

# **NATIONAL AGREEMENT ON THE MINIMUM WAGE.**

Agreement entered today, 28<sup>th</sup> April 2017, between Government, the Opposition, and Social Partners represented on the MCESD.

## **1. Principles**

The signatories to this agreement acknowledge that:

1.1 A change in the minimum wage alone will not realistically resolve the poverty risk of many families, including pensioners.

1.2 The labour market mechanism on its own cannot be expected to address poverty matters. At enterprise level, wage levels are determined on the basis of productivity and competitiveness.

1.3 Employers and unions cannot be expected to take the burden of resolving poverty through the industrial relations and collective bargaining structures.

1.4 Specific measures targeting poverty are more effective in addressing the problem without destabilising the labour market.

1.5 The measures agreed upon in this agreement are purposely designed to preserve wage relativities and industrial relations, while addressing social inequalities.

## **2. The Minimum Wage**

The signatories agree that the minimum wage issue should be addressed using three instruments:

2.1 An immediate measure to reduce the number of persons on the current minimum wage, and to minimise the period in employment that a person may remain on the minimum wage.

2.2 Introducing temporary supplements to COLA increases for 2018, 2019.

2.3 Setting up a Low Wage Commission.

## **3. Reducing the number of persons on the Minimum Wage**

It is being agreed that:

3.1 Employees on a minimum wage will, upon completion of the first year of employment with the same employer, be entitled to mandatory increases of €3 per week in the second year of employment, and upon completion of the second year, to an additional €3 per week.

3.2 Employees earning more than the basic minimum wage will still be entitled to the portion of the increases mentioned in 3.1 during the second and third year of employment. This will place such employees on the minimum established wage for the second and third year of employment.

3.3 For existing employees on the minimum wage who have been with the same employer for more than a year, as on the date of signing of this agreement, this measure will be introduced as follows:

- with effect from 1<sup>st</sup> January 2017: up to a maximum of €3 per week adjustment as per 3.2 above.
- In 2018: up to a maximum of €3 per week adjustment as per 3.2 above.
- In 2019: the balance to reach an increase of €6 in the minimum wage provided that the employee will have been in employment with the same employer for three years or more.

3.4 Employees on the minimum wage who are transferred or offered new employment with another company within the same group of companies will carry their accumulated years of service for the purposes of the increases stipulated in this agreement.

3.5 Low wage earners who are affected by the increase in wages stipulated in 3.1 and 3.2, and who are engaged on a definite term contract, shall not on its expiry be replaced by another person for up to a period of one year unless for good and sufficient cause. If, within six months of expiry of the first contract, the employee is offered another definite term contract, the two periods shall be considered as one continuous period, both in terms of law, and for the purpose of this agreement.

3.6 The signatories agree to collectively condemn any behaviour that, while not breaking the letter of the agreement will infringe upon its spirit.

This above measures will be introduced with immediate effect.

#### **4. Setting up a Low Wage Commission**

The signatories agree to set up a Low Wage Commission by 2020 to establish a mechanism effective to determine whether the minimum wage will need reviewing. Without excluding any other mechanism that may be proposed, this mechanism may take into consideration trends in the price level and increases in selected collective agreements for employees on low level grades. (vide example in Appendix 1)

4.1 The Low Wage Commission will report directly to the Prime Minister and will be composed of equal representation of trade union and employer organisations from organisations represented on the MCESD, and government representatives. The Commission will specifically ascertain that any change in the minimum wage is affordable in terms of sector vulnerabilities and productivity gains. It will also factor any economic and/or legislative measures taken in the interim that would have had an impact on labour costs.

4.2 The Low Wage Commission will submit its recommendations to Government every four years. The first recommendations will be due in 2023.

#### **5. Wage increases in 2018, 2019**

It is agreed that for the years 2018, 2019, the weekly COLA will be supplemented by the following amounts:

2018 €1.00 + official COLA

2019 €1.00 + official COLA

This effectively means that between 2018 and 2019, the minimum wage will have been increased by an additional €2.00 to the €6 mentioned in point 3 above.

This is a one-time review and does not carry any implication that COLA increases will be subject to any further supplements beyond 2019.

The increase of €1 in 2018 and 2019 will not be an additional increase in cases of collective agreements where the COLA is part of the overall agreed wage increase.

## 6. Conclusion

All Social Partners within the MCESD are aware that poverty is a social issue and conduct their functions - within MCESD and without – with a keen social conscience. These measures underscore the importance of designing and implementing specific and targeted measures to address pockets of poverty, as against adopting wide ranging actions which risk destabilising the labour market, which can be wasteful since they may well end up channelling resources to individuals/ segments which are not really at risk of poverty (e.g. raising incomes to relatively higher income earners to restore relativities). Such resources will be more efficiently used if they are directed in a focused manner to recipients who are the most afflicted by poverty and social problems.

Signed:

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Hon. Dr. Joseph Muscat  
Prime Minister

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Hon. Dr. Simon Busuttil  
Leader of the Opposition

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Hon. Louis Grech  
Deputy Prime Minister

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Mr. John Bencini  
Chairman – MCESD

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Mr. Josef Bugeja  
General Workers' Union

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Ms. Doris Sammut Bonnici  
Malta Employers' Association

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Mr. Josef Vella  
UHM Voice of the Workers

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Mr. Frank Farrugia  
Malta Chamber of Commerce  
Enterprise and Industry

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Mr. Kevin Bonello  
FORUM Unions Maltin

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Dr. Martin Balzan  
Confederation of Malta Trade  
Unions

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Mr. Paul Abela  
GRTU Malta Chamber of SMEs

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Mr. Tony Zahra  
Malta Hotels and Restaurants  
Association

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Mr. Joseph Muscat  
Gozo Regional Committee

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Mr. Benjamin Rizzo  
Civil Society Committee

## Appendix 1

Through the operation of the Low Wage Commission, the existing minimum wage will be adjusted based on the weighted average of selected collective agreements negotiated by trade unions and deemed relevant by social partners as represented in the MCESD for this purpose.

The basis for the adjustment would be (a) the sectoral distribution of employed persons on a full-time basis earning a minimum wage and (b) the selection of 'relevant' collective agreements and which would be serve as the basis for estimating the weighted average wage rate per hour to be applied instead of the existing minimum wage.

The sectoral distribution of full-time minimum wage earners will form the basis for the weights to be applied in estimating the weighted average of what workers, enjoying the benefits of a collective agreement, earn in comparable sectors in line with existing collective agreements.

The relevance or otherwise of collective agreements will be determined by social partners. The word 'relevance' refers to a specific category of workers covered by a collective agreement but comparable with the same category of workers earning a minimum wage.

The minimum wage adjustment will therefore depend on (i) 'real' data on the distribution of minimum wage earners by sector and (ii) the average or median wage rates, as identified through a selection process of the collective agreements covering the same work and sectors where minimum wage earners are employed. The actual or median average rates would be estimated by taking a select group of relevant collective agreements. The estimation of the minimum wage adjustment will involve all social partners at MCESD and will require technical assistance from the relevant entities (Jobs Plus in particular).

A condition will be set whereby the estimated weighted average wage rate will not exceed the average or median wage rate of a specific sector, as estimated via the selection of collective agreements by social partners.

The method that will adjust the minimum wage will therefore be based on two relevant weights: (i) what trade union members earn in line with existing collective agreements and (ii) the sectoral distribution of minimum wage earners.