

2nd March 2018

Media Release

MEA 53rd Annual General Meeting – President’s Address

We are facing a hectic business climate, with constant changes in the economic and technological environment. The Maltese economy is growing thanks to a recovering global economy, an unstable tourism market in many of our competing countries, and also due to an expansion in the financial and gaming sectors which are having ripple effects on domestic consumption and the rental and property sectors. Employers have to be proactive to remain competitive in such circumstances, not only in terms of access to markets and clients, but also with respect to availability of resources, notably labour which is not only the major resource in Malta, but is also becoming critically scarce. This is due to our expanding economy, which is experiencing record rates of growth, well ahead of the EU average. There is a clear correlation, and interdependence between the increase in economic activity and the influx of foreign labour in Malta. Our domestic consumer base, with more than 40k foreign employees working here, and their dependents, has expanded the local market for goods and services and generating business to numerous local companies.

The shortage of manpower is indeed a problem to many companies. The thrill of being awarded a new contract is very short lived when you come face to face with the difficult task of recruiting additional staff. There are shortages across all grades and economic sectors - manual workers, clerical staff, supervisors, drivers, and many other occupations even at graduate level. Recruitment ads hardly get any response at all. This situation has worsened as a result of unwarranted recruitment in the public sector during 2017, as many companies report a drain on their manpower to join the public sector.

In this situation, employers are addressing their human resource requirements through engaging foreign labour, inhouse training, or poaching. Engaging third country nationals requires a process which can be laborious. MEA has worked with Identity Malta to expedite as much as possible applications for TCNs, but this has not always been possible due to an increasing number of applications. We have organised a number of outreach sessions with Identity Malta to provide employers the opportunity to put forward their difficulties on a one to one basis. These sessions have been successful and we

35/1, South Street,
Valletta VLT 1100, Malta
t: (+356) 21 237585, 21 222992
f: (+356) 21 230227
e: admin@maltaemployers.com
www.maltaemployers.com

have received very positive feedback about them. Nonetheless, companies are still faced with cases whereby permits take more than four months to process. Employers are also facing challenges of a multicultural labour force. Currently, the number of foreign employees in the private sector is approaching 30% of the private sector labour force.

Inhouse training is offered by many companies but not all employers, particularly micro-businesses, have the capacity or facilities to provide such training. Employers can also face the frustration of training personnel who leave for alternative employment.

Poaching could be an immediate solution, but at national level it is creating wage inflation. Employers are all in favour of increasing wages as long as such increases are matched with productivity, but wage inflation resulting from labour shortages erodes competitiveness, especially in the export sector.

These labour shortages, besides raising operational costs, are also becoming stressful for employees, due to more demands to work overtime and longer hours in general. On a positive note, the increase in female participation, together with a growing segment of retired persons opting to remain in employment are adding to the labour supply.

The labour market situation is affecting employers in other ways. The pressure on the property and rental market is forcing prices and rates to increase. This is generating demands for higher wages to compensate for these rates. An issue being faced by employers is a rising tendency that foreign employees, in all economic sectors, are leaving Malta after a few months in employment as they are finding the cost of staying here too high. A focus group which we conducted recently with a group of researchers from the Ministry for Family, Children's Rights and Social Solidarity has confirmed this. Employers cannot compensate for an inflated property market – compensation for labour can only be linked to productivity and value added.

This has been a successful year for MEA. MEA is proud for being presented with the European Enterprise Support Award for its project of The MALTESE BUSINESS STORY, in Estonia. I fondly remember the excitement in Mr. Farrugia's voice when he informed me of the news. He called me from Estonia as I was then in Rome for the EuroMed event. Also on the international front, MEA has been active within the International Organisation of Employers, CEEP and BusinessMed.

Well done to MEA for being the protagonist in getting all the social partners together to reach a common ground in the difficult task of the Minimum Wage increase agreement. A historical agreement signed by both the government and the opposition, respecting both workers and employers. This was a great effort overflowing from the previous year when MEA was under the presidency of Arthur Muscat.

We have also been at the forefront in the debate about the proposed Equality Bill and the Human Rights and Equality Commission Act. I stress our message that the Association has always been, and will always remain against any form of discrimination. Our objection is not against combatting discrimination. What we are against is that employers are being treated with suspicion, that employers are being presumed guilty unless they prove their innocence if they are faced with allegations of discrimination, and that from what has been presented thus far, there is no clear and defined path through which such allegations may be hard and decided upon. These are fundamental objections which are unrelated to the issue of discrimination as such. All we are insisting upon is that employers facing an accusation should be entitled to the same rights as any other citizen. This is a principle which MEA will never back down from.

In the first part of my address, I focused on labour shortages as this is an immediate issue which many companies are facing. It also ties in with the more fundamental issue that we addressed through our document about Malta's Demographic Challenges. During 2018, we will push for our proposals to conduct professional research connected to the multi-dimensional aspects of demographic change – social, cultural, environmental, economic and others - to be actioned. The document was presented to the cabinet last year, and it has been established that what is being proposed is a study worthy of the government's attention and support, to the extent that it has agreed to finance the study and backing it up by experts in the various fields required. This exercise has the potential to be a shining example of social dialogue in Malta, as it involves government, employers, unions and civil society in general to formulate concrete proposals about how to deal with changing demographics, as it is an issue which affects the entire nation.

We are also very much involved in discussions with government to determine its intentions to introduce various measures which will strongly affect the competitiveness of enterprises in Malta. The political commitment to compensate employees for public holidays falling on weekends, together

35/1, South Street,
Valletta VLT 1100, Malta
t: (+356) 21 237585, 21 222992
f: (+356) 21 230227
e: admin@maltaemployers.com
www.maltaemployers.com

with other promises that will increase workplace absence is of great concern to us.

We cannot allow populist measures to negatively impact the long term sustainability business, even if they may be affordable to a certain extent under current economic circumstances. Through the Employment Relations Board, the MCESD, and other lobbying efforts I reassure our members that we will never relent in our efforts to protect employers' interests. This is also because we believe that these legitimate interests also work towards the benefit of all Maltese society. We are all for family friendly measures. Research conducted by Jobs Plus last year among a large sample of employees confirmed that about 90% of employees who asked for family friendly measures were accommodated. Yet we cannot accept such measures to be an automatic right which disregards the sustainability and circumstances of specific enterprises.

In our memorandum to political parties which we submitted before the last general elections, we stressed upon the importance of a 'quid pro quo' approach to such measures, meaning that any measure that increases costs to employers has to be matched by others that compensate such costs. We also underscore the fact that, although economic indicators are positive, and we do applaud government for managing to achieve a budget surplus in its finances, one cannot assume that all sectors are doing equally well. We still have sectors whose survival depends on slight margins without much room to manoeuvre. The reason why employment in the EU has barely reached 2008 levels in many countries is that many enterprises cannot employ people under the prevailing conditions.

We also need to have a mature approach to any changes in labour legislation. I find the current debate about equal pay for work of equal value confusing and goes well beyond the requisites of the related EU directives. Equal Pay for Work of Equal Value has to remain related to the working relationship between an employee and his employer, not with third parties. We are completely on board to eradicate gender inequalities in remuneration wherever they exist, and to provide equal opportunities to employees irrespective of gender, sexual orientation or any other descriptor. I am certain that the private sector has an even better track record than the public sector in this respect, given that discrimination on grounds of political belief, to mention an example, is also a basis on which one can discriminate. This is why, in our memorandum, we asked for more transparency and accountability in the engagement of persons in so-called 'position of trust'. One cannot point a finger

35/1, South Street,
Valletta VLT 1100, Malta
t: (+356) 21 237585, 21 222992
f: (+356) 21 230227
e: admin@maltaemployers.com
www.maltaemployers.com

at the private sector to accuse it of discriminatory practices, when at the same time such persons are being engaged without any explanation as to their credentials, their remuneration packages, or what these persons have actually achieved since they were engaged. If we want to be respected as a country with a reputation of good governance, these issues, together with others related to direct orders, for example, have to be duly trashed out and approached in a more transparent manner.

In conclusion, I believe that the Malta Employers' Association will continue to be a key player in the country's social dialogue, which is critical the economy's development and growth. There is an ever growing need for employers to have professional guidance and representation on employment and social policy issues, and to have access to an institution which has now more than fifty years of experience and engagement with other stakeholders to enable a healthy environment for sustainable enterprise to flourish.