

## It is Achievable

The editorial of The Malta Independent (Saturday, 1<sup>st</sup> October) focused on the MEA's position paper reaction to the pre-budget document – For a Better Quality of Life(BQOL), in particular on the call for a reduction in the number of employees in the public sector to 27% of the gainfully employed from the current 33%.

The main gist of the editorial is that this is a worthy objective but certainly difficult to achieve. The editorial also correctly reported that another point made in the MEA's position paper is that there should be consensus between the social partners to pursue such a policy, and that obviously this would not be an easy task.

The Association believes that a targeted approach to the number of employed persons in the public sector is necessary, and achievable. It has noted with satisfaction that the pre-budget document itself states that *'the public sector continues to be overmanned in certain areas'*, and that *'Malta's efforts to attain a vibrant economy will not realise optimal success unless the matter is dealt with decisively'*. This is very much in line with what the MEA has been repeatedly stating over the years, and it is positive that now, there is an official document issued by the government that is endorsing this fact. In our position paper, we have simply quantified this objective, since there is no mention of such a target in the BQOL to support this principle.

The editorial asks about the fate of those who would be asked to leave the public sector, and whether enough jobs will be created in the private sector to absorb them. Unfortunately, this is symptomatic of the way the country has been conditioned to think as a result of misguided employment policies by successive governments over the past few decades. The real issue is that if there are extra people in the public sector, which is now an accepted fact, they should be identified and declared as such. In the private sector these would be declared unemployed. As things stand today, in the public sector the appropriate term for such persons would be 'gainfully unemployed'. This has nothing to do with whether there are available jobs in the private sector. In Malta we have been disguising, and worse, rewarding unemployment by paying good wages that have not reflected any productivity in return. In the private sector, a wage is a transaction that reflects the value of output generated. The public sector mentality is still one whereby the distinction between a wage and a social service is not clear. The recent debacle over the Interpret employees is a case in point. This is why, within the public sector, there is an excessive number of persons employed coexisting with underpaid professionals in sectors like health. Resources are being spread thinly to accommodate this situation.

Therefore, in reply to the question posed in the editorial about whether the private sector is prepared to 'add more expenses to its wage bill by taking on these workers' – the answer is, quite honestly: 'No'. No, that is, unless such an increase in the wage bill is reflected in productivity. This is what the game is about, and the country has to come to terms with what the real rate of unemployment is if the matter of sustainable public finances is to be dealt with concretely.

There are positive signs that government is attempting to inculcate the philosophy that drives the private sector in its own area. The restrictions in recruitment that are being enforced in the public sector may not be popular with those heads of departments who were used to automatically replace or increase staff every time someone resigned or retired, but they are yielding marginal results as revealed in the fact that employment in the public sector is going down. This is a trend that needs to gather momentum. This is one reason why the MEA has supported the idea of five-year projections highlighted in the BQOL, and the Association understands that any changes, especially in work culture cannot be successful if they ignore the possible impact on the economic and social fabric of Maltese society. However, the MEA is urging the government sector to press on with the restructuring process being undertaken in the private sector. In other words, the public sector has to do more with less if we desire a sustainable and competitive economy.

The MEA believes that the target of 27% is achievable over a five-year period. One has to consider that part of the reduction can occur because of natural wastage. Also, restructuring the public sector to employ 27% of the gainfully occupied can also mean that the reduction in the numbers employed will be less than 8,000 if there is an expansion in employment in the private sector and a higher overall labour participation rate (in which Malta ranks amongst the lowest in EU countries), since the percentage will be based on a bigger number of gainfully occupied. Malta needs to be competitive to generate productive jobs, and, as mentioned in the BQOL, retraining is necessary to channel under-utilised labour into productive employment.

With respect to consensus between the social partners, the MEA believes that unions acknowledge that these measures are necessary in the long-term interest of their members, in both private and public sectors. For example, government will be in a better position to award wage increases to public sector employees, particularly in areas where these may be underpaid, if these employment targets are realised and the wage burden on public finances is reduced. Protecting an unsustainable status quo will have ultimately also have a negative impact on their membership.

In conclusion, the MEA's proposals concerning employment in the public sector have to be seen in the context of other recommendations that were presented in response to the pre-budget document and the National Reform Programme consultation document. The document that has been presented by the Association also includes proposals that can generate employment. A case in point is the marine pageant for the Grand Harbour, which on its own can create hundreds of employment opportunities and serve as a major attraction for our tourist industry. The MEA believes that with creativity, and willingness to embrace change, the economy of this country can be steered toward greener pastures.

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