

## No agreement on proposed social pact

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During 2004, the Maltese social partners and government discussed a possible social pact, aimed at enhancing national competitiveness, and in November the chair of the tripartite Malta Council for Economic and Social Development proposed a draft of such an accord. However, by the end of the year, no consensus had been reached on a pact.

The sluggish growth of the Maltese economy in 2004 prompted the social partners to try to join their efforts to enhance Malta's competitiveness. Trade unions and employers' organisations thus put forward suggestions intended to lead to the signature of a 'social pact' (MT0404101N ([//www.eurofound.europa.eu/ef/observatories/eurwork/articles/uhm-proposes-social-pact](http://www.eurofound.europa.eu/ef/observatories/eurwork/articles/uhm-proposes-social-pact)) and MT0406102F ([//www.eurofound.europa.eu/ef/observatories/eurwork/articles/debate-over-social-pact-continues](http://www.eurofound.europa.eu/ef/observatories/eurwork/articles/debate-over-social-pact-continues))).

In November 2004, the chair of the Malta Council for Economic and Social Development (MCESD (<http://www.mcesd.org.mt/>)), the country's highest national tripartite forum, presented a draft social pact to be debated by the representatives of the social partners. The chair argued that this proposed plan aimed to attract investment to Malta while generating better work opportunities and safeguarding the country's social welfare. He proposed that the pact should cover a three-year period (from January 2005 to December 2007) and suggested that MCESD should be given the role of scrutinising the implementation and eventual results of the social pact. The draft social pact consisted of 22 measures under four headings: stimulating work and economic activity; wages policy; development of human capital; and taxation of government expenditure. The measures were based on the suggestions made by the social partners.

It was envisaged that the social pact would act as a national action plan on which the government was to base its new budget that was due to be announced on 24 November 2004. Government and employers' representatives received the draft pact very favourably. However, trade unions immediately showed strong reservations on several points. Lengthy sessions on the social pact were held within the MCESD. Eventually, the General Workers' Union (GWU (<http://www.gwu.org.mt/>)) - Malta's largest trade union organisation (MT0404102F ([//www.eurofound.europa.eu/ef/observatories/eurwork/articles/the-development-and-current-situation-of-trade-unions-1](http://www.eurofound.europa.eu/ef/observatories/eurwork/articles/the-development-and-current-situation-of-trade-unions-1))) - pulled out of the discussions since it felt that the debates were not leading to any compromises. It stated that the proposed measures would mean a financial burden of hundreds of pounds on the average Maltese worker. GWU rejected several proposals including that of reducing the number of public holidays. It expressed its disappointment that the government would not commit itself not to increase taxes during the period of the proposed social pact. GWU also said that its proposals, which would have saved employers MTL 21.8 million over three years, were not considered by the government and the employers' representatives.

GWU's move resulted in a chorus of disapproval from the other social partners, which would have wished discussions to continue. The Union of United Workers (Union Haddiema Maghqudin, UHM (<http://www.uhm.org.mt/>)) emphasised that certain proposed measures were unacceptable but declared satisfaction that several beneficial measures had been proposed. These included the introduction of measures to reduce tax evasion, increased spending by employers on employee training, a reduction of unnecessary bureaucracy and a proposed role for MCESD as a monitor of government expenditure.

Though forming part of the Confederation of Malta Trade Unions (CMTU) which is represented on the MCESD, the Malta Union of Teachers (MUT (<http://www.mut.org.mt/>)) and the Malta Union of Bank Employees (MUBE (<http://www.mube.org/>)) issued statements indicating that they felt their interests had not been sufficiently catered for. They said the social pact document was only given to them a day before it was debated in MCESD and they thus did not have enough time to analyse it.

The employers' representatives (MT0310101F (<http://www.eurofound.europa.eu/ef/observatories/eurwork/articles/employers-organisations-examined>)) - consisting of the Malta Chamber of Commerce and Enterprise, the Federation of Industry (FOI (<http://www.foi.org.mt/>)), the Malta Employers' Association (MEA (<http://www.maltaemployers.com/>)), and the Malta Chamber of Small and Medium Enterprises (GRTU (<http://www.targetltd.com/grtu/proposals.asp>)) - encouraged the government to take the actions necessary to enhance the economic situation.

The social partners were unable to reconcile their divergencies and achieve a consensus. The social pact could therefore not be signed. Meanwhile, in its 2005 budget, the government included the abolition of 'vacation leave in lieu', which used to be given for public holidays falling on weekends. While trade unions were unequivocal in their disapproval of this decision as they claimed it was too arbitrary, employers' associations described it as a very positive move towards enhancing competitiveness.