

# Industrial relations developments 2006 — Malta

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This record reviews the main industrial relations developments in Malta during 2006.

## 1. Political developments

In 2006, the Nationalist Party, representing the centre right of the Maltese political spectrum, spent the fourth of its five year electoral term in office.

In this year's round of Local Council elections that took place on 11 March 2006, the Malta Labour Party ([MLP](#)), the party in opposition, won 53.8% of first count votes. It was a significant victory for the MLP since these elections regarded 23 localities in which the Nationalist Party ([NP](#)) traditionally obtain a positive overall result. The NP got 43%, while Alternattiva Demokratika ([AD](#)) and Independent candidates obtained 3.2%. The overall percentage of votes cast in these elections was 66.

In August, the government amended the legislation regarding the set-up of the Local Council Association (LCA). These changes guarantee the majority of seats within the executive of the association for the party obtaining the majority of councillors in the local council elections. Following these amendments the MLP achieved the majority in the LCA for the first time, by electing four out of seven members in the elections that were held on 7 October 2006.

One third of Maltese voters will be asked to cast their votes in the next round of local council elections to be held on 10 March 2007. Besides, the Maltese general elections will either take place in 2007 or 2008.

## 2. Collective bargaining developments

No statistics are available regarding the number of collective agreements negotiated in 2006

It was far from being a rosy year for the unions with regards to collective bargaining particularly in the manufacturing industries. The closure of the textile factory Denim Services Ltd resulted in a considerable amount of redundancies ([MT0601103N](#)). The role of unions in such cases is solely limited to support workers in receiving any terminal benefits that may be due to them as stipulated in the respective collective agreements, while helping them to find alternative employment. In such an exercise, unions are usually supported by the Department of Industrial and Employment Relations (DIER) and the Employment and Training Corporation ([ETC](#)). The Federation of Industries ([FOI](#)) is concerned about the difficulties currently affecting the manufacturing sector. The FOI Industry Survey for the month of October indicates that business confidence among manufacturing firms declined substantially to its worst levels since November of last year. Such conditions further restrict unions' bargaining power.

On the other hand better working conditions including wage increments were achieved in various collective agreements as in the case of ST Microelectronics LTD, one of the largest employers and the largest exporter in Malta, Trelleborg LTD and the Malta Environment and Planning Authority (Mepa).

In November, the government decided to retain the worker director at the Bank of Valletta. The General Workers' Union ([GWU](#)) stated that it opposed the government's original proposal that was intended to substitute the worker director with a working committee. The union believed that while working committees provide workers with information and consultation about their workplace, they should not replace the worker director that allows employees' active participation in decision-making.

The Ministry of Finance ([MFin](#)) carried out a study of collectively-agreed wages between September 2005 and September 2006, based on a sample of 182 organisations. The study found that, on average, weekly wages increased by 3.7% (MTL3.79) over the previous year. This figure can be compared to 3.5% increase registered a year before. The highest wage rise in percentage terms was recorded in the Community and Business sub-sector (7.5%). Most employed (58%) earned an average weekly wage of over MTL96.25.

No information about new working time arrangements is available.

## 3. Legislative developments

Amongst the measures contained in the Budget 2007 there is the introduction of a contribution of 10% social security contributions on earnings from part time work instead of the current flat weekly rate of MTL5.79. This measure will come into effect as from 1 January 2007. Other measures include income tax relief and provisions for spouses to register as employees in the respective family business. The latter will therefore be recognized as eligible for social security benefits and pension by the Social Security Department, once social security contributions are

regularly paid. These measures are mostly aimed at increasing employment participation, in particular, that of females.

The relevant provisions of the Directive on National Information and Consultation Rights have been transposed into Maltese law with the enactment of Legal Notice 10 of 2006 Employee (Information and Consultation) Regulations. These regulations provide a general framework establishing the minimum requirements for the right to information and consultation of employees in undertakings.

To date, the EU regulations on employment under fixed term contracts are not applicable in the public sector. According to the Prime Minister, in a reply to a parliamentary question, the government is in the course of reviewing this matter. He also said that these regulations are conflicting with the provisions of the constitution regarding the requirements for recruitment in the public sector.

## **4. Organisation and role of the social partners**

The issue about the possibility of setting up a Trade Union Council has been raised by the Confederation of Malta Trade Unions (CMTU) president ([MT0605019I](#)). Lack of trust seems to be the reason behind the rejection of both the GWU and FORUM towards the proposal. Increasing market forces constraints haven't yet had the impact to force the trade unions to find a common ground to establish this important institution.

The GWU registered a number of resignations and two dismissals within its top ranks. The secretaries for its Maritime and Aviation section and the Services and Media section resigned while both the secretary and the president for the union's Public Sector Section were dismissed. In December the former secretary for the Public Sector Section resorted to the Industrial Tribunal to declare that her dismissal from the GWU was abusive and illegal.

Two new craft unions have been formed, namely the Malta Dockers' Union and the Professionals and Services Employees Union. Both unions include former members of the General Workers' Union.

In September 2006, Members of the Association of Valletta Open Market Vendors joined the Union of United Workers (Union Haddiema Maghqudin, [UHM](#)). The 115 market vendors' unanimous decision was mostly fuelled by their opposition to the government's intention to change their work location ([MT0610019I](#))

## **5. Industrial action**

In January, an industrial dispute was registered in the national postal service company Maltapost. The dispute started after the management of Maltapost ordered workers not to report for work due to bad weather. Management intended to deduct one day from the workers' leave entitlement to make up for this particular day. The UHM, which represents the majority of postal workers, opposed such use of forced leave ([MT060210N](#)).

In February, all bus services including school transport, were brought to a three-day halt due to an industrial action ordered by the Public Transport Association (PTA). The strike was called after negotiations between the PTA and the government regarding reform measures and outstanding subsidies failed. The PTA claimed that the subsidy for 2005 should have been MTL50,000 more than the government's offer. The matter was settled after both parties agreed on the amount of subsidy to be paid ([MT0603019I](#))

In March, the Malta Union of Teachers (MUT) ordered its members in all state, church and private schools in Malta and Gozo to resort to industrial action. The decision was taken as a protest against the lack of security in schools following a series of incidents involving physical assaults on teachers. The union urged the Ministry of Education to take appropriate actions ([MT0603029I](#)).

In June 2006, the ILO decided in favour of the GWU after the latter appealed against the government's January 2005 decision to amend annual leave legislation. The ILO ruling recommends the government to amend National Holidays and Other Public Holidays Act without annulling clauses contained in collective agreements and thus refrain from interfering in social partners' negotiations ([MT0607019I](#)). However, to date, the government stood by its original position.

In July, cargo hauliers members of the Malta Chamber of Small and Medium-sized Enterprises (GRTU), were ordered to take part in a three-day strike over the introduction of new port tariffs. The GRTU was concerned that the new tariffs could shoot up cargo-handling costs. The GRTU was criticized by other employer organizations such as the Federation of Industries claiming that its actions were damaging for the local economy and the industry ([MT0607029I](#)).

No statistics referring to industrial actions which occurred in 2006 are currently available.

## **6. Cross-border mobility**

During the European Parliament debate that led to the adoption of the Services Directive, MLP MEP Joseph Muscat showed his concern about the conditions of employment of foreigners in Malta Shipyards. While calling for more transparency, Muscat claimed that these employees are not aware of their working conditions.

In November, the MLP, the party in opposition, questioned in parliament the way in which the number of work permits issued for foreigners including non-EU nationals had shot up. The MLP said that work permits issued to non-EU residents peaked to 5,400 in eight months and raised concerns about possible exploitation of these workers. In his reply, the Education, Youth and Employment minister pointed out that many Maltese people are refusing low paying jobs even though the ETC was constantly refusing requests by employers to employ foreign workers.

The influx in Malta of a relatively large number of African immigrants is in some way supplying the construction and the hospitality industries with much needed manpower, though probably at the cost of sub-standard working conditions. Such working conditions are of concern to trade unions since, among others, they may result in a reduction of the Maltese workers' labour market

value. On the other hand, the DIER conducted nationwide on-site inspections purposely aimed to safeguard against such abuses and at the same time to implement, where necessary, the provisions of Legal Notice 443 of 2004 referring to Posted Workers.

A study conducted by the Medical Association of Malta published in October, unveiled that more than 62% of hospital doctors who were registered by the Malta Medical Council between 1994 and 2003 have left Malta and only 9.1% have since returned. The report suggests that this brain drain probably derives from better financial prospects and superior working conditions enjoyed by this profession abroad.

## **7. Reconciliation of work, family and private life**

In July 2006, one of the leading banks, The Bank of Valletta ([BOV](#)) sent a letter to its married female employees in which it was directed that reduced hours can only be availed of until the child of such workers reaches the age of four. In its instant reaction, the GWU through its Media and Services Section insisted on the withdrawal of this decision, since it would lead to the termination of the employment of a number of mothers affected. After a meeting between the two parties held in August, these instructions were withdrawn. During the same meeting the GWU proposed the amendment of the present collective agreement clause by extending the facility of reduced hours to the working mothers until their children reach the age of twelve years. The BOV and the GWU agreed to hold further discussion about the latter proposal.

In order to further promote the female participation rate in employment, the government implemented a measure in Budget 2007 offering tax deductions for the expenses incurred by individuals on licensed childcare services. Payments by employers for childcare services shall be considered as deductible expenses, which will also cease to be taken as a taxable fringe benefit with regards to employees.

Another budget measure is aimed to extend all family friendly rights which are currently available for employees in the public service to employees in government agencies. The UHM promptly requested government to issue a related circular to introduce these changes with immediate effect.

## **8. Other relevant developments**

Dubai Tecom Investments are expected to set up a MTL108 million project called SmartCity@Malta in the south of the island. This investment is expected to generate about 5,600 new jobs, 65% of which will be IT related jobs. The rest of employment opportunities shall eventually include those in administration, hospitality, retail, maintenance, security and logistics.

The tourism industry experienced a difficult year that amongst others led to the closedown of a number of hotels and to a number of redundancies. The agreement reached with low cost airline operators may partly alleviate the situation. However the impact of the advent of low cost airlines in Malta on the future of the national airline Airmalta remains to be seen.

## 9. General

The trend of redundancies in the manufacturing sector is expected to continue throughout next year. In this case, the government's objective is directed towards the strengthening of Malta's knowledge based industry partly by investing heavily in research and innovation. The need for continuous training of workers remains and unions may exercise their pressure on social partners to step-up this strategy on a national level.

High prices of fossil fuel shall keep affecting production costs of the local industry; in such regards government is expected to emphasize more the possibility of experimenting in the introduction of alternative energy generation, while promoting its use by offering incentives.

Industrial relations in Airmalta are expected to become rather strained considering that the three-year rescue plan agreed between the company and unions will expire next year. This agreement may be prolonged and further sacrifices from workers' part are forecasted in the quest to avoid redundancies. The future of shipyards and their competitiveness will also be high on next year's agenda since the concession agreement between the EU and the government about the allocation of subsidies in this industry will be nearing its deadline.

Following a negative year for the tourism industry, a new national plan and policy will be introduced in an attempt to increase its competitiveness. Government will continue to endorse policies intended to control inflation, public dept and to reduce its own workforce, measures that are required for the eventual Euro introduction. Government will however be expected to be more careful on how to implement austere measures in view of the forthcoming general elections and following this year's Nationalist Party negative performance in the local councils polls.