

Memorandum to Political Parties

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CC: The Editors
Press & Media
CLS Board

September 2007

Executive Summary

- Government and public corporations should in their sub contracting and outsourcing operations ensure that a call for tenders would include clauses about the conditions of work which the bidder in the eventuality of being awarded the tender should comply with.
- A reduction on non-wage costs to employers can prove more effective towards competitiveness rather than lowering of wages.
- There should be further reflection before going ahead with more privatisation of public utilities.
- Rather than specialising in sectors of low technology and skill, Maltese policy makers should strive to create sectors that are more research and knowledge driven.
- Employee involvement in decision making needs to be actively secured rather than passively assumed. Involving employees in decision making is a means of achieving this aim.
- The tripartite national bodies of social dialogue, notably Malta Council for Social and Economic Development (MCESD), need to be complemented by an institutional framework that embraces a number of advisory and consultative bodies.

- Amendments to labour law must be made to make trade union recognition at the place of work unambiguous.
- The implementation of more family friendly measures at the place of work, including child care support, can go a long way in raising the female participation rate in the labour market.
- The creation of a culture that supports the values of an ideal work-life balance, even if it involves financial aid to industry by the state, should be one of the priorities of social policy.
- Ways and means should be devised to regularise the position of immigrants.
- The employers and trade union organisations should become part of sustainable support that is essential to occupational safety and health educational practical skill strategies.
- A reconstitution of employment relations has to be founded on a holistic, realistic and transparent approach.

1. Introduction

Since the ‘neutralisation’ of the issue of Malta Drydocks, industrial and employment relations have not featured prominently in national election campaigns. However, given the changes in the labour market and the corollary changes in the employment structure, they may be more

at the forefront in the forthcoming General Election, which must be held not later than August of 2008

All employment relations involve values as well as economic interests contextualised within a particular political scenario. Labour is not simply a commodity to be bought and sold, and which is completely governed by the market forces. Thus, its price and conditionalities are inherently invested with political overtones. Cognizant of this fact when policy makers involve themselves in employment relations, they have to tread a very fine line of reconciling the promotion of economic competitiveness with the maintenance of social cohesion and solidarity.

The Centre for Labour Studies at the University of Malta is hereby submitting its proposals concerning labour relations to all the political parties contesting the forthcoming Malta general election. This follows a consultation meeting with representatives of the social partners, held on 9th May 2007. The backdrop to these proposals is the traditional doctrine of functional reciprocity of capital and labour which, while acknowledging their divergences, highlights their significant common interests, thereby making their differences amenable to peaceful and 'win-win' solutions.

The views expressed in this document are those of the staff of the Centre for Labour Studies at the University of Malta, and are not to be construed as necessarily the opinion of its Board, its constituent bodies or of the authorities of the University of Malta.

2. Employment Relations in the Liberalised Economic Market.

Today's more open economy and more liberalised market have increased the level of risk to employees as well as to employers. The redundancies that are becoming a common occurrence in the labour market are not always a consequence of economic difficulty but may be part of cost cutting measures even when business and economic outlook are buoyant. Relocation of operations to lower labour cost sites elsewhere has been one of the main causes for massive redundancies. However redundancies and higher level of risks are also being caused by the home-grown practice of outsourcing and sub-contracting. Moreover many workers in these sub-contacting firms have to contend with a relatively low remuneration and poor conditions of work.

Government and public corporations which, in employment relations have traditionally acted as model employers, should in their sub-contracting and outsourcing operations ensure that a call for tenders would include clauses about the conditions of work which the bidder in the eventuality of being awarded the tender should comply with.

However valid economic theory and employers' pleas for constraints on labour cost may appear to be, evidence that low wages create jobs and reduce unemployment is very skimpy. Growing inequality may hinder economic growth by amplifying the boom and slump of economic cycles and thereby eroding social cohesion. A reduction in non-wage costs to employers can prove more effective towards higher competitiveness rather than a lowering of

wages (which would then reduce consumptions demand). The request made by Maltese employers to government to remove the minimum threshold for employers national insurance contribution – as it did to part-time employees, looks to be very fair and just.

Nevertheless data from various developed countries suggest that competitive edge can be construed on the basis of workers' skills, flexibility, innovation and adaptability, creating a virtuous circle of high value added products and services, higher wages, higher productivity and higher level of investment in both the physical and human assets. Ultimately, such a cycle will give workers a higher degree of security in the labour market and at same time sustain economic growth.

3. The Process of Privatisation

Privatisation seems to have become an uncontested policy instrument which allegedly facilitates productive efficiency while liberating funds for use in macro-economic reform and social projects. However to ensure that these reforms are delivering to the satisfaction of the public at large, the role of the regulator in this privatisation process should be more specifically defined and invested with more regulatory power.

The prevalent ideological dogma professes faith in a global shift towards a pragmatism which is continuously emphasizing that what counts is what works. This social Darwinism in its appeal to the rhetoric of globalisation is based on the ideological preference for, and dogmatic attachment to the market. Minimal government is presented as a technical necessity in terms of

macroeconomic policy and a practical necessity in terms of industrial policy and the delivery of services to the public.

The focus of political campaigning appears to have shifted decidedly from one focused on people as producers to one focused on people as consumers and citizens. Political parties have to take cognizance of the crucial sphere of consumption, leisure and quality of life – but they should not do so at the cost of downgrading the importance of conditions of work to an exclusively ‘market’ perspective. Nor should they assume that conditions of employment would simply fall naturally into place once foreign direct investment is secured.

The Centre for Labour Studies believes that there should be further reflection before going ahead with more privatisation of public utilities. The barrage of reforms to which the public sector employees have been subjected due to this process of privatisation has given rise to a reform fatigue among these employees. The low morale engendered by this fatigue is not conducive to higher productivity.

4. The Manufacturing and Service Sector

One crucial change that has occurred in the Maltese labour market over recent decades is the decline in employment in the manufacturing sector and the increase in the service sector. This decline of the manufacturing sector has adversely affected the national economic performance. The service sector may create jobs to offset the losses registered in the manufacturing sector; however it would take a massive increase in services to

compensate for the revenue losses arising from a further decline of the nation's manufacturing base.

Admittedly there is no patented solution to stem this tide. There will be, invariably, countries that can manufacture and export mass produced, low technology goods to the market cheaper than Malta. The same is true of much service activity, particularly involving lower skill and repetitive work, such as call centre operations and data administration. Our targets should be directed towards operations that are commensurate with the high levels of education which many Maltese are achieving. Rather than visioning ourselves as producers in a semi-peripheral country in Europe specialising in sectors of low technology and skill, Maltese policy makers should strive to create sectors that are more research and knowledge intensive.

Notwithstanding this, the mismatch between supply and demand of labour in the Information Technology industry has to be addressed. A number of measures to tackle this issue by prioritising education and training have already been taken. This is very positive. However the work relations and conditions of work in this IT sector tend to be governed by policies of labour market deregulation. This may act as a disincentive for qualified person to seek employment in this industry. It is to be noted that workers in E-Gaming and Call Centres are still not covered by a Wage Regulation Order. They are also still not covered by collective agreements.

5. Employee Involvement and Commitment

Long term commitment and motivation on the part of the workers are likely to be secured where their views are adequately represented. If the defining features of many jobs continue to be insecurity, low pay, inadequate representation, poor training and unsatisfactory work, then any attempt to build employee commitment and more stable employee relations will rest on shaky foundations.

An appropriate channel of communication, involvement and participation to give a voice to the workers besides enhancing the dignity of work, can go a long way towards fostering a high level of commitment among workers. The Centre for Labour Studies believes in an effective system of employee voice via worker representation at a high level of the enterprise and works councils. Employee commitment in decision making needs to be actively secured rather than passively assumed. Involving employees in decision-making is a means of achieving this aim. Participation is a higher trust and potentially positive sum activity, where emphasis is placed on the shared resolution of issues to the natural benefit and gain of those involved. It is to be noted that Malta, along with the United Kingdom, does not follow the trend of dual representation (collective bargaining and statutory work councils) found in most European countries.

The EU Labour Directives, intended to give a voice to the workers, have been transposed into Maltese law. The most recent Directive to be transposed deals with information and consultation rights of workers. In

complying with the EU Directives, Maltese labour legislation has shifted towards the European model. However, it is to be noted that the Maltese laws transposing the EU Labour Directives hardly ever go beyond the minimum requirements set in the Directives. This minimalist approach suggests that there has been a grudging acceptance of the EU law in labour relations.

The stakeholder model, found in many firms on the European mainland, in which the stakeholders of the firm are actively involved in decision-making, does not yet form part of the corporate culture of Maltese firms. The principle governing this model is that stakeholders, notably but not exclusively employees, have a legitimate interest in the decision making process and they should therefore be involved. The stakeholder model is more likely to generate trust, commitment and flexibility – those factors which have been identified as being central to the competitive advantage of many successful firms.

6. Social Dialogue

The modernisation of employment relations has been characterised by social dialogue which aims at replacing legacies of hostile industrial relations with a consensual ethic. But social dialogue cannot be taken as a synonym of industrial peace and harmony. What it implies is recognition of the different interests of workers and employers and an acceptance, indeed encouragement, of the collective representation of their interest. Social dialogue in order to be effective must generate trust between parties which is generally developed through institutions with statutory backing. Such an institution in Malta has been in force since 1988 when the Malta

Council for Economic Development (MCED) was set up. In 2001 this Council was given legal status by the Malta Council for Economic and Social Development (MCESD) Act. The integrative and collaborative spirit for which this institution of social dialogue at national level was designed may not have always been reached. Nevertheless it consolidated the tripartite social dialogue and in some way raised the level of consensual ethic.

Still recent events have generated a call for changes in its set up and functions. The proposals for changes made by the social partners do not always converge. One of the most radical proposals, made by the General Workers' Union (GWU), was to make the Council bi-partite in structure, in the sense that government would not be an integral part of the Council. Although the other social partners disagreed with this proposal, the Centre for Labour Studies believes that this proposal deserves further serious considerations. If possible the discussions should be based on observations of industrial relations in other countries which have such a bi-partite set-up. An analysis of the experience of such countries, once contextualised within the Maltese scenario, can help the social partners towards convergence. The mechanism of social dialogue should aim at seeking convergence rather than consensus on issues.

To reach such a convergence the social partners have to be provided with that type of data and information by means of which they can assess and analyse the issues under discussion. There are countries, among them Ireland and the Netherlands, which provide an institutional framework that embraces a number of advisory and consultative bodies to supplement the work

of the tripartite national body of social dialogue. The Centre believes that the building of such an infrastructure will go a long way towards building a much higher level of convergence, and maybe mutual trust relationship, among the social partners.

7. Trade Union Recognition

The absence of legal recognition procedures for trade unions at the workplace has often been the cause of trade disputes and inter-union wrangling. The need to update our Industrial Law and define clearly trade union recognition as a trade dispute was spelt out by International Labour Organization (ILO) during its session 278 in Geneva on 17th July 2000. The ILO recommended an amendment to the law to make the issue of trade union recognition unambiguous. The Centre for Labour Studies concurs with this ILO recommendation and urges the political parties to commit themselves to address this issue.

8. Female Participation in the Labour Market.

The low female participation rate in the Maltese labour market persists. This may be due to the embeddedness in our culture of the differentiated and stereotype gender roles. The implementation of more family friendly measures at the place of work, including child-care support, can go a long way in bringing about a shift from this culture.

9. Work-Life Balance

In terms of employment relations work-life balance issues fall mainly into three categories:

- (i) Policies providing time off for child-bearing, emergency child-care and/or career breaks.
- (ii) Arrangements to create shorter and/or more flexible work schedules that allow work and non-work demands to be reconciled more easily
- (iii) Workplace Provisions to support parents such as childcare facilities or subsidies.

In spite of the apparent consensus that prevails about the principles of family-friendly measures, a gap exists between rhetoric and realism. Employers contend that the implementation of these principles entails costs which ultimately are invariably passed on to the consumer. According to employers, the feasibility of the implementation of family-friendly principles depends on some sources of funding and allocation of resources to alleviate the burdens and cost which they may incur.

The Centre for Labour Studies believes in a corporate culture that supports the values of an ideal work-life balance. The creation of such a culture, even if it involves financial aid to industry from the state, should be one of the priorities of social policy.

10 Immigration

The Centre recognizes that the situation of illegal immigration is delicate. While having the potential to destabilise the political atmosphere it gives the political parties little room for manoeuvre. Although

disassociating themselves from an anti-immigrant stance of the extreme right, the two main political parties have refrained from declaring clear ideological principles about this issue.

There may be two different facets to the immigration issue:

- Immigrants may be doing work which tends to be shunned by most of the Maltese workers. In that sense they are filling a gap in the supply side of labour.
- They can also be seen as sources of cheap labour which some employers are exploiting to the full. Besides the humanitarian aspect, this is detrimental to the Maltese workers as this pool of labour may undermine the core minimum standards of work.

The best solution may be to regularize their position by issuing temporary work permits to immigrants from third countries or by letting them register as guest workers. Nevertheless, such workers may suffer from problems and psychological disorders relating to family separation and dislocation. The concentration of such a homogeneous group in low paid and menial jobs may eventually create an underclass or a ghettoisation of relatively deprived persons. This may in future give rise to the same social upheavals being experienced in other countries.

11. Occupational Health and Safety (OHS).

The European Directives relating to social issues in particular the Occupational Safety and Health Directives and their transposition into Maltese law have now placed many of these issues at the crossroads of future policy.

Few companies have adopted a 'comply and that's it' approach. Some, anticipating the growing importance of company image and always burdened by potential claims, have planned a pathway to safety and health. Others, still float in 'innocent bliss' or 'know but don't care' realms of their own. They bulk, drag on with 'I know and must do something about it' attitude, but hardly ever do, for whatever their reason.

Legislation requires enforcement, but it is a slow approach towards the introduction of the important safety & health dimension to industrial investment. The monetary magnitude of hidden economic, social and development loss through lack of application of standards and principles as well as the legal provisions related to Occupational Health and Safety is evading the intelligence of the entire active and inactive population. Serious, clear cut, evidenced based political support is fundamental to safety, health and security for growth and stability of all industrial sectors. The diverse benefits to employers, employees, society and the nation as a whole are immense. Collaborative ministerial support to the ministry responsible for safety and health is essential.

Competitive, ecological and social support issues require planned collaborative multi-dimensional approaches that complement legislative compliance. One important approach is for The Federation of Malta Industries (FOI), and the Malta Employers Association (MEA) together with the main trade union organisations to become part of sustainable support that is essential to occupational safety and Health educational practical skill strategies.

Competency remains a vital issue needing serious attention in the field of safety and health within Medicine, Engineering, Safety and other related disciplines having different attainment levels built into a system that matches those of other European countries. Malta has the full potential to become a coordinator, indeed a leader, a centre of excellence, in the Mediterranean region with extensive economic and prestigious benefits if it collaborated appropriately and encouragingly with NGO's to do so.

Unavailable information that can only be obtained through research data continues to slow the progress of industrial, social and national benefits that result from occupational safety, health and related environmental research work. Appropriately directed, such work would go far beyond information availability or comparison of standards. It can indeed catalyse innovative industry to help diffuse a new employment relationship in this field. A funding system specific to this field should be coordinated by a responsible body with research funds to be allocated for collaborative internal or external approaches earmarked for priority issues of the nation and society.

A very large proportion of the nation is at work, whether at home, on the road, in diverse industries or elsewhere. Why should a nation spend money unendingly increasing health budgets when the issues can be prevented at much less cost? Why allow social distress, increase disability, sustain or even encourage sickness absence? Why risk potential and rising claims, allow employee dissatisfaction, and undermine potentially valuable loyalty?

Recognizing the potential impact that these issues on the nation, political parties should agree on:

- the identification of improved systems of safety and health monitoring and an adequate support structure.
- encourage higher level educational activities and establish appropriate competence standards to include immigrant needs.
- invest in safety and health research gaps with economic, industrial and employment value.
- review National emergency response plans in the light of existing untapped local support resources.

12 Conclusion.

In the context of the increasing importance of European integration, the reconstitution of employment relations has to be best founded upon:

- greater efforts towards setting up economic operations that create more added value and wealth which is translated into greater equity
- greater employment security
- greater access to work patterns that enable workers to cope better with non-work commitments (mostly family life)
- a more robust system of industrial democracy
- a commitment to fostering a more inclusive and extensive system of vocational education, training and skills development

- higher trust relationship among the social partners leading to a more effective system of social dialogue
- a commitment to retaining the social dimension in the market economy.
- a political commitment towards a holistic, realistic and transparent collaborative approach to issues related to occupational health and safety

The points raised and the recommendations made in this document are meant towards such a reconstitution of employment relations.

The Centre for Labour Studies hopes that these views and recommendations will be taken into serious consideration by the political parties and act as guidelines for their electoral programme.

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