

25th March 2021

Media Release

MEA 56th Annual General Meeting – President's Address

In my address during the last annual general meeting held on the 1st July last year, I focused on two critical issues, namely the importance of recovery from the COVID crisis, and the dire need to address Malta's governance issues and its international reputation. Nine months later and another AGM, we are unfortunately in a situation where these issues persist. Malta is in the international limelight for the wrong reasons. This, added with the COVID crisis, leaves many businesses operating under conditions of grave uncertainty.

Indeed, in our proposals for the last national budget, we stated that, under these circumstances, projecting government revenues and expenditure is a highly speculative exercise, which is why we recommended a series of quarterly budgets to factor in emerging developments, rather than a twelve month forecast. The way things look now that the first quarter of 2021 has almost passed is that:

- **The COVID pandemic is still with us and the UK variant is proving to be problematic;**
- **Business will not be back to normal by May as predicted, and many operators in the tourism sector are bracing themselves for a worse season than anticipated during the coming summer months;**
- **government revenues will not reach projected figures as economic activity is slower than expected;**
- **businesses will have to be supported for a longer time period than initially predicted to keep unemployment levels in control, increasing pressure on government finances;**
- **to this date, the Moneyval assessment hangs upon our heads like the sword of Damocles. The outcome is damaging even if we scrape through the evaluation, as we should have never been placed in a situation which cast serious doubts on our governance structures. A greylisting by Moneyval will deliver a devastating blow to our financial and gaming sectors.**

Yet there are glimpses of a silver lining within this gloomy scenario.

- **The incentive packages managed by Malta Enterprise have been successful in keeping businesses afloat and people in employment.**
- **Companies have been quite resilient and thus far have held on to their labour force in spite of difficult circumstances.**
- **The vaccination process is proceeding reasonably well and herd immunity is expected by the end of summer.**
- **Many employers have adapted their work organisation to allow for better flexibility for their employees to strike a better work life balance in Covid circumstances.**
- **Figures reported by Jobs Plus reveal that the economy is still generating jobs, and in fact there are numerous vacancies in different sectors that, in spite of everything are not being filled by Maltese applicants. Although the number of foreign workers has declined from a figure of more than 70k in 2019, there is still a demand for foreign employees. In the case of Third Country Nationals, we call for a more efficient processing of applications by Identity Malta, and we should also possibly consider engaging asylum seekers in our labour force.**

I am pleased to confirm, through the various positive comments I receive from many companies, the manner in which the Association has engaged with its members during the past year. The COVID handbook has been an invaluable resource of constantly updated information. Our secretariat has also been intervening on our members' behalf with government authorities to address particular issues. The Association has also been constantly updating its members with the latest information through a series of webinars which have been held regularly. I thank all companies that have responded to our research exercises, through which we have been able to formulate our position statements and representations. Over the past year, the Association has continued to strengthen itself through increased membership, resulting from ongoing engagement with employers and a fast response to their needs.

This is not the time to burden employers with additional costs and regulations. The public holiday measure is ill-timed, as we

should be focusing on increasing productivity within a more flexible labour market, rather than outrightly adding to the number of days off. The discussion about the right to disconnect has been nebulous in the absence of any studies to establish the concentration and extent of the issues related to what is being proposed. We also need to ensure that any regulations that come into force are to be in line with an EU Directive, and not introduced arbitrarily in the local labour market. We do not want to be a test case for other countries.

Employers are also concerned about the provisions contemplated in the Equality Bills and the Interpretation Act, whereby employers and individuals may stand accused and sentenced without due process in a court of law. I reiterate the position taken by the Association that allowing public officers and authorities to impose penalties that go beyond administrative fines is unacceptable and unconstitutional. Such a measure could also lead to massive corruption and instances of a gross miscarriage of justice. The inefficiencies of our courts of justice cannot be used as a justification for what is being contemplated.

New forms of work reflect emerging necessities by both companies and employees. This is something which is being experienced all over the world. The MEA looks favourably at systems that increase flexibility and productivity, but is also in favour of a legislative framework that offers adequate protection to employees to avoid possible cases of exploitation.

Regarding COVID and the workplace, there needs to be clear guidelines safeguards about vaccinated and non-vaccinated employees. We have already stated that employees who do not have a valid reason not to be vaccinated and refuse to do so should not be entitled to quarantine leave. The use of a green passport is important for employers to be able to contain the risk of spreading the virus among the working population. Airport controls should also be in place to keep non-vaccinated people from visiting Malta.

MEA has made a number of proposals to improve our governance structures. We have been outspoken in our views about the appointment of persons of trust, even asking for a specific meeting at MCESD which, so far, has not materialised. It is unfortunate that time is proving us right. We have also called for a leaner, more effective parliament with full-time, adequately paid politicians, to attract the best element from the population to run the country. We have been outspoken about the need to address the financing of political parties, with tangible recommendations. We have been insisting on a more

transparent system of public procurement to replace the injustices resulting from direct orders. Perhaps, if more weight were given to our proposals, we would not be in the situation we are in today.

The Association appeals for a strong national debate on how to restructure our economy to reflect emerging global post-covid realities. Businesses, through their representatives, need to be involved in the design and implementation of this national strategy. Our education system is an integral part of this transformation. As things stand today, Malta still suffers from a high rate of school drop-outs, but most unskilled work today is being performed by imported labour. There is a chronic shortage of persons trained in STEM subjects, and one of the reasons behind the gender pay gap in Malta is certainly that there is a low proportion of women following STEM disciplines, which tend to result in better paying careers. It is critical to shape our human resource to match the skills requirements of our economic vision, to offer more rewarding careers and reduce our dependency on imported labour.

I believe that our country is facing a crisis of values as our focus seems to have shifted to a sense of entitlement and immediate gratification, with short term gains that may be in conflict with long term social and economic sustainability. We see this in the assault on the natural environment, in a deteriorating work ethic, in the manner in which some businesses have ventured too close to the political arena and are damaging the image of the entire business community. We see this also in the manner in which, rather than offering a long term vision for our country, many political debates and decisions are based entirely on populist considerations and marginal partisan gains. We need to restore faith in our institutions, as these are the basis for our social cohesion. Thinking that our damaged international reputation can be restored through a ticking the box exercise is cosmetic and superficial. At this juncture in our political history, what is required is a thorough soul searching exercise to define who we are, what we stand for, and to re-ignite the qualities that will make Malta a country one can do business with.

In conclusion, we need to view the domestic situation also within the EU perspective, which has experienced a drop of 7% in economic activity during 2020, with the Recovery and resilience Funds being injected to be used for long term, sustainable recovery, rather than simply short term measures. The well-being of citizens lies at the centre of the EU recovery strategy. Within this contest, social dialogue has to play a significant role to get our economies back on track, to take

measures to support the labour market and to participate in building an EU trade policy, to work towards a digital and green transformation to make our country competitive.