

MEMORANDUM FOR THE CABINET
BY THE HON. PRIME MINISTER

Salary Negotiations

At the meeting of the Malta Government Joint Council held on the 5th August, 1966, negotiations were opened on the proposals referred to in the Press Release on salary anomalies issued on the 3rd August, 1966, viz:-

- (i) that the salary adjustments recently approved, those resulting from the forthcoming negotiations and future salary movements be covered by a "corresponding points" agreement;
- (ii) that without prejudice to claims for backdating the salary adjustments resulting from the forthcoming negotiations be given effect to from the 1st April, 1966;
- (iii) that any procedure for further negotiations on anomalies be the subject of agreement between the Official Side and the Staff Side.

2. With regard to (i) Staff Side explained that the proposal should be taken to mean that the system of corresponding points assimilation in force in the U.K. since 1948 should be made to apply automatically to all salary movements in Malta. Under this system an officer enters a new scale of pay at the point exactly opposite to his pay on the old scale and retains his existing incremental date. This method of assimilation is primarily intended for cases of straight revision of salary and is not used for establishing the entry point of an officer into a new scale on promotion or establishment or on the upgrading of individual posts. It has only been applied in Malta following the arbitration

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awards in respect of Health Inspectors and Labour Officers in 1959 and in the case of the salary revision, effected also in 1959 following Mr. Elwood's recommendations.

3. In all other cases of salary revisions effected in Malta before 1959, including the slight adjustment of anomalies approved in 1961, the system adopted is for an officer to move to a revised scale at the same salary he was on before revision. Under this system the financial impact is much less than that under the corresponding points system and the sum of £36,000 for salary adjustments in the current year's estimates allows only for the former system to be followed.

4. There is little doubt that the application of corresponding points is a more equitable method of assimilation having regard especially to the fact that the Staff Side grievances arise from the general revision of 1959, which was implemented under the "corresponding points" system. It is therefore most difficult to argue against the acceptance of the proposal under (1). Here it is relevant to point out that a claim for corresponding points assimilation has also been made by the Medical Association of Malta, who have made it clear that they could not possibly reach agreement with the Government unless the salaries proposed are in fact adjusted on this system.

5. For the salary adjustments already agreed the additional annual cost would be in the region of £40,000. The actual cost of the adjustments already proposed would in any case reach the level of the corresponding points system in four or five years time, but the sum of £40,000 mentioned above would have to be incurred during this financial year. The Finance view is therefore that as the Government is already faced with an appreciable deficit this year, no question can arise of over adding to that deficit the burden arising out of the application of corresponding points the more so that it is a burden not confined to the immediate time alone and to the already

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accepted adjustments in salaries but also to the future and to adjustments the extent of which cannot yet be envisaged.

6. To meet in part this year's estimated deficit the Government has already introduced tax measures expected to yield additional revenue to the extent of £445,000. In spite of this a deficit of £580,000 still remains to cover which the possibility and necessity of having to resort to still further taxation cannot be discounted. The burden to be placed on the people of these Islands in this regard will be no light one and obviously Government will not want to take such a stern measure unless inevitably forced into it. But its inevitability will be accentuated further if we go in for measures such as the one of corresponding points now at issue.

7. In the circumstances the Minister of Finance, Customs and Port is strongly of the view that the question of allowing corresponding points can only be considered

- (i) when the full implications of all salary adjustments, i.e. those currently accepted and those still to be negotiated, are known; and
- (ii) only if and when Government is prepared to accept the imposition of such taxation as would be necessary to meet the additional expense involved.

8. The proposal at (ii) of the Press Release is acceptable to the Official Side, it having been explained by Staff Side that the words "without prejudice to claims for backdating" are meant to cover isolated cases only.

9. During the discussion of proposals (i) and (ii) Staff Side referred to this year's Budget Speech in which the Minister of Finance, Customs and Port, stated that steps are "being taken to introduce a system of promotion increases in terms of which advancements will, in future, invariably provide an immediate benefit irrespective of

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whether the scale of the post to which one is promoted overlaps that of the post held before appointment". This statement was made following the recommendation of the Committee which reported on anomalous salaries recently to introduce a system of promotion increases rather than to do away with the overlap in scales existing at present. The cost of such a scheme which ... is explained in Appendix A is estimated at about £2,000 a year and is in fact less than if overlaps in scales were to be removed altogether. The introduction of such a scheme is seen to be equitable and Official Side recommend that it should be implemented straightaway.

10. It is believed that agreement on proposals (i) and (ii) and the grant of the "pay on promotion scheme" referred to above will facilitate Staff Side's withdrawal of the proposal at (iii) by which they mean that the current round of salary negotiations should be chaired by an independent chairman. Staff Side's proposal in this connection is certainly unacceptable and would serve no practical purpose in any case unless the independent chairman, whoever he may be, is given the role of an arbitrator. On the other hand the Staff Side were impressed by Official Side's suggestion that further negotiations on anomalies be conducted within the Council with each of the respective Unions, proper records being kept of the views of both sides which would be available to the Unions' members.

11. Hon. Ministers are invited to advise whether the proposals at (i) and (ii) of the Press Release should be accepted as put up by Staff Side and whether the proposal at (iii) be further negotiated on the lines of the Official Side's attitude as at para. 10 above.

12. Hon. Ministers will, of course, keep in view the information conveyed by the British Government regarding their intention to cut down substantially the present level of defence expenditure in Malta and might take the view that further negotiations on anomalous salaries adjustments, the other claims for increases in pay,

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the grant of equal pay for men and women and extension of pensionability, should be postponed until the outcome of the current talks on the defence cuts is known. On the other hand it would appear that the abandonment, at least for the time being, of Staff Side insistence on guaranteed arbitration has been secured on the understanding that the proposals in the Press Release were likely to be accepted by the Government.

13. Hon. Ministers might take the view, therefore, that ways and means should be found to concede to the Staff Side their minimum demands as a token of goodwill on the part of the Government following which the Staff Side, in their turn, would be more willing to cooperate with the Government in any difficult situation in which the economy of Malta might be placed.

23rd August, 1966.