

STRENGTH IN UNITY

A MEMORANDUM TO POLITICAL PARTIES

MALTA EMPLOYERS' ASSOCIATION

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www.maltaemployers.com

The reduction of the national debt should be a primary objective of the next legislature and a priority irrespective of which party wins the next election.


Political parties need to assure the electorate through an unequivocal and measured commitment to reduce the public debt by an average of 2% per annum in the coming five years. All other electoral promises, including any revision of welfare, pensions and any existing and projected public sector expenditure have to be subject to this fundamental obligation.

Our society faces some very serious challenges but at the same time, also has fantastic opportunities which can only be grasped if we work together. Unfortunately, most people don't get it and are unable to detach themselves from petty politics in order to see the bigger picture. The enemy should not be within, the enemy is outside and unless we understand this we will continue undermining each other with the result that we give our enemy – the real one – an advantage over us. Unfortunately the price for this is high and often paid by those who are least responsible for it.

CONTENTS

1. Global Turmoil	5
2. Malta and the International Economic Climate	6
3. Government and the MEA.....	7
4. Sustainability, Competitiveness and Pro-activity.....	8
Sustainability	8
Competitiveness.....	8
Pro-activity	9
5. Education.....	10
Education.....	10
Education as an Economic Activity	10
Foreign Studetns	11
6. The Public Sector	12
Public Sector Employment	12
Collective Bargaining in the Public Sector	12
7. Health.....	13
8. Employment	14
Active labour market policies	14
Atypical Employment	14
Ethical Principles and Employment	14
Employment Legislation	15
Family Friendly Measures	15
Maternity Leave	16
Extension of School Hours	16
9. Wage Determination	17
COLA	17
Income Distribution	17

10. Social Policy and Welfare.....	18
Wages and Risk of Poverty	18
Pensions	19
Billing of Free Services.....	19
11. Social Dialogue	20
12 Sectorial Recommendations.....	21
Manufacturing.....	21
Tourism.....	21
Real Estate	22
Agriculture and Fisheries.....	22
Financial Services	23
The Maritime Sector	23
SMEs	23
Role of Embassies	24
Government Procurement	24
13. Energy and Green Issues	25
Green Initiatives	25
Energy	25
Water	25
14. Innovation and Creativity	27
15. Culture and the Arts	28
16. Gozo	29
17. Parliament and the Judiciary	30
A more Efficient Judiciary	30
Political Party Financing	30
Parliamentary Reform	30
18. Conclusion	31



MALTA HAS ALSO FOUND ITSELF IN PROXIMITY TO THE FIRES THAT RAGED IN NORTH AFRICAN COUNTRIES DURING 2010 –2011. ALTHOUGH THE INSTABILITY IN THE MEDITERRANEAN BASIN WAS CONTAINED TO THE SOUTHERN MEDITERRANEAN SHORES, MALTA STILL BECAME A PROTAGONIST IN THE EVENTS THAT TRANSPIRED A FEW HUNDRED KILOMETRES AWAY FROM OUR BORDERS.

GLOBAL TURMOIL

THE PERIOD since the last elections were held in 2008 was eventful for Malta on many fronts. The most prevailing characteristic has been international instability.

Whereas, during the first years of the millennium, the international economy witnessed rapid globalisation combined with an expanding global economy - particularly in major developing countries like China, India and Brazil - this expansion, coupled by political tensions, exerted inflationary pressures through increased demand for primary products. Consequently, the prices of cereals and oil escalated to unprecedented levels, threatening increased costs of production worldwide.

This was followed by the avalanche in the financial markets in the summer of 2008 which plunged the international economy in the worst recession since the 1930s. Global unemployment reached record levels, and the actual number of persons in employment actually fell. Not all countries were equally affected by the recession, and some, like Brazil, even managed to maintain modest growth. However, Malta's major trading partners - EU countries, USA - were amongst the most severely hit and the impact reverberated through the supply chains and consumer expenditure to hit our economy as well.

Many countries managed to emerge from the recession in 2010, but economic growth did not reach projections and an unpleasant side effect of the financial crisis was that in most cases, the recovery did not generate jobs and in many industrialised countries, employment levels remained persistently below pre-2008 levels.


This weak recovery, coupled with the fact that governments had to intervene with substantial bailouts to correct the transgressions of the financial institutions exposed the fragile state of public finances in many

countries, which had persistent fiscal deficits and had accumulated debts even during periods of economic growth – some might say that the growth in many industrialised countries during the past twenty years was actually artificially fuelled through the financial bubble and unsustainable government expenditure. With insufficient room for fiscal manoeuvring, many economies faced recession during 2011 as many governments turned to more stable economies for bailouts to finance unsustainable national debt levels.

This situation revealed that, just as the financial institutions in a good part of the developed world were irresponsible in their lending, governments were equally negligent in their fiscal governance through their inefficiency, excessive employment levels in the public sector, and unsustainable welfare systems. This situation led to unavoidable and painful corrective measures to stabilise the fiscal situation through public expenditure cuts and a series of austerity measures, ranging from wage cuts, to pension reductions and redundancies. The Eurozone crisis and the subsequent downgrading of many economies by credit rating agencies is a result of this state of affairs. Unemployment in the EU has remained dangerously high, especially among youths. Globally, youth unemployment is three times the average of other age groups.

Malta found itself in proximity to the fires that raged in North African countries during 2010 –2011. Although the instability in the Mediterranean basin was contained to the southern Mediterranean shores, Malta still became a protagonist in the events that transpired a few hundred kilometres away from our borders.

Currently, commodity prices, such as cereals and oil are once again on the increase, as in 2008 raising fears of inflationary pressures in the coming months.



THE ECONOMY HAS CONTINUED WITH THE PROCESS OF TRANSFORMATION WHICH HAD GAINED GROUND IN THE PREVIOUS FIVE YEARS, WITH A STEADY SHIFT TOWARDS SERVICE INDUSTRIES.

MALTA & THE INTERNATIONAL ECONOMIC CLIMATE

AS EXPECTED, Malta was definitely affected by these global events. The issue of energy prices took centre stage as the electricity tariffs escalated due to the combined impact of the international oil prices, diseconomies of scale, inefficiencies in electricity generation, and weak alternative energy policies. The major brunt of these increases is carried by industry, as employers struggle to maintain competitiveness while paying higher tariffs than their counterparts in competing countries. Another effect is the indexation of wages to COLA. The higher tariffs also inflated COLA, and thus labour costs.

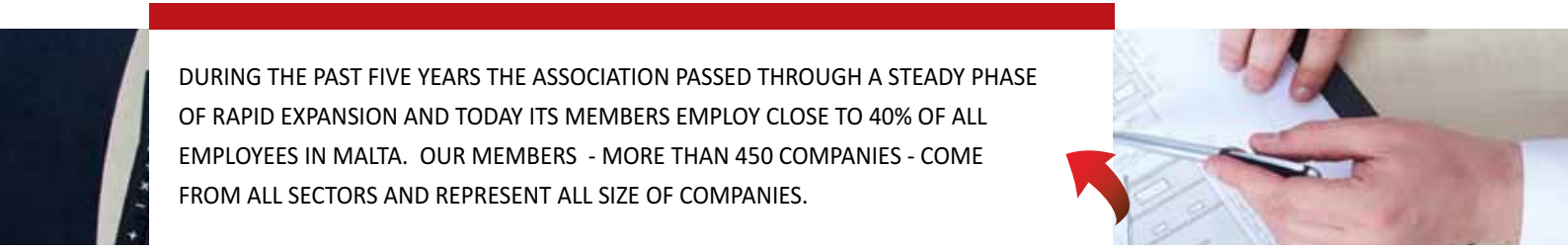
Concurrently, Malta suffered from the secondary impact of the financial crisis, as it spread to the real economy. The country's financial institutions had better governance than that in other countries, and consequently the financial sector in Malta has expanded consistently and compensated for the contraction in other economic sectors. In the real economy, Malta was immediately affected by reduced exports, a fall in tourism revenue and weakened domestic demand. Yet, in spite of an increase in unemployment, joint efforts by government, employers and unions have managed to stabilise unemployment rates to manageable figures and consequently the depth and duration of the recession was less severe and the recovery was faster than that experienced in many other economies. The focus on job retention and training of workers yielded the desired results. Real GDP growth has been negative during the third quarter of 2011 and first quarter of 2012, this technically putting the economy in a recession. The outlook for 2012 is that the economy will still experience a modest economic growth.

The economy has continued with the process of transformation which had gained ground in the previous five years, with a steady shift towards service industries.

Within the manufacturing sector, production has also shifted to higher value added activities but with lower employment levels than previously. Productivity levels vary among economic sectors. For example, in Manufacturing and Energy, which account for 13% of GDP, productivity is 90% of the national average, whereas the Financial Services sector contributes to 8.7% of GDP with just 4.6% of the labour force, with a production level which is 200% of the national average. Notwithstanding we believe that manufacturing is a required pillar of the economy and the country must ensure that this pillar remains present and continues to contribute to the growth of the economy.

Unemployment is relatively low, hovering around the 6,500 figure, and many sectors report a shortage in manpower, leading to an increase in foreign employees working in Malta. Over the past five years there has been a marked increase in female participation, together with a higher number of employees who opted to work beyond retirement age. Clearly this is a result of job availability, fiscal incentives and active labour market measures that should see the labour activity rate in Malta approach the EU average by 2020. The female activity rate among younger women is already on a par with EU levels. Youth unemployment is also among the lowest among the EU countries but Malta still has to improve the number of youths in post-secondary education.

The instability within the government ranks in parliament has led to continued speculation about the upcoming election and the country has effectively been in election mode since the third quarter of 2011. The overall impact of this situation on business varies between different types of businesses, but there is no question that it has not been positive for the economy in general.



DURING THE PAST FIVE YEARS THE ASSOCIATION PASSED THROUGH A STEADY PHASE OF RAPID EXPANSION AND TODAY ITS MEMBERS EMPLOY CLOSE TO 40% OF ALL EMPLOYEES IN MALTA. OUR MEMBERS - MORE THAN 450 COMPANIES - COME FROM ALL SECTORS AND REPRESENT ALL SIZE OF COMPANIES.


GOVERNMENT & THE MEA

THROUGHOUT this turbulent period, the Malta Employers' Association has laboured incessantly to minimise the impact of the recession, to safeguard jobs, to assist employers in making the best use of their human resources, and to recommend strategies to government to deal with difficult times.

It has presented numerous position papers with concrete proposals when the crisis struck, and when oil prices reached an all-time high. When there was the crisis in Libya, we initiated social dialogue through the MCESD, which convened a meeting with the Prime Minister to discuss this topic. It has also acted in the national interest during times of industrial relations tensions, for example during the closure of the shipyards. During the past five years the Association passed through a steady phase of rapid expansion and today its members employ close to 40% of all employees in Malta. Our members - more than

450 companies - come from all sectors and represent all size of companies.

Although MEA has been deliberately and unjustly excluded by Government from representing employers on the European and Social Affairs Committee (ECOSOC), MEA has still managed to build a high profile in European and International fora during the past five years. In 2010, MEA hosted the annual general meeting of the European section of the International Employers Organisation, which was attended by representatives of more than 35 European countries. The IOE is the largest network of employers in the world. In June 2012, MEA's Director General was invited to chair an important workshop, organised jointly by the IOE and the EU Commission about public sector reform in European countries. All this in addition to the numerous international engagements the MEA participates in on a regular basis.



THE CONTINUOUS SHAPING OF OUR ECONOMY IS DEPENDENT ON REDUCED BUREAUCRACY, AN EFFICIENT AND EFFECTIVE EDUCATION SYSTEM, AND ENCOURAGING PRIVATE SECTOR INITIATIVES TO STIMULATE ECONOMIC GROWTH.

SUSTAINABILITY, COMPETITIVENESS & PRO-ACTIVITY

IN THE RUN up to the 2008 elections, the MEA had submitted a memorandum to the political parties based on the principles of sustainability, competitiveness and pro-activity.

The Association believes that, because of international developments, these principles apply in today's context even more than they did five years ago.

Sustainability

The need for a sustainable government strikes at the heart of the fiscal crisis. Although Malta is considered to be one of the few countries in the EU to have managed to reduce its fiscal deficit to within 3% of GDP, the debt level of 75% of GDP is still of great concern. It is no consolation that the bulk of it is domestic debt, and that Malta's national debt is lower than the EU average.

The MEA reiterates its claim, made previously, that Government should, without further delay, switch to an accruals system of accounting to give a real picture of the state of finances of the economy. The Association fears that until this is done, the Country will never have a clear picture of its financial situation.

The country needs to reduce the servicing requirement through a reduction of the national debt to more manageable levels. **The reduction of the national debt should be a primary objective of the next legislature and a priority irrespective of which party wins the next election. Political parties need to assure the electorate through an unequivocal and measured commitment to reduce the public debt by an average of 2% per annum**

in the coming five years. All other electoral promises, including any revision of welfare, pensions and any existing and projected public sector expenditure have to be subject to this fundamental obligation.

This is not being proposed because of a diktat by the Commission or the IMF, but out of a sense of duty and responsibility to the public, especially to upcoming generations. All political and social forces need to pledge their support for this objective, in their electoral manifestos and possibly through a social pact. It is imperative that the economy has to achieve a balanced budget to reduce the debt to manageable levels.

Competitiveness

International competition has become more aggressive, with many businesses operating at ever decreasing margins. In the past five years Malta has recognised that there are areas of economic activity in which it cannot compete with emerging economies. However, the assumption that this is limited to low value added manufacturing no longer holds. Malta can safely expect to be challenged by countries like the Philippines even in areas like electronics, pharmaceuticals and ICT.

There are components of competitiveness that depend directly on government: utility bills, service charges, bureaucracy, supply of skilled labour, relativity between wages in the public sector and the private sector, taxation and others. There have been improvements in some areas e.g. Business First, and efforts by the Management Efficiency Unit, but political parties need to commit themselves to intensify their efforts to facilitate competitiveness in the private sector. MEA expects



political parties to provide concrete measures and initiatives which increase the competitiveness of Malta. The Association also expects that all Ministers in general and the Prime Minister in particular will commit and be held accountable to increase the competitiveness of the economy, to optimise the public sector and reduce bureaucracy in concrete terms

Pro-activity

The world is changing in fast and unpredictable ways. The 2008 financial crisis struck without fair warning, commodity prices fluctuate erratically. A tiny spark in Tunisia spread into a fire across North Africa that is raging still in Syria. This appears to be the new world order and survival and progression are strongly dependent on pro-activity and fast reaction time. The size of our economy and that of many of our businesses allows us a greater degree of flexibility that should be exploited to penetrate niche markets, and to keep the economy malleable.

Clay is easy to manage when wet, but hard to alter and breaks easily when set. Government's role is to keep the economy pliable and shapeable to anticipate and benefit from global change.

It was fast response that enabled the aircraft maintenance industry to establish itself in Malta, and that made it possible to implement intervention schemes when many leading companies were hit by the recession. This model needs to be emulated in other areas that offer economic potential, for example bio-technology, gaming and niche financial services.

The continuous shaping of our economy is dependent on reduced bureaucracy, an efficient and effective education system, and encouraging private sector initiatives to stimulate economic growth. Government's role is also to see that the benefits of growth are distributed according to the principles of social justice.

MALTA SHOULD EXPLORE THE
REVENUE GENERATING POSSIBILITIES
OF EXPORTING EDUCATIONAL
SERVICES ABROAD

EDUCATION

EXPENDITURE in education has increased consistently and the investment in Malta's human resource through education should remain a top priority in the years to come.

Education

MEA is proposing that:

- All expenditure in education should be accompanied with specific targets to measure the effectiveness of such expenditure
- There should be a strong effort to identify the causes of school drop-outs, and possibly assign social workers to identify and follow such cases before they drop out of the education system
- More students should be encouraged to take mathematical and science orientated subjects by making such subjects attractive at an early stage
- A new model of funding education should be developed with the aim of giving real choice to parents, increase the possibility of investment in education by the private sector and support the continuous development of a more effective education system.
- There should be intensified efforts to reduce further the incidence of early school leavers and illiteracy.

At post-secondary level:

- The setting of a periodical exercise to flag courses according to employability prospects. The implications of such an exercise are extensive and we should not underestimate the amount of work required for this to be effective, yet such an exercise should work to avoid having a situation prevalent in many countries of unemployed graduates. This will not be a *numerus clausus* as students will still be free to select any discipline in which they want to further their studies. The exercise will be conducted with employer bodies and revised every three years, and the flagging will be

part of the prospectus at University and MCAST.

- A further revision of the students' stipend scheme to orientate more students towards career paths that are in line with the country's development. This can run concurrently with the proposal to flag courses. The retention of the stipend scheme should not be politicised and definitely not be retained at the expense of enhanced educational facilities.
- A strengthening of apprenticeship schemes and stronger emphasis on vocational education
- Establishing clear pathways for progression of students across the National Qualifications Framework.
- Continuing with the accreditation of experience for study and career progression
- Throughout the educational system, there should be tangible actions to promote a positive work ethic and hard work among young people, as values to be respected and an integral part of citizenship.
- Career guidance teachers/officers in MCAST, University and secondary schools should be required to have periodical mandatory involvement/work periods in the private sector.
- Stimulate and aggressively promote entrepreneurship. Create the necessary infrastructure and opportunities for entrepreneurship to flourish.

Education as an Economic Activity

Malta should explore the revenue generating possibilities of educational services. We already have a thriving industry in the teaching of foreign languages in Malta. This can be expanded into a marketing effort to attract more foreign students to Malta, and also to set up a campus abroad. There have already been contacts between the Maltese and the Libyan authorities in this respect which can be developed further. This could be an exciting and profitable venture which could generate




revenue to finance further investment in education in Malta, and generate employment for many Maltese academics and teachers.

Such ventures should be coordinated between Malta Enterprise, the Embassies concerned, and representatives from the Ministry for Education and tertiary education institutions.

Although the social dimension of education should remain at the forefront, it is equally wise to consider it also as an economic activity which generates revenue. Revenue from education can ensure that it remains free and sustainable in the medium and long term.

Foreign Students

Malta can benefit from the presence of foreign students. This is already evident in the Language schools, but can be extended to cover other areas, particularly in tertiary education. The current situation is that EU Nationals can attend University and MCAST free of charge and also earn a stipend. It is being proposed that, rather than having University and MCAST automatically free, students will be given a scholarship equivalent to the cost of the course. This will enable MCAST and University to attract EU students at a charge. The student stipend can also be paid as a social service to all students, rather than by the education ministry. This can result in both a reduction in costs as well as an increase in revenue. Government should look into the process of issuing visas to third country nationals seeking to study in Malta, in order to fast track applications for individuals or groups who are genuinely seeking to study in Malta



EMPLOYMENT IN THE PUBLIC SECTOR HAS TO BE CURTAILED FURTHER, ALBEIT IN A TARGETED MANNER, IF THE COST OF GOVERNMENT IS TO BE REDUCED. THIS IS BOTH A POLITICAL AS WELL AS A SOCIAL CHALLENGE.

THE PUBLIC SECTOR

EMPLOYMENT in the public sector has to be curtailed further, albeit in a targeted manner, if the cost of government is to be reduced. This is both a political as well as a social challenge.

Public sector Employment

However, the public sector and the economy can benefit from reduced manpower in public corporations and also in various other departments. A less expensive yet more effective public sector should be a target for any Government in the short term.

The Association calls for a rationalising exercise to determine the extent of idle labour in the public sector to devise a strategy for a reduction in the overall complement over the coming five years. This will be accompanied with a re-training and re-deployment exercise to channel excess labour to areas where they may be required, together with a general manpower plan to anticipate future requirements and contain the cost of labour in the public sector. The effectiveness of all boards and committees should be reviewed to rationalise where necessary through possible amalgamation or abolition.

The experience in Air Malta and the Shipyards are examples that demonstrate how public sector entities can be rationalised and made to operate more efficiently even if the cost to the tax payers is considerable and every effort should be made to have the necessary governance structures in place in order not to allow public corporations to get to a stage which demand such costly restructuring for them to survive. These examples

should be emulated in other bodies, such as MEPA, Agenzija Appogg, Water Services Corporation, Enemalta, Housing Authority, Mater Dei and Malta Transport to mention a few.

A system of checks and balance could be introduced through which the influence of the politicians on the running of the public sector is reduced with the chairmen of public entities becoming accountable to a parliamentary committee.

Collective Bargaining in the Public Sector

Political parties should undertake not to negotiate any collective agreements for the public sector and public sector entities within six months of the end of the legislature. Negotiating collective agreements too close to an election places government in a weak position with the unions, and the collective agreement could also be used to gain electoral mileage by a governing party. Any collective agreement should be concluded before six months prior to the end of the legislature (even if an election date is not announced). Unions who may procrastinate to gain advantage by bringing the negotiations close to an election will miss the boat and the negotiations will resume following the election. Ideally negotiations should take place during the first three years of a legislature.

Government should also make public the outcome of collective agreements negotiated in the public sector, including any measures towards productivity gains and improved service to the public.

UNDOUBTEDLY, ONE OF THE MAJOR CHALLENGES FACING THE NEXT LEGISLATURE, GIVEN THE INCREASING DEMAND AND FINANCIAL CONSTRAINTS, IS MAINTAINING FREE HEALTH CARE.




HEALTH

UNDOUBTEDLY, one of the major challenges facing the next legislature, given the increasing demand and financial constraints, is maintaining free health care.

Irrespective of electoral promises by political parties, the burden on public finances of health care is increasing and it may well come to a stage where charging for health care may be inevitable in spite of the best intentions of the party in government. The Association urges political parties to:

- A redefinition of health care financing in Malta aimed at bringing more visibility of the costs related to healthcare, create better control mechanisms and reduce overall healthcare cost. The Association encourages the Government to work with the private sector to develop a payment system to achieve such aims.
- Ensure better management and governance at Mater Dei and government polyclinics.
- A more efficient utilisation of existing resources and manpower leading to more productivity and better controls.
- Eliminating wasteful practices in the operation and management in the provision of free medicine. Patients can be made to pay for their medicine and be reimbursed by Government. This will make them appreciate the value of what they are obtaining from the state.
- Private public partnerships to utilise spare capacity in private hospitals and clinics
- Redefinition of the role the Gozo hospital plays in the hospital network and the health care system.
- Generating revenue by promoting Malta to foreign patients as a centre for health tourism and treatment of particular conditions. This should be carried out in association with the private sector.
- There should be more information and greater transparency to consumers on healthcare spending.
- There should be an investment programme in healthcare technology with the aim to bring down the cost of healthcare.
- Invest in and improve primary healthcare and the provision of health in the community.



THE GENERAL AIM OF LABOUR MARKET POLICY SHOULD BE TO PROMOTE EMPLOYMENT AND INCREASE THE AGGREGATE NUMBER OF PRODUCTIVE HOURS AND THE VALUE OF ITS OUTPUT, RATHER THAN TO ENCOURAGE ABSENCE.

EMPLOYMENT

IT IS ESSENTIAL for Malta to increase the participation in the labour market and to increase the productivity of participants in the labour market.

Active labour market policies

It is recommended to enhance active labour market policies to maximise the activity rate in the labour market. The fiscal incentives given to pensioners and married women are already yielding positive results which need to be maintained.

Atypical Employment

Definitely, one type of active labour market policy which should be embraced and encouraged is atypical employment. Part-time, teleworking, temping work and definite period contracts are tools which can enable many people to work under conditions which suit them and employers.

It is regretful that some Unions have created an issue with the notion of 'precarious work', and in many cases equating precarious work with atypical employment, with wild accusations against private sector employers which have neither definition nor measurement. What is even more disappointing is that even political parties joined the fray.

The fact remains that Malta has a much lower rate of persons on part time and on definite period contract than the EU average, and that many of those engaged on such contracts are doing so voluntarily. In the coming years, atypical employment will inevitably increase, but this cannot be interpreted to mean that more employees are being employed precariously.

There will also be more need for temping agency workers to substitute employees on long leave due to personal

reasons. It is impractical to expect employers to have a more flexible work organisation and accuse them simultaneously of engaging people under precarious conditions.

On the other hand, MEA supports law enforcement, the curtailment of the black economy. It has always supported giving employees on atypical work similar rights and conditions to those on indefinite, full time employment.

Ethical Principles and Employment

In addition to the previous point, MEA implores political parties to provide a level playing field among employers to ensure that companies that respect ethical principles in their dealings with employees and consumers are not penalised relative to others who work differently. The Association has submitted a draft Services Charter, covering the security, cleaning and care working sectors, to reward companies that respect ethical principles in employment. Presently, there are too many reports of companies who lose their bid for government tenders in the sectors mentioned because of unfair competition from other operators who may be providing substandard working conditions. The Association is calling on Government to adopt the service charter as discussed and agreed to.

Other sectors face similar situations. Importers of new cars face an unfair disadvantage with second hand car importers – they are obliged to train people in accordance to standards set by the brands they represent, abide by OHS and other regulations, are covered by collective agreements that provide good conditions of employment to their employees. This is all acceptable provided there is a level playing field among all operators in the sector.



A similar situation is faced by importers. Parallel traders offer less value to consumers and practically zero after sales service, yet in many cases are not obliged to offer the same standards of service as authorised agents (eco tax, customs procedures, conditions of employment etc). Competition is always welcome, but the same goal posts have to apply to everybody.

The Association calls on political parties to take all measures necessary to remove barriers to legitimate business. This is also in employees' interest as companies that operate according to established standards offer better conditions of employment. MEA supports and encourages Government to strengthen the enforcement arm of entities such as ETC, the DIER and even the police to reduce such abuses. It expects that political parties commit to the creation and protection of a level playing field.

Employment Legislation

The EIRA, which has been in force since 2002, needs to be revised to be more in tune with current labour market issues. This should be done following consultation with the social partners through the MCESD and the Industrial Relations Board. There are various issues that the MEA believes need revising, amongst them the operation of the Industrial Tribunal, and a clarification of union recognition.

MEA appeals to political parties not to introduce labour legislation which unnecessarily reduces labour market flexibility and competitiveness. Any labour legislation that is intended to correct labour market practices cannot be based on anecdotal evidence and has to be backed by research prior to discussion at the Employment Relations Board.

Family Friendly Measures

As mentioned in the opening chapter of this memorandum, there is a culture change in the labour market regarding women at work, resulting in a trend whereby an increasing number of women are staying in productive employment. This is being achieved through socio-cultural changes concerning family life, education, and women's aspirations in general. Another factor is the proliferation of flexible work organisation which allows for a better balance between work and family life.

The main segments that ask for flexible work arrangements are:

- Parents with young or adopted children (less than 8 years)
- Single parents
- Employees looking after elderly parents
- Retired persons


Employers recognise that employees need support, but governments should steer clear of making family friendly measures mandatory on employers. Requests for reduced working hours, teleworking, flexitime and others can only be dealt with on a case by case basis, depending on the nature of the job and the company's situation. MEA has been promoting the adoption of FFMs among employers, and there is certainly a change in culture in favour of flexible work organisation whereby, in many cases, a win-win settlement is negotiated between the employer and the employee. Over-regulation will make the implementation of such measures across the board difficult, in some cases impossible. Hence the Association proposes that rather than having restrictive legislation on the matter, the Government publishes, in consultation with the MEA, a set of guidelines promoting the implementation of FFMs.

Maternity Leave: Employers should not be burdened with payment for maternity leave. The cost of the thirteen weeks which are currently paid by the employer needs to be phased out to be paid by the state. The addition of maternity leave to company expenditure places female employees at a disadvantage in seeking employment.

Extension of School Hours: Family friendly measures should focus on attendance at work, rather than encourage absence. Government should provide the necessary infrastructure to enable people to work. Therefore a quality and affordable child care service is preferable as a policy option to an extension of maternal/parental leave.

It is important for school hours to be extended to accommodate the need of many working parents with young children. There has been a positive take-up in the schools where this service has been provided on an experimental basis and the service needs to be extended to cover all areas in Malta and Gozo.

The MEA proposes that the Government enters into a partnership with the private sector to provide such service across the whole state school network which would be at a charge to the users of such a service.



A FUTURE GOVERNMENT IS
DISSUADED FROM RESORTING
TO PROGRESSIVE TAXATION TO
REDUCE INCOME INEQUALITIES.

WAGE DETERMINATION

THE ASSOCIATION is against the overregulation of labour markets, and, while it supports the idea of a minimum wage to provide for a minimum standard of living to employees, it is against the indexation of wages to inflation.

COLA

Wages should be determined by labour market forces and productivity. Malta also has a relatively high rate of unionisation which allows for collective bargaining at enterprise level and a revision of wages that reflects the company's situation. Thus, MEA recommends limiting the COLA to minimum wage earners, or else a revision of the mechanism to allow for an indexation of wage increases to productivity, rather than inflation.

Income Distribution

The transformation of the economy has brought with it an element of social friction and tensions, as it is evident that some sectors of the economy offer better conditions of employment than others. This is a reflection of different productivity levels in different economic sectors, coupled

with labour market conditions. Government should look into relaxing income tax bands for targeted groups, as long as this does not work against the objective of fiscal consolidation.

It is understandable that government should use fiscal policy as a means of narrowing excessive income inequalities, and to distribute income in a manner that favours vulnerable groups. However, in Malta wage differentials are very low, and in some cases act as a disincentive to labour mobility and career progression. The civil service is a classic case, with a differential ratio of 1:4 between the lowest and highest grades of the salary scales.

Labour mobility is essential and healthy for our economy. Higher incomes in certain sectors and occupations incentivise young people to take up profitable careers. A future government is dissuaded from resorting to progressive taxation to reduce income inequalities. This would slow the pace of economic transformation, could incentivise the informal economy, and also result in reduced government revenue.

MEA FAVOURS A FAIR AND SUPPORTIVE SOCIAL WELFARE SYSTEM THAT OFFERS PROTECTION TO VULNERABLE GROUPS AND ENABLES AS MANY PERSONS AS POSSIBLE TO PARTICIPATE PRODUCTIVELY IN SOCIETY.



SOCIAL POLICY AND WELFARE

MEA FAVOURS a fair and supportive social welfare system that offers protection to vulnerable groups and enables as many persons as possible to participate productively in society.

There needs to be a re-thinking of the concept of ‘making work pay’, which is frequently being interpreted to mean that there is a choice between living off social benefits and working. The fact that there is only a marginal difference between the minimum wage and the social welfare package cannot be an excuse for refusing a job or for raising the minimum wage. Social benefits have to be conditional to seeking and accepting employment and should not be designed in a such a manner which makes the recipient better off remaining on social welfare rather than taking up employment.

Wages and Risk of Poverty

In recent months, there has been mounting concern about the adequacy of wages, in view of families that are at risk of poverty. A report by Caritas highlighted that the percentage of families at risk of poverty in two parent household is 3%, this figure rises to more than 50% in the case of single parent households. The findings also reveal that a two income family with two children would not be at risk of poverty even if both spouses earn a minimum wage.

MEA made its position clear why raising the minimum wage will not address the problem and may be counterproductive to the interests of the groups which such a measure would be intended to help. The Association has proposed the following measures to improve the situation of families at risk of poverty.

- Students need to be educated at an early age about the importance of life skills such as family budgeting.

- Adults, especially young couples, should be educated through community based projects about parental skills, family budgeting and resource utilisation (e.g. energy saving, water conservation). Such training should be made mandatory for recipients of social benefits.
- A continuous effort to use education as a means to move people into more productive and higher paying occupations. More adults should be encouraged to participate in life- long learning.
- Strengthen the infrastructure required to enable families to access a second income. This can be achieved through a continued extension of affordable child care facilities, and extension of school hours.
- Employers also have a role to play by being more receptive, where possible, to flexible and atypical work organisation to enable more women to access gainful employment.
- Employers should also use training and development to increase the value added of production and develop their human resource to its full potential. This is a means of improving competitiveness and makes higher wages affordable.
- There should be more acceptance by Unions about the necessity of atypical employment (part-time work, definite period contracts, temping) in order to increase accessibility of families to earn a second income, provided that such practices occur within legal parameters.
- There should be special social assistance to families who earn a low income and, due to particular circumstances – e.g. caring for disabled children – cannot afford to work for a second income.
- Government should intensify its efforts to curb benefit fraud, to free resources that should be



used to assist families who are truly in need. These include unmarried couples that take advantage of benefits allocated to single parents; and individuals who choose to work in the informal economy to be entitled to benefits and avoid honouring their parental obligations.

- Government should give preference to targeted benefits – aimed at children in particular – rather than cash handouts to ensure that social benefits are truly channelled into uses for which they are meant. Child welfare has to be the priority.
- Civil society and church authorities should raise awareness about the financial implications on children of broken families. There should be a concerted effort across all society to promote family values and to make people aware of the responsibility and obligations involved in raising children. This effort can be enhanced through programmes and measures to bring down young/single pregnancy rates such as better sex education and PSD programmes in schools.

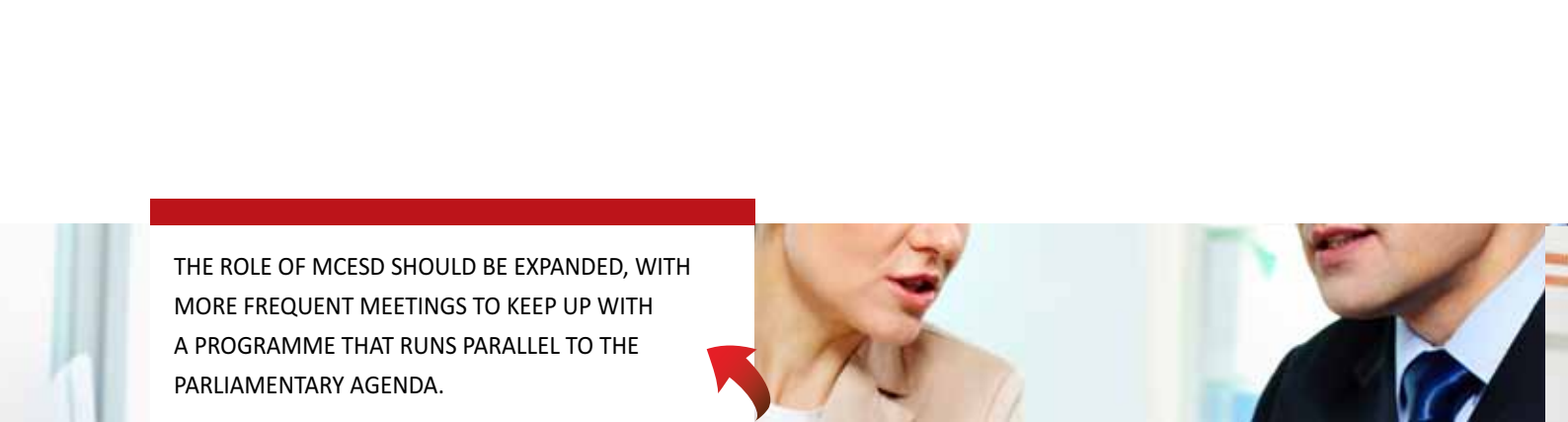
Pensions

MEA appeals for political consensus on pension reform. The Association's position is that, rather than raise the retirement age further and introduce a mandatory second pillar, the first pillar should be strengthened and voluntary third pillar schemes should be encouraged through incentives, especially for young persons. Concurrently, the average exit age from the labour force should be increased through active labour market policies targeting retired persons, and schemes to encourage 'gradual' retirement. The experience of the past few years has already revealed that, with the right incentives, the number of retired persons in the labour market will increase without the need to make the increase in retirement age mandatory for all.

The sustainability of the first pillar also depends on the labour activity rate, including female participation.

Billing of Free Services

Government should introduce a system to bill families even in cases where services provided are free of charge. Citizens need to be made aware of the cost of services to appreciate their value. Such a system could be introduced in areas like education and health.



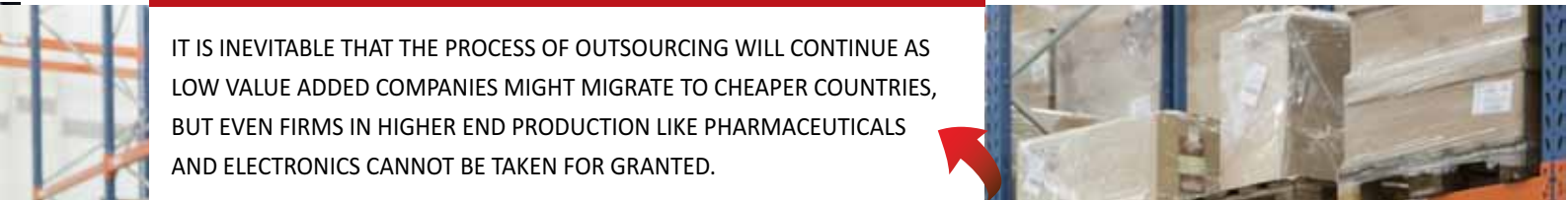
THE ROLE OF MCESD SHOULD BE EXPANDED, WITH MORE FREQUENT MEETINGS TO KEEP UP WITH A PROGRAMME THAT RUNS PARALLEL TO THE PARLIAMENTARY AGENDA.

SOCIAL DIALOGUE

THE ROLE of MCESD should be expanded, with more frequent meetings to keep up with a programme that runs parallel to the parliamentary agenda.

As things stand now, most monthly meetings of the MCESD are taken up by discussions about the National Budget and presentations. Member organisations should be able to nominate more than one substitute to be able to keep up with such an enhanced role. In its role as a consultative body, MCESD will report on opinions and recommendations by the social partners to parliamentary committees and parliament before any acts related to social and economic issues are enacted.

Following the recent changes in MCESD the composition of MEUSAC and MCESD are similar, although there is a stronger representation of civil society in MEUSAC. The two entities can work closer together to create more synergy and utilize better their resources, especially the administrative structure. MCESD and MUESAC could retain their identity but come under one principal entity – the MCESD – which would be the main social dialogue institution in Malta.



IT IS INEVITABLE THAT THE PROCESS OF OUTSOURCING WILL CONTINUE AS LOW VALUE ADDED COMPANIES MIGHT MIGRATE TO CHEAPER COUNTRIES, BUT EVEN FIRMS IN HIGHER END PRODUCTION LIKE PHARMACEUTICALS AND ELECTRONICS CANNOT BE TAKEN FOR GRANTED.

SECTORIAL RECOMMENDATIONS

IN SPITE of outsourcing during the past decades, and the effect of the 2008 recession, manufacturing remains a major industry in Malta, employing 23000 full time employees

Manufacturing

Across Europe, the high unemployment figures is leading many countries to regret undervaluing the role of manufacturing on the assumption that their economies could compensate lost jobs in alternative sectors of the economy. These countries are clamouring to bring back outsourced investment. Malta should learn from the mistakes of other countries and seek to restructure the manufacturing sector to retain, and possibly expand, its contribution to the economy.

Many manufacturing firms cannot survive if utility rates are the highest in the EU, topped with the prospect of increased service charges and automatic wage increases through COLA. It is inevitable that the process of outsourcing will continue as low value added companies might migrate to cheaper countries, but even firms in higher end production like pharmaceuticals and electronics cannot be taken for granted. It needs to be added that the much awaited port reform failed to deliver the reduction in transportation costs that many companies had hoped for.

The Association calls for the undertaking of a comprehensive exercise in this area with the aim of developing a national manufacturing strategy covering a period of ten years which targets both FDI in the sector as well as covering domestic investment.

Tourism

Tourism will remain one of the major pillars of the economy in spite of economic transformation. The industry has underwent some radical changes in the past few years: the introduction of low cost air-lines; decreasing importance of tour operators; an upward trend in cruise liner activity; fluctuating arrivals and per capita expenditure due to the recession; increased importance of conference travel. Malta as a destination is facing more competition from emerging destinations (e.g. Croatia) and other potential future rivals in North Africa.

One of the issues facing the industry, hotel owners in particular is low profitability even in situations of good occupancy. The major cause has been escalating energy prices. The average stay per tourist is also on a downward trend as a result of changed consumer behaviour. Over ten years, tourist arrivals increased by 21%, but actual nights increased by 7%.

The Malta Tourism Authority has managed to market Malta and to penetrate niche markets through its campaigns. It has also established a clear link between marketing efforts and tourism numbers. Yet we feel that more needs to be made in the promotion of Malta and that MTA should approach this aspect through better collaboration with other stakeholders in the tourism industry.

The MEA proposes:

- To conduct a cost benefit analysis to determine the profitability or otherwise of different tourism segments. This will weigh the consumption and cost of the country's resources (marketing, water, energy others) against the benefits in terms of

foreign currency earnings, employment and related multiplier effects.

- A better utilisation of the resources needed to promote Malta and grow this important sector in our economy. The key stakeholders need to work together towards achieving a common aim for the benefit of this country.
- Continuing to source alternative markets, for example China and Japan
- Strengthening efforts to tap incoming tourism during the shoulder months. Many hotels are considering closing during the winter season due to low occupancy. Malta can be equally attractive as a destination during the spring and autumn seasons as summer.
- A better coordination between infrastructural works and tourist operators to minimise inconvenience and lost revenues. Works that are not completed as programmed should be penalised to compensate affected businesses.
- Political parties should commit themselves not to increase operating costs and taxation for the next five years.
- Establish a quality mark for operators in the tourism sector.
- Government should ensure the restructuring of Air Malta and that the airline is run on purely commercial terms with no political interference in the running of the company. The role played by Air Malta is too important for this country to risk having to close down this enterprise.

Real Estate

Government needs to encourage investment in the property market. This is a sector which employs 1000 persons yet contributes to 6.2% of GDP, with productivity more than 800% of the economy average. It is not an impossible task to reconcile the growth in the sector with environmental concerns. The real estate sector contributes in the generation of jobs, tourism and attracts investment and capital from overseas.

Investors need to have a good return on their investment and the prevailing tax and licensing regime is putting off a substantial number of investors, these include: (1) income tax on rentals at 35%; (2) sales tax at 12%; (3) an outdated system of taxation/penalties to cater for under declared values for stamp duty purposes; (4) discriminatory rates for utilities consumption; (5) restrictions on foreigners

to rent out their property unless this is in a Special Designated Area and others. The MEA is proposing that the above barriers are looked into and addressed to ensure more investment in this sector.

The reform of MEPA is still waiting to happen, there needs to be an overhaul of MEPA. The excessive fees which are being charged to developers are unreasonable and are on themselves causing cost-push inflationary pressures on the property market, to the detriment of both developers and their customers. The real estate sector cannot be treated as an enemy the state. The way the changes in the permanent residency scheme were handled severely damaged what could be a lucrative sector for Malta. Foreign property buyers should be incentivised to invest in Malta, rather than being perceived as a threat to domestic buyers. This is especially the case given that the Maltese labour market, and Maltese society in general, is becoming more cosmopolitan. Foreigners living in Malta contribute to our aggregate labour hours, increase domestic demand and contribute to the general prosperity of the country.

In all this the environment remains an important consideration. It is essential that any development is sustainable and protects the country's natural heritage. Yet we need to ensure a balanced approach is found to tackling this important sector of our economy with the environmental expectations we have learned to expect.

Agriculture and Fisheries

Although Agriculture and fisheries constitute only 3% of national output, and employ 2100 full time persons (and an additional 1000 on a part time basis), it remains an important industry and one which contributes to the well-being and health of the Maltese population and the performance and value added of the tourism and food manufacturing sector. The production of food produce is also part of the national identity.

The size of the country, the weather and the resources available pose substantial challenges to this sector. Notwithstanding this there is scope to invest and develop this sector further.

MEA recommends:

- A detailed study with the aim of developing a national strategy and plan for the development of agriculture and fisheries in Malta.

- A sustained effort to shift agriculture to organic farming to source marketing niches with higher value added potential.
- Identify indigenous products and market as exclusive items: e.g. the Maltese black chicken
- Investment in human resources: MCAST's Institute of Agribusiness is a good training ground for developing agriculture as a profession. There is still a mistaken perception that work in agricultural is menial and unskilled.
- Specialisation: Malta should select the produce which is worthwhile producing to benefit from economies of scale. Some products might be wasteful and not worth producing locally (e.g. water consumed to produce water melons).
- Maximise Malta's fish farming potential to diversify marine produce.
- Strengthen ties with MTA to encourage agri-tourism
- Work with restaurants, dieticians and health authorities to promote local produce
- Continue with the reforms at Pitkali to contain inflationary pressures on agricultural products caused by an inefficient distribution system.

Financial Services

The Financial services industry today generates 7000 full time jobs, accounts for 5% of economic output and has experienced rapid growth following Malta's accession in the Eurozone. This sector has high growth potential and should be protected from any EU legislation, such as the EU wide financial transaction tax (FTT) that can have a negative effect on this sector. Over the past years, Malta has built an international reputation as a country that was spared the impact of the financial crisis because of good governance of its financial institutions. This reputation gives Malta a competitive advantage that has to be maintained and cultivated. MEA expects political consensus on this matter to ensure that this sector continues to expand. It also expects that any government will be proactive in the area and ensures it engages within the EU to ensure it protects to the best of its ability Malta's interest in this sector.

Given recent developments in North Africa, it becomes even more essential to explore and initiate inroads into Islamic banking. The Association feels we are already late in this area but encourages political parties to give serious considerations to this potentially very lucrative sector.

The MFSA should establish closer liaison with MCAST and University to generate skilled and professional human resources to work in this sector.

The Maritime Sector

Malta should establish a leadership council for the marine industries tasked with the development, implementation and delivery of a strategy to develop further the potential of its maritime sector. The marine sector is being defined as ranging from the industrial/commercial to the leisure ends of the spectrum. We are envisaging ancillary offshoots that can generate substantial revenue and job creation opportunities such as for example the development of maritime computer systems, offshore renewable energy and research & development in the area. In addition we are also confident that given our history as a key naval base together with the entrepreneurial spirit of the Maltese we can be in a very good position to export our services to the global marine market which we understand is one of the growth areas going forward.

Malta already has one of the best established shipping registers world-wide, but there is room for further expansion in other areas, namely:

- The leisure sector. The demands and aspirations of a growing middle class, the development of marinas, supply networks, equipment manufacturers, maintenance organisations and holiday companies.
- Ship building, repair and conversion. There is room to enable profitable private initiatives in the building and repair of yachts with growth opportunities in the conversion sector. In addition Malta should explore into the development of high value systems and equipment and maritime technology development.
- Logistics. Malta can enhance its maritime contacts with North Africa and serve as a logistics centre in this area.
- Business services.
- Malta should carve for itself a niche in the provision of specialised services to shipping companies operating for example in the energy industry such as the transportation of liquefied natural gas just to mention one.
- Looking into the future the area of marine renewable energy is an emerging sector which has considerable growth potential over the next 20 years.

SMEs

A number of schemes (Micro-Credit, Micro Invest, Micro-Guarantee, employment schemes) that have targeted micro-enterprises and SMEs have been well designed to assist and incentivise small enterprises into investing and employing people. These schemes need to be promoted more heavily for a higher take-up. SMEs should also have access to specialised assistance in applying and acquiring funding and resources through these schemes. Many complain that applying and administering the schemes has been too laborious and frustrating. This is the case even for schemes open for larger businesses. The TAF is one notorious example.

Role of Embassies

Embassies should be business driven and given more scope to act as extensions of Malta Enterprise to attract foreign direct investment and to offer opportunities for local enterprise to invest abroad. Although the scope of embassies is not exclusively the promotion of business, there should be more emphasis on this critical function which should be one of, even if not only, the main reasons why an embassy is set up.

MEA proposes that embassies and their staff are given FDI targets on an annual basis which would be required to be met. As a country with limited resources Malta needs to fully utilise the potential of this expensive resource.

Government Procurement

In most cases government procurement remains a central revenue generator for business in a number of sectors. This normally generates substantial interest by the business community which expects that the process is run in a transparent manner where everyone has a fair chance of winning the business. Whereas eProcurement has improved the process somewhat, the following is being proposed to ensure better accessibility and more participation in the process:

- removal of bid-bonds altogether
- allowing the re-introduction of a single bond, where a contractor can issue a single guarantee which is issued by a bank against a nominal fee, which single bond can be used to cover a number of contracts
- allow insurance companies to issue performance guarantees
- create a supplier database where performance of suppliers is given due weight in the award of pursuant contract
- create a portfolio for regular bidders, so that they only need to submit their technical offer and financial offer instead of having to submit all documents time and time again
- re-introduction of MEAT – most economically advantageous tender
- do away with ‘cheapest compliant’ tenders or if necessary change to ‘inexpensive compliant’ tenders
- removal of tender collection fee
- budget to be declared
- allow for variant solutions
- realistic delivery timeframes
- guarantees to be reduced pro-rata to warranty or after-sales value

VARIOUS STUDIES AND DATA SOURCES DEMONSTRATE THAT MALTA FACES A SERIOUS COMPETITIVE DISADVANTAGE DUE TO THE RELATIVE COST OF ENERGY PAID BY BUSINESSES COMPARED TO OTHER COUNTRIES



ENERGY AND GREEN ISSUES

A LOT HAS BEEN DONE to improve both the natural and the historical environment. The sea is much cleaner due to drainage treatment, and the overall landscaping has improved remarkably.

Efforts at waste management are gaining momentum, and the new public transport is claiming to have reduced emissions, in spite of all its other shortcomings. The next legislature should build on these trends and also address other environmental matters. Chief amongst these is noise pollution which is affecting business and consumer alike. The draft White Paper on noise pollution has yet to be discussed and passed through parliament.

Green Initiatives

There has been a strong response to incentive schemes to promote green initiatives both by households and businesses. This is the result of both the hikes in utility tariffs as well as increased awareness of environmental issues. For example there has been a wide diffusion of solar water heaters all over Malta and Gozo during the past few years. The installation of photovoltaic panels is also picking up.

MEA is proposing an extension of these initiatives to make such technology available to a wider number of households and businesses, and to enforce the inclusion of energy saving techniques in new buildings. These schemes can be partially funded through the polluters pay principle.

Energy

Various studies and data sources demonstrate that Malta faces a serious competitive disadvantage due to the relative cost of energy paid by businesses compared to other countries. Utility charges form a substantial part of

the costs of manufacturing companies and hotels – often the second largest cost factor following labour, and the rates have eroded the profitability of many enterprises.

Malta needs a defined energy policy which will factor in:

- the price of oil,
- the efficiency of energy generation,
- projected consumption,
- energy generated from alternative sources,
- the impact of the interconnector
- and disadvantages from diseconomies.

These variables could be formulated into a model to provide industry with a forecasting tool to anticipate prices of energy. The primary objective of the energy policy is to bring the cost of energy to industry close or lower than the international average.

As in the case of Air Malta, Enemata should be made to operate on commercial lines and to ensure that there is no political interference with decisions taken. Enemalta remains one of the key risk factors for Government in the reduction of utility rates for businesses and households alike. The MEA continues to be concerned about this entity and the potential high risk it places on the country as a whole. It is therefore proposing that the Government enters into an immediate exercise to drastically reform and restructure Enemalta, and to complete the closure of the inefficient Marsa power station.


Water

The matter of water conservation is as important as that of electricity generation. It is known that the water table is being depleted and contaminated, mainly due to unrecorded extraction by unlicensed boreholes and excessive use of pesticides. In the coming years,

increased salinity and pollution of the water table will add on the dependence on the reverse osmosis plants, and consequently the cost of producing water.

MEA is proposing:

- Ongoing awareness campaigns about the cost and value of water among the population. Thus far water is highly subsidised and its true value is not appreciated by most people. This includes educational programmes in schools about water economy. People must be made aware of the importance of water management.
- A phasing out of pesticide use by the agricultural sector to shift to organic farming. This will add to the value of agricultural produce as well as reduce the contamination of the water table.
- An agricultural policy that prioritises the range of crops to be produced, depending on water consumption. Crops with an excessive water input would be cheaper to import than to produce locally.
- Enforcing regulations for new buildings to cater for water supply. Today, blocks of apartments invest in basements to garage cars. A similar investment should be made in water conservation.
- A strategy to improve rainwater catchment by commissioning experts to advise on diverting more rainwater to the water table or other designated storage facilities.
- Imposing heavy fines on illegal water extraction, and industrial pollution of the water table.
- Imposing taxes on ostentatious consumption (water for pools) and fines on wasteful practices (e.g. washing of cars with water from water mains).
- Incentivising water conservation in households. This could be achieved by offering audits to households in water consumption, and free testing of well water.



IN THE COMING YEARS, INNOVATION AND CREATIVITY WILL BE LIFEblood OF ECONOMIC GROWTH. GOVERNMENT SHOULD ALLOCATE MORE FUNDS TO INNOVATION AND CREATIVITY AMONG INDUSTRY AND EDUCATIONAL INSTITUTIONS.


INNOVATION AND CREATIVITY

IN THE COMING YEARS, innovation and creativity will be the lifeblood of economic growth. Government should allocate more funds to innovation and creativity among industry and educational institutions.

Malta needs a culture change in this respect which, together with entrepreneurship, requires mainstreaming in all levels of the education system.

MEA proposes that:

- Innovation and creativity can be included in the National Minimum Curriculum as part of compulsory education.
- A higher investment in the infrastructure for the development of the creative industries
- The development of a financial infrastructure for innovation projects in industry through increased financing for such projects
- A larger investment in the Malta Council for Science & Technology for it to be able to play a more central role in the field of science and technology in Malta.



IN 2018 VALLETTA WILL BECOME THE EUROPEAN CULTURE OF EUROPE. THIS EVENT WILL GIVE MALTA TREMENDOUS VISIBILITY ACROSS EUROPE AND BEYOND

CULTURE AND THE ARTS

ART AND CULTURE could also contribute to Malta's economic development. They define our national identity, and stimulate innovation and creativity.

In general, culture and the arts should be removed from falling under a tourism authority or Ministry. Tourism is a by-product of culture, not the other way round, as culture has a much wider remit than attracting tourists to Malta.

In 2018 Valletta will become the European culture of Europe. This event will give Malta tremendous visibility across Europe and beyond, and it is to be expected that local cultural and artistic talent will play a critical role in the success of this venture.

- Malta needs to provide artists with more space to develop their talents. MEA proposes setting up an artists' quarter in Valletta. Such an initiative will add life to the city with positive effects on commerce. There are plenty of vacant buildings in Valletta that

can provide studio space to musicians, painters, sculptors, film-makers and other disciplines through subsidised rent.

- Malta has a wealth of 20th Century visual art by Maltese artists which is at least on a par with what many other countries have on offer in their museums. Artists like Caruana Dingli, Emvin Cremona, Josef Kalleja, Antoine Camilleri, Esprit Barthet (to name a few), could be important attractions to Maltese and tourists alike. Such works can be housed either in a large venue with a comprehensive collection, or alternatively in 'houses' spread across Malta with collections of particular artists. The latter option can help spread tourism into Maltese villages.
- These artists can be used to brand Malta in a similar manner in which cities like Barcelona use Gaudi and Miro, which uses their motifs in paving stones, outdoor furniture design, cutlery and anything imaginable to establish a distinguished identity which adds to the quality of life of its citizens and also serve as an attraction to visitors.



BECAUSE OF ITS SIZE, GOZO NEEDS TO STEER AWAY FROM RELIANCE ON ACTIVITIES THAT ARE NOT COMPATIBLE, E.G. OVER-FISHING AND DIVING HOLIDAYS; OVER DEVELOPMENT AND AGRI-TOURISM



GOZO

GOZO requires a distinct strategy that matches its particular characteristics of insularity combined with natural beauty.

Although Gozo's main economic activity lie in sectors whose productivity is less than the national average, the strategy should be to move Gozitan activity into high end niches within these sectors.

The strategy should include:

- a wider application of alternative and innovative energy sources, including wave and wind energy
- targeting niche and high-end tourism markets: religious tourism, agri-tourism, health tourism; sport tourism
- converting all agricultural production on the island to organic farming
- establishing an annual cultural calendar, helping the expansion of the opera season
- investing in health services to complement the facilities at Mater Dei. Such facilities could also cater for Maltese patients and would require a new investment in the Gozo hospital which according to various reports is in a state of neglect
- easing of restrictions of foreign buyers of real estate to encourage foreigners to buy property and settle in Gozo

- diversifying Gozo's economy to offer more jobs for Gozitans in sectors such as R&D; health care; ICT; financial services
- improving accessibility to Gozo: Gozo Channel; helicopter service; possibly a short airstrip for light aircraft
- raising Gozo's GDP from 72% of Maltese GDP to 85% of Maltese GDP within 5 years
- introducing fiscal incentives for companies creating jobs in Gozo
- reducing the corporate tax rate for start-ups operating from Gozo and employing 5 or more people
- incentivise the development of at least two more 5-star hotels in Gozo with a view to attracting higher yielding visitors to the Island. Such development does not necessarily need to be new development.

These actions are complementary and mutually supportive. Because of its size, Gozo needs to steer away from reliance on activities that are not compatible, e.g. over-fishing and diving holidays; over development and agri-tourism. The strategy may include de-marketing actions for some activities which may be detrimental to the more essential aspects of Gozo's development.

The positive discrimination for Gozitan SME's in schemes offered by ETC and Malta Enterprise should be retained. The Association also expects that stricter controls are implemented to ensure adherence to legal requirements.

SHORT OF TOTALLY REFORMING OUR PARLIAMENTARY SYSTEM, THE ASSOCIATION BELIEVES THAT PARLIAMENT SHOULD BE RE-ORGANISED TO ALLOW FOR FEWER MEMBERS BUT WHO WOULD OPERATE ON A FULL-TIME BASIS



PARLIAMENT AND THE JUDICIARY

THE JUDICIAL SYSTEM is in need of reform and modernisation to expedite decisions by the courts and to become more accountable and efficient.

A More Efficient Judiciary

In some cases there should be an established time limit within which a case has to be heard. A typical example is libel cases. It is unfair that it takes years for such cases to be settled. The concept of an investigating judge should be explored for a more transparent judiciary.


Political Party Financing

MEA supports legislation that regulates political party financing and makes it more transparent.

Parliamentary Reform

It is becoming more difficult to run a country using a part-time parliament, given today's global landscape. In the interest of democracy, good governance, as well as the management of the country the MEA sees the need to initiate a serious non-political national debate on this topic.

Short of totally reforming our parliamentary system, the Association believes that parliament should be re-organised to allow for fewer members but who would operate on a full-time basis and are provided with the necessary tools and resources to carry out their work. It should also be considered to introduce a number of seats for technocrats for a more professional functioning of the parliament. MEA also expects that MPs are held accountable and systems are developed and maintained for this to happen. MEA recommends a parliamentary secretary for energy, and that the Ministry for Tourism should be retained. In addition stricter behavioural standards should be introduced and expected from MPs. We also believe that there should be a clear separation between the role of government and that of a political party. This will help to distinguish between government and partisan politics and partially relieve political tension in the country.



THE MEA IS WILLING TO LEND ITS MOTTO: 'STRENGTH IN UNITY' TO THE POLITICAL CLASS, TO URGE PARTIES TO ESTABLISH INTEGRITY AND DIGNITY TO WHAT SHOULD BE THE HIGHEST INSTITUTION IN MALTA.

CONCLUSION

MEA BELIEVES that in the prevailing domestic and global scenario, political parties do not have much room to manoeuvre. Irrespective of who is elected, the fundamental challenges remain the same.

Political ideologies have converged in the face of economic realities. Government cannot distribute wealth which has not been created and political convenience cannot be given precedence to economic realities. The Association's appeal to political parties is primarily to stay clear of empty promises. This raises people's expectations and it is no surprise that they turn to unions and civil society to apply pressure on the elected party to honour its pledges. **The message that should be conveyed to the electorate is that nothing – including jobs, wages, pensions, free health care, stipends etc. - can be guaranteed unless backed by a competitive economy hard, productive work, and a sustainable fiscal system.**

This is why it is being recommended that, through a gesture of political maturity, the main political parties reach consensus on the issue of placing the curtailment of the national debt as an overriding priority. This can be painful and bitter medicine to swallow, but the current events in many European countries demonstrates that postponement will inevitably lead to harsher measures in the not too distant future. MEA sees this happening if the national debt reaches the level of 85% of GDP.

Given what has transpired in parliament this year, it is easy to lose faith in politics. It is up to our politicians to restore faith in their profession, by working towards a national consensus on essential matters, to build trust and credibility among the political class. A common saying in Maltese society is 'Politics is Dirty'. MEA believes that 'Politics is Necessary', but the deep

entrenched polarisation, combined with the conduct in parliament this year will not attract the best elements of our population to shoulder the responsibility involved in running this nation.

With sufficient goodwill, it should not be difficult to adopt common positions on issues related to education, health, foreign affairs, and investment to ensure political and economic stability. This is one reason why the involvement of technocrats with no hard line partisan allegiance would benefit political parties, and the country above all. The Gordian knot of contemporary economics, and one which any elected party has to tackle is to reconcile fiscal consolidation - which in itself is a contractionary measure - with economic growth.

What certainly does not help in these circumstances is management by media. Hearsay does not become fact just because the blogs say so, or because it is being repeated on television programmes. The media is fuelling hysteria to create sensation for commercial reasons. This has happened on numerous issues: precarious work; immigration; the parliamentary crisis; the foreign residents' scheme to mention a few. Decisions have to be backed by facts and objective research if they are to make any sense. Too often politicians issue statements and take decisions which are based on, or a knee-jerk reaction to, media hype, simply to keep the media hounds from snapping at their heels.

Perhaps it is too idealistic to expect political parties to take a bold step towards a national coalition government, but the manner in which people perceive our political class also has an impact on the general ethical and moral character of everyday behaviour and interaction between businesses, between workers and employers, between

friends and family members. The MEA is willing to lend its motto: 'Strength in Unity' to the political class, to urge parties to establish integrity and dignity to what should be the highest institution in Malta. The international political and economic environment, together with the domestic economic and social issues, certainly call for a collaborative style of politics which will restore confidence in the country's leadership.

Our society faces some very serious challenges but at the same time, also has fantastic opportunities which can only be grasped if we work together. Unfortunately, most people don't get it and are unable to detach themselves from petty politics in order to see the bigger picture. The enemy should not be within, the enemy is outside and unless we understand this we will continue undermining each other with the result that we give our enemy – the real one – an advantage over us. Unfortunately the price for this is high and often paid by those who are least responsible for it.