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## Media Release

### **106<sup>th</sup> Session of the International Labour Conference Address by Mr. Joseph Farrugia Employers' Delegate – Malta**

The opening paragraph of the Director General's report states that: 'the ILO can only pursue its mandate for social justice effectively if it integrates environmental sustainability into the Decent Work Agenda'. Climate change has indeed become a reality with a strong impact on the quality of life of millions of people across the world and it is understandable that although, as stated in the report, the ILO constitution and the Declaration of Philadelphia do not address environmental issues, the changing global natural environment and the extent to which it is being caused by man-made activity necessitates such a discussion and involvement by the ILO. At national level, social dialogue will be necessary to assess the impact of such changes on employment, through the participation and contribution of the social partners.

This year, the merits of social dialogue were put to the test when there was mounting pressure to increase the minimum wage in Malta. The topic is, by its very nature, emotionally charged, and it is understandable that the social partners approached the issue from their own perspective. Employers were concerned about the impact on costs, competitiveness and wage relativities. The other social partners were worried about the adequacy of the minimum wage. Yet there was a mature debate leading to a convergence based on trust and understanding which finally resulted in consensus between employers, unions, civil society, government and the opposition. This has been indeed a historic agreement which has resulted in a drastic reduction in the number of employees on the minimum wage in Malta and also reduces the time that an employee can be retained on the minimum wage through mandatory increases based on seniority within a company during the first three years of employment.

This agreement also established important principles on the operation of the labour market, namely that the labour market mechanism on its own cannot be expected to address poverty matters and that at enterprise level, wage levels are determined on the basis of productivity and competitiveness. Also, government cannot shift the burden of resolving poverty on employers and unions through the industrial relations and collective bargaining structures. In the same manner that the social partners managed to reach consensus over this issue, they can likewise engage in meaningful dialogue over environmental matters to the benefit of all social partners and an overall improvement in the quality of life.

This achievement is in contrast with the numerous populist promises that were presented to the electorate by the major political parties in the run-up to the snap election that was held recently in Malta. Populism is often synonymous with fake economics and diminishes trust in politicians and institutions. This lack of trust is further intensified through the erosion of good governance in the country. Our international reputation will only be secured if we can ensure and demonstrate that our institutions have strong values and ethics. This is significant not just because of the importance of our financial services and gaming industries, which are major contributors to our economic growth, but more fundamentally because of its implications on

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the wider moral, social and economic fabric of our society. Employers expect our politicians to set a good example in this respect. Good governance is essential to sustain the economic success that Malta has achieved over the past decade. Good governance is also required to strike the best balance between sustainable development and environmental constraints.

In a country with limited natural resources and with one of the highest population densities in the world, the report of the Director General addresses critical issues on environmental sustainability that are of extreme relevance. Human induced climate change is a threat to our society and is intricately linked to the world of work and labour market dynamics. Malta faces both internal and external challenges in dealing with climate change. A transition towards a sustainable environment may result in both job destruction and job creation, as high carbon sectors may give way to low-carbon economic activities. Subsequently, many businesses will have to be proactive by identifying, developing and applying new technologies and skills to adapt to greening requirements. Employers will need to be engaged and involved in the formulation of programmes to prevent regulation which may be counterproductive. Employers also have a role to play in disseminating a green culture at the workplace. Government should engage with employers and provide incentives where necessary. As an example, traffic congestion in Malta can be eased through flexible working times and transport sharing. Social dialogue can be an effective instrument in addressing such issues. In Malta, there are numerous examples of CSR initiatives that are contributing to the transition to a greener economy, and ample opportunities for private public partnerships to face environmental challenges. These initiatives need to be supported by capacity building measures by Governments and the ILO to enable the social partners to interact more effectively with their constituents.

In conclusion, this year's report by the Director General is a development over the 2013 ILO Green Century Initiative and the more recent Paris agreement on climate change and the UN 2030 Development Agenda for Sustainable Development. The restructuring to a low carbon economy may not be smooth and the best way forward lies in the reviewing of the existing standards in the ILO guidelines through the Standard Review Mechanism rather than opting for a rights based approach. It is also important for global instruments to filter down at national level with the involvement of the social partners for them to be effective.