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## Media Release

### 112th Session of the International Labour Conference – ILO

#### Address by Mr. Joseph Farrugia, Employers' Delegate – Malta Wednesday, 12<sup>th</sup> June 2024

The report of the Director General addresses a topic which is fundamental to the concept of social dialogue on which the existence of the ILO is based. The report does not stop at discussing the relevance of the idea of a social contract in a global society - it also casts a challenge to ILO constituents about the need for a 'renewal' of this social contract to tackle world-wide tensions caused by the rise of geopolitical instability, extremist ideologies, and a general sense of scepticism in the ability of institutions - both national and global – to really make a positive impact on the life of the average citizen. It is not a cry of despair, but rather a call for participants in social dialogue to live up to the ideals of the Declaration of Philadelphia, and to examine its results seventy years after it was established.

As explained in the report, social contracts are 'an expression among members of a society or a community and government of our respective responsibilities and duties to each other'. They promote the common good over self-interest through social cohesion, good governance, and equal opportunity, among other aspects. The full reach of the implications of a social contract might lie outside the remit of the International Labour Organisation, with its focus on the world of work, yet there can be no question that the social partners, through the ILO, play a key role in promoting the ideals and achieving the aims of social contracts, and to be active participants in their updating as a reflection of the ever-changing world of work.

Decent and productive work does not just happen. It is the result of enterprise and initiatives undertaken by the private sector. It is through sustainable enterprise and job creation that people can aspire to a better life and to fulfil their potential as productive persons. Although within the ILO it is generally accepted that the tripartite model rests on three pillars, the pillar on which employers stand tends to be shorter in terms of recognition than those of government and workers. This lopsided approach creates an imbalance in the social dialogue process, and through it, the stability of a social contract. The private sector is a major source of innovation and technological change which brings about upskilling and value added, leading to better conditions of employment.

It is acknowledged that the private sector has to be subject to governance and compliance mechanisms, and reasonable labour market regulation is necessary to safeguard the rights of employees. However, governments have to lead by example. In Malta, the recent scandals concerning the public health sector, social security benefit fraud, and other major infrastructural projects, with the alleged involvement of senior politicians and persons in high office, have rocked the country and shattered trust in our major institutions. This weakens the concept of a social contract and undermines the core values that place entrepreneurship, hard work and merit as cornerstones of personal and business success.

There is a strong sense among the Maltese social partners and civil society about the need to address a worsening deficit in the rule of law. In general, Malta has experienced positive macro-economic performance over the past years, but it is difficult for such results to be sustained unless there are supporting strategies that factor in social and environmental requirements, together with good governance. Therefore, any expectations for an improved social contract would be meaningless without a commitment to effective governance in all its aspects, trust in government, and a focus on quantifiable outcomes.

The Director General's report mentions that the social contract needs to be grounded in norms that are responsive to the changing world of work. In Malta, social dialogue has been active in opening the economy to new forms of employment relationships whilst safeguarding employee's rights. There was also consensus to revise the minimum wage. This is being achieved with full participation of employers in our social dialogue structures. It also reflects a desired transition towards a flexible labour market which complements the restructuring of the economy towards higher value added activities that make it less dependent on the importation of low paid labour. Maltese employers fully respect a human centred approach to the social

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contract. Employees in Malta enjoy a high level of trade union representation. In fact, ILO statistics rank Malta as the eleventh country with the highest trade union density in the world. We support union membership provided that it is based on freedom of association without any imposition from either government, employers or unions.

The societies that register the most sustainable progress are the ones that are the most adaptable to a changing economic, social, and technological environment. This is perhaps more applicable to small countries, like Malta, that are dependent on international developments over which they have scarce opportunity to influence. The reframing of the social contract relies on the extent to which social dialogue is the force that provides societies, at national and international level, with the drive and vision for positive change.