



# **MALTA EMPLOYERS' ASSOCIATION**

*Annual General Conference*

## **DEALING WITH LABOUR SHORTAGES**

Mediterranean Conference Centre, Valletta  
28 November 2007

**Address by Mr. Pierre Fava,  
President, Malta Employers' Association**

Honorable Minister, distinguished Guests, Ladies and Gentlemen,

It is a pleasure for me to be opening this year's annual general conference organized by the Malta Employers' Association. To start with, why have we decided on this particular theme for the conference. The reply is that, from the feedback that the Association is receiving, many of our members have been experiencing a shortage of labour, ranging from unskilled personnel, to technicians and professional grades. The aim of this conference is to look into the reasons that explain these shortages and also to enable the Association to propose strategies that will either increase the supply of labour or else to improve the match between existing resources and the requirements of employers.

The fact that many companies are experiencing difficulties in sourcing labour does not necessarily imply that there is full employment. There has been, however, a consistent fall in the registered unemployed over the past couple of years, and this in spite of many layoffs from manufacturing companies that have outsourced their operations to other locations. The economy is managing to adapt itself to compete and grow in an increasingly globalised environment.

Clearly the issue of labour shortages is multifaceted, as there is clearly no single reason why employers are finding it increasingly hard to find suitable employees to fill existing vacancies. However, an underlying reason for the shortages is definitely an increase in demand for labour in general. The influx of investment is generating a demand for productive jobs and for such projects Malta needs to have a healthy resource mix that manages to supply the necessary human resources to match the needs of these projects.

It is known that Malta has a relatively low labour participation rate compared to other EU countries, and an increase in this participation rate is definitely a way of alleviating labour shortages. There are various measures that can counter this situation. One important issue is to make work pay. Employers have an important role to play by offering decent conditions of employment to motivate people to work. However,

one must not forget that a high social benefit package can in itself be a disincentive for persons to join the labour force. Our members report that many persons on the unemployment register refuse jobs because they are better off receiving social assistance and unemployment benefits. It is a known fact that an unemployed person can have access to a social benefit package that is the equivalent to a decent wage.

The weak participation rate is also attributable to relatively fewer females in the labour force. Although this characteristic of our labour market is influenced by socio-cultural factors, female participation can be improved by having more flexible working arrangements oriented towards a family life. MEA has always supported the introduction of such measures as long as they do not jeopardise the smooth running of an operation, and we caution the authorities against introducing measures across the board, since circumstances vary significantly between companies depending on size and sector.

Atypical forms of employment are to be encouraged. The traditional employment model of a forty hour week on indefinite basis is, in some cases, not suitable to both employers and also employees. Requests for long absence from work can only be reasonably accommodated if there are persons willing to engage in temporary work contracts, definite period work agreements, job sharing and other means through which the employment relationship can be more flexible.

Active ageing is another means of increasing labour participation. The measure that will allow retired persons to continue to work without forfeiting their pension is welcomed by MEA, since many persons, although reaching retirement age, can still be productive.

Malta's entry in the European Union has meant the elimination of trade barriers to a more open market of goods and services. Likewise, EU membership also entails a free factor market. The Maltese labour force has an open portal through such programmes as EURES that offer them employment opportunities in the EU. In this sense Maltese employers are competing with their counterparts in other countries for labour. Likewise, Maltese employers source labour from other countries, both EU and third country nationals. The Shengen agreement, of which Malta is now part, is testimony to the fact that national borders are becoming more transparent. Malta's labour market policies must be geared to guard against a brain drain, and to attract the best foreign labour where such labour is required. This is easier said than done. For example, the recent agreement between the Government and the unions representing the health sector will partly offset the exodus of medical staff to other countries.

The downside of this, however, is also that the improved conditions have resulted in an outflow of personnel from private hospitals and clinics to government institutions. In some areas, the privates sector cannot compete with the public sector offering similar services which are funded through taxation, unless they raise the prices of their operation to compensate for the increase in labour costs. During the past few weeks, operators of old people's homes in the private sector have experienced an exodus of carers following the hefty increase in hourly rates offered by government to carers employed in its own institutions. The only way private homes can cope with this development is either to match government rates and raise charges to the final consumer, which is, of course inflationary, or else to employ foreigners.

Many employers are resorting to foreign labour because of shortages in many sectors. Malta must come to terms that sustained economic growth may only be possible if we come to terms with the fact that our labour force needs to become more cosmopolitan in character. In the absence of local skills, employers resort to foreign labour. This calls for efficient processing of applications to enable employers to engage foreign personnel through the official channels.

Education plays an important role in addressing labour shortages. Educational policies must be directed towards maximizing the potential of the Maltese labour force. A constant and holistic effort, starting at

primary education level straight up to tertiary education is required to achieve this aim. Of particular concern is the relatively high ratio of school dropouts, since there is a clear trend in the labour market that the demand for unskilled jobs will fall. Retraining programmes are also essential and MEA congratulates the ETC for the recent opening of the new training centre which should serve to encourage more people to undergo its training programmes in a modern environment. The Malta Qualifications council is also taking positive initiatives to provide due accreditation to work experience through the credit transfer system, and to the promotion of National Qualifications framework for Life Long Learning. The private public partnerships, involving private training institutions are also serving to speed up the number of people with IT skills to meet the current and projected demand of an expanding IT industry.

The consequences of labour shortages should be clear - increased cost of recruitment, higher labour turnover, artificial wage inflation - are among the threats that companies face when labour supply is scarce. This can suppress economic growth and affect competitiveness adversely to the detriment of all Maltese society. It is up to all social partners to propose and implement measures to ensure a healthy labour market that generates wealth through productive employment.