



# National Background Paper Malta



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# 27 National Seminars Anticipating & Managing Restructuring

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# National Restructuring Seminars Anticipating and Managing Restructuring

Malta Report

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### Executive Summary

The Maltese economy is one of the smallest economies in Europe. Part of the restructuring which it had to undergo to meet the Maastricht criteria consisted of a reduction of its bloated public sector. This downsizing occurred through the privatization of public utilities, voluntary retirement schemes and restrictions on recruitment in government departments. Within a span of five years (2003 – 2008) employment in the public sector was reduced by 11.6%. The close down of Malta Shipyards, a government enterprise, towards the end of 2008 was the culmination point of this drive for government to divest itself of economic activities.

While the decline in the employment of the public sector was occurring by design the manufacturing sector was getting leaner by default. As Malta was losing the comparative advantage of cheap labour, the parent companies of the export-oriented foreign firms operating in Malta started to relocate their operations in countries with a lower labour cost. The outward relocation brought about a spiral decline in the Maltese manufacturing industry. Emblematic of this persistent decline is the decrease in employment in the Wearing Apparel and Clothes sector which between 2003 and 2008 registered a loss in jobs of 1,741.

The expansion in sectors such as Real Estate and Wholesale and Retail compensated for the loss of jobs in the manufacturing sector. The increase in employment in these two sectors together with the emergence of other industries notably in the Pharmaceutical and the Maintenance of Aircraft enabled the Maltese economy to cushion the effects of the decrease in employment in the public sector and in the manufacturing industry. By mid 2008 the Maltese economy by managing to keep the unemployment rate below EU average seemed to be buoyant and sustainable even though this has to be contextualized with Malta's lowest female participation rate in the labour market and the lowest employment rate among the EU countries.

The negative effects of the financial crisis started to become visible towards the end of 2008. Symptomatic of this effect was the tourism sector which is one of the pillars of Maltese economy. In 2008 although overall there was an increase in tourist arrivals, tourist expenditure decreased by 2%. The number of tourists visiting Malta in the December quarter of this year fell by 10.3%. During 2009 this decline in the number of tourists and the decrease in tourist expenditure became more pronounced. This slowdown in the economy naturally brought about a decrease in GDP. In 2008 a decrease of 2% in GDP over the previous year was registered while in the first two quarters of 2009 it posted negative growth. The pinch of the global recession, becoming more visible in Malta in the latter half of 2008, had its effects on industry. A number of workers were facing the threat of redundancy as several firms suffering from a drop in demand of their products were envisaging mass redundancies.

To stem the tide of these planned mass redundancies government adopted a much more active stance than in previous occasions. In the previous cases of mass redundancies, government's reactions were shorn of longer-term market and innovative strategies. One of the most effective measures taken in 2008 was the setting up of a task force by the Ministry of Finance to deal with a case by case study and seek remedial action. Part of the strategy of this task force was the stimulus package offered to help the firms recover in the shortest possible time. Government's offer to temporarily foot part of the wage bill made the four-day working week, agreed between management and trade unions, less painful to workers. Eventually the planned lay offs did not materialize. Most of the companies, which availed themselves of the financial aid offered by

government, were able to overcome the crisis and in some cases even invest in new projects. The stimulus package seemed to have had the desired effect as the firms severely hit by the crisis reacted more with rationality than with panic.

Restructuring in Malta had an air of modernity about it, characterized by substantial reduction in employment in the public sector and in old labour intensive sectors such as in clothing and textile sectors and in ship repair. Government action during the financial crisis may have been partially aimed not to derail this transitional phase of the Maltese economy. There are lessons to be learned or conclusions to be drawn from the Malta case. Among these is that the discourse about the benefits of investment in education and training of workers is not mere glib talk. The stock of human capital can be utilized not only to make smoother a transitional phase but it can also act as a good shock absorber during crisis. Another conclusion is that timely intervention by government not simply to rectify the excesses of the market but to serve as a temporary prop to enable ailing industries to recover can be very effective in saving jobs and attracting investment.

### Introduction

The restructuring process in Malta is contextualized within the geographical insularity and peripherality of a small island sovereign state in the midst of a transitional phase as it attempts to shift to higher value economic activities in its modernization process.

The first part of the report consists of an account of the economic and labour market developments in Malta by focusing on the structural and economic challenges, and the role played by the main actors involved in the Maltese labour market.

The focus of the second part is on the measures and tools for anticipating change. These mainly consist of incentive schemes to help Maltese industry keep abreast with developments, a continuous monitoring of these developments, and an upgrading of vocational education to be more in tune with the new demands of industry.

In part three the effectiveness of these measures in the restructuring process are evaluated in the context of the case studies related to restructuring which are presented in the report.

Part Four “Appraisal” provides a debate about the restructuring process in Malta in the context of the case studies presented in the report. From the Malta case studies lessons can be learned and conclusions drawn. These are listed in part five of the report.



Like many other EU member states, Malta's economy had to cope with the imperatives of the globalised economic market and at the same time make the necessary adjustments to conform to the Maastricht criteria. While the bloated public sector was being reduced to meet one of these criteria, the Maltese economy had to cope with a decline in the manufacturing sector and other industries. In spite of its geographical insularity and peripherality inherent in a small island sovereign state, Malta, in its decolonisation policy, managed to build a wide manufacturing and industrial base, mainly made up of a clutch of export oriented foreign based companies who established their operations in Malta to take advantage of the relatively cheap labour. With the onset of the financial crisis and its subsequent economic depression, the high element of risk of these manufacturing firms, operating in an open economy of a micro state, became very visible.

The slow down in the global economy had a negative impact on the Maltese economy. This weaker economic performance had an adverse effect on public finance as a consequence of which the general government deficit widened, as growth in expenditure outweighed that of revenue. The persistent decrease in domestic demand and in exports of goods and services, brought about by this slowdown, resulted in a decline in Gross Domestic Product (GDP). The GDP has been registering a decline since 2005 when it was 3.7, slumping to 3.2 in 2006, rising to 3.6 in 2007 and declining to 1.6 in 2008 (Central Bank of Malta Annual Report 2008, p.35). Following this marginal decline it posted negative annual growth in the first two quarters of 2009, in the first quarter being -1.9 and in the second quarter -3.3 (CBM Quarterly Review 2009:3 p.19). It is more or less reflective of the decline of 4.8 in GDP registered in the euro area during second quarter of 2009 (Eurostat).

## 1.1 Structural and Economic Challenges

The decrease in the public sector, induced by government's policy to conform to the Maastricht criteria occurred through privatization of public utilities, voluntary retirement schemes and restrictions on non-essential recruitment in government departments. As the table below shows, taking 2003 as the base year (the year prior to EU accession), there has been a spiralling decline in employment in the public sector, with an annual average decrease of 1,106 employees between 2004 to 2008 (See Table 1).

**Table 1: Employment in the Maltese Public Sector 2003-2008**

| Year | Employment in Public Sector | % of the gainfully occupied | Decrease in numbers. | Decrease in percentage |
|------|-----------------------------|-----------------------------|----------------------|------------------------|
| 2003 | 47,446                      | 32.6                        |                      |                        |
| 2004 | 46,748                      | 32.1                        | 698                  | 1.4                    |
| 2005 | 45,686                      | 31.3                        | 1,062                | 2.3                    |

|       |        |      |       |      |
|-------|--------|------|-------|------|
| 2006  | 43,806 | 31.5 | 1,880 | 4.1  |
| 2007  | 42,470 | 30.2 | 1,336 | 3.0  |
| 2008  | 41,914 | 29   | 556   | 1.3  |
| Total |        |      | 5,532 | 11.6 |

Source: Annual Reports Central Bank of Malta (CBM) 2003 to 2008.

While the decrease of employment in the public sector was by design, reduction in the manufacturing industry was mainly the result of decisions by multi-national firms to relocate their operations to countries with lower labour costs. Indeed Maltese economy has been registering a persistent slowdown of employment in this industry.

The sector in the manufacturing industry registering the most substantial reductions was the Wearing Apparel and Clothes. In 2003, in terms of employment, this sector with 2,164 employees was the third largest in the manufacturing industry whereas in 2006 with 1,147 employees it was the seventh largest. By 2008 its employment figure was 323. This reflects the termination of jobs where two large factories were closed down. Employment in other large sectors in this industry, namely the Radio, TV and Communication sector and the Food Beverages and Tobacco (the two largest sectors) and the Rubber and Plastic have registered a slight decrease in employment, but they maintained their leading position in this industry. The three sectors which managed to register a slight increase in employment were Publishing and Printing, the Electrical Machinery and the Chemicals (Table 2).

However, the increase in employment in these sectors was not enough to stall the decrease in sales in the manufacturing industry. In the first quarter of 2009, when compared to the corresponding period in 2008, sales in the manufacturing industry fell by 22.6 % (NSO:News Release 094/2009). In 2008 the fall in normal export of goods and services was 5.6%, the industry most affected being manufacturing and in particular ST Micro-electronics, by far Malta's largest firm in terms of employment (Scicluna, 2009). Overall the manufacturing industry in a span of seven years registered a decrease of over 6,000 employees.

Another industry which suffered from the repercussions of the recession was Tourism which is considered to be one of the pillars of Maltese economy. Overall in 2008 there was an increase of incoming tourists in Malta of 3.8% over the previous year (CBM Annual Report 2008, p.38). Nevertheless tourist expenditure during this year decreased by just under 2% mainly due to shorter stays (ibid.p.39). Weakening signs started becoming visible during the fourth quarter of 2008. On a year to year basis, the number of tourists visiting Malta in the last quarter of 2008 fell by 10.3% (CBM,2009:1p.33). In the first quarter of 2009, this decline became more pronounced as the number of tourists was down by 17.8% on a year earlier. Total number nights stayed dropped by 16.2%. At the same time total expenditure by tourists fell by 21.1 %, primarily on account of notable contraction in spending by visitors on package tours (CBM 2009:2 p.37). The weak conditions persisted during the second quarter of 2009 as tourist arrivals decreased for the fourth consecutive quarter falling by 11.9% from April to June 2009. Expenditure dropped by 6.7% (CBM 2009:3 p.38). This downward trend was persistent throughout 2009 as the National Statistics Office of Malta reported that inbound tourism for the period January-November 2009 registered a decrease of 9.0% over the corresponding period of 2008. Total nights spent over these eleven months decreased by 9.2 % over the previous year (NSO 235/2009 p.1).

**Table 2: Rank Order of major Sectors in the Manufacturing Industry in terms of employment**

|   | 2003       |                    | 2006       |                    | 2008       |                    |
|---|------------|--------------------|------------|--------------------|------------|--------------------|
|   | Rank Order | Average employment | Rank Order | Average employment | Rank Order | Average employment |
| Radio, TV& Communication equipment      | 1          | 3,227              | 1          | 3,296              | 2          | 2,875              |
| Food and Beverages                      | 2          | 3,146              | 2          | 3,146              | 1          | 2,930              |
| Wearing Apparel & Clothes               | 3          | 2,164              | 7          | 1,147              | 14         | 323                |
| Furniture & Manufacture                 | 4          | 1,720              | 3          | 1,656              | 5          | 1,537              |
| Rubber and Plastic Products             | 5          | 1,718              | 5          | 1,576              | 4          | 1,541              |
| Publishing & Printing                   | 6          | 1,640              | 4          | 1,631              | 3          | 1,740              |
| Electrical Machinery & Apparatus        | 7          | 1,183              | 6          | 1,279              | 6          | 1,355              |
| Chemicals and Chemical Products         | 8          | 1,059              | 9          | 897                | 7          | 1,117              |
| Medical Precision & Optical Instruments | 9          | 992                | 8          | 962                | 8          | 923                |
| Textile and Textile products            | 10         | 796                | 12         | 428                | 13         | 367                |

NSO: Manufacturing Performance : 77/2006 & 086/200

## 1.2 Labour Market Challenges

To compensate for the losses of jobs attempts were made of moving up market by trying to attract higher value added economic activities. The employment statistics indicate that the resilience of the Maltese economy enabled it to absorb the job losses caused by downsizing exercises and closure of firms. Within a span of seven years (2002 -2009) the average number of gainful employed persons rose by 5% - from 137,863 in 2002 (NSO 37/2008) to 144,625 in 2009 (NSO 160/2009). The main drivers of this growth in employment were the Health &

Social Work Category, Financial Intermediation and Real Estate, Renting and Businesses Activities (CBM 2009/1:p.19).

**Table 3: Employment in the Three Main industries of the private Sector**

| Year         | Manufacturing | Real Estate, Renting & Business Activities | Wholesale and Retail |
|--------------|---------------|--|----------------------|
| 2002         | 27,825        | 8,509                                      | 20,002               |
| 2003         | 26,668        | 8,843                                      | 20,373               |
| 2004         | 25,220        | 9,496                                      | 20,375               |
| 2005         | 24,803        | 9,950                                      | 21,039               |
| 2006         | 24,011        | 10,991                                     | 21,171               |
| 2007         | 23,647        | 12,151                                     | 21,409               |
| 2008         | 22,684        | 13,469                                     | 21,826               |
| 2009 (April) | 21,050        | 14,255                                     | 22,064               |

Source: NSO Gainful Occupied Population: Numbers 37/2008 and 160/2009

The employment rate, which represents the number of employed persons as share of the population aged between 15 and 64, increased by 2.1% - from 54% in 2004 (CBM Annual Report 2004 p.33) to 56.1 in 2008 (CBM Quarterly Review 2008:4 p.24). This relatively low employment rate is due to the low participation rate of women in the labour market (38.5%) and the low employment rate of persons over 50 years of age which at 24.2% is the lowest in the EU (European Commission, 2009,p.19).

In April 2009 the number of full time gainfully occupied persons in Malta was 144,625 of whom 103,784 were in the private sector and 40,841 in the public sector. As table 4 shows the active working Maltese population is highly concentrated in services activities with the Wholesale and Retail Sector overtaking the Manufacturing as the main source of employment. The Real Estate, Renting and Business Activities sector has been registering a continuous increase (see Table 4).

About 11.9% (17,224) of this gainful occupied population were self employed. This figure registers a slight increase over the previous two years. It was 11.8 % in 2007 and 11.7% in 2008. The main economic activity in which the self employed persons operate is the Wholesale and Retail sector where in April 2009 there were 5,200. Other economic activities with a relatively substantial number (over 1,000) of self employed persons are: Construction (2,577), Manufacturing (1,597), Agriculture (1,272), Transport, Storage and Communication (1,270) and Real Estate, Renting and Business Activity (1,641). There are practically no self employed persons in Electricity, Gas and Water Supply sector (5 persons) and very few in Financial Intermediation sector (39 persons).

**Table 4: Full Time Gainful Employment**

| Economic Activity   | NACE           | Average 2007 | Average 2008 | April 2009 |
|---|----------------|--------------|--------------|------------|
| Primary Sector;<br>Agriculture, Fishing,<br>Mining and Quarrying      | 01-05<br>10-14 | 3,992        | 3,507        | 2,783      |
| Manufacturing   | 15-37          | 23,646       | 22,684       | 21,050     |
| Electricity, Gas and<br>Water Supply                                  | 40-41          | 3,108        | 2,976        | 2,909      |
| Construction  | 45             | 11,662       | 12,145       | 12,645     |
| Wholesale and Retail  | 50-52          | 21,409       | 21,826       | 22,064     |
| Hotels and<br>Restaurants   | 55             | 9,747        | 10,142       | 9,736      |
| Transport &<br>Communication  | 60-64          | 10,757       | 11,033       | 11,280     |
| Financial<br>Intermediation   | 65-67          | 5,353        | 5,573        | 5,638      |
| Real Estate, Renting<br>& Business                                    | 70-74          | 12,151       | 13,469       | 14,255     |
| Public Administration<br>of Defence,<br>compulsory social<br>security | 90-93          | 10,774       | 10,872       | 10,936     |
| Education   | 80             | 12,254       | 12,404       | 12,524     |
| Health and Social<br>Work   | 85             | 9,596        | 10,066       | 10,300     |
| Other Community,<br>social and personal<br>Services                   | 90-93          | 6,836        | 7,460        | 7,595      |
| Activities of<br>Household as<br>employees of<br>domestic staff       | 95             | 1            | -            | -          |
| Extra Territorial<br>Organisations                                    | 99             | 148          | 160          | 184        |
| Apprentices, Trainees<br>& Students                                   |                | 744          | 740          | 711        |
| Total   |                | 142,1791     | 145,051      | 144,625    |

NSO 160/2009 'Gainfully Occupied Population:April 2009

The number of women employed full time is half that of men (96,287 men and 46,338 women). Although the female participation rate in the Maltese labour market, has been registering an increase during the last five years, it is still one of the lowest in the EU countries. At 38.5% in 2008, it is wide off the target of 60% set by the Lisbon Agenda for the year 2010 (Borg, 2009:27).

It is in part time work where women tend to predominate in the Maltese labour market. In April 2009, part timers whose part time work is their primary job amounted to 27,145 with women (16,127) outnumbering men (11,018). Women outnumber men heavily in the Health and Social Work sector where there are five women part timers for every man. In the educational sector the ratio is 2.5 women for every man whereas in the Wholesale and Retail sector the number of women workers is almost double that of men (Table 5).

The two sectors which employ a relatively high number of part timers are the Hotels and Restaurant, Real Estate and Renting and Business Activities and the Manufacturing (see Table 5). On the other hand there are three economic activities where the number of part timers is negligible namely: Electricity and Gas and Water (11 part timers), Activities of Household (one part timer) and Extra Territorial Organisations and Bodies ( four part timers).

**Table 5: Economic Activities employing more than 500 part timers as their primary job**

| NACE  | Economic Activities                                    | Men   | Women | Total |
|-------|--|-------|-------|-------|
| 50-52 | Wholesale & Retail                                     | 1,822 | 3,493 | 5,315 |
| 55    | Hotels & Restaurant                                    | 2,208 | 2,772 | 4980  |
| 70-74 | Real Estate ,renting and business                      | 1,405 | 1,916 | 3,321 |
| 80    | Education  | 773   | 1,984 | 2,757 |
| 15-37 | Manufacturing  | 991   | 891   | 1,882 |
| 60-64 | Transport, Storage & Communications                    | 788   | 605   | 1,393 |
| 85    | Health and Social Work                                 | 286   | 1,476 | 1,762 |
| 90-93 | Other Community, social & Personal Services Activities | 1,939 | 1,201 | 3,140 |
| 75    | Public Administration                                  | 156   | 588   | 744   |
| 01    | Agriculture  | 538   | 111   | 649   |
| 45    | Construction   | 525   | 86    | 611   |

*NSO 160/2009 Gainfully Occupied Population: April 2009.*

The diversification of economic activities into other sectors contributed to a relatively low unemployment rate. The unemployment rate in April 2009 stood at 4.7 of the labour supply. On a gender basis the unemployment rate for men stood at 5.3%, while the unemployment rate for women stood at 3.5%. These figures are relatively low when compared with those of other EU member states. The unemployment rate for 2008, adjusted for seasonal variation was estimated to be 5.5% which is 0.6 points lower than 2007 (CBM, 2008:43). For every three men registering as unemployed there is one woman. The total figure of unemployed in August 2009 was 7,443 of whom 76.8 % were men and 23.2% women. The elder age group (45+) registered the highest rate (36.1%) of the unemployed followed closely by the 30-34 cohort (30.4%) while the young cohort (-20), registered the lowest (9.2%).

**Table 6: Unemployment : Gender and Age**

| Age   | Men   | Women | Total |
|-------|-------|-------|-------|
| -20   | 400   | 285   | 685   |
| 20-24 | 639   | 341   | 980   |
| 25-29 | 626   | 203   | 829   |
| 30-34 | 1,833 | 427   | 2,260 |
| 45+   | 2,220 | 469   | 2,689 |
| Total | 5,718 | 1,725 | 7,443 |

*NSO 173/2009 August 2009*

The highest number of job seekers is to be found in ISCO 5 namely: namely the Services Workers and Shop and Market Sales Workers closely followed by Clerks (ISCO 4). The two lowest grades in this classification, Plant and Machinery Operators and Assemblers (ISCO 8) and Elementary Occupations (ISCO 9) also register a relatively high figure. The total number of job seekers in the three lowest classified jobs (ISCO 7,8,9), who are mostly manual workers, amount to 3,017 (40.5% of the unemployed) The occupation with the lowest number of job seekers is the Skilled Agricultural and Fishery Workers (ISCO 6), where there is only one woman registering for this category of job. Another job category where the number of women job seekers is very low is in the Craft and Related Trade (ISCO 7). It is in jobs being sought for clerical work where women job seekers outnumber men (see table 7).

**Table 7: Occupations being sought by persons on the Unemployment Register**

| Occupation  | Men   | Women | Total |
|---|-------|-------|-------|
| Services workers and Shop and market Workers (ISCO 5) | 943   | 542   | 1,485 |
| Clerks (ISCO 4)                                       | 552   | 616   | 1,168 |
| Elementary Occupations (ISCO 9)                       | 950   | 140   | 1,090 |
| Plant and machine operators and assemblers (ISCO 8)   | 852   | 113   | 965   |
| Craft and related trade workers (ISCO 7)              | 955   | 7     | 962   |
| Technicians and Associate professionals ( ISCO 3)     | 597   | 183   | 780   |
| Professionals (ISCO 2)                                | 445   | 49    | 494   |
| Legislators, senior officials, and managers (ISCO 1)  | 200   | 74    | 274   |
| Skilled agricultural and fishery workers (ISCO 6)     | 224   | 1     | 225   |
| Total   | 5,718 | 1,725 | 7,443 |

*NSO 173/2009 Registered Unemployed 2009*

Overall it seems that most of the unemployed manage to find work within one year of registering for work. According to the NSO Unemployment figures the percentages of those registering for work for more than one year during the months April, May August, October of 2009 hovered between 33.5% (April 2009) and 36.9% (October). For the year 2008 the percentages are slightly higher varying between 38% in October to 40% in May. Men tend to take longer than women to re-enter the labour market. Among the registered women unemployed in October 2009, 55.2% had been registering for work for less than 20 weeks, whereas that for men it is 41%. There were 24.4% of women unemployed who had been registering for work for more than one year, in contrast to the 36.6% of men.

**Table 8: Duration of Unemployment Registration October 2009**

| Duration    | Number | % of Total | Men % | Women % |
|-------------|--------|------------|-------|---------|
| -20 weeks   | 3,238  | 44.2       | 41.0  | 55.2    |
| 21-52 weeks | 1,607  | 21.9       | 22.4  | 20.4    |
| Over 1 year | 2,488  | 33.9       | 36.6  | 24.4    |
| Total       | 7,333  | 100        | 1000  | 100     |

*Adapted from NSO 209/2009 Table 4 p.5*

### 1.3 Small and Medium Sized Enterprises (SMEs).

Due to the small number of business in some categories and also issues of confidentiality, data by public authorities about Maltese SMEs is very scant. Although this lack of data hinders the construction of a complete profile of Maltese SMEs their constraints are well known. A Human Resource Development Committee, appointed by the Employment Training Corporation (ETC) in 2004 was assigned the task of drawing a Human Resource Development Strategy for Malta (2004-2006). In its report this committee acknowledged that SMEs face financial constraints in investment and training. To enable SMEs overcome these barriers it proposed a special scheme to be devised to meet their initial human resource development needs and the setting up of a number of incentives to assist SMEs in line with the Business Promotion Act. (ETC, 2004;10).

Malta Enterprise (ME) may have taken this cue as in its operations the focus on SMEs has been quite visible. Although the focus of most Maltese SMEs tends to be on the internal market, efforts have been made to help the export-oriented SMEs. Towards this end Malta Enterprise in 2004 launched an assistance scheme through which it extended guarantees on investment loans to companies with up to 100 employees. Eligible guarantees are covered by reference or medium and long-term investment loans with a minimum maturity of at least three years. ME is the only Maltese guarantee fund that provides guarantee covering SME loan.

Conscious of the contribution of the SMEs which cater for the internal market, ME has extended the Investment Aid to other firms which formerly were not eligible. These include local

manufacturing SMEs and sub contractor sectors. With this revised policy of investment aid, sectors such as furniture making, printing and food processing and packaging have now become eligible from tax credits under the Investment Aid Scheme.

These schemes have been complemented by financial assistance. Bank of Valletta, the bank with the government as the major share holder, has launched a Start-Up Financing Packaging Scheme to assist SMEs during the initial years of their operations. Through this scheme the bank is financing the purchase of the SMEs business assets including commercial vehicle, plant and machinery, information and communication technology (Mangion [www.businesstoday.com.mt](http://www.businesstoday.com.mt)).

To facilitate and make the setting up of an SME more feasible, a business Incubation Centre was set up by Malta Enterprise to facilitate start ups of SMEs. The chairperson of Malta Enterprise was quoted as saying that over the past five years this Incubation Centre has facilitated the birth of over 50 SMEs at a success rate of 86% (Camilleri, 2008). This business incubation programme can provide third party expertise to assist companies at the start-up stage with the required third party expertise to assist them in compiling a business plan and specifically to address financial forecasting. It can also provide these start-up companies with a suitable working environment for them to be creative and execute the work to their clients' specifications. For example two entrepreneurs planning to set up an SME were given ample office space in the Incubation Centre which they converted to suit their personalities and taste.

## 1.4 Regionalism

The Maltese archipelago is a micro state consisting of the islands of Malta, Gozo and Comino (uninhabited) covering an area of 316 square kilometres with a population of 400,000. In employment terms, Malta, due to its small size, has no marked regional divisions. The island of Gozo, suffering from double insularity comes closest to the definition of a region. Gozo's economy is much less based on the manufacturing industry. This lack of industrial activity is serving as a good cause to promote Gozo as an eco island. To make up for lack of employment the back office operations of the Maltese utility companies, including some government departments and even some private enterprises have been transferred from Malta to Gozo. Malta Enterprise in its promotional drive of industrial activity in Gozo tends to focus on ICT industry.

## 1.5 The Legal Framework

The employment and industrial relations are regulated by the Employment and Industrial Relations Act (EIRA). The amendments to this Act in form of Legal Notices have updated the Act to bring it into conformity with EU Directives as regards collective redundancies. Legal Notice

428 of 2002 which transposes EU Directive on collective Redundancies defines collective redundancy as the termination of the employment on grounds of redundancy, over a period of 30 days, of:

- (a) ten or more employees in establishments normally employing more than 20 employees but less than 100
- (b) 10% or more of the number of employees in establishments employing 100 or more but with less than 300 employees; and
- (c) 30 employees or more in establishments employing more than 300 employees (EIRA:Legal Notice 442 of 2004).

Collective redundancies do not apply to the crew of sea-going vessels. An employer is bound to notify the employees' representatives in writing of his intention to make a collective redundancy and to give an opportunity to consultation. Information cannot be withheld on the pretext that the redundancy is part of an exercise from the parent company and/or that the relevant information was not received from the parent company. Collective redundancies take effect after 30 days notification to the Director of the Department for Employment and Industrial Relations.

Apart from the basic conditions of work and the national minimum wage established by the Employment and Industrial Relations Act (EIRA), the principal means through which wages and the other working conditions are determined is through bipartite, enterprise-based, collective bargaining. Collective agreements are usually negotiated at company level and are typically based upon the basic requirements laid down by legislation. Recognition of a trade union for bargaining purposes at a particular enterprise is normally based on the membership exceeding 50 per cent of the entire workforce. However there have been several cases where particular categories of employees claim a separate recognition from that of other workers within the same organization. Such claims are increasingly recognized by the Industrial Tribunal on the grounds that a particular union may represent a 'specific category of employees' (Zammit & Brincat, 2006:168-169).

## 1.6 Flexicurity

Collective bargaining supplements the contractual arrangements in the sense that it tries to go beyond the minimum standards set in the law. Leaders and officials of trade unions and employers' associations have often stated that the bipartite collective bargaining at enterprise level puts into practice the principles of flexicurity since it enables employers and unions to devise customized packages that suit the exigencies of each particular company. The debate about flexicurity in Malta tends to focus on the issue of family friendly measures which are included in EIRA, by such provisions related to maternity and parental leave, emergency leave and reduced hours. The Act also provides protection for part time workers by making provisions for pro rata leave entitlements.

On social security the issue revolves round the minimum threshold (10 per cent of minimum wage) which employers have to pay as part of the National Insurance Contribution. The

employers have been lobbying for the removal of this threshold, arguing that NI contribution of part-time and casual workers should be 10 per cent of their pay, as is the case with full time workers. Moreover employers' associations contend that the implementation of family friendly measures entail costs which may threaten the sustainability of industry. In their argument about flexicurity the employers contend that there are many rigidities in the labour market which tend to impede job creation. One of these rigidities, they claim, is the statutory Cost of Living Allowance (COLA) which is given to all employees. The employers also point to the scarcity of temporary work agencies which makes it difficult for employers to temporarily replace workers who are on long leave of absence. On the other hand the trade unions stress the lack of good quality and affordable child care centres.

This issue of flexicurity has widened the gap in the conditions of work between the public and private sector. The public sector, maybe because of its insulation from the rigours of the market, has proved to be more amenable than the private sector to the implementation of the principles of flexicurity. The collective agreement, covering the period 2005-2010 for employees in the public sector, includes a 12 month career break, an option to work on reduced time-table until the child reaches the age of 12 years, and the possibility of telework (Rizzo 2007).

## 1.7 The Main Actors

The main actor involved in the restructuring process is the Employments Training Corporation (ETC), Malta's Public Employment Service, which has assumed the responsibility to train workers who are facing redundancies or who have to upgrade their skills to meet the new requirements of the company undergoing internal restructuring. ETC is entrusted with the maintenance of a national data base of work histories of persons in employment, and a register of persons seeking employment, the compilation of labour market research and the law enforcement activities concerning compliance with the Employment Training Corporation Services Act. ETC has also been assigned the role of developing and promoting the Government's labour market strategies and policies, including devising and implementing the National Action Plan for Employment in 2004.

Services provided by ETC include profiling, job search services and the provision of training opportunities to help workers affected by lay offs to upgrade their skills. In 2008 when a number of companies went on a shorter working week, this Public Employment Service took the onus of providing training to workers employed in companies referred by the Malta Enterprise and Ministry of Finance. This training may be needed by the firm concerned to step up its productivity. This initiative was supported by the social partners as a way of maintaining the employment and employability of the workers involved in the restructuring of the company which employs them.

In this training programme Malta Enterprise may act as a consultant. Malta Enterprise is the agency responsible for the promotion of foreign investment and industrial development in Malta. Set up by the Malta Enterprise Act (ME Act –Chapter 463 of the Malta Laws), it acts as a catalyst for the development and sustainability of companies operating in the Maltese labour market by

helping them to cope with issues of internal restructuring. It offers assistance and advice to those who seek to learn about the multitude of business and investment opportunities available in Malta. It has developed a new set of incentives for the promotion and expansion of industry and the development of innovative enterprises. It played a vital role in the restructuring exercises which many firms had to conduct in order to cope with the financial crisis by implementing the programme of financial aid, announced by the Minister of Finance, to help the firms overcome the crisis. The task force announced by the Minister was made up of officials from Malta Enterprise.

The trade unions, mainly the General Workers Union (GWU) and the Union Haddiema Maghqudin (UHM) through their support during the consultation process legitimized these schemes. These two general unions, embracing within their fold various categories of workers and representing about 80% of the Maltese unionised workers are the two main organisations in the Maltese trade union movement. These two unions are represented in the Malta Council for Social and Economic Development (MCESD) which is the Malta's national tripartite dialogue, set up by a legal act (MCESD Act Chapter 431 of the Maltese Laws), for social dialogue.

This social dialogue at national level is complemented at the enterprise level. Council Directive 2002/14 EC establishing a general framework on Information and Consultation was transposed into Maltese law in January 2006. Prior to this transposition there was no legal framework for the setting up of work councils or any institutional form of workers' participation and no legal provisions for information and consultation rights. In spite of this lack of statutory provision, Maltese trade unions had managed to set regular practices of consultation and information at enterprise level. Since in Maltese industrial relations system negotiations at sectoral level are non-existent and collective bargaining is on a single-employer basis, Maltese trade unions tend to be strong at the enterprise level.

Through their representative at the workplace, who besides being the mouthpiece of the union acts as an intermediary, the Maltese trade unions feel that they have control of what goes on at the workplace. In the few cases where the trade unions were not consulted and informed about collective redundancies, the matter was rectified after a few days and consultation meetings were held between management and the trade union concerned. During the time of the crisis when there was a threat to massive redundancies, consultation meetings were held which resulted in an agreement about the implementation of the envisaged measures such as the adoption of four-day working week.

On the employers side the main actors are the Malta Employers' Association (MEA) the main body representing employers' interest in the area of industrial relations registered and recognized in terms of the EIRA and the Chamber of Commerce, Enterprise and Industry which is a recent merger between the Chamber of Commerce and the Malta Federation of Industries. Other employers association which tend to keep a high profile on issues related to the labour market are the Malta Hotels and Restaurant Association (MHRA) and the Chamber for Small and Medium Sized Enterprise (GRTU). All these associations are represented at MCESD. During the financial crisis these associations held meeting with the Minister of Finance about the situation and were continuously consulted about the policies which were being pursued to deal with the crisis.

In the designation of tools and measures aimed at anticipating and managing change in the labour market the institutions that played a major part are Malta Enterprise, the Employment and Training Corporation (ETC) and the Malta College of Arts Science and Technology (MCAST). The measures taken consisted of (i) incentive schemes to help industry keep abreast with developments in the market, (ii) a continuous monitoring of these developments, and initiatives to upgrade vocational education to be more in tune with the new demands of industry and (iii) educational and training programmes to enhance the employability of the Maltese workforce complemented by a human resource policy and strategy.

## INCENTIVE SCHEMES

Malta Enterprise in collaboration with the Ministry of Finance kept a very high profile in the rescue programme set by government early in 2009 to help the ailing firms who, in the wake of the economic recession, had declared their intention to shed workers.

This policy is in line with its mission of providing incentives for foreign direct investors and local enterprises to generate economic growth by increasing value added economic activities and better quality employment. Enterprises engaged in manufacturing, ICT development activities, Call Centres, Healthcare, Pharmaceuticals, Biotechnology, among others, may benefit from these incentives which are subdivided into six separate themes, namely:

- Investment Aid: companies engaged in specific activities can benefit from tax credits on capital investment and job creation.
- SME Development: Grants targeting the creation and development of innovative start-ups, and the development of forward looking small and medium-sized enterprises.
- Enterprise Support: Assistance to business to support them in developing their international competitiveness, improving their processes and networking with other businesses.
- Access to Finance: Companies may be assisted through loan guarantees, soft loans, loan interest subsidies or royalty financing in the case of highly innovative projects.
- Employment and Training: These incentives are administered by the ETC. Enterprises are supported in recruiting new employees and training their staff.
- R&D and innovation: Various incentives will be offered to stimulate innovative enterprises to engage in research and development ([www.maltaenterprise.com](http://www.maltaenterprise.com)).

## MONITORING OF DEVELOPMENTS

As a tool intended to give the bearings to policy makers and those involved in the world of work, the Employment and Training Corporation (ETC) used to publish Employment Barometer which provided a six-month forecast of possible skill gaps or occupations that reflected employers' needs. The barometer was discontinued in 2006 as its utility was questioned. The last employment Barometer (Winter–Spring 2006) reported fewer shortages than the previous one (Winter 2004-Spring 2005). In the former, in contrast with the latter, there were no shortages

reported neither among ‘Craft related trade workers’ nor among ‘Plant and Machine Operators and Assemblers’.

Taken at face value, the last report, when compared with the previous one, indicates that supply and demand within a six month period had moved towards a higher level of convergence. Whether this can be attributed to a shift in demand or to the effectiveness of the instruments being used by ETC is of course a moot point. While a period of six months may be too long for employers planning purposes, it is too short for policy makers. Nevertheless, if the survey had continued to be conducted, trends would have emerged which would have provided longer-term indications to policy makers.

## **EMPLOYMENT BAROMETER**

According to the manager of the Labour Market Information Unit of ETC the Employment Barometer Survey was discontinued due to lack of funds. Moreover as it was felt that employers tend to plan on a short rather than on a long term basis, serious doubts were cast about its utility.

Another exercise aimed at forecasting short-term employment needs in industry is carried by the Central Bank of Malta in its Quarterly Survey among employers within various economic sectors. Similarly the Malta Federation of Industry (FOI), now merged within the Malta Chamber of Commerce, Enterprise and Industry, used to compile a monthly Industry Trends survey based on a selected sample of local operators in the manufacturing industry. Respondents express their short-term expectations on topics including their labour force needs.

The forecasting of labour needs in particular sectors is often based on one-time ad hoc studies, sometimes forming part of new policy and strategy documents about a specific sector. The Scoping Study on the Demand and Supply of ICT Skills in Malta (published in April 2007) and the Study on Job Training in the Environment Sector (Scicluna 2008) are cases in point. In November 2008, the Chamber for Small and Medium Sized Enterprises (GRTU) published the results of a survey forecasting the labour needs of the construction industry.

## **EDUCATION, TRAINING AND HUMAN RESOURCE DEVELOPMENT**

### ***Education and Training***

An institution set up to respond to the immediate needs of industry, on a short term and long term basis, has been Malta College of Arts Science and Technology (MCAST). This college has become the vocational institute for Industry by offering customized training and providing learning programmes designed to merge the policies and practices, needs and aspirations of the client organization. One of these services was a course designed to assist Lufthansa Technik in its workforce development plans. This aircraft maintenance company, recently set up in Malta, has been expanding in operations. Another tailored-made programme was a basic computer training for a number of employees of Toly Products. MCAST also worked closely with the pharmaceutical sector, in order to meet the specialized training requirements of this sector, which is relatively new in Malta.

This upgrading of vocational education complemented by an expansion in post secondary and tertiary level of education by and large enabled the Maltese labour market to match supply with demand. Nevertheless, in spite of this expansionary policies, the Maltese education system has still been characterized by a rigid selective process. At the transition from primary to secondary stage, children at the age of 11 have to sit for a competitive examination at national level. This selectivity produces a significant number of drop outs and school leavers so that every year there is an influx of a significant number of job seekers without any employability skills and competences joining labour supply. The labour intensive firms in the manufacturing industry mainly in the textiles, clothing, leather and plastic used to absorb a number of these job seekers. However as table 2 shows, the firms operating in these sectors have been in continuous decline. Consequently this group became more vulnerable.

ETC with the help of the ESF took the initiative to help this specific group of job seekers. As part of the Employability Programme, it organised a six month course, targeted at school leavers who do not have the inclination or the prerequisite qualifications to proceed to higher education. This course is aimed at offering essential work-related knowledge and skills to enhance the employability of these early school leavers.

Another group of job seekers who might find it difficult to integrate in the labour market is the elderly. To target this group of ageing potential workers ETC, in 2002, launched the Training and Employment Exposure Scheme (TEES) for those unemployed persons over forty years of age. The rationale behind this scheme was that these persons who tend to receive less opportunities for retraining, once they lose their job, find it more difficult to reintegrate in the market. Thus this scheme, consisting of a combination of core skills training, training in specific skill area and work exposure, was devised to reduce long-term unemployment among the aged cohort in Malta. By retraining the registered unemployed persons over 40 years of age in areas where they can be reintegrated in the labour market, this programme, through its outreach initiative with private employers, was aimed at convincing employers to value the concept that experience pays and those employees over 40 years can give very efficient and productive work.

In February 2009, the Maltese Government, through the Minister of Social Policy, launched two major programmes namely: The Employment Aid Programme and the Training Aid Framework which will be in operation till 2013. These two programmes, financed from the EU funds, form part of the strategy of ETC for the development of human resources by investing in the motivation of those looking for work and/or for the improvement of their skills while they are at work. The Employment Aid Programme is aimed at job seekers who, due to their life circumstances, are in a disadvantaged position. These persons are:

- Youth under the age of 25 who within two years after completing their full time education, are unemployed
- Persons who have been out of work for at least two years and who are willing to re-enter the labour market.
- Single persons who are looking for work, but are looking after persons dependent on them.
- Persons who left school at the secondary stage of education and were made redundant, or given redundancy notice.
- Persons over 50 years of age.
- Persons who have been registering for work for a long time.
- Persons with disability.

(The Malta Independent 2009)

Through this programme those employers who recruit these persons are provided with financial assistance which is in form of a generous subsidy in the salary of these employees, as well as in the employer's contribution to the employee's National Insurance. This subsidy is given for a number of months, and in the case of companies employing persons with disability, it is given for three whole years. In the case of workers in Gozo, the smaller island forming part of the Maltese archipelago, the subsidy is for more months.

The other programme, Training Aid Framework, consists of financial assistance to those companies that invest in the training of their workforce. This scheme is available to companies in the private sector and the subsidy varies according to the type of training and the size of the enterprise. Training can be in-house or out-sourced and can be given in Malta or abroad through distance learning. The maximum amount available to each company is € 25,000 (ibid). In the meantime the Malta Qualification Council (MQC) has been working towards the validation and certification of non-certified informal and non-formal education and training. This process could lead to the clarification of the skills gap often faced by employers.

### ***Human Resource Development***

In 2004 ETC appointed A Human Resource Development Committee which drew up "A Human Resource Development Policy and Strategy for Malta 2004-2006). It outlined the implementation of the following eight strategies:

1. Reintegrating unemployed people into the national workforce by (i) implementing standards of occupational competence to enhance the matching of supply and demand of labour skills, (ii) encouraging mid-term careers job seekers through financial and/or technical support and (iii) enforcing legislation outlawing age limits in occupational recruitment.
2. Helping people become employable by early interventions in education, further research on illiteracy levels, and by insisting that all school leavers and young people are equipped with the basic skills.
3. Promoting investment in skills and knowledge of workforce by setting up 'A Future Skills Identification Group' to recommend ways by which the education and training system can respond to meet recruitment needs in a timely manner.
4. Strengthening commitment to Lifelong Learning/CVT by initiating, effectively manage and market on a wide scale a national database of public, private and community-based organisations that provides formal learning opportunities.
5. Providing comprehensive Guidance and Counselling Services by setting up a National Guidance Unit to implement policies related to the vocational guidance and counselling sector.
6. Promoting Equal Opportunity by addressing the issue related to the low participation rate of women in the labour market and increase flexible work practices and improve child care facilities
7. Assisting SMEs by devising special schemes to help them meet initial human resource development needs and setting up of incentives.
7. Developing a strong Quality Assurance System to provide authoritative information on best practices, offer information on training consultants or institutions, and ensure skills and experience acquired are certified to a standard which has widespread recognition and portability.

### ***Human Resources Development Policy Report***

Although there has been no official evaluation of this report, the ETC 2007-2008 Annual Report indicates that several attempts were made to address these eight strategies.

1. To develop a job descriptions and qualifications/skills requirements for each job preference, ETC set up a profiling data base and websites. In addition to this ETC organised Recruitment Drives for employers needing a number of employees. Recruitment Drives were held for cleaners, room attendants, waitresses/waiters, secretaries and for youths to work as machine operators (p.12). The scope of these recruitment drives is to help employers promote job opportunities and find suitable staff. Through Private Sector Placement Scheme, launched in 2008, 158 persons who had been registering for more than twelve months were placed in private sector employment (p15). Training programmes were organised for those seeking employment and for persons who are already in employment but interested in upgrading their skills (p. 22).
2. One of the schemes addressed at enhancing the employability of the Maltese workers was the Job Experience Scheme which was partly funded by the European Social Fund (ESF). This scheme enabled 34 job seekers in Gozo, the smaller island of the Maltese archipelago, to gain work experience and thus enhance their CV. In order to support companies to provide training for their employees, the ETC, through the Training Aid Framework (TAF), reimbursed a percentage of the training costs incurred for initiatives taken by employers to train or retrain their employees. The aim of TAF is to cover any form of training, from the basic induction training to a specialised post graduate programme relevant to the company and the employee (p.21).
3. No future skills Identification Group has as yet been set up. ETC has however been working closely with Malta Enterprise and other organisations to better understand what type of investments , and therefore occupations, will be available in the future (p.12).
4. As regards Lifelong Learning ETC has set up a number of projects amongst which is the Literacy Programme for Persons Seeking Employment (p.36). It has also been organising the following four courses: basic employment training for youth; redeployment scheme; traineeships for women returning into the labour market and traineeship for lone mother (p.37).
5. Concrete steps have been taken to upgrade the skills of the ETC staff with regards to skills related to counselling and guidance. A diploma course in Occupational Guidance & Career Counselling organised by the Centre for Labour Studies (CLS) at the University of Malta was launched following intensive discussions between ETC and CLS about the programme of this course. The great majority of placement officers at ETC attended this course which is now being offered at post graduate level (CLS Biennial Reports 2003-2005 and 2004-2005).
6. ETC has also been very active in promoting equal opportunities on the workplace through its Gender Equality Unit and the Supported Employment Division. One of the projects TAJJEB aimed at identifying the obstacles which tend to prevent male and female employees from reconciling work with life. A project 'Women and Work' organised at the inner harbour area of Malta, where most of the industrial work is concentrated, tried to identify and give the necessary support to unemployed women from this area and encourage them to take up employment. The participants were given information about the world of work, employment opportunities for women, returning to employment and how to go about looking for work. Working Experience Schemes, such as 'Bridging the Gap, were

also utilised to increase the employability of persons with disability. ETC also reached an agreement with NGOs to enable people with disability to receive training. (pp.28-29).

7. There is no reference to SMEs in the report. Assistance to SMEs, even in form of training programmes, falls within the remit of Malta Enterprise.
8. As regards Best Practices ETC published a Manual for Employers titled “Making Work Better for Organisations and Employers” (2006) which provides a checklist exercise for employers on : Staff Selection Process, Staff Career Development, Conditions of Work, Childcare Services, Sexual Harassment.

## 2.1 Restructuring Framework

The effectiveness of these measures in addressing adequately the issues related to the developments and changes occurring in the Maltese labour market is of course highly debatable. A review of the restructuring framework may provide some clues to this debate.

Most of the restructuring resulting in lay offs were induced either by the need to downsize the labour force following the privatization exercise, the relocation of operations and closures. The figures about employment amply show the manufacturing industry has become leaner mostly due to outward relocation. The Administrative Report of the Manufacturing and SMEs Section of the General Workers Union (GWU) 2003-2005 revealed that about one third (8 out of 26) of the firms, where the union had recognition as the workers representative, had relocated some of their operations overseas.

Most of this relocation had been directed to Tunisia and China. The comparative advantages which Malta had to offer to foreign direct investment, primarily its relatively low labour costs, its proximity to Europe and Africa, and an educated and skilled workforce with a high level of fluency in English were being lost due to new developments in other countries particularly in China and the North African countries. In the list of the firms operating in Malta which had reduced their labour force or closed down the firms in the manufacturing industry feature prominently (see Table 9).

**Table 9: Job Reductions due to Restructuring/ Closures (2005-2009)**

| Year    | Company  | Sector                    | Job Reduction | Reason               |
|---------|--|---------------------------|---------------|----------------------|
| 2004/06 | Lloyd Shoes  | Manufacturing             | 340           | Closure              |
| 2005    | Denim Services   | Manufacturing             | 850           | Closure              |
| 2006    | Menrad   | Manufacturing             | 120           | Closure              |
| 2006    | Forum, Mistra Village; Galaxy; Crown Plaza; Atlantis;Carolina; Luna Holiday Complex, Bel Sol | Hotels                    | Not disclosed | Closure              |
| 2006    | Maltacom   | Communication             | 750           | Internal Restructure |
| 2006    | Central Cigarettes   | Manufacturing             | 67            | Closure              |
| 2007    | VF Corporation   | Manufacturing             | 570           | Closure              |
| 2007    | Bortex   | Manufacturing             | 113           | Relocation           |
| 2008    | Toly Products  | Manufacturing             | 84            | Internal Restructure |
| 2008    | British Jet Company  | Communication             | 80            | Closure              |
| 2008    | AC Cars  | Transport                 | 15            | Closure              |
| 2008    | Atlas Technology Group   | Manufacturing             | 12            | Closure              |
| 2008    | Trelleborg   | Manufacturing             | 25            | Internal Restructure |
| 2008    | Malta Shipyards  | Manufacturing             | 1,600         | Closure              |
| 2008    | McNeil   | Manufacturing             | 80            | Closure              |
| 2009    | Go (Formerly Maltacom)   | Transport & Communication | 350           | Internal Restructure |

[www.eurofound.europa.eu/emcc](http://www.eurofound.europa.eu/emcc)

The jobs lost through these closures and internal restructuring which according to the above table amounts to 5,056 were compensated by the number of jobs created which according to the announcements made in the press amounted to 5,257. The major part of this job creation is concentrated in Transport and Communication (1,170) and Real Estate (1,710). These two sectors account for 55% of the planned job creation (see Table 10). The increase in gainful employment registered in these two sectors, as can be seen in Table 4 of this report, confirms the implementation of most of these planned job creations. The jobs planned to be created in the two pharmaceutical companies operating in the manufacturing sector, though not significant in number, as well as the 350 jobs planned in the aircraft maintenance sector through SR Technics indicate the changes that are occurring in the occupational structure of this industry. Generally these are higher skilled jobs and higher value activities than the textile and clothing sectors.

**Table 10: Planned Job Creation 2006-2010**

| Sector/Company                               | Year | Planned Job Creation | Reason             |
|--|------|----------------------|--------------------|
| <b>Real Estate &amp; Business Activities</b> |      |                      |                    |
|  | 2006 | 600                  | Business Expansion |
| Atlas Technology Group                       | 2007 | 100                  | Business Expansion |
| Availacall                                   | 2007 | 670                  | Business Expansion |
| Maltacom dial-it Call Centre                 | 2008 | 200                  | Business Expansion |
| Besodo                                       | 2009 | 140                  | Business Expansion |
| Besodo                                       |      | <b>Total: 1710</b>   |                    |
| <b>Transport &amp; Communication</b>         |      |                      |                    |
| Lufthansa Technik                            | 2006 | 550                  | Business Expansion |
| Malta Freeport Terminal Ltd                  | 2008 | 500                  | Business Expansion |
| Melita Mobile                                | 2009 | 120                  | Business Expansion |
|  |      | <b>Total 1,170</b>   |                    |
| <b>Manufacturing</b>                         |      |                      |                    |
| Methode Electronics                          | 2007 | 170                  | Relocation         |
| Aurobindo Pharma                             | 2008 | 120                  | Business Expansion |
| Toly Products                                | 2009 | 35                   | Business Expansion |
| Pharmacare Premium Malta                     | 2009 | 120                  | Business Expansion |
| SR Techniks                                  | 2009 | 350                  | Relocation         |
|  |      | <b>Total 795</b>     |                    |
| <b>Hotels and Restaurants</b>                |      |                      |                    |
| McDonalds                                    | 2007 | 250                  | Business Expansion |
| Food Chain (Holding) Ltd                     | 2008 | 200                  | Business Expansion |
| Hilton Hotels                                | 2008 | 150                  | Business Expansion |
|  |      | <b>Total 600</b>     |                    |
| <b>Financial Services</b>                    |      |                      |                    |
| Banif Bank Malta                             | 2007 | 350                  | Business Expansion |
| HSBC   | 2007 | 250                  | Business Expansion |
|  |      | <b>Total 600</b>     |                    |
| <b>Health &amp; Services</b>                 |      |                      |                    |
| Health Division                              | 2007 | <b>400</b>           | Business Expansion |

www.eurofound.europa.eu/emcc (adapted)

## 2.2 Reflex Response to Lay-offs

What sticks out in the Job Reduction table (Number 9) is the closure of two relatively large companies, Denim Services and VF - two firms which were instrumental in registering the almost total demise of the Wearing Apparel and Clothes sector within the manufacturing industry and the two state-owned enterprises, namely Maltacom and Malta Shipyards which contributed to the reduction of employment in the public sector. In these cases the responses to lay offs have been a reflex in the sense that the reaction consisted of policies to deal with the inevitable and mitigate the attenuating circumstances of redundancies. There were no signs of any innovative strategies.

## 2.3 Redundancies in the Wearing Apparel and Clothes Sector

Previous to its closure in 2007, VF, the main enterprise in the textile sector manufacturing jeans for exports, had already laid off 200 employees in a downsizing exercise. Eventually the company announced total closure. In the case of the closure of Denim Services, another large firm in the Wearing Apparel and Clothes sector, attempts were made to attract an Austrian company, Gama Group, to take over the company. Gama had shown interest in investing in Malta because it aimed to develop new ways in the manufacturing and distribution of high fashion jeans, tailor-made to the requirements of customers. In December 2008 the Maltese government was providing all the assistance required by this company through Malta Enterprise to set up its operations in Malta. In early December the Investment Ministry held talks with the group to take over Denim Services and re-employing the latter's redundant workforce. However Malta Enterprise and Bank of Valletta in their diligence and financial evaluation of the proposition put forward by Gama Group expressed their inability to meet the financial request of the company. It was reported that Gama Group did not want to put money up front in Malta. Malta Enterprise offered a guarantee of 75 percent of the required bank loan but Gama could not guarantee the remaining 25 per cent (The Malta Independent, 2006).

## 2.4 Restructuring in a former state-owned company.

### ***Maltacom (leading provider of tele-communications)***

Maltacom was the new name of the company formed in 1998 after government sold 40 per cent of its share in the state-owned company Telemalta, which at that time was the main provider for

telephone and communication services. As a result of this privatization exercise the corporation was converted into a public limited company assuming the name of Maltcom. In 2006 the company was fully privatized when the Dubai-based firm Tecom Investments bought the government's 60 per cent shares. In the agreement signed with government the Dubai company was precluded from shedding any jobs during its first three years of operation. Under its new brand name GO, it added to its fixed line telephone service by its new operations in the broadband and digital television and in hosting and co-location services. In 2007, in its attempt to diversify, it embarked on a restructuring exercise. The implementation of this restructuring exercise brought about a conflict with the trade unions representing the workers in this enterprise. The company's management informed the employees within two sections that were undergoing restructuring namely, the network operations centre and the commercial centres, that in order to prove their competence in the jobs they have been performing they were going to be submitted to sit for a test. After this test they would have to reapply for the post. The UHM and the GWU were very vocal in their protests about these new practices of work which they claimed were not in line with the collective agreement signed between management and union.

Management at Maltacom stated that, while its restructuring exercise would not lead to any redundancies, some workers may have to be redeployed. The group's chief executive (CEO) reassured the trade unions that the company aimed to fill the newly created posts with existing employees, provided that they had the basic required skills and attitudes. Maltcom's aim was to implement a fair process whereby employees could apply for the position which they felt competent to fill. The idea behind the competency test was to assess the candidates' suitability for certain roles (Debono & Farrugia 2007 EIRO MT07030191 14-05-07). This statement placated the unions and the dispute was solved. It could have been avoided in the first place had the company consulted the unions before issuing the directives to workers.

However in March 2009, as the period of three years, which in the contract with government precluded the company from laying off workers, was about to expire, the policy of the company became aggressive. The CEO was quoted as saying that the current employment levels of the company was making it unsustainable. Following its loss of monopoly on fixed-line telephony it had to compete with other telecoms companies in different services. In its aim to reduce its workforce by 350 to reach its target of 1,000 employees, a voluntary retirement scheme, which was going to cost the company €60,000, was offered to the employees. Through this scheme the company was planning to reduce its workforce. In order to put pressure on the employees to volunteer for the scheme, the CEO stated that this would be the last retirement scheme being offered by the enterprise (Micallef, 2009).

## **2.5 Restructuring in state-owned company. Malta Shipyard Ltd.**

His Majesty Dockyard, Malta Drydocks, "It-Tarzna' and since 2003 Malta Shipyards Ltd has always been highly visible in the Maltese economic and political scenario. Once the Dockyard ceased to be part of Britain's naval facility in Malta and became a commercial state-owned

enterprise it had always been beset by economic problems that unnerved every successive Maltese Government since independence. In 1975 the company, started operating in full worker self-management system, fulfilling the ideals of socialism propagated by the Malta Labour Party (MLP), then in office under the charismatic leadership of Dom Mintoff. Coinciding with the reopening of the Suez Canal in 1973, the enterprise registered six years of modest profits in the period 1975-1980. But this performance in the black could not be sustained. Since 1981, the enterprise has had to be heavily subsidised by the state in order to survive. According to the EU Accession agreement this subsidy had to be stopped by the end of 2008. Once this agreement was signed and Malta became an EU member state, this enterprise was bound to become economically viable by the end of 2008, or else face closure.

In 2003, prior to Malta's EU accession, the Malta Drydocks Corporation and Malta Shipbuilding Company Ltd, were merged into one enterprise, Malta Shipyards Ltd. The newly set up company started its operations after a downsizing exercise was conducted in which 900 employees in the two parent companies were declared redundant. The trimming of the workforce to 1,700, was in line with the 'fitness exercise' recommended by the Appledore Report commissioned by the Maltese Government in 1996. This downsizing exercise was complemented by a collective agreement signed in November 2003 by the Government and the General Workers Union which contained clauses prescribing new working time arrangements aimed at cutting overtime cost, reorganisation of work practices to increase productivity and financial rewards to encourage worker flexibility and multi-skilling.

With a change in the substantive and procedural rules ushering a new work ethic, a leaner outfit and a new sense of directorship, the enterprise seemed to be well geared towards achieving economic viability by the end of 2008. Even industrial relations became more consensual as the trade union representing the workers, often perceived to be very militant, adopted the prudent policy of trying to be part of the solution. Hopes were running high that this formula would get this debt-ridden and subsidy-addicted enterprise out of the red.

Judging by the statements made in the first two years following this restructuring exercise and complemented by the details of the latest collective agreement, the prospects for recovery appeared to be encouraging. Indeed, in 2005, in accordance with the collective agreement which made provisions for a scheme of Performance Related Pay, the employees received a performance bonus after the company's financial performance exceeded budget targets, during the first three months of the year. The then Minister for Investment, Dr Austin Gatt, was quoted as saying that rewarding workers had its desired effect in increasing productivity.

Two years later, the same Minister, together with the CEO of the enterprise, expressed his dissatisfaction at the level of productivity in spite of the higher turnover registered in 2006. The veiled threats of a closure became more real once the end of 2008 was in sight. In June 2008, the government announced its intention of privatizing Malta Shipyards after the end of 2008. Following prolonged discussions and negotiation between the Government and the GWU, the great majority of workers took up the option of an early retirement scheme and severance pay package offered by government. This was viewed by some commentators as a downsizing exercise to make the enterprise more attractive to the bidders. This gave the companies taking over the operations of the Shipyards the opportunity to start with a clean sheet.

Different explanations can be given for this chain of events depending on one's experience and interpretation. To the commentators who have had strong beliefs in the inevitability of this event, the closure of Malta Shipyards is perceived to be the final chapter of a protracted process. Even

the workers, maybe together with the union representing them, seemed to have been resigned to the inevitable.

Other commentators, pointed out the ingredients of success which this enterprise possesses, including strategic location, good infrastructure and skilled workforce. They argued that such closure could have been avoided. It is a truism that the issues inherent in this enterprise are complex. It is equally true that there was no simple solution to these complex problems. What however the latter commentators maintain is that no real attempts were ever made to confront this complexity or to redefine the problem.

The responses to market-led, financial and manpower problems had been redundancies and increased work demands, rather than longer-term market and innovation strategies. The policies emanating from these strategies might have brought about an economic, institutional and cultural shift, but the quantum leap necessary to bring about a real change geared towards full recovery was never attempted, let alone achieved. The ideas and practices that were put into place to replace the old ones, developed along patterns and work arrangements that maintained a stubborn continuity with the past (Rizzo 2009).

The above examples are characterized by a lack of any anticipatory measures or innovative strategies. In the recession of 2008 which threatened jobs of many firms in the private sector the government decided to take a much more active stance by taking measures to stall the downward slope in employment which the recession was about to cause if left to run its natural course. The boldest and most concrete measures to manage restructuring was the task force set up by the Ministry of Finance whose aim was to provide a tailor-made package of financial aid to those companies which towards the end of 2008 were finding difficulties to cope with the prevalent financial crisis. The focus of this task force was on keeping people in work thus avoiding the long standing economic toll of high joblessness, as workers lose skills and become harder to re-employ. In line with the policy adapted in other European countries, and in conformity to EU laws and regulations, part of the operation of this task force was to subsidise shorter work weeks.

In the meantime government by subsidizing additional hires by employers through the European Social Fund tried to incentivize employers to recruit new workers. Among the firms which availed themselves of these schemes were Methode Electronics Malta (a leading firm in the manufacturing industry) and Trelleborg Sealing Solutions Malta (a leading firms in the chemical sector). Another two relatively small firms in this industry making use of this scheme were Stainless Steel Malta and Toly Products (Lindsey 2009). These four firms provide the ideal example of good practices aimed at managing change during the financial crisis.

## 3.1 Methode Electronics

Automotive Electronic Controls of Methode Electronics, a USA based company, is a major supplier of innovative electromechanical devices used by automobiles. It has the capacity to design, develop, test and manufacture quality products which set the pace for future automotive controls technology. Methode Electronics Malta Limited, set up as one of its subsidiaries in 1966, is a full switch supplier designing and manufacturing electro mechanical and electronic devices for Original Equipments Manufacturers (OEMs) worldwide. Major customers include General Motors, Ford, Jaguar, Mazda, Volvo, BMW, Rover, Alfa Volkswagen, Audi, Aston Martin, MG, Rover and Saab.

Malta Methode, located in one of the industrial estates in Malta (Mriehel), is managed on a technology product basis and has evolved into an organization that carries out research and development, products and tool design, rapid prototyping and laboratory services. Its manufacturing processes include plastic injection, moulding, stamping and plating, ultra-sonic welding, tool making and other semi as well as fully automated assembly processes ([www.methode.eur.com](http://www.methode.eur.com). 24.10.09).

In September 2006, as reported in a Maltese daily newspaper which is the organ of the GWU (L-Orizzont 20.09.06), Methode Malta in a press release announced that with a view to strengthen its position in Malta it had conducted and implemented a restructuring exercise. According to this press release this restructuring entailed cost cutting, investment and the change of roles and responsibilities of some of its employees. The press release continued to

state that “Unfortunately this decision entails the dismissal of a small percentage of its employees in the Malta plant. The Company expressed its full faith in the Maltese workers and is sorry about the effect of this decision on the workers and on their families” (Translated from Maltese from L-Orizzont). The newspaper reported that the number of dismissed workers was 20. The company explained that this restructuring was essential for the company to maintain its competitiveness in a market which had become highly competitive. The restructuring was aimed at providing the company with better methods so as to be more effective in meeting the ever increasing demands of the global market. The newspaper reported that the company had been facing problems since April 2005 when the company dismissed seven of its employees in the Gozo branch.

However the events in later years gave indication of the resilience of the Malta plant. In the beginning of 2007, Methode Electronics announced on its website that it has completed the transfer of product lines from its Dumberton (Scotland) to the automotive production facility in Malta. Following this expansion the number of employees working at the Malta plant stood at 671. Efficiencies gained following the transfer of operations of Methode electronics from Scotland to Malta were said to have contributed to the improvement of the company’s operating result for the first quarter of fiscal year 2008 (the Malta Independent 9.9.09).

With the onset of the global recession this development at Malta Methode started to slow down. In the last week of October 2008 one of the Methode Malta directors announced that since the company had become constrained by the international situation it had to adopt the four-day working week. The company business, which is completely automotive related, was such that the flow of order for its product was extremely susceptible to the effects of the global economic climate. In another statement the GWU said that it was informed by the company that it was planning to reduce drastically its work force. It was only following long-drawn out discussions which resulted in its agreement to go on a four-day working week that the union managed to avoid lay offs (The Times – Malta 28.10.08). Furthermore in its newspaper (L-Orizzont 29.10.08) the union stated that it had agreed to the adoption of the four-day week on condition that workers would not be asked to take ‘forced leave’ and the burden would be shouldered by all employees including the managers. The union was also granted the right to appoint an auditor to ensure that management is adhering to these conditions. The section secretary of the GWU was quoted as saying that these arrangements were made possible through the high trust relationship existing between management and union. He claimed that by this intervention the jobs of 650 workers in Malta as well as that of their counterparts in England and Germany were saved (ibid.).

By January 2009 there were 1,208 workers employed in ten firms working on a four day week, more than half of these being Methode employees. Towards the end of February 2009 the recovery of this company seemed to be in sight. In a press conference the Minister of Finance stated that following the discussions with the management of Methode, the company had announced that it would not declare any redundancies and as from the first week of April it would return to a five day week schedule of work. It was revealed that the company had been envisaging the dismissal of 100 employees. “But the jobs have been saved thanks to government ‘timely intervention’ and the company was even committed to increasing its workforce” (The Times – Malta 25.2.09). Indeed following this agreement the company was investing 6.5 million in its Malta plant which was envisaged to generate 100 jobs and consolidate its operations in Malta. The message from the agreement reached through Malta Enterprise, according to the Minister of Finance, was that opportunities could still be derived notwithstanding the dire circumstances (ibid). The fruitful discussions resulted not only in confirming Methode’s continuing presence in Malta but also its expansion mainly in the non-automotive sector in line with its strategy of

diversification. The party in opposition and Zminijietna (The Voice of the Left), usually very critical of government's policy, expressed their satisfaction at this initiative and praised the efforts of the government and the union who working in close collaboration with each other managed to safeguard the jobs of Methode employees (L-Orizzont 22.2.09 and The Malta Independent 2.03.09).

What emerges from the chronicle of the above events is the difference in the approach which the company adopted in 2006 to the one it pursued in 2008/2009. In the latter there was much more consultation with the trade union. The company's decision to refrain from laying off workers and adopt a four-day working week might have been based on its strong belief in its ability to recover in the shortest possible time. The transfer of operations from Scotland in 2007 might also have boosted its confidence. Naturally government's timely and effective intervention was a contributory factor to the recovery. The high trust relationship between union and management was also crucial. This case study shows that there are alternative ways to deal with down turns. Seeking innovative ways rather than adopting the usual fatalistic approach of mass dismissals can be effective in regenerating growth.

### 3.2 Trelleborg Sealing Solutions Malta

Trelleborg Sealing Solutions Malta, set up in Malta in 1961 as a subsidiary of the Dowty Group, produces O rings for markets in Europe as well as in North America which demands made-to-measure formulations in fuel brakes, air conditioning, emission, power-train, suspension and steering applications. The rings are delivered to dealers (e.g. Bosch) where they are assembled and sold to car and vehicles manufacturers. The company or group which buys the rings from Trelleborg subjects the product to intensive testing to ensure that it can function effectively even under severe pressure.

In 2004 the company moved its location to a bigger base in the industrial estate of Hal Far, transforming itself from one very large department based factory into five smaller, autonomous processes based business units. Each of these units became more market focused to serve different Automotive O-Ring market sectors, namely: Fuel Injectors, Fuel Applications, Brakes, Air Conditioning and Precision Seals. This restructuring programmes was supported by the Maltese Government through an investment of Lm3.75 million ( 8.73 million) between 2001 and 2004, mainly for buildings. Over the same period, Trelleborg was to invest about Lm2 million ( 4.66 million) on new equipment and infrastructure.

This reorganisation of the production process in 2001-2004 was aimed at making the operations of the workers more focused and in the process increasing productivity and boosting the quality of the product. The products manufactured by this company are tailor-made for the hundred per cent effectiveness of specific functioning of the automotive part. This reorganisation helped the local company cope better with the imperatives of the highly competitive global economy.

Although the measures taken in this reorganisation did not make the enterprise immune from the recession they nevertheless had a cushioning effect. Indicators of this crisis started to emerge in

2007. In 2008 with the recession in full force, the decrease in sales of cars inevitably resulted in a decline in sales by the local company. In October 2008 it shed 25 workers.

The company reacted with caution and prudence in the face of this crisis. One of its policies was not to lose any client during the recessionary period. In spite of the diminishing demands of its product, the company continued to serve the particular needs of the clients. The stimulus package offered by government through the Task Force set up by the Ministry of Finance to help the companies in distress was very effective. Through this aid the company was able to set a long-term policy without being distracted by panic measures. It managed to resist mass redundancies by going on a four-day week, with Government contributing to the pay packet of the workers by paying for the fifth day. The ETC provided educational programmes which the employees had to attend on the fifth day of the week (Sansone,2009).

Through this rescue plan by the government, the company, rather than losing some of skills which would have been caused by redundancies (envisaged to be 150), was able to retain its entire workforce and at same time offer them retraining course. In an enterprise, where workers have to acquire job specific skills, the retention of this skill base is very crucial for the viability of the firm. Thus the scheme offered by government in conjunction with the ETC proved to be a lifeline to the company.

The training of employees has been always given top priority by management. The average age of employees is 46 which means that most of them might not have been exposed to IT training. Although most of the training is in-house the company in collaboration with ETC has organised courses in IT for its workers. Such a course was one of the training programmes for workers during the recessionary period when the company had to go on a four day week. The company feels that by acquainting the workers with the basics of IT, it will broaden their horizon and at the same time raise their level of awareness of what goes on in the production process. A literacy programme was also designed by ETC for the illiterates among the workforce. The company, in collaboration with ETC, is planning to organise courses for its employees in manufacture and in Micro Digital Literacy. The culture of flexibility which the company managed to induce in its employees through its reorganisation exercise and its commitment to the continuous vocational education of its employees played a crucial part in helping the company weather the storm of the recession (Interview 23/11/09).

In the meantime to consolidate its position the company has been trying to diversify its production. An investment of 2 million in the production on new generator gear boxes has been approved by the directors of the company. This diversification programme, which is still ongoing (November 2009), has confirmed the good reputation which the local plant has managed to build among the corporate company and also among its clients. Another important aspect of the company in this regard is the Research and Development Unit which by keeping the company abreast of developments enables it to devise new material process and modernise its machinery and mixing facilities in line with new demands being made by industry.

### 3.3 Stainless Steel Products Ltd

Stainless Steel Products Ltd, a member of Jacuzzi UK Group, manufactures domestic kitchen sinks for export. Like many other export-oriented firms it was not spared the effects of the international recession and early in 2009, following a drop in orders, it decided to go on a four-day week. In its plan to regain economic viability at the shortest possible time the company availed itself of the stimulus package offered by government. The sum of 400,000, given by the Task Force set up by the Ministry of Finance, was used for retraining of workers and capital investment in new technology and products lines. Having overcome the adverse effects of the recession, in November 2009 the managing director of this company announced that in agreement with Malta Enterprise, Stainless Steel was planning an investment of 350,000 in new technology. By enhancing the automation of the process required for production, the company will be producing sinks of higher quality at a cost comparable to other plants in Asia and offering better customer services. By means of this new technology and its focus on new markets the workforce was about to be increased by 30 new posts (Manduca,2009).

### 3.4 Toly Products

**Toly Products** is one of the leading luxury packaging manufacturers in cosmetic, fragrance and skin care industries. Toly Products provides creative solutions for the cosmetics packing industry with high quality manufacturing facilities. Its manufacturing base in Malta is complemented by a plant in China and manufacturing facilities in India and South Korea.

In October 2008 it laid off 84 workers employed at the factory in Malta and it looked as if more sackings of workers were in the offing. After taking the offer of financial aid from government it decided to make more capital investment. In June 2009 the CEO was quoted as saying that the company was planning to add new products by its investment of 3.5 million on automation. It is envisaged that through this investment the workforce of the company will increase by ten per cent (The Times- Malta, 2009).



A major challenge in the shift of the occupational structure caused by the changes in the Maltese labour market was matching the repertoire of skills and competencies with the new demands of the market which has been geared to attract higher value added activities such as firms operating in pharmaceuticals and Aircraft Maintenance. On a macro level the effectiveness of the anticipatory measures to the restructuring process can be seen in the way the skill supply of labour, on the whole, kept up with the pace of the developments that occurred in the Maltese labour market. The figures about the unemployment rate suggest that, by and large, there has been a matching of skills between supply and demand. The National Audit Office in its audit report of ETC (2006) found that 70% of interviewed employers were of the opinion that the matching service had improved. Moreover 94% of interviewed employers stated that they would use the ETC services for recruitment (National Audit Office, 2006).

A tracer study conducted among university graduates in 2005 found that most graduates in the first year after graduation were in full time employment in professional /technical posts even though 40 per cent stated that the job was not commensurate with their University qualifications. Generally science-based courses offer better prospects of employment in terms of quality of employment and remuneration. The odds of students following science-based or management-based courses being unemployed or underemployed are very low. The graduates pursuing a course related to these areas do not seem to be facing difficulties to find their ideal job because of the rise in demand of these skills in the labour market. Conversely students following courses that are academically (rather than vocationally) oriented tend to run higher risks of being unemployed or under employed (Debono et al., 2005). We have to bear in mind that this premise is being based on data related to students fresh from university. Nevertheless this data suggests that the more specific the course followed by the university students the higher the chances of integrating seamlessly in the labour market.

What compounds the issue about the dialectic between education and the labour market is the fact that the gestation period for the educational investment is not short term. Thus forecasting in education has to be made in very broad terms; even so in a small labour market such as that of Malta liable to boom and busts events. Moreover education suffers from the problem of 'escalation' in the sense that when or if the educational plans seem to be meeting the level of actual needs a deeper level is discovered to further higher needs. Hence rationality dictates that there should be ample space in the educational system for the designation of courses that are relevant to the immediate needs of industry. In this regard one must note the timeliness of the setting up of MCAST which offers a range of courses with the specificities laid down by industry combined with courses tailor-made to the needs of particular sectors or firms. An apt example of the latter is the course in Aircraft Maintenance to cater for the new investment in this sector in Malta by Lufthansa Technik.

The educational programmes by ETC designed to enhance the employability of vulnerable groups or as part of retraining programmes have also helped in addressing this issue. The results may not have not always been within the targets set. This was due to some difficulties which were not envisaged. For example in the TEES programme ETC encountered a mismatch in vacancies in the sense that requests by employers did not always match the availability of the qualifications and/or skills of the participants. In other cases participants had no specific skill and were not very amenable to the exigencies of the scheme. Many female participants requested flexibility in working hours or part-time work. Nevertheless ETC claimed that overall this scheme was a success since out of the 460 participants, 65% managed to find gainful employment. On the other hand MISCO, which conducted a survey among the unemployed

persons over forty years of age, noted that the response aimed at the unemployed persons over 40 years was low. Its report recommended that a critical review of the type of training that eligible persons are after is needed and efforts directed at matching this requirement with supply (MISCO, 2002: 25).

The initiatives taken by the actors involved in employment and labour market issues must have had a cushioning effect in the restructuring exercises which many firms were forced to make in order to cope with the demands of the global economy and the financial crisis that affected almost all economies in 2008. In Malta many of the subsidiaries of the Multi-National Companies, in their attempts to prove to their corporate company their resilience in times of difficulties, were able to overcome the crisis fairly quickly. The examples of Methode, Trelleborg, Stainless Steel and Toly Products are very apt. The case studies of these four companies illustrate a strategy of restructuring different from the reflex action approach adopted in the telecommunication sector and Malta Shipyards Ltd. When they were hit by the crisis these four firms went on a quest of finding windows of opportunity in which they set long-term policy goals without being distracted by panic measures.

Through a well planned strategy and rational policies to implement them Methode not only managed to survive but has become one of the leading companies in Malta and the yard stick used by the parent company in USA. Its commitment to retain the workforce even at a time when there was slump in demands of its products eventually helped it to maintain its competitive edge and its viability. In its efforts of fending off the slump in its market demands, the company sought ways of redesigning the organization so as to avoid downsizing.

The case of Trelleborg has many corresponding features with that of Methode. The main factor contributing to the sustainability of Trelleborg during the time of the crisis has been the adoption of a cautious approach to costings tempered by an element of risk in terms of new investments and development in the production processes. Its investment in the workforce through its educational programmes complemented by efforts to retain the employment of its employees rather than resorting to severance pay and redundancies also paid off. To date (November 2009) the labour turn over at the company has been very low. Notwithstanding this, the company is still feeling the ripple effect and the after shock of the recession. Indeed the order books have still not returned to the peak period level. The company has not made any new recruitment. The Human Resource manager feels that the company is still trying to cope with ravages of the economic shock provoked by the financial crisis. How it will emerge from its convalescence depends on the development of events unfolding in 2010 (Interview 23/11/09).

Whatever the future prospects may be it must be stated that the return to a full working week within a few months of announcing a four-day-week work schedule, without shedding any workers, confirms the effectiveness of the measures taken by management of these firms. If sustained for too long short-time working schemes can be viewed by employees as artificial props for the shrinkage of the firm. Government's subsidy scheme was timely and appropriate. This time round government, rather than offering early retirement schemes, focused on keeping people at work thus avoiding the long standing economic toll of high joblessness, as workers become harder to re-employ. Government support was described by the managing director of Trelleberg 'as critical and exceptional' (Sansone, 2009).

Sensing that this recession was a cycle which would eventually be reversed government decided to intervene so as to make sure that once this reversal occurs the industrial base would remain more or less intact. By paying firms to keep workers on their pay roll, government slowed down the rise in unemployment and helped in maintaining consumer confidence and demand. This

shorter week did not lead to idleness as on the day/days workers did not report for work they had to attend training programmes designed and organised by the Employment Training Corporation (ETC). The trade unions representing these workers gave their consent to this approach

What enhanced the rationale and legitimacy of this government intervention was the policy of bail outs of banks which in several European countries and in USA were declared bankrupt. The stimulus package offered by government to aid the firms in distress recover from the crisis did not give rise to the controversies related to these bail outs. In other words there was no resonance of the protests voiced about the policies adopted by the governments of USA and some European countries of bailing out banks defined by their detractors as corporate welfare encouraging irresponsibility and/or ways of passing the buck to taxpayers.

The financial aid given to the industries in distress amounting to 4.5 million was different from the policy of bail outs of banks adopted by governments in several countries in Europe and in USA. The firms that received aid to help them recover from the recession could not be accused of greed or irresponsibility. What made things bleak for the firms to whom financial aid was given were exogenous forces which could not be resisted. As has been illustrated in the case studies these firms had always been prudent in their approach, harnessing all possible human and material resources and using their foresight to maintain their competitive edge. The approval of the EU Commission to these aid programmes made their implementation more legitimate. Indeed rather than a voice of protest there was a chorus of approval from all quarters.

The question that arises from these examples is whether the firms in the Textile and in the Wearing Apparel and Clothes sectors would have been able to reverse their fortunes and survive had the strategies illustrated in these examples been applied and had government decided to give the same stimulus package offered to Methode and Trelleberg. It should be noted that, prior to the financial crisis of 2008, there was no official government policy to give financial aid to companies in distress. Although in the case of Denim Services an effort was made to attract a foreign firm to take over, the ailing firms were let to succumb to their fate.

Perhaps this lack of action or reaction stemmed from the premise that the demise of this sector marked the end of one phase of Malta's industrial history. The growth of the textile industry in the history of industrialization has become to be equated with the initial phase of the process of industrialization of the developed industrial world. The textile industry has always been operating in a highly world competitive market. The higher cost of labour, often induced by development of the industrial base of a country, diminishes the comparative advantages of its location in that particular country. This has made textile industry very prone to relocation and there seems to be no way of stalling this process. The shift towards the service sector and more value added activities in industry marks a different phase in the process of industrialization. As the ravages of the financial crisis threatened to dismantle industries which are associated with this second phase of industrialization, the Maltese government adopted an active policy by offering a stimulus package to the industries that were in distress to help them regain their economic viability so as not to derail the process of this transition.

Nevertheless this transitional phase has still to grapple with structural problems some of which have been highlighted in this report and/or identified by the participants during the national seminar held on this issue in February 2010. These were the following:

- Lack of a funded institution to conduct research on future trends which would be able to forecast skills requirements in the context of changes in the economy and to inform policy makers engaged in education and training.

- More synergies between education and training institutions, employers' organizations and Malta Enterprise (its investment role) in order to ensure that vocational education meets the needs of industry and demands of foreign investment.
- A New Product Development Unit which many firms in the manufacturing sector do not have in-house.
- The employability of high percentage of school leavers who lack basic educational skills and qualifications. This is mainly due to a selective educational system at secondary level.
- The pool of human resources is not being fully utilized due to the low employment rate and the low participation rate of women in the labour market.
- A more meaningful social dialogue through the representation of trade unions in entities such as MCAT and ETC.

The Maltese economy has to be viewed in the context of the geographical insularity and peripherality of a small island state. The economic limitations and constraints inherent in such a micro state are equated with the vulnerability and high risk element of its economy. Exposed to a far reaching process of economic liberalization and deregulation due to its European integration, restructuring in Malta had an air of modernity about it, characterized by a substantial reduction in employment in the public sector, and in old labour intensive sectors such as the manufacturing and ship repair. In the restructuring exercises of the private firms operating in the Wearing Apparel and Clothes and in the Textile sectors mass dismissal of employees was a result of the decision taken by the parent company to close down operations in Malta. In the public sector the restructuring was mainly a downsizing exercise through attrition, and early voluntary retirement and severance pay offers to reduce excess labour and to make the entity being privatised more attractive to bidders.

In the entities which were formerly state owned the restructuring was more a trimming exercise of the workforce. In the case of the public sector employees Government intervention consisted of dishing out hand outs in form of severance pay. These entities when they were under government control tended to be overstaffed. Most of these public sector organizations, such as Telemalta, enjoyed monopolistic position which provided them with the much needed 'cash cows'. In order to thrive in the competition to which these enterprises became exposed they had to reduce their costings. One of these cost-cutting exercises was reducing the wage bill by downsizing. The only case where redundancies were not declared was Heritage Malta which is the national agency for museums, conservation and cultural heritage. Created by the Cultural Heritage Act, enacted in 2002, this national agency replaced the Museums Department. The organizational changes effected on this takeover included removal of summer half days, introduction of different working hours combined with different opening times of museums and the introduction of computerized ticketing system. These changes, effected in agreement with the trade union, enabled the entity to retain all employees so that there were no redundancies (Drago, 2009).

In the private sector, as the four case studies show, the social partners, agreed to implement the principles of flexicurity, in spite of their scepticism often expressed in public, about the ramifications of the application of this concept. This flexibility, besides heightening the trust in the interrelationships among the social partners, so vital in times of crisis, played an important part in boosting a return to recovery. Indeed the agreement reached between the social partners to deal with imminent redundancies in the firms which were severely hit by the crisis can be defined as a social pact at company level. The transposition of the EU Directive on Collective Redundancies into Maltese law was instrumental in enhancing the social dialogue and the consultation process among the social partners.

Of course making the recovery solid is still a challenge. There is no firm in this global economy that is immune or totally insulated from the effects of the type of crisis that hit the world economy in 2008, however well designed its long term policy may be and whatever aid forthcoming from the government that it can avail itself of. Nevertheless from the case studies of this report there are lessons to be learned which may help firms cope better with a recession. Some of these lessons are:

- Anticipatory measures to deal with the vagaries of the market constitute the underlying foundation necessary for the well being and viability of the companies operating in the economic market. They entail a continuous monitoring and evaluation of the changes and

developments occurring in the labour market at micro and macro level. By heightening its awareness management becomes more proactive in its approach and more effective in seeking alternatives.

- Investment in education and training of workers, aimed at enhancing the employability of the people, can act as a good shock absorber in the sense that it mitigates the effects of an economic crisis. This investment is like a stock of fixed capital that in times of crisis can be utilized for the benefit of the national economy and for the particular needs of the company or companies in distress. An educated and skilled workforce that is amenable to retraining eases the pains that are often caused by restructuring.
- Investment in research and development (R&D) that contributes to innovative practices and problem solving techniques may give the firm a higher degree of insulation from the shockwaves which occasionally occur in the market. In the case of Trelleborg R&D was instrumental in helping the company devise new material process. The utilisation of R&D at Methode helped it to maintain its high profile in the market by enabling it to keep ahead of developments and at the same time develop problem solving techniques. At Stainless Steel and Toly Products, R&D played a crucial part in the implementation process of the diversification of their products and focus on new markets as part of their policy to respond to the crisis.
- An institution such as Malta Enterprise acting as a catalyst for development and sustainability of industry can play a vital role in times of crisis. Its Incubation Centre to help start-up companies has been instrumental in the setting up of a number of SMEs.
- Timely intervention by government not simply to rectify the excesses of the market but to serve as a temporary prop to enable ailing industries to recover can be very effective in regenerating growth.
- High Trust Interrelationships among the social partners emanating from continuous social dialogue and consultation processes can be vital as they enhance the legitimacy of the remedial actions and austerity measures needed to be taken in order to help companies recover during an economic crisis.

Although there is no patented solution for a firm facing a slump in the demand for its products the following prescriptions can go a long way in reversing the downward spiral:

1. Determination, discipline, calmness under pressure and strategic decision- making based on careful sifting of evidence.
2. Insider knowledge of the firm used wisely to build on proven strengths of the firm and at same time identifying and eradicating weaknesses.

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