28th October 2014

Media Release

MEA expresses support for Prime Minister's stand on COLA

The Malta Employers' Association expressed its agreement with the Prime Minister's explanation of the COLA mechanism, and that he is going to respect this mechanism. The Association stated that the public should be aware that COLA is neither determined by government, nor by agreement between the unions and employer organisations. The Prime Minister is correct when he says that COLA does not stand for an increase, but for an automatic adjustment, based on the Retail Price Index, based on fluctuation in the RPI to compensate for price increases in the previous year. This is why the MEA has consistently condemned protests by people and entities who should know better whenever COLA was low, as happened in 2011 and as is occurring now. The Association stressed that, as explained by the PM, the COLA mechanism can only be altered through consensus between the social partners. Over the years, unions have stuck to their position that the mechanism should compensate for price increases, and strongly resisted employers' attempts to partly peg wage increases to productivity levels. Tampering with the computation of COLA will increase further the uncertainty that is faced by businesses in forecasting their labour costs, which in many cases is a key determinant for competitiveness. Collective bargaining will become more difficult if the quantum of COLA were to become subject to arbitrary alterations. However, there is no objection to government using focused assistance to target vulnerable groups that may be negatively affected by sudden price fluctuations - mostly caused by global events - which in recent years has seen COLA fluctuate between €5.82 in 2010 and €0.58c for 2015. Employers did not object to paying a high COLA when the computation was high, and likewise there should be no objections when it is low.