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Press Release

101st Session of the International Labour Conference

The Director General of the Malta Employers' Association, Mr. Joseph Farrugia addressed the delegates present at the 101st session of the International Labour Conference held in Geneva this month.

The following is the full text of Mr. Farrugia's address.

Address by Mr. Joseph Farrugia Employers' Delegate – Malta

This conference is taking place at a time of general disillusionment with the global state of affairs. The hopes of recovery following the recession caused by the collapse of the financial markets in 2008 have been dashed as many developed economies are still in recession, and others are experiencing sluggish growth with a slower job recovery than expected as a result of the prevailing fiscal recession.

During the course of this conference, I have heard Mr. Juan Somavia rightly state that extreme policies produce extreme reactions. However, it must also be said that extreme policies are often a direct result of extreme negligence, and we have witnessed extreme negligence from governments who have, for decades opted to finance unsustainable welfare systems; who have acted as employers of last resort; who have succumbed to trade union pressure and introduced rigid labour market legislation; and who have disregarded economic realities and market forces in favour of political convenience.

The disenchantment of the younger generation - which has been one of the topics discussed during this conference – should not come as a surprise, as they look up to the rest of society, and institutions such as the ILO, and ask why they are the ones to carry the burdens of excesses of their fathers. We are expecting them to study harder, to have more children, to be more productive when jobs are scarce, to work longer and to pay the debts incurred by the older generation. Any global strategy for youth unemployment as contemplated by the recent G20 resolution should take these factors into consideration.

We seem to have come to our senses after years of denial to discover a link between macro-economic policies and job creation, and the merits of ‘responsible fiscal consolidation’. If by responsible fiscal consolidation one means ‘postponing addressing the unsustainable state of finances’, one must ask to what extent is this possible following decades of fiscal neglect by many governments. Macro-economic instruments that allow fiscal space for short term counter cyclical interventions have been clearly misused to distort economic realities, and the longer term negative consequences of such misuse have been deliberately ignored. This is what has brought many European economies to their current state, and why austerity measures are inevitable in some countries.

It is not the control of public debt that raises the danger of a downward recession spiral and increased unemployment as much as restrictive labour markets. We should not be contemplating the introduction of ‘single contracts’; we should not be using the terms precarious work and atypical employment interchangeably; we should not detach wage levels from productivity; we should not be suspicious of flexible labour market practices. By this I am not advocating laissez faire practices in the labour market. The need for labour standards to promote decent work is appreciated and should be supported by all social partners. Yet one cannot generalise about labour markets, and it is unfortunate that documents like the DG’s report on the 9th European Regional Meeting include proposals for a ‘new macroeconomic approach’ which fail to factor in the variances between labour markets. The way towards a job led recovery lies in jump starting economies towards a virtuous circle of incentivising sustainable enterprises, which in turn leads to increased employment, wealth generation and economic growth. In the labour market, we have to leave flexible work options open within established legal parameters, and to simplify labour legislation to incentivise firms – SMEs in particular – to offer more productive jobs and reduce the informal economy. Public funds need to be re-channelled from non-productive and inefficient areas into incentives for SMEs and to facilitate economic transformation into growth areas such as the generation of green jobs.

In some respects, the Maltese economy is faring better than most within the Eurozone and the EU. Youth unemployment is relatively low both as a percentage of youths seeking employment and also as a ratio of total unemployment, although there is still a problematic rate of early school leavers. However, heavy investment in vocational education and close collaboration with employers has provided many with opportunities to learn skills that match the requirements of industry. The aircraft maintenance industry is a classic case of a partnership between investors and educational authorities to channel human resources into productive jobs. The availability of flexible work options together with fiscal incentives are resulting in a higher female participation rate and also more retired persons who opt to work beyond retirement age. Malta has a lower rate of employees on part-time, definite period contracts and temping workers than the EU average, and the vast majority of these are on atypical work arrangements by choice. This situation is far removed from the impression given by ILO experts that equate atypical employment with precarious work.

In conclusion, I congratulate the newly elected Director General, Mr. Guy Ryder on his appointment. In his address during this conference, Mr. Rider stated that these are ‘*times of change in the place of work and also a time of change in this organisation*’. The changing and more challenging global environment certainly calls for novel ideas in approaching issues that fall within ILOs mandate of the world of work, through a social dialogue framework which is based on trust in

the ability of sustainable enterprise to generate decent jobs within the parameters of reasonable regulation, enforcement and sustainable social protection.