

PRESS RELEASE

18th March 2020

Government Announced Measures Will Not Stop Job Losses

The Malta Chamber of Commerce, Enterprise and Industry regards the measures announced this evening by the Prime Minister as very disappointing.

They certainly fall short of the responsible calls made by the Chamber to Government in a repeated fashion over the past two weeks. The Prime Minister declared that these measures were intended to protect jobs and ensure that employees suffer no reductions to their salaries. In reality, the Chamber can responsibly declare that the employees will be the biggest loser from the support package announced this evening. The Chamber is in a central position to make this claim because it is in touch with the needs and pains of business during these challenging times.

The subsidies on salaries was the priority measure for the Chamber on behalf of members. The Chamber is convinced that there are valid socio-economic justifications for Government to extend temporary support to ensure that affected companies maintain employees on their books whilst business is at a standstill. Such support would serve to avoid large-scale redundancies which would inflict social hardship on affected families and increased recurrent expenditure for Government by way of unemployment benefits. At the same time, such assistance would ensure Maltese companies' strong competitiveness position upon resumption of business. To this end, the Chamber had suggested that in cases of companies suffering in excess of 25% loss in turnover, Government should pay 50% of the employee's salary up to a maximum of the average salary with the employer covering a further 25%. The announcement made today is equivalent to a mere subsidy of 20% of the employee's salary at the level of the minimum wage.

Consequently, the Chamber is convinced that the announced measures will make it impossible for employers to avoid significant redundancies. In a scenario of looming mass layoffs, even the deferment of payment of payroll taxes and VAT, which accounts for the bulk of the package, becomes a redundant measure. This amount will not be paid after recovery but lost forever if there are significant job losses and declines in local sales.

The Chamber is also disappointed to note that no reference was made to the fact that the Government will be implementing measures to reduce public sector spending.

The Chamber, on the other hand, noted that almost one-half of Government's €1.8billion stimulus package is composed of loan guarantees for business which may be leveraged to €4.5billion via the banking system. Indeed, government-guaranteed loans were an integral part of the Chamber's proposals for business. Nevertheless, the Chamber fears that their potential effectiveness has been placed into serious doubt by the insufficiency of the wage subsidy measure.

On a more positive note, the Chamber noted the Government's long-awaited announcement to partially offset the employers's cost for Quarantine Leave at a rate almost equivalent to the minimum wage (or €350 per employee). Even this, however, will not fully compensate employers for abuse by those employees who intentionally self-inflict quarantine.

The Chamber also noted a comment made during the Press Conference by the Minister for the Economy to the effect that Government may announce further incentives in the coming days, however, it fears that any further announcements may now be too late to avoid any undesirable consequences on the economy.

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