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Media Release

MEA: Economy heading towards a Balanced Budget

The Malta Employers' Association stated that the budget is a reflection of positive developments in the Maltese economy. The economy is out of the excessive deficit procedure and is projecting a deficit of 1.1% of GDP for 2016, with expected real GDP growth to reach 3.6%. The main structural issues in the labour market are a mismatch of skills, and the need to encourage a higher labour participation rate through a sustained rate of female participation and also of retired persons. The Association agrees with the incentives for employees opting to continue working beyond retirement age to enhance their pensions, as long as it is still at the employers' discretion to decide whether to retain such employees after they reach retirement age. The MEA said that the fact that over the past years, the Maltese economy was sufficiently resilient to weather the international recession better than many other developed economies, together with a strategy for growth friendly consolidation in recent years, has resulted in a situation whereby government can introduce expansionary measures such as tax reductions without jeopardising fiscal targets. This may well result in a balanced budget in the coming years, and a reduction in the public debt.

MEA said that the measure to make contracts of employment templates on line has to be studied and evaluated. It added that the current labour legislation already has the necessary safeguards to ensure that employees are given a contract of employment, which is normally drafted by the employer.

The Association supports the many schemes administered by the Jobs Plus (previously ETC) as a means to encourage labour mobility. On transport, the Association said that although the budget speech points towards a number of medium term measures to address the problems that many are facing, the immediate situation is still not being addressed. The Association also called for a more open and transparent discussion about fuel and energy prices so that the social partners can be informed and involved in decisions related to the price of fuel and energy which is a major determinant of many companies' competitive edge, particularly in export markets. It acknowledged that pricing decisions need to factor in investment in alternative energy and measures to stabilise prices in the face of a volatile market.

The Association said that one of the challenges facing Malta is to deal with the pressures of rapid growth, such as labour shortages, environmental constraints, and a stress on the general infrastructure. It added that incentives for SMEs should be more defined and accessible, and that the public sector needs to be more efficient and streamlined to assist the private sector in continuing to generate economic expansion.