

**Malta Employers' Association**  
**40<sup>th</sup> Annual General Meeting**  
**25<sup>th</sup> February 2005**

**Address by the President: Mr. Arthur Muscat**

Fellow members,

It is a pleasure for me to be addressing this annual general meeting on the fortieth year since the Malta Employers' Association was founded. It is indeed an honour for me since the founder of the Association, the late Mr. Anthony Miceli Farrugia, was chairperson of the Farsons group, and I also come from Farsons. One can look back throughout MEA's rich history and appreciate how Mr. Miceli Farrugia's vision has helped to promote employers' interests in Malta throughout these forty years, and how the Association was instrumental in shaping the culture of industrial relations in Malta.

Certainly these last twelve months have been an extension of the achievements that the MEA had obtained in the previous years. The country is passing through times of rapid change, and the Association has been at the forefront in representing employers on the issues that involve them.

The Association has itself passed through significant changes during the past years, and change has been good for us, because we have embraced it and shaped it to further the Association's members' interests. Membership has increased, and it is encouraging to note that the membership is increasing from all sectors, reinforcing our role as a multisectoral organization, and adding strength to our lobbying power. The council has also noted that members are seeking the advice from the secretariat on a more regular basis and this establishes stronger relationships between the secretariat team and member companies. May I here mention that the course in employment law that was inaugurated last year has opened new opportunities to MEA, and has also served to expand on our mission to educate and inform employers and HR practitioners on employment and social policy legislation. I am glad to note that more related courses are being planned for the coming year. Another noticeable positive aspect that I may mention is that the Association has consistently increased its media profile, and has built a credible and objective image with its various publics that include the business community, unions, politicians and the public in general.

MEA has also been more active in international fora. This year, the Association has become a member of CEEP (European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest), which is one of the three major Employer Bodies recognized by the European Commission. Our membership in CEEP will enable the MEA to follow closely, and to participate in, any developments that may affect the interaction of Maltese employers within the European Union.

This increased activity has prompted the council to hold special sessions to take stock of the situation and to decide on a strategic direction for the Association. It can be tempting for MEA to use its current momentum to expand the range of its services to cover areas other than industrial relations, employment and social policy issues, and move into areas

covered by other employers' associations. MEA certainly has the resources, human and otherwise to do so. However, there is unanimous agreement that the best strategic direction for MEA is to focus on its area of specialisation, namely industrial and employment relations and social policy, and it makes sense to expand the service within this specialization. Basically, we have opted for depth instead of range. There are various reasons why this approach has been selected. Firstly, we do not want to overlap the activities of other employer bodies like FOI and Chamber of Commerce and Enterprise, since this would be a waste of the collective resources of the employer organizations. We strongly believe that employer bodies, FOI, Chamber and MEA, should complement each others' efforts, and not compete. MEA will fully participate in any initiative with other employer bodies provided that it is treated as an equal partner able to contribute with its specialisation. Secondly, social policy and industrial and employment relations issues are becoming so specialized and complex that they cannot become a sideline. MEA will continue to focus on what it does best and to remain true to the vision of its founder. To abandon this strategy risks diluting the effort that is required to meet the demands in our main area of activity. I have no doubt that the vast majority of our members share this view.

Undoubtedly, the major industrial relations issue that caught the limelight during the past year has been that of the Social Pact. MEA had supported the notion of having a social pact as a means of forging a consensus between the social partners in order to address the country's economic problems, this through the MCESD. The Association was proactive on this issue and during its Annual General Conference, launched its own document that included concrete measures on how to bring the economy back on its feet. The document – GENERATING PRODUCTIVE EMPLOYMENT: A NATIONAL PRIORITY - was issued in the hope that the social partners acknowledge that there are problems facing the country and that these problems need to be tackled in a tangible manner. However, MEA was careful not to limit the document as a tool towards the achievement of a social pact. In the introduction, it was emphasized that even if a social pact were to fail to materialise, the economic problems would still remain and would have to be faced just the same. Therefore, even though the social pact has not materialised, the document and its recommendations, remain relevant just the same.

The questions that arise, following the endless sessions at MCESD which were inconclusive, is: 'Was it all a waste of time?', and 'Is there life for MCESD after this disappointing result?'. It is correct to state that there was a sense of disillusionment when the negotiations were concluded, and during the sessions it frequently appeared to us as if the unions were conveying the message that they were prepared to participate in an exercise of synchronized swimming with the other social partners, provided they did not get wet in the process! There were times when Government appeared to assume the role of a soft trainer indulging in endless discussion with the unions by the poolside, with employers left swimming on their own! However, in spite of this frustrating situation, the exercise has served to make everyone understand more that there is a desperate need to come to terms with the fact that Malta needs an overhaul in the way it is governed and administered. Everybody is now more aware of the massive waste of taxpayers' money in many areas where Government is involved. There is more awareness that Malta does not have one but twenty Drydocks. The recent gas cylinders issue brought to light once more how a simple straightforward commercial operation is mishandled and operated at a

loss. However I must say that not all is gloom and doom. The Prime Minister is moving in the right direction and here I would like to single out for praise Ministers Austin Gatt and Censu Galea for the way they seek to identify problems and face them head on.

Malta needs to regain its competitive edge if it wants to attract foreign investment. Competitiveness can only be regained through increased productivity and wage moderation. All social partners need to pass on the message to the rest of the Maltese community that no one owes us a living, and that our standard of living will only be determined by what we produce. In a globalised economic environment which in itself entails a much more fluid mobility of resources, investment will invariably move to venues which yield the highest return. Unions and government have to acknowledge that Malta is also subject to these economic facts of life, and that tough times may require tough measures, including a diminution of working conditions, to safeguard productive jobs. The endless debate on the reduction in public holidays has been a waste of time and energy that could have been used more productively.

It is up to employers to take these considerations into account when negotiating with unions at enterprise level. The Association will respond to any calls for assistance from members negotiating collective agreements.

At this point one cannot exclude an appeal for political maturity, and that political parties cannot continue to participate in a cat and mouse game whereby they try to create obstacles to each other. Irrespective of who is in Government problems need to be faced.

**1. The fiscal situation must be addressed.**

There is no question that successive governments cannot continue to increase the public debt indefinitely.

**2. Government bureaucracy and inefficiency hampers the operation of the private sector.**

Employment in the public sector needs to be curtailed, and current systems need to be revised to improve the overall quality of service of government departments, authorities, and parastatal bodies. The Association has called for a gradual reduction in public sector employment, which currently stands at an exorbitant 34% of the Maltese labour force.

**3. Port reforms are necessary to reduce gratuitous costs to industry.**

The current inefficient systems are outdated and need to be revised. It is high time that this issue is addressed in a conclusive manner.

**4. The current pensions system is not sustainable**

All studies conducted locally and by the World Bank demonstrate the consequences of inaction on this issue. This reform needs to complement measures to increase labour participation in order to increase the ratio of working persons to retired persons, and to generate jobs in the private sector to allow for the increased participation rate.

We also have to keep in mind that the health system will also be taking a larger bite out of the national budget to sustain an ageing population with a higher mortality age.

## **5. The students stipend system is in need of reform**

The question here is: How wise is it to allocate so much funds to finance the stipend system, when the tertiary educational institutions do not have the resources necessary to provide decent courses? One also has to consider the fact that the expenditure on stipends will continue to drain public funds if the number of students following tertiary education is expected to increase in line with the projections set out in the National Action plan for Employment. Will the system remain affordable in such circumstances?

## **6. Malta needs to introduce measures to become more competitive if it wants to attract foreign investment, even if such measures may not be palatable to the unions.**

There is a need for political consensus on matters related to competitiveness and generation of jobs. There is no question that, whichever party is in government these issues have to be addressed, and the solutions are not always pleasant in the short term. All political parties should be part of the solution, and there is no point in dismissing valid ideas from an opposing party just to gain political mileage. This carries the risk of the country becoming ungovernable. The Association appeals for all political parties to place national before partisan interests.

The Malta Employers' Association will remain true to its mission statement, namely:  
**'To be the leading political and social lobbying force for employers in matters relating to employment and social policy on the Maltese islands.'**

All our activities are focused on this statement. The services that are offered through the secretariat, our participation in MCESD, the Employment Relations Board, and international organizations, particularly the International Labour Organisation are all targeted at addressing the needs of our members on employment and social policy issues. During this year of my presidency, I have had the opportunity to work closely with an enthusiastic Presidency Team, Council and Secretariat. I am confident that the current positive phase that the Association is passing through at the moment will continue for years to come.

Thank you