfaction that for the targets, as presented in the NAPemp, to be met, 10 to 12 thousand jobs would have to be created by 2010. This is certainly more realistic.

## **The Targets**

The overall employment rate is projected to increase to 56.7% from the current rate of 53.7%. This is commendable but still below the participation rate in many European countries. The ratio of employed persons to the rest of the active population will still be well below the Lisbon target of 70%, and below that of many EU countries. This means that the economy will still have considerable untapped labour potential, and that a relatively smaller ratio of active employed persons have to produce sufficiently to sustain a decent standard of living for the rest of the population.

The target for raising the female participation rate is realistic, and is substantiated by measures that incentivise such an increase. However, the increase in female participation does not depend exclusively on economic incentives, but also on sociological factors that may take a longer time period to change.

The targets related to increasing older workers' employment rate can be realized if there is stricter control of boarding out, and early retirement schemes. Schemes such as the TEES operated by ETC should also help in increasing the employment rate of older persons. It is also important to introduce policies that increase the average exit age from the current 57.7 years to 59.7 years. This should reduce the burden of sustaining costs of pensions.

The targets set by the report related to education are also commendable, particularly that of increasing the percentage of persons with upper secondary school education. This is an important requisite for attracting high value added investment. There should be further elaboration to specify targets for more qualified people in the sciences and technological disciplines, with the appropriate incentives to bring this about.

The MEA fully supports initiatives to increase the number of adults in lifelong learning, and also to provide training to public sector employees. This will facilitate the redeployment of public sector employees and thus enhance productivity in this sector. The report should, however, include projections of a shift in employment from the public sector into the private sector. This will reduce the financial burden of employing such a high rate of the labour force in the public service and parastatal corporations.

The measures listed under strategic priorities are all extremely relevant to the local labour market situation. The main weakness lies in the fact that there is not sufficient emphasis on the third strategy – i.e. enhancing the business environment. Ultimately, the measures listed in the NAPemp can only materialize if there are sufficient incentives for business to flourish through appropriate fiscal and monetary policies. The report does not delve into this, presumably because it is not within its terms of reference to do so. However, the measures mentioned – the Social Pact and the creation of a one stop shop for business – are important for enhancing the business environment. The social pact will provide for industrial relations stability and the one stop shop concept will serve to curb the stifling bureaucracy existing in many government departments today.

## **Employment Guidelines**

### **Active and Preventive Measures for the Unemployed and Inactive**

The overhaul of ETC's services should serve to tackle structural unemployment and minimize abuse of the welfare system. The Vocational Guidance Unit will be useful in channeling the unemployed into productive jobs. The ETC should also add to its existing contacts with employers and employer bodies to have a clearer view of the jobs that will be in demand. On the other hand, there is a dire need for law enforcement to handle those persons who are not really interested in finding employment. Possibly, an independent structure may be organized to investigate abuses. It is known that many employers have spent days offering jobs to persons who are not interested in working. Stricter measures should be introduced for persons caught abusing the benefit system, and training courses and schemes (the ETPS, TEES, Bridging the GAP Scheme, and the Job Experience Scheme) should be mandatory for the unemployed.

Within this framework one should also define the role of the National Employment Authority, and seek ways for it to be more productive. There should be a better liaison between the ETC and the NEA.

### **Job Creation and Entrepreneurship**

Malta Enterprise needs to step up its efforts to set up a one stop shop for businesses. The idea of a 'start up pack' will also be useful in reducing the bureaucracy in setting up new businesses, and will reinforce the efforts of the Relationship Management Division.

The recommendation to extend the Business Promotion Act to micro enterprises is a positive step, and acts as an incentive for more business start ups.

### **Address Change and Promote Adaptability and Mobility**

The MEA agrees with proposed manual by ETC to establish gender friendly systems in establishments.

### **Promote Development of Human Capital and Lifelong Learning**

The initiatives relating to VET and the National ICT Strategy are definitely steps in the right direction.

### **Increasing Labour Supply and Promote Active Ageing**

It is encouraging that the report mentions restriction of early retirement schemes, and that those entitled to invalidity benefits will be reviewed regularly.

MEA has made its proposals on pension reform. It has called for a flexible retirement system to encourage employees to stay longer in the labour force through incentives of an enhanced pension and reduced hours of work beyond the retirement age.

### **Gender Equality**

A suggestion for increase female participation rate in the labour force is to have legislation for temping agencies. This will reduce the disturbance to both employer and employee of absence arising from family concerns.

The provision of child care centers should also help to retain a higher proportion of working mothers in the labour force.

The promotion of gender equality is a principle that MEA fully endorses.

### **Promote the integration of, and combat the discrimination against, people at a disadvantage in the labour market.**

A lot is being done on this front, and all initiatives to reduce the risk of early school leavers are to be supported. Malta also has the necessary legal infrastructure to prevent discrimination due to disability and other causes.

### **Make Work Pay**

Income tax rates should be reduced to incentivise persons to work more in the formal economy. The one-time incentive for women returners to the labour force should be effective in increasing the female participation rate.

The system of welfare benefits should be assessed to ensure that it benefits the truly needy and does not encourage black economy activity.

### **Transform Undeclared Work into Regular Employment**

Although the number of infringements of unreported employment has declined, this would reflect a fall in the number of law compliance inspectors at ETC, as stated in the report. It is still a widespread practice and distorts the real magnitude of unemployment in Malta.

### **Conclusion**

In conclusion, the MEA is proud to have been involved in the consultation process leading to this document, and looks forward to further involvement in subsequent updating of the report. The NAPemp's relevance becomes more pronounced if it is seen to be a piece of a larger puzzle, and not as an end in itself. The other pieces of the puzzle together make up a coherent national strategy for the improvement of the country's economic and social performance. There is therefore a need for consistency between the various reports that are being presented, amongst them the reeport on social inclusion, the convergence report and equally important, the social pact – if such an agreement does indeed materialise. The pieces of the puzzle have to fit to

make a complete picture. The most elusive puzzle piece remains that of providing the proper environment for the generation of productive employment. The MEA has, through its report: *Generating Productive Employment – A National Priority*, provided concrete recommendations for solving the essential puzzle piece that will make the targets set by the NAPemp attainable.