

## Chapter 3

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# **The Social Partners, Dialogue & Industrial Relations in Malta<sup>1</sup>**

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### **Introduction**

#### *Social Dialogue and Development*

Ever since the establishment of the International Labour Organisation (ILO) in 1919, the crucial role played collectively by the social partners in economic and social development has become universally recognised. It stems from a recognition of the need for active collaboration among the actors involved in work and industrial relations of possible serious consequences resulting from a breakdown of these fragile relations, and of the interconnectedness between workplace industrial relations and the wider areas of public life. This role is played at the local enterprise, sectoral, regional, national and international levels.

The institution of social dialogue, as a concrete form of social partnership in industrial relations has increasingly become a characteristic feature of European economic and social policy formulation. It is also an important part of the process of European integration. With Article 118b of the Single European Act (1985), the European Commission was officially assigned the task of developing and promoting social dialogue. This was eventually

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given concrete expression through the rights of workers for information, prior consultation and negotiation. The implementation of negotiated agreements reached between employer and worker representatives may be done through a Council decision or through practical arrangements agreed by the social partners themselves in each of the Member States. Significantly, EU accession countries are expected to develop their own concrete structures, procedures and activities for social dialogue so that their social partners can fulfil their roles effectively. For the European Commission, social dialogue is the driving force behind successful economic and social reform.

### *Aims and Methodology*

This paper reviews the present state of Malta's employer and trade union organisations and to assess the institution of social dialogue at different levels. This is pursued by using the following, multi-staged methodology:

- i Detailed questionnaires were constructed for each of the social partners, administered to them by mail, and analysed separately<sup>2</sup>.
- ii Personal interviews with high-ranking officials in each of the three main organisations engaged in social dialogue<sup>3</sup>.
- iii Documentary evidence and information gathered from various sources was perused. Sources include: official Malta

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<sup>2</sup> Responses to this were submitted by: Margaret Dobsovic on behalf of the Malta Employers Association; John Scicluna (Federation of Industries); Donald Pace Bonello (Malta Hotels & Restaurants Association); Kevin Borg (Chamber of Commerce); Vincent Farrugia (Association of General Retailers & Traders); Charles Magro (Confederation of Malta Trade Unions); Charles Vella (General Workers' Union) and Joe Grillo (United Workers' Union).

<sup>3</sup> Interviews were held with: Edgar Galea Curmi, Personal Assistant, Minister for Social Policy; Edward J. Scicluna, Chairman, Malta Council for Economic & Social Development; Alfred Buhagiar, President, Confederation of Malta Trade Unions; Tony Zarb, General Secretary, General Workers' Union; Michael Parnis, Deputy General Secretary, General Workers' Union; Alfred Mallia-Milanes, former Director General, Malta Employers' Association; Gaetano Vella, General Secretary, United Workers' Union (UHM).

Government publications; research papers, theses and data resulting from on-going projects at the Workers' Participation Development Centre of the University of Malta; and a review of media publications and public statements relating to social partnership.

- iv The data gathered from all the above sources were analysed and evaluated with the aim of giving an adequate and fair representation of the issues and positions adopted by the various social partners.

Following this introductory section, the next one presents an account of the regulatory framework to industrial relations in Malta. This is followed by a review of the main local trade union and employer organisations. The final section reviews the processes of negotiation and collective bargaining at the enterprise and national levels. The main focus is on the role of the new, national institution of social dialogue, the Malta Council for Economic & Social Development (MCESD). The main issues confronting the MCESD — including its own recent reform — are critically analysed in the light of the negotiations prior to Malta's eventual E.U. accession.

## ***The Regulatory Framework***

### ***Basis for Industrial Relations in Malta***

The basis for Malta's industrial relations system was established during the period of the British colonial administration. The pioneering role played by Britain in industrialisation — with its world-wide trade and defence commitments — assimilated Malta within the imperial network and turned it into an important Mediterranean outpost for the execution of its global strategy. As a result, Malta became exposed to a wide range of industrial regulations, attitudes and experiences at an early stage when

compared with other neighbouring countries. These attitudes were based upon a liberal-pluralist political ideology and a perception of private enterprise as the main motor for industrial development. Concomitantly, the Maltese workers developed aspirations for a regulatory framework of industrial relations, including the establishment and recognition of free trade unions, appropriate legislation for the protection of employment and the settlement of industrial disputes. Nowadays, after almost four decades of independence, the influence of British institutions is still evident in many areas of social, political and economic life. This is particularly the case in industrial relations policy that continues to be modelled on that of Britain within a European context. As a result, the established model of industrial relations in Malta is that of voluntary, bi-partite, collective bargaining at the enterprise level in a traditionally polarised relationship between employers and trade unions. However, during recent decades, this model has tended towards a pattern of corporate, tri-partite, bargaining at the national level based on social partnership. This pattern is emerging in response to shifts in the balance of economic power as well as in response to economic exigencies such as the need to retain jobs, to re-structure existing enterprises and to attract foreign investment in a competitive, international environment that is limiting the range of collective bargaining.

### *Role of the State*

The State plays a prominent active mediatory and regulatory role in industrial relations in Malta. This it does through (a) the enactment of appropriate legislation regarding employment relations and conditions of work; (b) the establishment of the Department of Industrial and Employment Relations and the Employment and Training Corporation (ETC); and (c) its role as the major employer, directly responsible for the conditions of work for around 37.8% of the total full-time work force. Since 1993 the practice of collective bargaining regarding wages and conditions

of work has also been extended to the public sector whereas previously it was only practised in the private sector.

Following the notification – or even the sensing of the likely emergence - of an industrial dispute, the Director of Industrial and Employment Relations is responsible for providing mediation and conciliation services to the contestants. Once a dispute is referred to the Industrial Tribunal, the Minister is responsible for setting up the Tribunal which is normally composed of an independent chair accompanied by two other persons, one nominated by the employers' side and the other by the trade unions.

The Department of Industrial and Employment Relations (DIER) employs a number of inspectors to oversee places of work and to ensure conformity with legal standards. The Department has also been instrumental in the establishment of a tri-partite Authority for Occupational Health and Safety. In recent years, however, several of the Department's functions (such as that relating to employment records) have been transferred to the Employment and Training Corporation (ETC). The latter was set up in 1990 in response to a felt need to create a better match between the skills of those looking for work and the changing opportunities of industry. The DIER's role is now defined in the newly enacted Employment and Industrial Relations Act (2002) (EIRA).

### *The Constitution*

The main piece of legislation which has regulated industrial relations in Malta for many years has been the Industrial Relations Act (Act 30 of 1976). In addition to IRA, there are several other laws that regulate employment or specific aspects of labour relations. Most important amongst these is the republican Constitution of Malta, promulgated in 1974. The first article of the Constitution declares unequivocally: "Malta is a democratic republic founded on work and on respect for the fundamental rights and freedoms of the individual". A subsequent declaration states: "The State recognises the right of all citizens to work and shall

promote such conditions as will make this right effective". Other principles of the Constitution affirm the duty of the state to protect work; establish the maximum number of hours of work per day permitted by law; the entitlement of workers to a weekly day of rest as well as to annual holidays with pay; the prescription of a minimum age for paid labour; the duty of the State to promote equal rights of men and women in all socio-economic spheres of life; the provision of professional and vocational training for the advancement of workers; the provision of the means of subsistence for those citizens incapable of work; and the entitlement of workers to an insurance on a contributory basis for their requirements in case of accident, illness, disability, old age and involuntary unemployment. Finally, the Constitution also encourages the State to encourage the protection and development of private economic enterprise, artisan trades; and the social function of co-operatives.

Although the above principles are not enforceable in any court, they are fundamental to governance and compel the State to put them in action when making specific laws through parliament.

### *Labour Legislation*

The Industrial Relations Act (IRA) of 1976 incorporated various earlier legislation on this subject and was itself partially amended several times since its enactment and until its repeal. Furthermore, there are several ILO conventions relating to work and employment that have been ratified by the Malta Government and incorporated into local legislation. Following requests from various quarters to further update the industrial laws, the Government has, particularly since 1994, embarked on a wide process of consultation leading to the approval by Parliament of a new Employment & Industrial Relations Act (EIRA) in 2002, replacing both the IRA and the Conditions of Employment (Regulation) Act of 1952. In addition to catering for changing social and economic conditions, the amendments have also brought Maltese legislation in conformity with the EU's *acquis communautaire* in view of Malta's prospective

membership of the European Union. Additionally, there are other, specific acts of Parliament that have a bearing on the relationship between managers, workers and employers. These include the Social Security Act (1988), the Employment & Training Services Act (1990), the Persons with Disability Act (2000) and the Occupational Health and Safety Act (2000).

### *The Employment & Industrial Relations Act (EIRA)*

The EIRA recognises the right of workers and of employers to form their own associations, provides for their official registration and rules of conduct and grants them immunity from prosecution for any actions taken as part of an industrial dispute. Article 73 of the Act establishes the Industrial Tribunal that arbitrates in industrial disputes by means of a panel made up of employer and employee representatives. It decides cases of alleged unfair dismissal through a chair person acting alone. In the former cases, the Tribunal decisions are enforceable for one year and in the latter cases it may also award compensation and/or reinstatement. Furthermore, Articles 68 – 71 of the Act establish the machinery for a voluntary settlement of industrial disputes through mediation and conciliation. Article 72 of the Act also provides for a negotiating machinery for public officers deemed to provide essential services.

A practice adopted during the last few decades has been that of granting an annual cost of living increases to all full-time employees by means of a national standard order issued under the previous CERA. Such statutory wage increases are usually determined around budget time and are roughly based on the current, official rate of inflation. Over the years, the cost of living adjustments have ranged from Lm1 to Lm 3 per week. Besides this, the national minimum wage was established in 1977 and has been annually updated ever since. In 2002, it amounted to Lm46.63c (US\$ 116 or 110 euros) per week.

EIRA protects wages from any deductions, for their payment at

regular intervals, and the payment of a 'privileged claim' over the assets of an employer to be paid to employees in preference to all other claims that may be lodged against the employer (Articles 11 - 25). The maximum amount is "five months of the current salary of the employee".

According to EIRA, termination of an indefinite contract of service may be permitted "on grounds of redundancy". In such cases, the principle of 'last-in-first-out' in a particular category should apply (Article 36[4]). Furthermore, should a vacancy in the same post be available within one year, the previous occupant becomes entitled for re-employment (Article 36[3]).

Alternatively, an employment contract may also be terminated if there is a 'good and sufficient cause'; but such a decision may be contested in front of the Industrial Tribunal (Article 36). Finally, Article 45 of the Act establishes the fines that may be imposed on those contravening sections of the law. The Industrial Tribunal may decide what form of compensation, if any, shall be awarded to employees in cases of unfair dismissals (Article 81[2]).

A series of 'legal notices' is published from time to time by the minister responsible for labour - following consultation with the tripartite Employment Relations Board - as required by EIRA. These notices embody the detailed regulations through which the provisions of EIRA are put into effect.

### *Other Regulations*

There are other Maltese laws regulating employment in the labour market. These include the establishment of the National Employment Authority (1990) which, together with the Employment Commission, (1983) ensure that no discrimination in employment is made on political or other grounds. Simultaneously, the Employment and Training Corporation (ETC) has been established since 1990 with the powers to register persons seeking employment, to interview persons seeking employment, to obtain from employers information regarding available



employment and to train and assist persons to develop the special skills required for employment. Other laws regulate specific areas of employment: one example of this is the Public Transport (Regulation of Employment) Act 1970, which makes special regulations in respect of public transport employees.

The Employers' Liability (Compulsory Insurance) Act 1974 requires all employers to insure against their liability for personal injury to their employees.

The Persons with Disability (Employment) Act (1969) obliges employers with more than 50 employees to reserve 2% of employment to persons who are registered as having some disability. It also provides training courses and employment services to such persons.

Reference has already been made to the amendments introduced to various laws in recent years in order to protect women against discrimination and sexual harassment. These include amendments to the Constitution (Act 19 of 1991) and to the Family Law (Act 21 of 1993). A number of ILO conventions in this regard have also been ratified by Malta. Provisions relating to sexual harassment as an offence have now been incorporated into the new EIRA (Article 29).

### *Regulations for Public Sector Employment*

Finally, it must be noted that public sector employment is traditionally regulated by Estacode. This is not a legal instrument but a collection of circulars and relevant rulings issued over the years by the Management and Personnel Office, Office of the Prime Minister. It regulates promotions, hours of work, leave, sick leave entitlement, welfare benefits, overtime rates of payment, emigration leave and discipline in the public sector. It should also be noted that the power to make appointments, to remove from office and to exercise disciplinary control over civil servants rests in the Public Service Commission which is established under the Constitution.

Nevertheless, EIRA (Article 48 (I)) empowers the Prime Minister to prescribe the applicability of its provisions regarding conditions of employment to public sector employees - something which has not yet come into effect. Furthermore, the provisions of EIRA regarding industrial relations (Title II) may also be applicable to government employees (Article 84).

Employment in a number of parastatal bodies and public corporations is regulated by the specific laws setting up these institutions. Since 1988, however, collective bargaining has actually become the standard means of regulating the conditions of employment in both the private and public sectors. This is particularly the case in those workplaces where union membership is strongest and the threat of redundancy remote: conditions which are most evident in the large organisations of the public sector. By contrast, unions are weakest in the small and medium sized enterprises of the private sector, particularly in tourism and service industries. This is where the minimum provisions of EIRA and the other conditions imposed by law are the most relevant.

## ***The Social Partners***

### *Development of Trade Unions*

The emergence of an effective trade union organisation has tended historically to depend on a concentration of class-conscious workers engaged in industrial production, a socio-political environment capable of accommodating trade unions, and the availability of inspired leadership with the skills needed to harness a mass organisation. The only setting in Malta that offered such possibilities was the Naval Dockyard (now known as Malta Drydocks), a major ship-repairing establishment that was part of the British naval base. In the 1950s, over 12,000 persons, or 14.2 percent of the total working population of Malta, were employed there. Drydocks workers were not only exposed to physical

hardship and danger but also to permanent subordination: the largely civilian workforce was subject to military discipline, and no Maltese could ever hope to occupy any position higher than that of local supervisor. Furthermore, the workers lived under a constant threat of redundancy. It was at the Drydocks that Malta's largest trade union, the General Workers' Union (GWU), was formed in 1943, as reaction to British colonial policies. Over the years, the Drydocks workers constituted the most militant section of the GWU.

In the late 1960's, Malta Drydocks was nationalised and transformed into a commercial, ship-repair enterprise. Although it was only economically viable for a short span of years, its much-reduced workforce continues to play a militant role within the G.W.U. even today.

Before the GWU was established, the trade unions in Malta were small and generally weak. In the aftermath of World War I, a number of attempts had been made to set up craft unions, largely on the initiative of Drydocks workers. Yet, Malta's only union to have survived since the pre-World War II period is the Malta Union of Teachers (MUT) founded in 1919. Many of the early unions were inspired and supported by British workers who happened to be stationed in Malta at the time. This explains the persistent influence of the British labour movement on its Maltese counterpart.

Although colonial policy gradually became more liberal towards trade unionism, particularly after the World War II, the unions could not make much progress because the institutional and legal machinery for negotiation was virtually non-existent. The delay in trade union organisation in Malta was also due to the fact that industrialisation was long confined to the Drydocks and the U.K. defence establishments. At the end of the War, a quarter of the workforce still earned a living from agriculture. There was also high chronic unemployment, which weakened the workers' bargaining power.

Paradoxically, it was the widespread fear of a return to the high unemployment levels of the inter-war period that provided the impetus for a trade union revival after World War II. The GWU was the product of a new labour leadership able to mobilize a workforce that was determined to prevent a return to the misery of the past. In 1945, the Trade Union and Trade Disputes Ordinance gave unions a legitimate operative function and laid the basis for the Conciliation and Arbitration Act of 1948, which provided for both amicable and legal solutions to trade disputes. Trade unions, their role defined by law, were henceforth listed with the Registrar of Trade Unions who published their names and membership totals annually. The scene was set up for bipartite, plant-level, collective bargaining on the British pattern.

Also important at the end of the War was the reorganisation of the Malta Labour Party (MLP) in preparation for the coming general elections. The MLP became intimately allied with the trade union movement from the start. The fact that the rank-and-file supporters of the MLP and GWU tended to come from the same social background made it easy for these organisations to adopt a common labour front. The Drydocks' employees formed the backbone of both the 'industrial' and the 'political' arms of the Malta Labour Movement (MLM). The rifts that occasionally developed were usually bridged by an influential nucleus of officials who gained the upper hand at critical points and managed to suppress dissent.

Following the election of the Labour Government in 1971, the Union abandoned the tactics of confrontation. The Union leadership henceforth sought ideological legitimation for its cooperation policy with the government through the concept of 'workers participation'. They favourably contrasted the workers' present self-sacrifice and self-restraint in the pursuit of the national interests with their previous efforts to achieve their goals through conflict. The GWU vigorously supported the Labour Government's wages policy designed to promote national economic self-sufficiency. In return, the government involved the union in all its

decision-making organs. It further improved the wages of all workers and sought to reduce income disparities by giving wage increases on a flat rate basis. It also instituted price controls and implemented important welfare policies. Meanwhile, relations between the Labour government and the smaller, politically neutral affiliates of the Confederation of Malta Trade Unions (CMTU) progressively deteriorated.

Inter-union relations became very bitter during the 1970's and early 1980's due to the support, which the GWU was giving to the MLP government with whom the CMTU was in conflict over 'basic' industrial relations issues. The overall effect of such confrontations with the Labour government was to increase 'trade union consciousness' particularly among Malta's non-manual workers. The United of United Workers (Union Haddiema Magħqudin – UHM) emerged as a general union affiliated to the CMTU. Created in 1978 as a successor to the Malta Government Employees Union, it proceeded to incorporate a number of smaller unions that recognised the importance of creating a unified anti MLP/GWU front. While the MLP urged workers to remain within the GWU and to rally behind the MLM, the Nationalist Party encouraged them to leave the GWU, which had allegedly 'betrayed' them, and instead to join the so-called 'free trade unions'. As a result of this politicisation of trade union membership, both the CMTU and the GWU registered significant increases.

With the consolidation of the Nationalist Party in government after the 1992 general elections, the GWU removed its formal, statutory 'fusion' with the MLP. For some time, its relations with the CMTU appeared to be improving. A number of collective agreements were jointly negotiated by the GWU and UHM within both the public and private sectors. The main unions harmonised their policies on a number of issues and actively collaborated in the educational and research activities organised by the University's Workers' Participation Development Centre (WPDC). Nevertheless, inter-union relations have remained strained and

despite the intervention of officials from the British Trades Union Congress and the European Trades Union Confederation, it has not been possible to establish a consensual code of practice and dispute resolution. One main divisive issue remains over the policies adopted by the two main union organisations towards the two political parties - whether in government or opposition. Among the other issues there is that of poaching each other's members and their contrasting views about Malta's EU membership.

### *Trade Union Membership*

According to the Registrar of Trade Unions, in June 2002 there were 86,225 members organised in 35 unions — representing a density of 60% of the total workforce (See Appendix). The actual density is higher if one excludes the self-employed and other workers who are legally precluded from union membership, such as the police and the armed forces. On the other hand, both the GWU and the UHM have thousands of pensioners as members.

Trade union membership in Malta has been growing steadily since World War II. This consistent growth is remarkable, considering the major overhaul of the Maltese economy during this period. It is a tribute to the effectiveness of the leadership and their organisations in a society where 'compliance with paternalism' and 'individualist pragmatism' are among the traditional ways of coping with power (Zammit, 1984).

The growth rate of Maltese trade union membership since 1984 can be seen from the table below:

*Growth Rate of Maltese Trade Union Membership: 1984-2001*

Year	Labour Force	Gainfully Occupied %	Unemployment Rate	Union Membership	Density (of gainfully occupied %)	GWU (of total union membership %)
1984	119,637	(91.3)	8.7	46,434	42.5	60.6
1987	127,551	(95.6)	4.4	60,625	49.7	59.5
1990	132,283	(96.2)	3.8	68,638	53.9	57.4
1993	139,868	(95.8)	4.2	73,523	54.9	56.4
1996	141,907	(95.7)	4.3	79,136	56.4	57.6
1999	146,525	(94.7)	5.3	84,033	61.1	56.1
2001	144,929	(94.9)	5.1	87,158	63.4	55.9

Source: Annual Report of the Registrar of Trade Unions – December 2001.

**Trade Union Organisation**

*(a) General Workers' Union (GWU)*

Soon after its establishment in October 1943, the GWU became Malta's largest union. Within a year, it doubled its membership from 10,000 to 22,000 and henceforth it grew from strength to strength. It acquired its own printing press and employed several officials on a full-time basis. Although from the start, Drydocks workers played a leading role in the Union, there were also other sections from the Admiralty Department, the War Office, the Air Ministry, the Malta Government Service and Private Industry. In 1944, a Youth Section with its own central committee was also formed. Further sections were established over the years while some older ones were removed.

These changes in Union structure reflected developments taking place in the Maltese economy. A period of economic expansion

and diversification followed independence from Britain in 1964 and new ventures in industry, commerce and tourism replaced military and ancillary activities.

Members of the GWU have been organised in the following 11 sections covering all trades and categories of workers in both the public and private sectors:

- Drydocks Section
- Public Service Employees Section
- Port and Transport Section
- Chemical and General Workers Section
- Textile, Garment and Leather Workers Section
- Youth Section
- Professional Services Section
- Hotels, Restaurants and Food Workers Section
- Technology and Electronics Section
- Communications and Energy Section
- Pensioners Section

In addition, there are a number of central committees, boards and entities that cut across the various sections or provide special services for union members. These include the Research and Education Office, the Gender Committee, the Health and Safety Committee, the Social Activities Committee and the National Music Academy.

The Central Administrative officers of the GWU are the President, Vice-president, Secretary General and two Deputy General Secretaries. The Union's National Congress appoints each of these officers for a period of 4 years - following an open call for nominations. These officers are responsible for the day-to-day administration of the GWU, under the direction of the National Council. This is composed of the Central Administration, the Section Secretaries and 34 members representing the Sections in proportion to the number of members in each section. There are



also two representatives each from the Youth and the Pensioners Sections, the Research/Education Officer and the Deputy Secretary of the Public Services Section.

The highest policy-making body of the GWU is the National Conference that ordinarily meets every four years, unless there are special reasons for calling an extraordinary Conference. The ordinary meetings of the National Conference and the National Congress alternate every two years and are composed of the delegates of all sections, including the Pensioners' Section, the officers and members of the Union's National Council.

Every section has its own Executive Committee, but any policies adopted require the sanction of the GWU's National Council. The General Conference of the Section elects the Secretary of each Section for a period of 4 years by means of a simple majority expressed in a secret vote. The members of each section are subdivided into groups according to their trade or profession, equivalent conditions of employment or place of work. There are also delegates, shop stewards, collectors and group committees in each section. Membership in each section varies from a few hundred in the Professional Services Section to over 9,000 members in the Public Services Employees Section. In spite of the high degree of autonomy that they enjoy, all sections are expected to support each other through secondary action.

The Pensioners' Section, set up in 1987, not only represents the interests of retired workers nationally but also organises activities in support of union policies and social activities for its members.

The international affiliations of each section include the following Trade Secretariats: International Federation of Chemical, Energy, Mining, and General Workers' Unions (ICEM); International Textile, Garment and Leather Workers' Federation (ITGLWF); International Metal workers' Federation (IMF); International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF); International Federation of Commercial, Clerical, Professional and Technical Employees

(FIET); International, Transport Workers' Federation (ITF); Public Services International (PSI), Postal, Telegraph and Telephone International (PTTI); European Federation of Retired and Elderly Persons (FERPA).

The GWU is a founder member of the International Confederation of Free Trade Unions (ICFTU) and sits on its Executive Board. It is also a member of the European Trade Union Confederation (ETUC) and the Commonwealth Trade Union Council (CTUC). Furthermore, the Union acts as the official worker representative from Malta at the annual conference of the International Labour Organisation (ILO) and its General Secretary is currently a member of the ILO Governing Body.

Finally, the GWU owns a few commercial enterprises that provide additional services to its members as well as serve as a supplementary source of income. These include Union Press, (one of Malta's leading presses which prints Malta's most popular daily newspaper in Maltese), a travel and insurance agency and a cargo handling company.

Over the years, the GWU was constrained on more than one occasion in the course of industrial disputes to demonstrate its ability to paralyse the country. Its success in doing so has rested on the ability of the leadership to get its message across to manual workers located in certain strategic workplaces like the ports, airport and Drydocks. This ability testifies to the vitality and efficiency of the Union's organisational structure.

Currently, the GWU represents some 56% of Malta's trade union membership. It is very strong in the public sector and in state owned or controlled enterprises and corporations, strong in private companies in the industrial sector and large business firms and fairly strong in medium sized business firms. The union has generally avoided getting involved in any privatisation schemes and has declared itself against the full privatisation of essential services. The privatisation of the public, state owned or controlled enterprises is likely to affect trade union representation. Experience

has shown that some Maltese private firms are hostile to trade unions whom they perceive as incompatible with competitiveness. For the same reasons, local employers generally resist the appointment or election of worker directors on their board.

Mobilisation of workers through the use of the print medium can be very effective. The GWU has its own mass-circulation newspaper – *L-Orizzont* (The Horizon) - for such a purpose. Nonetheless, recent experiences suggest that grassroots mobilisation is becoming more difficult due to an encroaching culture of individualism (Zammit & Rizzo, 2002).

The GWU is represented on the Malta Council for Economic and Social Development (MCESD) and normally plays a very prominent part in it. The union's declared objective and main interest in participating in this tripartite mechanism is "to defend workers' rights". Nevertheless, the view of the union is that this tripartite mechanism is "not functioning well and is being used by the government to camouflage its policies and to neutralise the union's power". For this reason the union has exerted its pressure for the council's reform.

Collective bargaining is mainly conducted by the GWU at the enterprise level. Every year, approximately 40 collective agreements, spread over all sections, are signed by the Union. During the last few years, some breaches to these agreements have been reported. Such alleged violations are normally referred to the Industrial Tribunal. Overall, the GWU perceives the present practice of collective bargaining as highly beneficial for the workers and these are said to react very positively to collective agreements which are successfully negotiated by the union.

The GWU's relations with the Nationalist Government are generally strained and have worsened particularly since August 20, 1999. On that day, the police intervened in the course of an industrial dispute at Malta's international airport. The union's officials were arrested, subsequently arraigned in court and charged with 'criminal offences' for damages to state property. Although

the charges were subsequently dropped, relations between the union and government have remained tense (See Chapter 2).

*(b) Confederation of Malta Trade Unions (CMTU)*

Unlike the GWU, which is a unitary trade union organisation, the CMTU is an umbrella organisation for a number of independent unions. It was founded in 1959 with the intention of co-ordinating and rationalising Malta's trade union activities. The GWU, however, refused the invitation to join.

The objectives of the Confederation are to promote the interests of its affiliates and to further the ideals of a democratic trade union movement as well as to improve generally the economic and social conditions of workers.

Under the CMTU constitution, the Council is partly elected and partly nominated by the member unions in proportion to the membership strength of the union. The Council is vested with executive powers and its term of office runs for two years when Congress, the Confederation's supreme body, meets to elect a new Council, to consider and approve the policy of the Confederation and deliberate on other congressional matters.

After a period of gradual growth, the CMTU made rapid gains from the mid-1970s onwards. This was partly due to the statutory fusion in 1978 of the GWU with the Malta Labour Party and the Nationalist Party's appeal to workers to join the 'free trade unions' within the CMTU ranks. By 1998, the CMTU had 32,762 workers, 40.1 per cent of total union membership. Another factor strengthening the CMTU was the enacting of the Industrial Relations Act in 1976, which gave it official recognition as a main negotiating partner, alongside the GWU, particularly in the public sector.

There are currently 10 unions affiliated to the CMTU (See Appendix). The CMTU and its affiliated trade unions profess no formal political allegiance and take pride in the fact that they actually resort to industrial actions when this becomes necessary,

no matter who is in government. Nevertheless, their official policies often converge with those of the Nationalist Party, thus reflecting the social background of most of their members. A strong sense of solidarity developed among the various CMTU affiliated unions during the period of confrontation which took place between them and the Labour Government from 1978 and 1984. During these conflicts, the CMTU unions pledged both moral and material support to each other. The actions solidified relations among them and confirmed the need for co-operation and mutual support.

The overall philosophy of the CMTU is reformist and does not perceive as inevitable social, political or economic upheavals in order to advance their members' interests. Their philosophy is mainly inspired by the social teachings of the Catholic Church as expressed through various papal encyclicals and therefore they shy away from radical socialist ideas.

What mainly holds the CMTU unions together is their common objective of defending and advancing their members' interests at work, often in opposition to those of their employers. To this end, they are ready to resort to industrial action within the framework of industrial legislation and in accordance with the principles embodied by the International Labour Organisation (ILO). They are also concerned with national issues which affect their members' living standards like inflation and tax evasion by the self employed.

Internationally, the CMTU is affiliated to the World Confederation of Labour (WCL), the European Trade Union Confederation (ETUC) and the Commonwealth Trades Union Council (CTUC). It also participates actively in ILO conferences and other activities. In addition, the affiliated unions individually have their own international linkages.

All affiliated unions are represented on the CMTU Council. This is the main decision making body of the confederation. The items on the agenda of this council are generally issues of national and common interest but matters pertaining to particular affiliate

unions are also occasionally discussed. In the opinion of some confederation members, the government's privatisation policy may have a negative impact on their operations since private enterprises tend to be less flexible in negotiations than the public sector. The CMTU policy is to restrict its actions within the legal parameters. Nevertheless, it is recognised that the mobilisation of grass roots workers is becoming increasingly difficult nowadays.

The CMTU's relations with the government are described as good and frequent, despite the industrial actions resorted to by its affiliates from time to time.

The CMTU is represented on the MCESD. This is perceived as an important, tripartite mechanism for safeguarding the workers' interests. Occasionally agreements on matters of general interest are signed by the Confederation. However, no collective agreements are signed by the Confederation at the sectoral or enterprise levels.

*(c) Union of United Workers (Unjon Haddiema Magħqudin – UHM)*

Established in 1978, the UHM is Malta's second largest union and as a 'general union' it seeks to rival the GWU. In 2001, it had 25,614 registered members that amounted to 29.3% of total union membership. Its rapid growth in recent years can best be understood in the context of the political and industrial changes that Malta has undergone since the UHM's establishment.

The immediate forerunner of the UHM was the Malta Government Employees' Union (MGEU), itself the successor of the Malta Government Clerical Union (MGCU) founded in 1966. Both of these unions had been restricted to public officers, whereas the UHM opened its membership to all categories of workers, more or less on the pattern of the GWU. The UHM's strength, however, still tends to be concentrated among white-collar workers in the public sector and these generally manifest a traditional, middle-class outlook.

Prior to the establishment of the MGCU in 1966, there had

been other white-collar unions catering to specific sections of the public sector, for example, the Malta Civil Servants' Association and the Society for Administrative and Executive Civil Servants. These unions were generally felt to be weak and ineffective, and it was the need for better organisation that led to the establishment of the MGCU, the MGEU, and subsequently the UHM. Each largely kept the same officials and organisational facilities as its predecessors.

When in 1967, the MGCU was involved in the first industrial confrontation with the Government, the GWU issued a formal statement of support. In fact, this was the first strike ever by public servants – an action still considered illegal at that time. But after 1971, the two unions were often in conflict, as the GWU generally supported the Labour government. However, there were occasions when they became conscious of convergent interests and took joint industrial actions.

Following the extension of membership to all state and parastatal employees in 1973, the MGEU registered an increase in membership that reached 3,371 within a year (8.6 percent of total union membership at the time). Enrolment gathered momentum after 1978 when the newly formed UHM extended its membership further to cater to non-government employees. Undoubtedly, membership growth was partly the result of support from Nationalist Party quarters who urged their supporters to leave the GWU and join the “free” unions during the period of the “statutory fusion” of the GWU with the Malta Labour Party (MLP) in 1978 – 1992.

The structure of the UHM is composed of four elements: the group committees, the sections, the general council and the general conference. The basic elements are the group committees who are elected once a year by the rank and file members. They are composed of chairman, secretary and three or more members. A group committee is set up for every category of employees. The members also elect the group's representatives on both the section's executive committee and delegates to the section's annual and other

meetings.

Depending on the group's size, the chairman and/or secretary automatically become members of the section's executive committee. Sections consists of 'groups of categories of employees'. The general council determines the number of sections. Currently, there are seven sections catering for the following categories:

- Health Services Section
- Hotels, Restaurants, Food & Beverages Section
- Manufacture and Allied Services Section
- Parastatal Section
- Departmental Section
- Pensioners Section
- General Services Section

Each section has an executive committee whose function is to govern the section in accordance with the general policy of the union. The executive committee has a president, vice-president, secretary and a representative for every 150 members. Groups with between 50 and 150 members are entitled to one representative.

A delegate for the section's general meetings is allotted to each group for every 30 paid up members. Shop stewards or office representatives are automatically delegates to their section's general meetings and to the general conference. The general council is responsible for the administration and general control of the union. It is composed of four officers: the president, vice-president, general secretary and treasurer; and a representative for every 300 members from each section and a Gozo representative elected from the members in Malta's sister island.

The General Conference elects the officers. This meets annually and is also responsible for adopting administrative and financial reports, considering new rules, amendments and motions.

The UHM, like its forerunners, is affiliated to the CMTU and



continues to play a central part within that organisation. Between 1975 and 1994, its president was also the president of CMTU. Internationally, the UHM is affiliated to the International Federation of Public Service Employees (INFEDOP), and the European Federation of Public Service Employees (EUROFEDOP).

The UHM is strong in the public sector and in some state owned or controlled enterprises or corporations and fairly strong in private companies, large business firms and medium sized businesses. Mobilisation of workers through meeting for shop stewards and members is considered to be very effective. The union claims that it is not difficult to mobilise the grass roots workers.

The relations of the UHM with the present Government have been described as good. Regular contacts are maintained with public bodies and the information given is perceived as useful and timely. The UHM considers itself influential in state policy.

The UHM is also represented in the MCESD. It aims of participating in this tripartite mechanism is to improve and safeguard conditions of work, maintain the workers' standard of living and ensure that due weight is given to the social dimension of state policy. It is very interested in this council and its role is considered to be influential. It believes that this tripartite mechanism can strengthen union power and reduce conflict between the social partners. But it can also be used by Government to win union support and industrial peace.

Every three years, the UHM negotiates a revision of salaries and general conditions of work for all Government employees. In the other sectors in which it is represented collective agreements are concluded at enterprise level. In 1999, the union signed 28 collective agreements in the private enterprises and parastatal corporations. Generally agreements are complied with though some breaches are occasionally reported. Group committees are set up at the place of work to ensure that the collective agreement is being implemented. According to the union, workers tend to view collective agreements as an opportunity to raise salaries and improve

working conditions. The union does not have any general strategy for collective bargaining but it is trying to introduce basic conditions in all collective agreements at sectoral level. The union views the present situation and practice of collective bargaining as a means of improving productivity and working conditions.

*(d) Malta Union of Teachers (MUT)*

Founded in 1919 in order to obtain better conditions for teachers, the MUT is Malta's oldest, surviving union. Between 1950 and 1967, the MUT worked through the Malta Government Joint Council, which also included the General Workers' Union (GWU) and the Malta Civil Service Association. Since 1967, when the Joint Council ceased to function after the withdrawal of the GWU, the MUT has negotiated independently. The MUT has been affiliated to the Confederation of Malta Trade Unions (CMTU) from the start. It organises teachers at all levels, from kindergarten assistants to university professors in both state owned, church and private schools.

The MUT aims to associate and unite all teachers in Malta and to promote their professional status, remuneration and welfare. It also aims to promote high educational standards in the country as a whole. These 'dual roles' of the MUT are seen as reinforcing each other. Membership is open to all members of the local teaching profession in both the state and private educational sectors.

The MUT is organised at the school and national levels. In every school or group there is a delegate chosen by the union members in that particular school, or in default, chosen by the Union's National Organisation. The duties of the school delegate are to promote union interests, rally members, bring to the Council's attention any matter of discontent or needing attention, collect members' fees, and report to the Organiser any staff or other movement in schools.

The MUT's administration is entrusted to a council, which is elected biennially. The Council consists of 32 members including

the president, vice-president, treasurer, general secretary, organiser, assistants, chairman of the Gozo membership committee and 24 other members. All, except the General Secretary, are elected. The latter is the Union's employee.

Both the nominations and voting for Council members takes place by mail. Yet, all the union members may participate directly in both the nomination and election procedures. All the union's officers, except for the General Secretary, are elected by simple majority.

As a result of the rapid expansion in education which Malta has undergone in recent years – particularly at the higher levels – teachers have experienced an increase in status and relative bargaining power. But these have also been followed by relativity of pay disputes among the different teaching grades which have led to breakaway factions from the Union of some teachers in post secondary education, trade instructors, casual teachers and kindergarten assistants. Nevertheless, the Union has eventually managed to bridge these differences and now claims to represent over 90% of all teaching grades in the country.

The MUT's outlook is inspired by Catholic social doctrine. Internationally, the Union is affiliated to the World Confederation of Organisations of the Teaching Profession (WCOTP); International Federation of Free Teachers' Unions (IFTA); International Federation of Secondary Teachers' Associations (FIPESO); World Union of Catholic Teachers (UMFC); International Association of University Professors and Lecturers (IAUPL); and European Trade Union Committee for Education (ETUCE).

*(e) Malta Union of Bank Employees (MUBE)*

The MUBE was formed in 1972, following a promotion exercise in one of the leading banks which left many non-manual employees dissatisfied. After 1987, the MUBE was re-organised and its activities extended. It is now open to all managerial, supervisory,

clerical and industrial grades (messengers, handymen, technicians and tradesmen included).

The basic units of the MUBE are the Group Committees, of which there is one in every bank. The chairperson and Secretary of each Group Committee are also members of the Central Committee that is responsible for both the Union's executive policy and administrative matters.

The Chief Executive Officer of the Central Committee is the Union's General Secretary. In addition, there are the President, Vice-president, General Secretary, Administrative Secretary, Treasurer and Public Relations Officer. There are also five Assistant General Secretaries catering for administration, operations, Marketing/membership, Gender Equality and Research. Of these, the President and General Secretary are elected directly by the membership for a period of two years while the others are elected every year by the Central Committee.

The final authority of the Union is vested in the Annual General Meeting that is open to all members – including pensioner members.

The Union currently claims to represent over 90% of all clerical and managerial grades in the local banks.

Internationally, the Union is affiliated to the European Union of Bank Employees (EBU) and the World Federation of Bank Clerical Workers. The Chair of the European Finance Sector of this association is entrusted to the MUBE representative.

#### *(f) Other Unions*

In addition to the main trade unions described above there are a number of smaller trade unions that cater for specific categories of employees. Most of these are affiliated to the CMTU and follow its ideology, with the glaring exception of the Malta Union of Midwives & Nurses (MUMN). This is the largest union of its category — with 78.5% of its catchment area, though these are only 1.7% of total national trade union membership. The MUMN

is not affiliated to either of the two main union blocks. In fact, most of its members were until recently enrolled with the GWU and subsequently the UHM. They decided to form their own, separate union because they felt that their particular interests were not being adequately represented. This may reflect the changes taking place in this service sector reflecting higher living standards, professionalisation and the comparative standing of members. The union for midwives was originally formed in 1990 and in 1996 it incorporated the nurses to form one joint union. Like other professional unions, the MUMN seeks to improve the wages and conditions of work of its members while also safeguarding professional standards.

### **Trade Unions and EU Accession**

The official policy of the GWU on the European Union is based on a series of reports it commissioned in 1999 in order to study the impact of eventual EU accession for Malta. These reports have highlighted that the EU's single market regulations would lead to the winding up of many small business operations that are an integral part of the Maltese economy. It should also be noted that the MLP was simultaneously waging its campaign against EU membership along similar lines and this provoked accusations of political bias at the union's position. Undoubtedly, the union's opposition to Malta's EU membership - to which the present government is strongly committed - is a main factor which has contributed to its poor relations with the government. The GWU has stated that an opinion survey conducted among its members in 2000 revealed that 81% of them were against EU accession, 15% were in favour and 4% were undecided. In an updated report published in 2001, the union reaffirmed its stand that the government's 'blindfolded compliance' with the requirements of the EU acquis, has not allowed the same government to address the urgent issue of industrial restructuring in an appropriate

manner. The union argued that since the government was ignoring the negative social and economic consequences of EU membership, it could not officially pronounce itself in favour. Consequently, during an extraordinary meeting of the GWU's National Conference, held on the 8th February 2001, a motion presented by the National Council was approved by acclamation. It stated that "under the present circumstances, Malta's full membership of the EU is neither beneficial for the workers nor the country" (GWU, 2000). Henceforth, this became the official policy of the union.

On the other hand, the CMTU and its affiliated unions strongly support Malta's EU accession, subject to the best possible terms being obtained in the negotiation process and that there is an adequate period of adjustment. The CMTU is represented in the Malta-European Union Steering & Action Committee (MEUSAC) and the Accession Co-ordination Task Group (ACT). The CMTU claims that the implementation of the EU's social policy directives will further improve the living standards of local working people. The Confederation regards the attitude of employers who focus almost exclusively on the financial cost of implementation as a concrete manifestation of the different perspectives adopted by the social partners.

On its part, the UHM views Malta's accession to EU as providing new opportunities for workers. It is demanding that all EU directives related to work should be implemented without any undue delay. The union is actively involved in two Government committees dealing with EU issues – the Malta EU Steering and Action Committee (MEUSAC) and the Accession Co-ordination Task Group (ACT). It has also set up its own working group to articulate its interest regarding accession. The social *acquis* is not perceived as causing any major problems for industries. On the other hand, it will guarantee a safer work environment and equal opportunities for all. The employers' attempt to delay the implementation of the clauses related to the occupational health and safety is a cause of concern for the union (UHM, 2001). The

other unions affiliated to the CMTU broadly adopt a similar position.

*Schematic Summary of Main Trade Union Organisations*

	GWU	CMTU	UHM
Foundation Date	1943	1959	1966/1978
Organisation	General Union; Centralised; Divided into 9 sections	Confederation; De-Centralised; Coordinates affiliate unions' activities	General Union; Centralised; Divided into 7 sections
Representation	All sectors	Specific sectors	All sectors
Very Strong	In state - owned or controlled enterprises or corporations	In public sector	In public sector
Strong	In public service, in private companies in industrial sector, in large firms	In private companies in industrial sector, in large firms	In some state owned or controlled enterprises or corporations, in public service
Not so Strong	In medium sized firms, in small firms	In medium sized firms, in small firms in large firms, in medium sized firms	In private companies in industrial sector
Relations with State (2002)	Strained	Good	Good
Contacts with State Bodies	Frequent	Frequent	Frequent
Information passed by Government	Not useful; passed when decision already taken	Useful but sometimes passed when decision already taken	Useful; passed in good time
Political Weight	Influential on state policy	Influential on state policy	Influential on state policy

	GWU	CMTU	UHM
Facilities	Adequate and functional	Inadequate and lacking space	Adequate but not spacious
Financial Position	Good	Weak	Fairly good
Staff	Adequate	Inadequate	Adequate
EU Accession	Perceived as economically unviable & causing loss of jobs	Favourable. Demands that EU social policy directives be implemented without delay	Favourable. EU accession will provide wider opportunities for workers
Involvement in state committees dealing with EU matters	MEUSAC ACT	MEUSAC ACT	MEUSAC ACT

*\*The UHM is a constituent member of CMTU. It features separately in the above scheme due to its prominence in Malta's industrial relations and its size by comparison with the other organisations within CMTU.*

## **Employers' Organisations**

Organisations to promote private business and employer interests in Malta have been in existence since the nineteenth century, the Malta Chamber of Commerce having been set up in 1848. However, a large number of more specialised organisations representing sectional interest, have only emerged in recent years. Prior to the 1960's, private employers felt little need for organisations to represent them. The majority of employers at that time were small family-owned firms, paying agreed rates of pay and in return they got the best out of the workers who had no other choice of employment.

Over time, however, the situation changed, particularly with the onset of industrialisation after Independence. Serious firms who regarded themselves as progressive employers became aware



of the need for developing personnel policies, welfare facilities, and training. Individual employers who had to cope on their own found themselves at a disadvantage when dealing with trade unions on questions of working conditions and collective bargaining. They soon realised the need for an overall body that would represent firms in their negotiations with trade unions. The General Retailers and Traders Association was set up, followed by The Mill Owners' Association in 1949 and the Farmers Association in 1956. In 1965, the Malta Employers Association was formed on the initiative of a few, big, local employers. There are around thirty of these associations and there is no umbrella organisation that unites them all. However, the Employers Association attempts to do so and lists this as one of its primary goals. The definition of an employers association found its way into proper legislation in 1976. Yet, a large number of employers still do not affiliate with any organisation and do not harmonise their actions. This had led to a situation where numerous employers are not clear on certain details of labour law and disciplinary procedures, often with serious, long-term consequences.

Employer organisations generally promote the interests of private enterprise, the market economy, healthy business practices and internationalisation. They contribute towards the formation of national economic policies, develop a culture conducive to private enterprise, help to create the economic and social conditions favourable to growth and competitiveness, and encourage the development of productive employment policies. They also collaborate with employers in a common endeavour to establish and maintain the most advantageous relations with labour. Consequently they involve themselves in the setting up and interpretation of legislation on collective bargaining and working conditions generally.

The report by the Registrar of Trade Unions for 2001 shows that the total membership of employer associations stood at 8,547, up from 8,102 during the previous year (See Appendix). The largest

and most active in industrial relations amongst these are: the Chamber of Commerce; the Federation of Industries; the Association of General Retailers and Traders; the Malta Employers Association and the Malta Hotels & Restaurants Association. These five organisations are being reviewed in turn below.

*(a) The Chamber of Commerce (CoC)*

The CoC is an autonomous institution open to all merchants, bankers, manufacturers and others interested in commerce and industry. Its mission is stated as that of “promoting, servicing and representing Malta’s business community”. Its main objective is to promote and protect business interests within a framework of free competitive enterprise. It was set up in 1848 and was represented on the first self-governing Constitution of Malta in 1921 that gave the Chamber the right to elect two senators. It is registered under the Commercial Partnerships Act. Its role and functions include that of giving advice to government on commercial legislation, and of intervening on behalf of its members when necessary. It formulates its official views on matters of economic, industrial and commercial policy, represents the business community to outside bodies, and provides advice and services to its individual members by maintaining its own research unit and library. It also provides legal advice for its members on legislation affecting industry and trade, tax legislation, import and export control and customs procedure. These services include acting as arbitrator in the settlement of disputes falling within the ambit of the activities of the Chamber and making all forms of investment in shares, stocks or debentures as decided by the extraordinary general meeting.

The CoC forms part of the national, tripartite mechanism – the MCESD. Among its achievements the CoC boasts a successful dialogue with Government in economic policy such as levies, VAT, privatisation and the EU.

The CoC represents different sectors of the economy that make

up its eleven sections. Among these sections we find IT, insurance and tourism. The CoC represents its sectors at national level and it claims to represent about seventy per cent of the companies in the sectors. 97% of the enterprises represented by the CoC are privately owned, 2% are State-controlled, while 1% of its representatives are partially owned by the state.

30% of the enterprises represented by the CoC belong to the Industrial Sector, 78% belong to the Service Sector while 2% of the enterprises belong to the Public Sector.

CoC perceives privatisation as a necessary process that will enable public enterprises to become more efficient while reducing state-induced costs.

The CoC considers its relations with the government to be good and these are fostered through regular meetings and mutual respect. However, it rarely comes into direct contact with the governmental organisations. It considers the information provided by government as useful provided that it is passed in good time.

The CoC considers its personal relations with the country's political leaders to be quite significant. None of its officials are involved in party politics. It considers the facilities at its headquarters to be adequate but not spacious and its staff to be adequate and qualified.

### *(b) Federation of Industry (FOI)*

The FOI was founded in 1946 and is an independent, non-political organisation financed entirely by its membership that currently is around 300. It is registered under the Commercial Partnerships Act. The Federation's main aim is to influence government policy so as to create and maintain a sound economic framework, and pursue policies conducive to business in a free, competitive environment. Its mission is stated as that of promoting and protecting the interests of the manufacturing and services industry. The FOI also undertakes to ensure that the government understands the needs, intentions and problems of Malta's manufacturing and

service industry. It works towards promoting the competitiveness of Malta's industry in international markets, develops public awareness of the vital role of industry and provides advice and information for its members. The federation is represented on a number of government boards and committees and also works closely with unions and other governmental organisations including The Malta Export Trade Corporation, and The Employment and Training Corporation. The FOI also maintains close links with its counterparts in Europe including The Bundesverband der Deutschen Industrie (Germany), The Confederation of British Industry (CBI) and CONFINDUSTRIA (Italy).

The FOI is a founder member of the tripartite mechanism, the MCESD, which was set up by an agreement between the Government, unions, employers and business organisations.

Among its numerous achievements, mention is made of the consultation for the setting up of the Malta College of Arts, Science and Technology (MCAST), the setting up of the Malta External Trade Corporation (METCO) and the setting of the Institute for the Promotion of Small Enterprise (IPSE) to help in the restructuring of the economy.

The FOI represents different sectors of the economy including those sectors of the manufacturing industry and several related enterprises in the services sector. FOI represents its sectors at national level and its members make up approximately eighty per cent of the sector in which they operate.

The Federation of Industry perceives privatisation to be a means by which a higher degree of efficiency is achieved in the economy through better utilisation of public funds and of human and financial resources available in the country.

The FOI considers its relations with the government as good and it declares itself to be in frequent contact with the state bodies. The FOI regards the information passed on to it by the state as useful. It has no comment regarding the influence played by the FOI on the country's political leaders. None of the FOI's officials

are active in party politics. It considers both its facilities and its supporting staff to be inadequate.

*(c) Association of General Retailers and Traders (GRTU)*

The GRTU was established in 1948 and it has been registered as an Employers Association since 1976. Under Maltese employment laws, there is no proper form of registration for a national organisation representing the self-employed. GRTU acts as a union of the self-employed. Its stated mission is to act as a lobby in favour of free enterprise, small business and minimum state intervention in the economy and maximisation of private entrepreneurship.

The GRTU represents the largest group of retailers of goods and services, contractors, distributors, wholesalers and independent technical and professional services. The organisation has over 7,000 members and represents the traders and retailers on various national boards including the MCESD, the Planning Authority, the Advisory Board of the National Tourism Authority and the Council for Consumer Affairs. The organisation's main aim is to foster private venture and aid in the advancement of small and medium-sized enterprises. The GRTU tends to play a highly visible political role on matters that affect the interests of its members – such as taxation policy.

The GRTU is a member of the national tripartite mechanism, the MCESD, representing all self-employed and owner-managed enterprises.

Among its main achievements the GRTU claims a long standing battle for recognition of the small enterprise; recognition of the right to act collectively despite limitations of the IRA which does not provide exemption from the laws of tort; membership in the MCED; bargaining recognition on behalf of certain groups of self-employed; overall change in National economic policy from state intervention to free market orientation and the development of social partnership concept in devolution of social and economic policy.

The GRTU specialises in the small enterprise and it represents

retailers of goods and services, contractors and distributors, wholesalers and independent technical and professional services. They are organised in six main divisions. It represents its sectors at national and commercial levels.

The GRTU claims to represent around fifty per cent of the enterprises in the sectors that it represents. The enterprises represented by the organisation are all privately owned. 2% of the enterprises represented are large enterprises, 5% are medium-sized, and 15% are small, while 78% of its members are micro enterprises. 15% of the enterprises represented belong to the industrial sector while 85% of the enterprises belong to the services sector.

The GRTU perceives privatisation as necessary in order to unleash resources currently utilised inefficiently in the public sector and make them available for utilisation by the private sector, thus encouraging further growth and exploitation of entities by private enterprises.

The Association of General Retailers and Traders perceives its relations with the state to be good. The main issues of contention are the issues of legal recognition as trade union of the self-employed and reform of legislation to obtain diminution of red tape. GRTU is also frequently in contact with state bodies and considers the information passed to it by these bodies as useful and punctual.

The organisation considers the role played by its personal relations with the country's political leaders as important. Besides official meeting and structured dialogue there is easy access for private and personal consultation from the level of President of the Republic to Chairmen and directors of Public Sector Organisations. There is no official of the GRTU involved in party politics as this prohibited by statute.

The GRTU considers its facilities to be sufficient though not spacious and its supporting staff to be adequate and qualified.

*(d) Malta Employers' Association (MEA)*

The MEA was founded in 1965 through the merger of the former Association of Employers and the Malta Employers' Confederation. The Association regards itself as the 'employers' 'trade union', registered and recognised in terms of the Industrial Relations Act 1976. It is the body representing employers' interest in the area of labour relations and social policy. Any employer can have recourse to this Association for information, assistance and representation on the industrial tribunal. It also seeks to maintain the best, possible relations with trade unions and employees, to influence national policy - making and legislation and to contribute towards increasing the national wealth and strengthening the work ethic. A chairman and a council elected annually from amongst its members run the Association. Most of the work, however, is performed by its permanent Director General and secretary, assisted by other secretaries. It is the MEA's mission to bring together all employers, large and small, local and foreign, in a common endeavour to establish the most favourable relations among each other and between them and their employees. It maintains good, working relations with trade unions and in 1973 is set up a joint working group with the GWU.

The MEA represents ten different sectors as provided by its statute and it represents these sectors at national level. Its total membership is 225. 93.9 % of the enterprises represented by the MEA are privately owned, 2.8% of its members are fully state-owned, 0.5% of its members are partially owned by the government while 2.8% of its members are state-controlled. 8.9% of the enterprises represented by the MEA are large, 5% of its members are medium-sized, 48.4% of its members are small while 8.9% of its members are micro enterprises. 40.8% of its members belong to the Industrial Sector, 53.1% belong to the Service Sector while 6.1% of its members belong to the Public Sector.

The Association looks after the interests of employers on tripartite bodies such as the National Employment Authority, the former

National Labour Board and the industry-specific Wages Councils, now abolished. It also nominates persons to sit as employer nominees on the Industrial Tribunal and as assessors with the social security umpire. Since 1966, it has represented Maltese employers in the tripartite national delegation to the annual International Organisation Conference of the ILO. It is also a member of the International Organisation of Employers and of the European Employers' Association. It provides its members with advice and assistance regarding conditions of work, negotiations for collective agreements and conciliation and mediation. It also diffuses information among its members and encourages common action. One of the past accomplishments of the MEA was the formulation of a model collective agreement. This was the outcome of negotiations with the GWU in 1967 and remains the basis of collective agreements reached today.

The MEA forms part of the MCESD tripartite mechanism. Among its achievements, the MEA claims several successful interventions on behalf of its members before the Industrial Tribunal and the negotiation of collective agreements with unions on behalf of its members.

The MEA perceives its relations with the Government as cordial. It claims to be frequently in contact with parastatal bodies and considers the information provided to it by government as useful. Simultaneously its policy dictates that none of its officials are active in party politics.

The MEA considers its resources to be limited but describes its support staff as adequate and qualified.

*(e) Malta Hotels & Restaurants Association (MHRA)*

The MHRA was established in 1958 and has been registered as an employers association under the former Industrial Relations Act. It also forms part of a tripartite mechanism – the MCESD. Among its achievements, it claims representing the vast majority of hotels and catering establishments and the formation of a



company that organises fairs and other related activities.

The MHRA represents all sectors of establishments by category and locality at national level. It claims to represent eighty per cent of the enterprises in its sector. The enterprises represented by the MHRA are all privately owned and all belong to the services sector.

The MHRA perceives its relations with the state to be very good and it is frequently in contact with state bodies. These contacts consist of regular monthly meetings with the Minister of Tourism and with other government officials. The organisation rates the information passed on by state bodies as very useful but at the same it complains that such information and statistics could be passed on faster than at present, and that, action on studies and reports should be activated more urgently.

In the view of the MHRA officials, their relations with the country's political leaders are satisfactory. MHRA officials are precluded from playing an active part in party politics. The organisation feels that its facilities are spacious and its support staff is both adequate and qualified.

#### *(f) Representation of Employers' Interests*

Despite the small number of employers' associations and the overlapping membership of some, they still suffer from the lack of co-ordination among them. All past attempts at a merger have failed. In the 1960s an employers' joint consultative council was formed and in the early 1980s another attempt at amalgamation was made. At the time the employers felt threatened by the socialist policies of the government. A Confederation of Private Enterprise (COPE) was announced in 1984 consisting of the Chamber of Commerce, the Employers' Association and the Federation of Industry. However, this and other attempts at strategic alliance have been short lived or aborted early on. The main reasons that are often quoted to explain such an outcome are the rivalries between the different organisations and the reluctance of any grouping to abandon its own personal fiefdom. Nevertheless, this

rift does not prevent them from collaborating when the common interests of employers converge. On a day-to-day basis, they participate in numerous boards on which they are represented – particularly MCESD. On a number of specific occasions throughout the years, they effectively formed a common front against specific Government policies that may have been perceived as a threat to their common interests.

*(g) Employers and EU Accession*

The objectives of the CoC as regards EU accession are to join at the right time, under the right conditions and following adequate preparation. The CoC is involved in MEUSAC – Malta-EU Steering & Action Committee which prepares position papers that are then presented to the cabinet and the Maltese delegation. It also set up a working group to articulate its interest regarding accession.

The CoC anticipates that the Social Acquis may cause some problems to its members. Hence it is recommending some short-term adjustments. It views Working Hours, Health and Safety, Consumer Affairs, Maternity Leave and Paternity Leave as the most important directives in the social acquis. Its intentions are to inform and educate its members so as to ensure the implementation of the Social Acquis.

The FOI's objectives are to ensure that the country negotiates good conditions and that the necessary legislation is adopted gradually without causing the economy to lose its competitiveness. It is also demanding full consultation from government and the carrying out of economic impact assessments.

The FOI is also involved in MEUSAC. According to FOI, the most important directives in the social acquis are Occupational Health and Safety and Working Time directives. They sense the need for an assessment of the implications of the Social Acquis and for it to be implemented in stages in a thoroughly monitored framework.

The FOI feels that the government tends to put aside economic considerations in its drive towards EU accession. So, it continuously reminds the Government that there is a factor cost for the industry underlying the implementation of each directive of the EU acquis.

The GRTU's objectives regarding EU Accession are to achieve best negotiation conditions possible for its members and to ensure that Malta's economic comparative advantages are recognised and sustained. GRTU is involved in such committees concerning EU issues as MEUSAC.

The GRTU opines that the social acquis may cause problems to its members. It feels that many aspects of the EU social charter are geared towards the large enterprise and their implementation will grossly over-burden small enterprises.

According to the GRTU, the most important directives are those regarding Working Time, Equal Treatment, Workplace Stress and Occupational Health Issues. The main perceived differences between the GRTU's position and that of the trade unions are that whereas the unions look forward to tightening the current legislative restrictions on enterprises, the GRTU looks forward instead to greater guarantees, privatisation, free competition, economic liberalisation and restructuring.

The interest of the MEA regarding EU accession is to obtain early membership under the right conditions. The MEA forms part of MEUSAC and has also set up its own working group in order to articulate its interest regarding accession.

The MEA feels that the implementation of the Social Acquis is likely to cause some problems for its members and it had commissioned a report to study the implications of transposing the social acquis (Baldacchino, 2000). The most relevant directives for the MEA are those concerning part-time work, working women, youth workers, parental leave and the organisation of working time.

The MEA regrets that the trade unions tend to adopt an inflexible position regarding the implementation period for certain directives. Nevertheless, its intentions remain those of encouraging its

members to set a good example and carry out their obligations themselves as regards the implementation of the EU social acquis.

The MHRA's objectives are to maintain competitiveness in the tourism industry through constructive negotiations on the issues affecting the industry. It also expects time frames to be adopted in various sectors particularly in the implementation of the chapter dealing with employment.

The MHRA is a special interest member of MEUSAC and has also set up its own working group to articulate its interests as regards accession. It has also commissioned its own separate study on the social policy implications of adopting the EU's social acquis (Baldacchino, 2001).

The attitude of the MHRA towards the social acquis is that its implementation is likely to cause problems to its members and would be cost inflating. However these difficulties are not perceived as insurmountable. Indeed, some measures are seen as beneficial to both the MHRA members and the industry in general.

### *Schematic Summary of Employers' Associations*

	CoC	FOI	GRTU	MEA	MHRA
Foundation Date	1848	1946	1948	1965	1958
Main Achievements	Dialogue with Government re Levies, VAT, Privatisation and EU.	Dialogue with Government re MCAST, METCO, IPSE and promotion of female participation in the labour market.	Recognition of importance of SME's; International recognition; Promotion of fair trade legislation, free trade and liberalisation and reduction of state intervention.	Effective Representation of employees in front of Industrial Tribunal; Negotiating Collective Agreements with trade unions on behalf of employers.	Representation of hotels and catering establishments.

	CoC	FOI	GRTU	MEA	MHRA
MCESD Participation	Yes	Yes	Yes	Yes	Yes
Number of Sectors	11 different sections	Various sectors of manufacturing and services	Many different sectors	10 different sectors	Sectors of establishments by category and locality
Representation	80%	80%	50%	N/A	80%
Nature of Ownership	State Owned: 1% State Controlled: 2% Private: 97%	N/A	Private: 100%	State Owned (full): 2.8% State Owned (part): 0.5% State-controlled: 2.8% Private: 93.9%	Private: 100%
Size of Enterprises	N/A	N/A	Large: 2% Medium-Size: 5% Small: 15% Micro: 78%	Large: 8.9% Medium-Size: 33.8% Small: 48.4% Micro: 8.9%	N/A
Sectors of Operation	Industrial Sector: 30% Service Sector: 78% Public Sector: 2%	N/A	Industrial Sector: 15% Services Sector: 85%	Industrial Sector: 40.8% Service Sector: 53.1% Public Sector: 6.1%	Service Sector: 100%
Relations with the state	Good	Good	Good	Good	Very Good
Contacts with state bodies	Rare	Frequent	Frequent	Frequent	Frequent
Usefulness of State Information	Useful	Useful	Useful	Useful	Very Useful
Political Relations	Quite significant	N/A	Important role	N/A	Reasonably Good

	CoC	FOI	GRTU	MEA	MHRA
Official involvement in party politics	None	None	None	None	None
Facilities	Inadequate and not Spacious	Inadequate	Adequate and not	Adequate and not Spacious	Adequate and Spacious
Human Resources	Adequate and Qualified	Inadequate	Adequate and Qualified	Adequate and Qualified	Adequate and Qualified
Attitude towards EU Accession	Securing early membership under the right conditions	Negotiating good conditions: <i>acquis</i> is adopted without causing grave competitive problems to the economy	Achieving best conditions possible for the different sectors represented by GRTU; sustaining Malta's comparative advantage	Joining at the right conditions with adequate preparation	Maintaining competitiveness in Tourism sector; employment chapter introduced in a time frame.

## **Social Dialogue**

### *Enterprise-level Bargaining*

Apart from the basic conditions of work and the national minimum wage established under the EIRA, the principal means through which wages and the other working conditions are determined is through bipartite, enterprise based, collective bargaining. In fact, the law mainly caters for the employees who are not union members and hence, not covered by a collective agreement. There are hundreds of collective agreements through which employees in particular enterprises may receive wages and working conditions above those established through the EIRA. The main institutions involved in this activity are firmly established in Malta and their roles are enshrined in legislation.

Recognition of a trade union at a particular enterprise is normally based on the membership exceeding fifty per cent of the entire workforce. Recently, however, there is a tendency for particular categories of employees to claim a separate recognition from that of the other workers. There are also cases where a union is recognised by an employer and a collective agreement is negotiated even though the union may not enjoy the majority of employees as its members.

The terms of a collective agreement normally follow a standard pattern and covers both procedural aspects relating to dispute resolution and substantive issues relating to conditions of employment. The standard duration of collective agreements is for successive, 3-year periods.

An analysis based on a sample of collective agreements reached in 1999 and published in the Economic Survey for that year shows that wages rose by an average of 3.3%. As a result, the average weekly wage during that year was Lm92.30 (US\$ 207 or 217 euros approx).

When industrial disputes arise in the private sector, the Department of Industrial and Employment Relations provides the services of mediation and conciliation. When they fail, following a request by one of the parties involved, the issue may be referred to the Industrial Tribunal, established as a quasi-judicial body under the EIRA. The Tribunal's decision is binding and may not be appealed against for a period of one year.

### *Industrial Disputes*

In recent years, apart from a few sporadic disputes, Malta has enjoyed an atmosphere of relative industrial stability. This can be attributed to the readiness of the social partners to work together in a highly competitive, international market as well as to the Government's eagerness to solve industrial relations issues as soon as these emerge.

The number of registered industrial disputes with the Department of Labour has fluctuated. However, the number of

striker days has been on a downward trend (see Appendix). There are other work stoppages, which are not officially registered as industrial disputes (such as those by self-employed persons) or actions called by a body that is neither a union nor an employer organisation (such as a political party).

The highest number of registered disputes (60) during 1995 dealt with conditions of work, followed by disputes over collective agreements, dismissals and union recognition. It should also be noted that the vast majority of registered industrial disputes do not actually result in strikes. For instance, out of the 70 industrial disputes registered in 1994, only 10 resulted in strikes. The number of disputes referred for adjudication by the Industrial Tribunal in 1998 was 11, and in 1999 it was 6.

In addition, there were a number of cases of alleged unfair dismissals also referred to the industrial tribunal. The annual number of cases recorded on such an issue during the period 1992-2001 has ranged from a high of 108 in 1997 to a low of 55 in 1994.

### *National-Level Bargaining (1971-87)*

In addition to enterprise-level bargaining, there has been a parallel development of national-level bargaining during recent decades. This may be classified under two distinct categories: (1) the developments taking place under the Malta Labour Party (MLP) Government prior to 1987, and (2) those taking place since that time — during which the Nationalist Party (NP) has been in power, except for a brief 22-month period (1996-98). These will be discussed in turn below.

(1) Following the 1971 general election, the MLP Government and the GWU embarked on a pattern of close consultation and mutual support, particularly on matters relating to industrial relations and general living standards. Government's declared goal was that of attaining national, economic independence and in the process it implemented many controversial policies and alienated many segments of the population. The union staunchly supported



the government in its measures and, the government, on its part, adopted measures favouring the working class. These included the national minimum wage, a national pensions scheme, and other social services making up a welfare state. The practice was also adopted of legally enforcing an annual, inflation-related, cost of living increase in wages to all workers in both the public and private sectors.

As an ideological justification for its collaboration with the government, the union officials invoked the concept of workers' participation, which was popular at that time. It was claimed that a result of its policy, the 'workers' had not only acquired a higher standard of living but were also 'participating in running the country' at the highest level. Indeed, the president and general secretary of the GWU were offered, and accepted, seats in the ministerial cabinet whenever issues affecting the working class were considered. The same offer was made to the CMTU unions but it was declined.

The close alliance between the MLP and the GWU culminated in a highly criticised 'statutory fusion' between the two organisations in 1978 that remained in force for 14 years. This MLP-GWU alliance was severely criticised by both the private employers and by the other unions who pursued politically independent policies. Actually it was rescinded at a time when both the MLP and the GWU were under a new leadership and the country was under an NP administration.

In retrospect, the experience served to emphasise the national role played by trade unions in the country's economic and social development and to institutionalise national level bargaining. It also served as a catalyst for the reorganisation of the unions affiliated to the CMTU and particularly the emergence of the UHM as a general union on the pattern of the GWU. Above all, the experience of the 1970's and 1980's has brought home the need for a tripartite policy based on partnership in the formulation and implementation of national social and economic policies.

(2) The model of social partnership in Malta was given an impetus through the NP electoral manifesto prior to the 1987 elections. This was presented as a viable alternative to the divisive policies of the previous 'socialist' government — a model based on the Christian democratic principles upheld by the Party. In its electoral programme, the NP declared that, on being elected, it would establish a 'National Council on Economic Development'. It was claimed that this national mechanism would not only include trade unionists, businessmen, economists and government officials, but that it would involve also pensioners, housewives, and young people. It was argued that in order to function in the right manner, the National Council on Economic Development was to have the services of technical people equipped with reliable statistical data. The duties of the Council would be to: (1) submit an economic plan for the consideration of government and to supervise its implementation after the approval of parliament; (2) to propose amendments to the plan as and when deemed necessary; (3) to propose criteria for wage and salary increases, to ascertain that the retail price index was correct and devise schemes that would award productivity increases; (4) to follow economic trends overseas as they could affect Malta; and, (5) to communicate in layman's language all useful information on the national economy to the people.

Accordingly, the National Economic Development Council (later known as the Malta Council for Economic Development) was established by the Nationalist Government in November 1988. At this stage, the council was not given any statutory basis and its role was an advisory one. The first assignment of MCED was to prepare a new Development Plan. Other duties of this council were to propose guidelines for a National Wage Policy and to see that the cost of living index adequately reflected the variations in retail prices. The council had also the task of recommending a set of criteria on the basis of which productivity incentive schemes were to be introduced.

Clearly, this policy entailed a departure from the state centralised

and divide-and-rule policies of the previous era; as well as from the informal and ad hoc dealings that often characterise social relations among actors in a small state society. Along these lines, the NP manifesto stated: "...Economic projections should not be solely Government's efforts. These should be directly shared by those who have a stake in the economic activity, especially by employers' associations, trade unions as well as representatives of housewives, pensioners and students". To this end, the NP 1987 Electoral Manifesto stated that "... there should be an institution to plan and monitor the implementation of the economic strategy".

During the inauguration of MCED, the Prime Minister remarked that the government's decision at that stage had been not to set up the council on a legislative basis. The council was to play an advisory role and on its part, the government promised that its advice would be heeded – even though it was not strictly binding.

The immediate task assigned to the council was to submit a new development plan and to take an active part in monitoring its implementations. Another item on its agenda was to propose a national wages policy and to ensure that the official cost of living index adequately reflected the real price movements. Finally, the council had to propose criteria for the introduction of productivity incentive schemes (Attard, 2000). The relevance of the MCED was said to come from political, economic, social, technological, and communicative motivations. The political case for the continued significance of the MCED was to be found in the Nationalist Party beliefs in the social market economy in which the "doctrine of the class struggle" and unrestrained capitalism were both rejected. The economic function of the MCED was related to the need of a smooth transition towards a more efficient and liberalised economic structure. From a social perspective, the MCED was required to promote those policies that would help workers laid off from superseded manufacturing industries to get re-integrated in the labour market and become eligible for new employment opportunities through the provision of training

facilities. The challenge for MCED was to adopt a technocratic-professional approach in the formulation of national socio-economic policy. Finally, it was claimed that MCED was expected to function like a network of communication among the "social partners".

A brief overview of the status, role and performance of the Council since its inception is presented below.

### *The Experience of MCED*

The launching of MCED in 1988 brought together the social partners formally around a table. This was by itself a significant achievement in the polarised political context of Maltese society.

It is often claimed that the main substantive achievement of the council to date has been the negotiated agreement on a national incomes policy reached in December 1990. This agreement led to the annual 'cost of living adjustment' (COLA) related to the official cost of living index. The initial agreement was for a 3-year period and although it was never formally extended to subsequent periods, its impact continued to be felt for several years after. This agreement was reached in the aftermath of an industrial dispute at a leading hotel in which the GWU had been constrained to pay considerable amounts of money as strike benefits to its members. The incomes policy agreement restored a measure of stability to the industrial relations climate throughout the country. It also proved that the council could offer "its own unique contribution towards Malta's peaceful, socio-economic development" (Attard, 1995, p.44). The incomes policy agreement provides a concrete proof of the feasibility of compromise in the Maltese context through social dialogue.

There were other, less spectacular achievements. The council's work is mostly carried out in small, ad hoc working groups. These working groups may co-opt experts and engage the services of consultants. On the basis of statistical data, alternative socio-economic scenarios are considered and the consequences of particular policies are evaluated. The conclusions reached by the

working groups are eventually referred to the plenary council.

Initially, four working groups were set up with reference to: (1) the macro-economy; (2) industrial relations; (3) tertiary activities; and (4) industry. Besides these working groups, five sub-committees were also set up each dealing with: (1) the fiscal deficit; (2) the reform of the former Industrial Relations Act; (3) the reform of the former Conditions of Employment (Regulations) Act; (4) occupational health and safety; and (5) tax evasion. Another three sub-committees were wound up, namely, those dealing with the self-employed, pensions reform and the labour market.

During the 2-year term of the Labour Government (1996-98), the Forum for a Better Economy was instituted. This body, which incorporated the former MCED, was responsible for the publication of a White Paper entitled Value 2000. The aim was to establish a wide-ranging network of consultations on a variety of topical issues. This white paper, however, was shelved by the NP on its return to power in September 1998 and its proposals were never implemented.

Thus, since 1988 when the original council was instituted, the social partners were given the opportunity to exchange their views on a wide range of issues. These included Malta's relations with the European Union, the state of industrial relations, job creation, labour market flexibility, reforms to the industrial legislation, the role of the state in the economy, fiscal budgets, tax evasion, privatisation, on the establishment of the Occupational Health and Safety Authority, on inflation, on the adjustment of utility rates, and on the sustainability of state pensions.

There is a general consensus among the social partners that the MCED's performance was satisfactory, particularly at the beginning. Subsequently, however, a loss of direction ensued, the council becoming primarily concerned with short-term problem solving. It was noted that at some point, "the approach became increasingly top heavy, while the social partners' needs were side-tracked, if not over-ruled". The feeling was expressed that the

council had become:

“... reactive, used mostly by government to test-launch its own policy initiatives, excessively government-driven, and failing to achieve its original ‘think-tank’ role. It became increasingly prescriptive rather than persuasive, registering very slow progress on long-standing issues. It was crisis-driven, meeting sporadically, with frequent postponements of set dates. It was not yet institutionalised, and lacked its own headquarters and staff” (Attard, 1995, p.59).

The social partners interviewed in connection with this paper agreed that the major shortcomings of the MCED were due to an inadequate information system, a non-existent infrastructure, and no research facilities.

Nevertheless, all those interviewed claimed that there was a continued need for the council’s role in future. They argued that its function should be more pro-active, concerned with medium to long-term socio-economic development issues. It was also suggested that the council should become formally institutionalised, autonomous, and equipped with more muscle power. In the meantime, its role should remain basically advisory, though in some specific cases its recommendations may need to be seen as mandatory. Furthermore, it was indicated that the MCED needed (1) a statistical information base to support its decision making, (2) full-time, permanent staff; (3) analysis, research, and information unit; (4) technocratic members; and (5) increased sub-committee work (*ibid.*).

It appears that over the years, the functions of the MCED had become diluted and much of its original impetus lost.

In his letter of appointment to the new chairman of the MCED in June 1992, the Minister of Finance summed up the Council’s role as being the following:

- a) to provide a forum for broadly based consultation among all social partners regarding national economic policies and objectives;

- b) to make recommendations to the Minister of Finance on such matters as may be referred to it by the Minister for its opinion or on its own initiative when it feels that it can offer constructive suggestions; and
- c) to keep itself abreast of developments in the wider economic field in order to be able to better assess the Maltese situation.

It appears that by that time, little real consultation or dialogue was taking place at the MCED. The social partners complained that they were not adequately provided with information about Government's plans and participation by Government ministers on MCED had been reduced to a minimum. The accusation was often made that the MCED had become a mere 'talk shop'.

This situation did not prevent the Chairperson from offering personal mediation services in industrial disputes when the need arose. Yet the general opinion expressed by the social partners was that, although the formalities were being dutifully observed, the MCED has fallen short of expectations and was actually failing to fulfil its role.

Nevertheless, despite these shortcomings, the social partners still believed in the institution and urged the Government to carry out the much-needed reforms. In a special 'Business Supplement' carried in *The Times of Malta* of March 30<sup>th</sup> 2000, the social partners were unanimous in their "Plea to revamp MCED."

Perhaps the most interesting development in its operations is the fact that since 2000, a number of ad hoc subcommittees of the council have been set up to discuss various aspects of the government's budget for each successive year. In these sessions the Minister of Finance plays an active role. These discussions are wide-ranging and cover subjects like tax collection, social security, pensions, public expenditure, subventions to Government entities and the general economic direction. Many practical ideas emerged from these discussions, such as on the utilisation of redundant public sector employees by the private sector.

Nevertheless, at the end of the day, a sense of futility seems to

prevail in the minds of many of the participants. In particular, there is a lack of adequate follow-up to ensure the implementation of the conclusions that had been agreed upon. Another problem is that there is too much public attention from the media surrounding the council's meetings. Although the council's meetings are held on a confidential basis, the participants often make accusations of a breach of confidentiality. As a result, some employer and trade union bodies are even known to be holding their own meetings, apart from the framework of the council.

### *Reforming MCED*

Various proposals have been made by the social partners as to how to reform the MCED. These proposals are summarised below as they reveal different models of the way the council is envisaged to function.

#### The Chairman's view

When a new Chairman was appointed in March 2000, he stated that the MCED had not yet come out of the first phase of its development. In his view, the council should form part of the democratic infrastructure, through which other institutions give flesh to democracy. Consequently, he argued that, in addition to employers and trade unions,

“... the third group (on MCED) should be the civil society, while the government should be an observer .... Society, together with the unions and employers, will then formulate their opinion. This is how the MCED should develop.”

According to this view, the MCED was a tri-partite structure that should concentrate on negotiations about industrial relations issues. Simultaneously, there should be a 'general assembly' with representatives from all organised bodies – including non-government organisations. The council should formulate and express its opinions publicly, thus serving as a broad and respected pressure group that cannot easily be ignored by government. The



chairperson saw his own role as essentially one of 'mediation' between the various parties.

He claimed that the participation by government on MCED tended to waver between two extremes: it was either at ministerial level leading to a patronising attitude and a rubber stamp role for the Council; or at the level of the civil service which did not carry clout and was practically negligible. On the other hand, the social partners are accustomed to negotiations leading to collective agreement – which was rarely the case at MCED.

### **The Trade Union view**

The officials of the GWU insisted that all the partners at MCED should carry equal weight and any decisions should always be taken by consensus – not imposed by a majority of votes. If there were any imposition, the union would have no alternative but to protest at the national and/or enterprise levels. The past achievements of MCED had been reached through meaningful dialogue. On many occasions, however, the union claimed that Government's actions did not follow the agreed terms. This suggested that the dialogue was fictitious – not a real one. It was also claimed that there was a lack of co-ordination between the various ministries on the Government's side. The ILO pattern of tripartite partnership should be retained – though consultations with any other bodies or NGO's on specific issues were not ruled out.

The officials of CMTU, including the UHM, stated that the informative and the advisory role of MCED should extend far beyond the annual budget. It should cover all areas related to work. For this reason, the social partners should be represented on all public bodies related to work -even if such consultation may not necessarily lead to agreement. They argue that, if one were to accept the idea of a majority report, there should still be room for a minority report by the dissidents. The idea is "not to form a sort of an alternative, coalition government" and the ultimate responsibility remains that of government. But the

opinions of the social partners should be given adequate consideration. The need was also expressed for MCED to develop a corporate culture.

### **The Employers' view**

According to officials of the Employers' Association, the council should provide a valuable opportunity for the social partners to meet together and let off steam. However, it was also necessary for the MCED to be given a formal structure, its own voice and clear guidelines. While the Council should always aim at reaching consensus, if this is not possible it should at least have proper consultative function. It was argued that while the council should not have a legislative function, when agreement is reached among the social partners this could not be easily overruled. The composition of MCED should remain restricted to the social partners. While other organisations may also be consulted from time to time, these should not be included as members. The focus of MCED should remain on employment and industrial relations.

### **The views of the General Public**

A public discussion was held on the media and a survey on the same subject carried out in 1995 among a cross-section of the population (Attard, 2000, p.85). The results suggest that the MCED should have an advisory role; a formally autonomous status; a tripartite composition, with state representation from the Ministries of Finance, Economic Services and Social Policy and the Prime Minister's office, plus the Central Bank. There should be one person (plus an alternate delegate) for each organisation. Its main concern should be the enhancement of the competitiveness of enterprises. Its structure should include facilities for research and analysis. It should tackle broad economic and social issues from a multi-disciplinary orientation and its decision should remain confidential.

The public's general opinion was that the state of social dialogue

at the time was unsatisfactory. This view was summed up in an editorial in *The Times of Malta* (19<sup>th</sup> April 2000), stating it as an accepted fact that “the Council has not been effective enough”. Yet it was also felt by one and all that “the Council had the potential of serving its true purpose”. An earlier Business Supplement of the same paper featured an article entitled: “Social Partners’ plea to revamp MCED”(30<sup>th</sup> March 2000). Clearly, the time was right for implementing a radical reform of MCED.

### *The Malta Council for Economic and Social Development (MCESD)*

Government on its part, clearly stated its intention to implement the necessary changes in order to render the MCED more effective. Following further discussions, the advice of an ILO official and the organisation of a special ILO – EU conference on Social Dialogue convened in Malta in September 2000, the Government published a Bill with its proposals. Subsequently ‘An Act to provide for the establishment of the Malta Council for Economic and Social Development...’ became law in 2001 (Chapter 431 of the Laws of Malta) and was brought soon into force.

The Act met the main suggestions made by the social partners but also went beyond them in some respects. It therefore received a mixed reception.

One of Government’s aims was to widen the council’s terms of reference to include social as well as economic objectives and this was reflected in the change in title. It is stated explicitly:

“The Malta Council for Economic and Social Development is hereby established as an advisory body in order to provide a forum for consultation and social dialogue between social partners and, where necessary, with organisations of civil society, and is entrusted with the task of advising government on issues relating to the sustainable economic and social development of Malta.”

The Act provides for the establishment of a standing ‘Forum for

Civil Society' appointed by the tripartite council itself. This Forum is to be consulted by the council 'on all those issues which the council may, in its discretion, refer to it.'

According to the Act, the concept of 'civil society' includes: "... all those organisations of persons established to seek the common good and whose main aims are neither to generate profits nor to seek executive power."

In practice, the following organisations are included as *ex officio* permanent members of the civil society forum: The Local Councils Association, the National Youth Council, the National Council for the Elderly, the Consumers' Association, the National Commission for Persons with Disability, and the Commission for the Advancement of Women. The Chairperson of the Civil Society Forum shall be also a member of the new MCESD.

The setting up of the civil society forum has been criticised by some social partners both on the grounds of impracticality and because it is seen as upsetting the delicate balance between the social partners. Another contested point in the new Act concerned the appointment of the council's deputy chairperson who is to be 'appointed by the prime minister from amongst members of the public service'.

In general, the council has been authorised to regulate its own proceedings, including the rules governing the establishment of a quorum at its meetings. Simultaneously, the prime minister appears to have retained overriding powers over these procedures. Thus whether the council should reach its decisions by consensus or by majority voting has remained an open question.

The other changes proposed by the Act include the following: the Council was placed on a legal backing – under the responsibility of the prime minister's office; there are provisions for the Council to be equipped with administrative and technical staff and also backed with adequate funding.

It should be noted, however, that the Government has opted for an advisory and consultative role for MCESD. Admittedly, the

Act does not exclude the possibility that the council may express its own independent opinions – even critical of government policies. Nor does it preclude the Council from negotiating on specific issues – a role in which the social partners are traditionally well versed and to which they conform as second nature. However, the ultimate political responsibility for any decisions remains firmly in the hands of government.

The reformed MCESD is appointed by the prime minister and is composed of the three “social partners” as follows: a chairperson and his deputy; nine representatives nominated by the national employers and workers organisations; four representatives of government (through the Ministries of Finance, Economic Services, Social Policy and EU Affairs); and the Governor of the Central Bank. In discharging its functions, the council is expected to reconcile individual sectoral interests with overriding national interests.

The Council normally meets approximately once a month. Its proceedings are considered to be confidential. Nevertheless, frequent allegations are made by the social partners of disclosures or leakages to the media by some members, with the intent of influencing government policies or in pursuit of political mileage.

### *Conclusion: Prospects for Social Dialogue*

The above analysis has revealed that there are considerable difficulties obstructing the practice of social dialogue in Malta. Clearly, the political divisions, social allegiances, personality differences and patronage networks that dominate Maltese society are also reflected in the relationships among the social partners. At one particular point in time, the relations between the two main trade unions deteriorated to the extent that their leaders were publicly engaged in a ‘war of words’.<sup>4</sup> In addition, the relations between the GWU and the Nationalist Government are

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<sup>4</sup> ‘UHM, GWU in war of words’, *The Times of Malta*, 12th October 2000. See also: G. Baldacchino, ‘GWU - UHM: A Contemporary ‘Greek Tragedy’’, *The Malta Independent on Sunday*, 22nd October 2000.

rarely harmonious and are characterised by mutual suspicions and sometimes hostilities. The Government repeatedly accuses the union of having a political agenda on behalf of the MLP, while on its part, the union claims that the Government's ultimate aim is to destroy the GWU. As noted above, the union's official anti-EU accession policy is seen by the Government as further proof of the MLP's influence over the GWU policy. The general atmosphere is not highly conducive to social dialogue.

Under these circumstances, appeals are made by influential persons from time to time to remedy the situation. One such appeal was made by a former Labour Prime Minister who stated in a television interview:

"The time has come for change and we must change. The unions must also change. It is corrupt not to pay tax. But it is also wrong not to perform productive work, or simply do nothing. The unions cannot defend lazy people. Unions must also change but they cannot do it in confrontation with the government. The whole country must work together." (The Malta Independent, 5<sup>th</sup> July 2000).

Actually there are some positive signs of a gradual, emerging realisation that the politics of confrontation are ultimately self-defeating and that much is to be gained through social dialogue. A positive indication of the new approach is found in the protracted, pre-budget consultations that are being carried out annually among the social partners at the MCESD. In previous years, the social partners used to submit their own proposals individually to Government just before budget time. In contrast, prolonged, intensive discussions are now carried out collectively at the MCESD between June and November, with the direct participation of the Finance Minister. Different working sub-committees are organised to deal with different aspects of the Budget. These sessions are concluded with a full day, plenary meeting of the council held at a local hotel. Among the main proposals tabled in 2001, there was the private-public partnership project to co-manage over-resourced,

inefficient sections of the public service. Most of the social partners expressed their satisfaction that even if there were still areas of disagreement about the right solutions, at least they were managing to hold serious discussions and identify some of the existing problems. On its part, the GWU also expressed a certain degree of satisfaction that although the Government had initially rejected the union's proposals, these were later discussed within the framework of MCESD. The other social partners made similar claims.

Such experiences clearly indicate that, beneath the public rhetoric, and despite the existing difficulties and outside pressures, there is a gradual development of the relationship among the social partners that may eventually transmute into a mature and effective social dialogue.

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