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Media Release

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Address by Mr. Arthur Muscat, President

Fellow MEA members,

It is my pleasure to address you on this occasion of the Annual General Meeting of the Malta Employers' Association, an association which today has expanded to include more than 600 companies within its ranks, employing more than a third of the national labour force in Malta in all sectors of the economy (55k out of a labour force of 160K), an Association which is fast approaching the 50th year since its foundation.

During the past twelve months, the Association has been on the frontline to defend employers' interests in Malta, through the many services offered by the secretariat, through our active participation in domestic and international fora that deal with economic, employment and social policy matters, and also through our unrelenting effort to project an objective image of employers to the general public through constant participation in media programmes and the production of our own weekly television programme.

The world of work is constantly in a state of flux, resulting from both global and domestic developments that call for vigilance, involvement and proactivity from companies and employer bodies.

In spite of a modest recovery in many developed nations, it is clear that the global economy is not out of the woods and many countries are worried about the state of persistent unemployment in spite of an increase in output. The international environment is far from stable, and one of the threats to Malta's industry is that our major exporters face challenges both through competition by other global companies and also internally, i.e. our plants in Malta are competing with others which the parent company would have in other countries. It is within such a context that Malta needs to improve on its competitiveness as a means to retain international companies operating here and to attract more foreign direct investment. In our recent important recommendations for a Joint Business Manifesto for members of the European Parliament, we reiterated our belief that: *'a social and prosperous Europe has to be sustained by an infrastructure which promotes competitiveness in a global environment in which there is a much stronger mobility of capital and other resources*

than previously. Any conditions in living standards which are comparatively superior to countries outside the EU are not an automatic entitlement, but are the result of innovative and flexible economies, operating within a business friendly environment, which makes such standards sustainable.’ In our proposals, we also added that: *‘While initiatives to stimulate labour supply through active labour market policies are commendable, the general thrust of EU policies should focus more on generating labour demand through productive employment. What obviously these is a shortage of in Europe is employers, and this because the social and economic environment is not being conducive to encourage people to become employers’.*

One issue which is worrying the Association in the domestic industrial relations scenario is the rivalry and at times outright animosity between trade unions. Employers are being dragged into inter-union disputes with increasing frequency and this is upsetting industrial relations stability. One major source of such disputes is union recognition, with more than one union claiming to represent either an overall majority of employees or else a category which is in many cases loosely defined. The Association has made recommendations for a clear method to settle recognition issues. We are also resisting any notions of introducing penalties for employees who - out of their own choice – opt not to form part of any union. Penalties in the shape of so-called representation fees to be paid by non-union members and forwarded to a recognised union are absolutely not acceptable. We are determined to defend the fundamental principle of freedom of association, which by definition also includes freedom of disassociation.

Inter-union conflict is also destabilising collective bargaining. While, under normal circumstances, collective agreements negotiations occur with the parameters of the general economic environment, the company performance, and labour market relativities, an emerging trend that is worrying employers is that the collective bargaining is being conditioned by the pressures which a rival union may be making on employees to switch membership, with promises of a better deal. Such situations are undermining the foundations of industrial relations, are raising employees’ aspirations in an unrealistic manner, and leading to expensive settlements which weaken competitiveness. The Malta Employers’ Association insists that employers should not be dragged into disputes between unions, and should never be the victims of industrial actions resulting from such disputes.

Recently, the issue of revising the minimum wage has re-surfaced, with appeals to raise the minimum wage above current levels. MEA has always been consistent in its arguments about this matter. Raising the minimum wage is not a way out of poverty, but a recipe for unemployment. The MEA had presented a comprehensive position paper which clearly demonstrated that the minimum wage in Malta is higher than that of many other EU countries, and that Malta also has relatively few people employed on the national minimum wage. What is required is not a revision of the minimum wage, but a strategy to have as few people working on the national minimum as possible. Organisations that persistently call for an increase in the minimum wage without going into the merits of where the finance is coming from or what negative effects economic repercussions may occur are frankly being amateurish in their stand.

If there is a concern about particular pockets of poverty then these problems need to be addressed through focused social support initiatives and not by unilateral interventions, without economic logic, on the minimum wage. We will have less people working on the minimum wage through sustained efforts to have more people in basic, relevant and adequate education, particularly in areas which hold better promise of productive careers. We fully support government’s efforts to continue to reduce the number of early school leavers through proactive measures in particular to have less students dropping out of Matsec. The recent initiative by government to identify those students who have not applied for Matsec examinations and to channel them into vocational education is very valid and very praise worthy.

At all cost, we need to avoid a situation of structural unemployment prevalent in many countries with high youth unemployment. An increase in the number of qualified people – youths in particular – is desirable insofar as they manage to find productive employment related to their field of specialisation. It is no coincidence that, in Europe, the countries with the lowest levels of youth unemployment happen to be those with the most well established basic vocational and apprenticeship systems, examples are Germany and Switzerland. To avoid an irrational oversupply of academic graduates better quality career guidance is required, and we also require training and courses which dovetail into real economic needs.

We are monitoring the employment situation in Malta and notice conflicting indicators. On the one hand there is a creeping increase in the unemployment figures which, although well below the EU average, is in itself a cause for concern. On the other there is also a situation of numerous jobs which are, for various reasons, not being taken up by Maltese. This is evident in the ever increasing number of foreign workers in Malta. There is a misperception that foreign employees have inferior working conditions and are working in the black economy. In reality, the vast majority of them are regulated and taking up jobs which have been turned down by Maltese workers, or Maltese workers were incapable of filling.

We are apprehensive about the increase in employment in the public sector. The MEA has always been vociferous and consistent on this issue, as government cannot possibly reach its fiscal targets unless it reduces manifestly superfluous and unproductive jobs in the public sector. In some cases, the shortage of manpower in the private sector arises because many are aspiring for comfortable and secure jobs in the public sector. Whenever redundancies occur in the private sector, MEA has always used its networking capacity, with its members and unions, to facilitate placements for redundant employees. We have always done this discreetly without the need for media exposure, as we can never be in a position to offer a guarantee of placements on behalf of our members. We do praise government's concern when redundancies occur and appreciate government's urge to act. Although we believe that in times of crises the private sector must do its part, we have reservations about public solicitations on private sector employers to take on what may be unrequired employees. This stand fits with our principle that the focus of labour market policies should be on job creation, not job protection.

Job creation depends on our ability to be productive and to compete. This is why we have come out against ideas such as the one contemplating extending parents' sick leave to look after their children - another instance where political parties play to their audience without a proper assessment of the economic repercussions. We support flexible work practices that encourage presence at the workplace, such as the availability of affordable child care to enable more people to be active on the labour force. Government deserves to be commended on a timely delivery on free childcare centres. On an encouraging note the participation rate in Malta for women between 25 and 35 is 75%, is higher than the EU average of 66% for the same cohort. Today there are seventeen thousand pensioners in employment, an number which is increasing consistently. Therefore the thrust of government policies should now be more inclined towards increasing the supply of jobs to increase the chances of job seekers to be productively employed.

As president of the Malta Employers' Association, I conclude by stating that through the efforts of the council, the presidency team and a motivated secretariat, the Association has had another successful year which builds on the results achieved by my predecessors. Given the evident enthusiasm of our membership and the secretariat, I am confident that, in spite of difficulties that may arise, the Association has a bright future ahead. Thank you.