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Media Release

Commission's recommendations are a caution to Government – MEA

The recommendations issued by the Commission reflect a number of concerns which have been voiced by the Malta Employers' Association over a number of years. These recommendations focus on the measures related to competitiveness and sustainability of public finances as part of the Euro Plus pact. A number of these points are being discussed by the social partners at MCESD level. Amongst them is pension reform. MEA agrees with the recommended measure to index retirement age to mortality age. This is being adopted by other countries and is a realistic way to ensure that the retirement age reflects changing demographics.

Perhaps the most radical and contested recommendation is the one related to wage indexation. MEA has been claiming for years that the COLA mechanism is outdated and could result in a loss in competitiveness. This is also being discussed at MCESD but it is evident that government and unions will resist – for political reasons – the removal of automatic cost of living increases, in spite of advice to the opposite by the IMF, the Governor of the Central Bank, and now the Commission.

A very sobering recommendation concerns school leavers. It should be a national priority that, with so much investment in education taking place, the number of school leavers has to be cut down even further than the 33% projected for 2014 from the current 36.8%. However one needs to compare the measuring instruments to ensure that the comparative figures are based on the same basis.

The Commission also rightly points to the fiscal consolidation targets. Although Malta does not have an alarming situation in this regard, it is imperative to reach the fiscal targets by keeping the deficit below the 3% threshold and reducing the size of the public debt. Government should not give in to pressures to increase expenditure unless it is matched by revenues generated through economic growth. Another tough nut to crack is our dependence on fossil fuels, as moving from an over reliance on fossil fuels entails substantial investment.

Although the Commission's assessment does not paint an apocalyptic picture of the Maltese economy, the recommendations are a caution to government. Basically the Commission is bringing to light situations which our members face but which government sees differently. It is essentially a call to face reality, even if reality bites sometimes!