

22nd March 2024

Media Release

59th Annual General Meeting of the Malta Employers' Association

The Malta Employers' Association held its 59th Annual General Meeting yesterday, 21st March. Below is the full text of the address delivered by Ms Joanne Bondin, President of the Association.

Fellow MEA members,

It is my pleasure to be addressing once again the annual general meeting of the Malta Employers' Association as its President. This AGM is taking place within an unstable international scenario due to the conflict in Israel and Gaza, as well as the persistent invasion of Ukraine by the Russian Federation which threatens stability in the whole of Europe. Although these are issues over which the Association has no control, the implications and the consequences are felt by our members through inflation, disrupted supply lines, and a prevailing sense of foreboding that hardly ever translates into good news for businesses and society in general.

Despite the challenging circumstances, the Maltese economy is still experiencing modest growth. Tourism has reached pre-Covid levels and output has expanded. Inflation, both external and domestically generated remains an issue, and the country also faces a strain on general infrastructure which has not kept up with the pace of economic activity and population increase.

A key issue facing the labour market today is the transposition of the Minimum Wage Directive. We believe that this Directive should not result in a division between the social partners. The main principle of the Directive – that of setting a framework in EU countries to improve the adequacy of minimum wages, and to increase the access of workers to minimum wage protection – is something which the MEA has always supported and promoted. Thanks to our social dialogue structures, Malta already has in place a strong framework that establishes the adequacy of the minimum wage. We have had the minimum wage for decades, supported by an automatic inflation indexation system through the annual COLA adjustment.

In addition, MEA was instrumental in the setting up of the Low Wage Commission in 2017. Since that time, there have been two revisions of the minimum wage, the most recent being a few months ago, with the agreement being reached with the consensus of all social partners. Contrary to many other EU states, Malta has a very low

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percentage of employees on the minimum wage, which often serves as a transitory period to move on to higher paying jobs.

Although the Directive sets a target for collective bargaining coverage in member states, it does not in any way suggest any form of mandatory union membership. To be clear, we believe that trade unions play a pivotal role in social dialogue, and stable industrial relations are essential for the smooth running of sustainable enterprises. However, employers have no role in promoting or hindering trade union membership. The decision whether to be unionised or not, rests exclusively with the individual employee. Consequently, any measure which rewards or penalises employers on the basis on whether they are covered by collective agreements is totally unacceptable to us. We are shooting down any notion of mandatory union membership, or penalties that will exclude employers from tendering for public contracts or EU funds. On the other hand, we support capacity building incentives that enable unions and employer organisations to function more effectively.

The Minimum Wage Directive also refers to a reduction in inwork poverty. Besides wage setting within the organisation, through individual negotiation or collective bargaining, the adequacy of wages is also dependent on external variables outside of the organisation's control. This has been occurring in Malta as a result of spiralling property and rental prices, and imported inflation. Inwork poverty needs to be addressed through the enforcement of employee entitlements, but mostly through upskilling and higher productivity. In Malta, there is a need for economic transformation and a rationalisation of the human resource.

Economic transformation is necessary to move people in higher value-added employment with the overall increase in national productivity being able to sustain improved working conditions also for the unskilled segment of the labour force. We must also acknowledge that part of the dependency on foreign workers is attributable to a bloated public sector and a slow uptake of automation and digitisation technologies which would certainly release scarce human resources into more productive use. We also see the need to channel human resources in areas where there are numerous opportunities for rewarding careers. A case in point is the maritime sector, which should be obvious for an island nation like ours.

Such transformation is critical to both our social and economic development, given the prevailing demographic trends. Our policy makers need to adopt a long term perspective to analyse how such trends will transform our society. We have been proactive on this matter, and involved all social partners and other stakeholders, including members from both sides of the political divide, the church

and youth organisations in an open discussion about Malta's fertility rate in a conference that was held at the Parliament building last July. The resulting publication is an invaluable resource for further discussion, research and action.

This exercise also demonstrates that as employer representatives, we go beyond narrow sectorial interests and do our part in provoking intelligent debate on wider societal issues. This is very relevant in view of a growing realisation that sustainable economic growth is not possible, nor desirable for its own sake, without a consideration of well-being parameters. Failing this would be betraying the whole scope of enterprise. For Malta, this could mean a brain drain of precious resources who will seek a better quality of life elsewhere. Therefore, economic objectives need to be designed in tandem with well-being indicators, amongst them respect for the natural environment.

We need to be more proactive in identifying the implications of EU directives on our society. The recent news about the impact of the Emission Trading Scheme on our maritime trade, and the manner in which it went unnoticed until late 2023 when it was coming into force should send warning signals to all parties, including MEPs, to be able to see what's on the horizon before it hits us. We cannot afford to have issues like the ETS slip through the cracks.

Good governance is also an important aspect of well-being. Successive political scandals are fostering a sense of disillusionment in our institutions, particularly among the younger generation. They are becoming increasingly sceptical that success in life is the fruit of hard work and merit, or that justice is blind. Many are preferring alienation to participation, which is a state of affairs that is fertile ground for a drug culture, which is becoming a huge issue in our society. Speaking of drugs, it is high time that we enact a legislation that balances the rights of employees, their co-workers and employers about being under the influence of drugs and the workplace. Currently there are numerous lacunae that make it very difficult for companies to implement a drug policy. There is no point in promoting Occupational Health and Safety unless decisive action is taken on this matter.

MEA has been supporting regulation where there are gaps in the labour market which may lead to ambiguous or unethical practices. We had proposed the enactment of the Digital Platform Delivery Wages Council Wage Regulation Order, and we also believed that some regulation was necessary to regulate outsourcing, temping and recruitment agencies to set a level playing field between practitioners. These developments are part and parcel of a labour market that embraces the reality of new forms of working. Outsourcing and temping have become important features of a

flexible labour market, provided that they are applied ethically and within legal parameters. We see this as a natural extension of the range of tools that provide for a flexible work organisation, which presents challenges to employers as employees seek more customised work arrangements.

Compliance with legislation needs to be backed with the appropriate institutional infrastructure. Many Third Country Nationals with expired employment contracts will inevitably end up working in the black economy if their renewal is not processed within ten working days. Many employers carry the risk of retaining them even if the renewal is pending so as not to let them out on the streets. There are also problems with TCNs and the testing to obtain driving licenses. Although on their arrival, they can drive commercial vehicles for a year, during which they have to attend a course and sit for a test, their license risks being withdrawn even if they do not manage to sit for the test due to a backlog of applicants. After a period where the situation at Identita' was improving steadily, it appears that old problems are re-emerging.

We stand on the eve of a milestone in MEA's proud history, as next year we will be celebrating the 60th year since it was founded. We are seizing this opportunity to conduct a rebranding exercise which reflects both the rich history of the Association throughout the course of Malta's economic development following independence, as well as projecting its image and values for the years to come. MEA has a bright future, and we are strengthening our secretariat to ensure that the Association lives up to its potential.

In conclusion, I salute Ing. Michael Mifsud, an MEA council member who passed away recently. Michael was an invaluable colleague who truly believed in MEA's potential. Before his passing, he contributed strongly to our re-branding and strategic meetings through his enthusiasm, ideas and as a team builder. His absence is felt by all of us.