

Malta: Industrial relations profile

Facts and figures

Area: 316 square kilometres

Population: 410,290 (in 2007)

Language: Maltese and English

Capital: Valletta

Currency: Euro

Economic background

	Malta	EU27
GDP per capita (in purchasing power standards, index: EU27=100, 2007)	77.1	100
Real GDP growth (% change on previous year) (annual average 2004–2007)	2.85%	2.63%
Inflation rate (annual average 2004–2007)	2.13%	2.18%
Average monthly labour costs, in €(2005)	€1,386	€2,981
Gross annual earnings, in €(2005)	€11,180	€28,992
Gender pay gap (Difference between average earnings of male and female employees as a percentage of earnings of male employees, 2007)	5.2%	n.a.
Employment rate (15–64 years) (2007)	54.6%	65.4%
Female employment rate (15–64 years) (2007)	35.7%	58.3%
Unemployment rate (15–64 years) (2007)	6.4%	7.1%
Monthly minimum wage (2007)	€601.90*	n.a.

* Weekly minimum wage of €138.90 multiplied by 52 weeks divided by 12 months.

Sources: [European Industrial Relations Observatory \(EIRO\)](#) and [Eurostat](#)

Industrial relations, pay and working time

	Malta	EU27 (unweighted)
Trade union density (%) (Union members as percentage of all employees in dependent employment)	56.6%	n.a.
Employer organisation density (%) (Percentage of employees employed by companies who are members of	n.a.	n.a.

an employer organisation)		
Collective bargaining coverage (%) (Percentage of employees covered by collective agreements)	51%–60% (estimate)	n.a.
Number of working days lost through industrial action per 1,000 employees (annual average 2004–2007)	11.25 days	37.47 days (estimate)
Collectively agreed pay increase (%) (annual average 2004–2007)	2.7%*	5.53%
Actual pay increase (%) (annual average 2004–2007)	2.4%**	2.1%
Collectively agreed weekly working hours (2007)	40 hours	38.6 hours
Actual weekly working hours (2007)	40.5 hours	40 hours

*Notes: n.a. = not available. * Figure for the unadjusted average collectively agreed pay increase; ** Figure is based on data derived from the [Labour Force Survey \(LFS\)](#) carried out by the [National Statistics Office \(NSO\)](#).*

Source: EIRO and Eurostat

Background

Economic context

In recent years, Malta has been experiencing considerable economic **restructuring**. In a bid to render the public sector more efficient, the government has reduced the intake of new employees in government departments and other entities, and has privatised several companies. The manufacturing sector is diminishing in size, especially due to the shrinking of the labour intensive textiles industry. By the end of 2008, the international financial and economic crisis also started to impact on the labour market, adding to the decline of the manufacturing sector. According to NSO data, employment in the manufacturing sector declined by 8% (to 23,759 workers) between the fourth quarter of 2007 and the same period in 2008. The government set up a task force to assist specific large enterprises facing financial difficulties. The tourism sector was also strongly affected by the recession. According to NSO estimates, the proportion of tourists visiting Malta between January and April 2009 declined by 12.9% compared with the same period in 2008. In order to sustain the tourism industry, the government increased the funds allocated for marketing, improving accessibility to Malta and product development. Estimates published by NSO indicate that GDP for the first quarter of 2009 amounted to about €1.32 billion, a decline of 1% compared with the same period in 2008. This amounts to a contraction of 3.3% in real terms. In the first quarter of 2009, three major social partner organisations – the [General Workers' Union \(GWU\)](#), the [Malta Chamber of Commerce, Enterprise and Industry](#) and the [Malta Employers' Association \(MEA\)](#) – presented recommendations to the Maltese government for safeguarding jobs and improving the general economic situation in Malta ([MT0904029I](#)).

In line with the government's policy to attract higher value-added investment, in recent years, there has been an expansion in, for example, pharmaceuticals, financial services, call centres and information and communications technologies (ICT). Major developments have also occurred in the construction and real estate sectors, although this trend slowed down towards the end of 2008. While the government has managed to keep unemployment low over the past four years, a very

high inactivity rate remains, derived primarily from the low labour market participation rate of women.

Legal context

The industrial relations system in Malta is regulated by the [Employment and Industrial Relations Act \(EIRA\) \(216Kb PDF\)](#) of 2002. This legislation, which was drafted only after more than eight years of consultations, brought Maltese legislation into line with the EU '[acquis communautaire](#)', taking into consideration the changing social and economic realities of Malta. The EIRA is accompanied by a number of regulations that bring into force specific provisions. Over the past four years, the Maltese parliament has transposed into national legislation several European directives that directly or indirectly affect industrial relations.

Main industrial relations trends

The Maltese industrial relations system is based on the UK model, where shop stewards provide the link between the trade unions and employers at company level – the level at which [collective bargaining](#) normally takes place. Traditionally, trade unions have been most powerful in the public sector and in larger manufacturing enterprises. Over the years, trade unions have resorted progressively less to industrial action in favour of consultation and [social dialogue](#). The government has helped to bring about this change in relations, particular through the creation of the [Malta Council for Economic and Social Development \(MCESD\)](#), which has become Malta's highest body for [tripartite concertation](#). When it is required, the trade unions' show of strength is usually demonstrated through peaceful mass protests. An important characteristic in the Maltese trade union movement is the division of the main unions, namely GWU and the Union of United Workers ([Union Haddiema Maghqudin, UHM](#)), which tend to disagree on many issues. Such a division has historical and political roots. On the other hand, the employer organisations often appear to be more united in their goals and strategies.

Main actors

Trade unions

Trade union membership and density

Official statistics from the [Department of Industrial and Employment Relations \(DIER\)](#) within the [Ministry for Social Policy](#) show that trade union membership increased from 86,156 members in 2004 to 88,017 members in 2007. This rise in membership translates into a slight increase in trade union density, from 59% in 2004 to 60.3% in 2007, which is a high level by European standards. In recent years, these official figures have been questioned by industrial relations experts, as they do not appear to correspond to the actual situation in reality, where heavily unionised sectors of employment have decreased in size in recent years.

Main trade union organisations

In June 2007, there were 31 registered trade unions in Malta. Unions are mostly occupation based and competition for members takes place in the same sector among various unions. There is only one official trade union confederation – the [Confederation of Malta Trade Unions \(CMTU\)](#). CMTU embraces within its fold several independent trade unions, including UHM, Malta's second largest union. In December 2008, CMTU suspended its second largest member – the [Malta Union of Teachers \(MUT\)](#) – over alleged 'unfair and unfounded' criticism of the

confederation's leadership. Subsequently, MUT withdrew its membership of the confederation. This outcome has confirmed that the confederation's formal power in relation to its direct affiliates is rather weak.

On the other hand, the power of individual trade unions, particularly the larger ones, is far-reaching. GWU is by far the largest trade union in Malta. It is organised in eight quasi-autonomous trade sections, collectively representing 52% of union members. In recent years, GWU passed through considerable turmoil, after a failed attempt to oust the current secretary general by the then deputy secretary general. In 2006, GWU registered a number of resignations and two **dismissals** within its top ranks. The secretaries for its Maritime and Aviation Section and the Services and Media Section resigned, while both the secretary and the president of the union's Public Sector Section were dismissed. In December 2006, the former secretary for the Public Sector Section resorted to the Industrial Tribunal (**MT0804019I**) to declare that her dismissal from GWU was abusive and illegal. Meanwhile, two new craft trade unions were formed, namely the **Malta Dockers' Union (MDU)** and the **Professionals and Services Employees Union**. Both unions include former members of GWU.

Main trade union developments

In November 2004, eight trade unions not directly represented on the MCESD, joined forces in an association called **FORUM** in an attempt to persuade the government to change legislation and include their representative on the council. However, the government rejected the request of these unions, which together have about 3,000 members.

In 2006, the possibility of setting up a trade union council was raised by the CMTU president (**MT0605019I**). A lack of trust seemed to be the reason behind the rejection of both GWU and FORUM towards the proposal. Increasing market forces constraints have not yet had the impact of forcing the trade unions to find a common ground to establish such an important institution. In 2008, after a rare manifestation of unity by a large group of trade unions that took part in a joint protest against the government's decision to increase energy tariffs, MUT once again proposed the idea of establishing a trade union council. However, this proposal received an unenthusiastic reception from the other major trade unions.

Employer organisations

Employer organisation density

Employer organisations promoting the interests of private sector businesses and employers have existed in Malta since the 19th century. However, most of these organisations have been set up over the last 40 years. The government's official 'Register of Employer Associations' listed 20 employer associations in June 2007, compared with 23 such associations listed in 2003. A slight decline in the overall membership of employer organisations was registered. Membership declined from 8,960 to 8,474 members over the four-year period 2003–2007. Most of these associations listed represent sectoral interests. Employer organisations are regulated by the EIRA 2002.

Main employer organisations

The following three bodies are viewed as the most important employer associations in Malta:

- **Malta Chamber of Commerce, Enterprise and Industry;**
- **Malta Chamber of Small and Medium-sized Enterprises (**GRTU**);**

- [Malta Employers' Association \(MEA\)](#);

Trends in employer organisation development

Employer associations do not normally take part in [collective agreements](#). However, they are a powerful lobby to the government on issues that affect their members. In addition, they offer services and expertise to their member organisations.

The [Malta Chamber of Commerce, Enterprise and Industry](#) is not listed in the Register of Employer Associations. It was formed by the merger of the Malta Chamber of Commerce and Enterprise and the Malta Federation of Industry in 2008. The merger took place after lengthy discussions during which the structure and statute of the new organisation were established. The merger aims to pool the resources of both organisations and to avoid duplication of work.

Industrial relations

Collective bargaining

Collective bargaining in Malta is carried out at enterprise level. Collective agreements, carried out between the trade unions and the employers concerned, are legally binding. Such agreements are not extended by legislation or voluntary mechanisms. In the public sector, a Central Bargaining Unit coordinates wage bargaining negotiation on behalf of the government with the representative trade unions in the different entities. In the case of private companies, no formal mechanism exists for the coordination of wage bargaining. Moreover, no efforts have been made to centralise collective bargaining.

Other issues in collective agreements

Issues related to [health and safety](#) at the workplace are receiving increased attention from the trade unions. Training and [lifelong learning](#) are encouraged by the unions as long as the courses are related to the employee's work. Collective agreements, on occasion, specify that if employees refuse essential training, they can be demoted. Issues related to [work-life balance](#) are sometimes included in collective bargaining in order to improve [gender equality](#) at the workplace.

Industrial conflict

Frequency of strikes and sectors involved

The average number of strikes a year between 2003 and 2007 was seven. The main sectors of economic activity involved in industrial action during this period consisted of the transport, postal, education, utilities and food processing sectors. Minor strikes were also registered in the manufacturing and the gambling and betting sectors during these years. The main reasons for collective action concerned the failure to renew collective agreements and disputes relating to salaries.

Conflict resolution and arbitration mechanisms

The main conflict resolution and arbitration mechanism system in Malta arises from the EIRA 2002, which states that 'where a trade dispute exists or is apprehended, the parties to the dispute may agree' to refer it to the director of the DIER. Where the parties fail to nominate or to agree on the appointment of a conciliator, or when the appointed conciliator reports a deadlock in negotiations, the DIER is obliged to refer the matter to the government minister in charge who

can appoint a court of inquiry in order to establish the causes and circumstances of the dispute. The DIER can also intervene to pre-empt strike action.

Tripartite concertation

The Maltese government, and the main trade unions and employer organisations meet regularly in the MCESD to discuss issues of national and economic importance. The council has an advisory role and makes recommendations to the Maltese government prior to any reforms or measures being implemented.

The main issues discussed are often influenced by the external environment and by the daily experiences of the social partners. The topics for discussion can be put forward by any of the tripartite members. The council is described as being ‘a tool for analysis, and at times, a catalyst for change’. Moreover, the council is expected to reconcile individual sectoral interests in order to achieve results in the national interest, and can examine, assess and make recommendations regarding draft legislation.

Main results

The fact that the representatives of the government, employer organisations and trade unions meet to discuss issues of national relevance is an important achievement in furthering the development of social dialogue in Malta. At times, however, the social partners accuse the government of failing to consult the council properly, as the government appears to ignore the advice given by the social partners.

Workplace representation

Workplace representation is normally carried out by shop stewards, acting on behalf of trade unions. Trade unions are regulated by the EIRA 2002 and by collective agreements that specify their actions at enterprise level.

Employee rights

The DIER is in charge of enforcing employee rights. The department has the duty to ‘protect the interests of parties in employment contracts while actively promoting a healthy **employment relationship** in a spirit of social partnership, and to contribute towards stable industrial relations’. Additionally, the DIER provides information on conditions of employment and regulates employment contracts to ensure that the rights and obligations are observed by all. The department endeavours to resolve trade disputes and promotes good practice in line with existing employment legislation.

The **Occupational Health and Safety Authority (OHSa)** has the duty to see that the levels of occupational health and safety protection established by the Occupational Health and Safety Act (Act XXVII, 2000) are maintained. Its main functions include monitoring compliance, promoting and disseminating information regarding health and safety, and carrying out investigations on any matter concerning health and safety at the workplace.

Most cases regarding individual and collective disputes are solved in unofficial ways. Workers normally seek the help of trade unions, through the intervention of shop stewards representing the union at the workplace. When no agreement is reached between the unions and employers, the EIRA 2002 provides for the voluntary settlement of disputes through mediation and conciliation. Cases are referred to the director of the DIER. The large majority of the cases referred to conciliation have been solved at this stage.

When other means of settlement are not possible, individual disputes are normally brought to the Industrial Tribunal, as set out by the Industrial Relations Act (IRA) of 1976 and confirmed by EIRA 2002. The Industrial Tribunal has the exclusive jurisdiction to consider and decide on all cases of alleged unfair dismissal, plus all cases related to: employment contracts; conditions of employment such as working hours and **overtime**; wages and other kinds of remuneration; cost of living increases; occupational health and safety; **maternity leave**, **parental leave** and leave for urgent family reasons; **discrimination** and gender equality; rights of employees to minimum information; and redundancy issues. Other instruments, such as the Maltese general law courts, are at times used to settle cases in which the law was allegedly infringed at the workplace.

Pay and working time developments

Minimum wage

Legislation stipulates the minimum wages through the National Minimum Wage National Standard Order and various Wage Regulation Orders for specific sectors. Moreover, a mandatory Cost of Living Allowance (COLA), based on the inflation rate of the previous 12 months as calculated by the Retail Price Index (RPI), is added every year to all wage levels including the minimum wage. The RPI Management Board is composed of a chairperson, the director of the NSO (ex-officio member), two government representatives, two representatives of industry (one from GRTU and another one from the Malta Chamber of Commerce, Enterprise and Industry), and two workers' union representatives (one from CMTU and another one from GWU).

In 2007, the national minimum wage stood at €138.90 a week. Lower rates apply for workers younger than 17 years of age and for those aged between 17 and 18 years.

Pay developments

Between 2006 and 2007, the increase in average earnings for the EU27 was 7.5%, while Malta registered a decline of 1.5 percentage points – from 2.2% in 2006 to 0.7% in 2007. Thus, in terms of rankings of increases in average earnings, this puts Malta in last place among all EU Member States.

From 2002 and 2005, the monthly **labour costs** in Malta increased by 7.04%, while the EU27 increase for the same period was 6.7%. When compared with the rest of the new Member States that joined the EU in 2004 and 2007, Malta has relatively higher labour costs with the exception of Cyprus and Slovenia which have even higher costs. Employers blame such costs on decreased competitiveness.

During the period 2003–2007, the average collectively agreed **pay** increases in the EU25 (prior to the accession of Bulgaria and Romania to the EU in 2007) was 4.78%. During the same period, the average increase for Malta was not higher than 3%. This may indicate that Malta is trying to curb pay increases to reduce labour costs.

The wage gap in Malta in 2007 was 5.2%. This rate is much lower than the average gender wage gap of 17.4% across the EU27. This figure appears to be distorted due to the low female employment rate of 37.7% in the last quarter of 2007.

Working time

The statutory maximum weekly **working time** of 48 hours has remained stable in recent years. However, workers may work longer hours if they specifically agree with their employer to do so

and providing that the health and safety of the workers concerned and that of their colleagues is not put at risk.

Working time is rarely an issue in collective bargaining with most companies and employees agreeing to the standard 40-hour working week. The actual weekly working hours, at 40.5 hours, shows a minor decline from 40.7 hours in 2004.

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