

PRESS RELEASE

4th October 2019

Chamber Proposals for Budget 2020 – Increased labour costs, a true threat to the country's competitiveness

The continuous extension of leave allowances, increased labour mobility, shortage of labour, increase in public sector employment, and increased rental and living costs in Malta amongst others, are having a negative impact on actual labour costs.

These factors are all directly impacting businesses' competitiveness, especially since all businesses are today effectively sensitive, linked and must respond to what is happening in the international market. Increased labour costs have by far become the number one challenge for most businesses operating in Malta.

This is one of the issues addressed by the Malta Chamber in its proposals for Budget 2020 **'Proposals and Recommendations by the Malta Chamber of Commerce, Enterprise and Industry for the 2020 Budget'**, which was presented to Government, the Malta Council for Economic and Social Development, (MCESD) as well as the press. The document focuses on six main issues which the Chamber deems to be of crucial importance and which warrant the government's immediate attention.

The Malta Chamber called on government to be cautious when extending annual leave for workers, as this would result in unproductive days, further denting the country's competitiveness. The Chamber also noted the strong indications that COLA for 2020 was set to be increased notably more than previous years, which would be particularly detrimental to large export orientated employers hence denting their ability to remain competitive in a globalised economy.

In order to address this situation, the Chamber makes the following recommendations:

1) The Chamber recommends to urgently carry out a thorough analysis of wage inflation as compared to productivity. This is still lacking in terms of data. National Statistics Office, Economic Policy Department and the newly formed Productivity Forum within MCESD should come up with proper indices to estimate sectoral productivity in the country.

2) The country should aspire to have a forward-looking educational system which starts preparing our students for the jobs of tomorrow, which will become less labour intensive and more technology driven. The Private sector should be directly involved by assisting in areas such as work-based learning opportunities for students and teachers and drafting of secondary and post-secondary curricula.

An Education reform at primary and secondary level which focuses on developing soft skills such as creativity, critical thinking and problem-solving, as well as technical skills such as data driven thinking and analysis for the future and forthcoming industries.

Utilise the stipends system in order to attract more students to Country-priority career paths which are needed or expected by certain segments of the economy.

3) The Chamber urgently calls on Government to conduct a manpower survey in the Public Sector, in order to identify areas of over or under employment across all public entities and departments.

4) Introduce fiscal incentives to employers who engage public servants in shifting back to the private sector so as to mitigate the serious labour shortages being faced across the board.

5) Extend free child-care facilities to cater for shift workers in order to attract more women, particularly low-skilled or unskilled women, to the labour market.

6) Incentivise other local inactive cohorts especially older members of our society and young persons who are no longer in the educational system and who are not working or being trained for work (NEETs), through fiscal incentives such as tax breaks in the first years of return to work.

7) Strengthen Identity Malta (IM) with more resources to deal with increased volume of permits. The Malta Chamber is already helping in this regard, as it is currently accepting applications for 'still abroad' employees on behalf of IM, for its members, however government needs to invest further in this area.

This is the first in a series of six press releases through which the Malta Chamber will describe in detail its proposals ahead of the Budget for next year. The other five proposals, which present the views and recommended solutions of Malta's business community to the challenges which are foreseen to characterise 2020, zoom in on the issues of alternative modes of transport, reforms in the Rental Market and the Construction Industry, the Financial Services sector, and RDI.

END