EMU: IMPLICATIONS FOR SOCIAL PARTNERS

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Abstract. The structural changes induced by the EMU framework for a deepening of economic integration may interfere with the entrenched position often taken by the social partners. In countries like Malta, long used to government overspending and subsidy addiction, the conformity to fiscal rigour demanded by the Maastricht Treaty may be interpreted as a replacement of adjustment policy options to less attractive ones. The change generally triggers a call for a more transparent political process because it tends to bring in its wake a rise of participatory moods and ideologies which lead people to exercise the repertoire of existing democratic rights more extensively. The dilemma which the social partners have to face is that of adapting their policies and strategies to the social and economic imperatives of this new socio-political scenario while at the same time retain the support of their hard core constituents who tend to hold to the traditional norms. Thus the leaders will have to find ways to inject a new type of rationality in their constituents and at the same time maintain the legitimacy of their leadership and of the organisation they represent.

Social Partnership

Social partnership is often equated with the modernisation of employment relations which, is characterised by a desire of replacing legacies of hostile industrial relations with a new era of consensus (Stuart and Lucido, 2002:177). Indeed social partnership, or as is sometimes referred to as concertation, can be defined as an attempt to bridge the cultural and ideological differences between the actors involved in industrial relations field. Partnership relations are contingent on the principle of mutual trust, which suggests that parties would only incur significant costs and risks on other parties if these, are prepared and in a position to accept sacrifices (ibid: 197).

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Social partnership is based on the premise that while workers and employers recognise their different interests they nevertheless accept, and indeed encourage, the collective representation of such interest. It tends to enhance the perceived common interest between management and workforce at establishment level in securing competitiveness in a harsher product market environment (Ferner and Hyman, 1998:xv-xvii). In other words, it aims at reconciling the promotion of economic competitiveness with the maintenance of social cohesion and solidarity. This in effect translates into “a moralisation of the economy in exchange for a capitalisation of the social and the human” (Kristensen, 2001:21).

Social partnership can therefore be seen as “a new way of experiencing and problematising reciprocal dependency in social relations formerly understood as conflictual in terms of interests and class” (ibid, p.36). However social partnership is not synonymous with peace and harmony in industrial relations. The interest in and commitment to social partnership by trade unions is not open ended. Trade unionists make strategic calculations with regards to the effectiveness and nature of the institutional relations they enter into in terms of their ability to manage difference, conflict and failures (Stuart and Lucido, 2002:197).

What social partnership may however imply for trade unions is recognition of their legitimate role to represent the interests of employees over different agendas. It has indeed been instrumental in broadening their agenda beyond issues simply related to the workplace. As social partners they involve themselves in issues such as pensions, the social wage, tax deductions and social benefits. This “ability to share in the brokerage of trade offs between different interest agendas has sustained the institutional robustness of trade unionism” (Ferner and Hyman, 1998: xviii).

This positive sum game may apply equally to government as much as it does to trade unions. At a time when governments have to reduce public debt and contain the cost of public welfare this concertation can be seen as a means of “borrowing legitimacy or, to put it differently, of sharing the blame” (Ibid).

The history of industrial relations in several European countries reveals that social partnership became more institutionalised, as each of the actors involved in industrial relations tried to find new ways to legitimise
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its position and role to cope with the novel circumstances of the economic and labour market. To legitimate their actions, governments preferred to adopt a policy of consensus rather than coercion. (Lange et al., 1995) dismiss as mere speculation that corporatism was weakened by the pressures of globalisation and deregulation. Their empirical study on six corporatist countries (Austria, Germany, Denmark, Finland, Sweden and Norway) indicates that concertation in these countries was still considered to be a more viable option to a less static system of industrial relations even though they admit that bargaining, especially in Sweden and Denmark, showed some tendency to become more decentralised (Lange et al, 1995:96).

In Malta the 1990s witnessed a new mode of social partnership (Rizzo, 2003). Following a long drawn out dispute between trade unions and several enterprises in the private sector over the cost of living increases, which in February 1990 culminated in the closure of one of the leading hotels in the island, a feeling emerged that a more conciliatory approach was needed to solve issues in industrial relations.

The employers’ associations and the two main trade union organisations made a formal agreement that wage levels in future were to be determined by an incomes policy that was to take into consideration the cost of living index. The role of the Malta Council of Economic Development (MCED), set up in 1988, was recognised as being the focal point for the adoption of this new policy. A special tripartite unit was set up to determine changes in the cost of living and reach consensus on an Incomes Policy, under the auspices of this Council.

The spirit of compromise, epitomised in the Incomes Policy seemed to have had the desired effect. This agreement by and large “succeeded in avoiding major labour unrest throughout the 1990s” (Human Development Report, 1996:42). The integrative and collaborative spirit upon which industrial relations in the 1990s were designed may not have always prevailed. But no attempt was made at subverting this system. Despite considerable difficulties obstructing the practice of social partnership in Malta, Zammit maintains that there had been “a gradual development of relationship among social partners that may eventually transmute into mature and effective dialogue” (Zammit, 2003:127).

Role of Employers’ Associations

The employers, as counterparts to the trade unions, have been key players in the institutionalisation of social partnership. At the Malta Council for Economic and Social Development (MCESD), Malta’s national tripartite body legally institutionalised in 2001, the employers are represented by five organisations. These are the Malta Employers’ Association (MEA), Malta Federation of Industries (FOI), the Malta Chambers of Commerce, Malta Hotels Restaurant Association (MHRA) and the Association of General Retailers and Traders (GRTU). There are also other 22 employers associations listed in the government official Register of Employers Associations. Three of these are affiliated with the FOI. They all play an active role in the regulation of wages policy and the designation of the industrial relations policy. Their political lobbying on labour market, industrial relations and social security issues, together with regular consultations with trade unions at national and enterprise level have become the mainstay of social partnership mechanism.

What the foregoing implies is, that in debate about the convergence to Maastricht criteria, one has to bear in mind that the adjustments to comply with these criteria have to be made in the context of this social partnership. In order to maintain or enhance its legitimacy or to buy industrial peace, Government sought to incorporate the social partners into the formulation of the economic and social policy. This corporatist structure may have become a site of struggle as each of the social partners tried to influence and shape the decision making process, either to protect the vested interest of its constituents or to show tangible evidence that it is the promoter of fairness and equity. The structural changes, induced by EMU framework for a deepening of economic integration, are likely to make the social partners keep a higher profile. What might be the implications of this new setting? This essay will attempt to critically analyse the implications of EMU for the social partners by presenting two opposite types of scenarios which may emerge with membership to EMU.

In the first scenario the political intervention to deal with economic problems procedures produces a rationality crisis as the state fails to construct social order on an unstable economic market that has to be streamlined to converge with the Maastricht criteria. Since it fails to
reconcile the conflicting demands made upon by the requirements to plan the economic system it drifts into a legitimisation crisis. This is the kind of scenario that prevailed in Italy in 1994 when the Berlusconi government attempted to change the pension system without consulting the trade unions. This led to widespread protests from the labour movement. “The scale of the protest throughout the country weakened support for the government’s position and it was forced to concede an agreement with the unions under which pension measures were removed from the budget law and postponed until the following year” (Regalia and Regini, 1998: 393). In the following year however, Berlusconi’s government had been replaced by a technocratic administration.

In the second scenario the state is successful in reconciling the different interests by managing to involve the various large scale corporate organisations with powerful vested interests. In the process the work ethic and competitive aspect are strengthened. The added value to this scenario is the high sense of motivation it instils in entrepreneurs and workers towards higher productivity. Ireland can provide a prototype of this model. Its move towards a corporatist structure, spearheaded by a series of social pacts, begun in 1987, enabled it to absorb the contradictions inherent in its system of industrial relations and “retain much greater level of stability than that enjoyed by more homogeneous systems elsewhere” (Von Prondzynski, 1998:71).

The reality of course may not be simply either one or the other. The models are ideal types, after all. The reactions to the change in the socio-political scenario brought about by the EMU membership may create a tangled web of interrelationships among the social partners. The exposition of these two diametrically opposite scenarios may not unravel this complexity. It may however provide us with a conceptual tool to unlock some of the threads spun by this web.

Scenario 1: Confrontation

Throughout the twentieth century the state in many western countries might have belied the Marxist belief that it acts as a prop to Capitalism. By and large, it manifested a level of autonomy by asserting its role of regulator and arbitrator in the field of industrial relations. By means of its interventionist policy, the state often following Keynesian principles
in its economic policy, managed to give capitalism the human face that seemed to be lacking in the laissez-faire policy it tended to adopt in the early phase of industrialisation. A *modus vivendi* between capital and labour seemed to have been reached as workers conditioned themselves to the negotiated compromise circumscribed by collective action and labour law enacted by the state.

The interventionist policy of the state and this modus vivendi are however being questioned at a time when the intensification of international trade and heightened competitiveness are forcing many governments to abolish protectionist policies and deregulate the economic market. Can this mood of market liberalisation be used to mount a serious challenge to government interventionist policy and its negotiated settlement with labour?

This is a question that is instilling fear among many people that the structural changes needed to comply with the EMU framework may make this modus vivendi untenable. Convergence to the Maastricht criteria tends to limit the range of options for adjustment which the state used to enjoy in its designation of monetary policy. The loss of monetary and exchange rate policy independence enjoyed by the state means less tools for adjustment mechanisms to deal with economic shocks and recessions.

The loss of this adjustment option by the state is not seen very favourably by trade unions, as they feel that this exchange rate adjustment will have to be replaced by ones which are not attractive to their constituents. The call for moderation in wages is seen as being part of this strategy. Wage policy is always related to productivity trends because the difference in unit wage trends - even when offset by exchange rate adjustment – have an impact on profit levels and medium term prospects for development (Busch, 1993:133).

Still the trade unions feel that in an economy where government has little leverage and is being forced to adopt a deflationary policy and reduce domestic money supply, the parameters affecting wage policy are being determined by forces alien to labour (ibid:138). In other words the state’s regulatory power to reconcile the conflict between labour and capital may be heavily curtailed and is therefore no longer able to steer public policy
towards the same path of compromise which it used to do before. On the other hand this lack of leverage by the state may be perceived by the entrepreneurial class as an ideal opportunity to free itself from the power of the state and remove many of the elements that it claims are distorting the market. This state of affairs may trigger a war of position between the trade unions and employers.

Elements of such a confrontational scenario were evident in Malta when there was a bout of bickering between the trade union movement and the employers following a benchmark exercise carried by the FOI based on statistical comparative analysis between Malta and EU countries, USA and Japan. Complementary to this benchmark exercise the FOI published a set of recommendations in which it urged the Government to commit itself to a programme of privatisation, streamlining of social service system, suspending statutory wage increases, aligning wage increases to productivity and the reduction of five days from number of workers’ annual entitlement of vacation leave (Rizzo, 2003: 48).

These recommendations raised the ire of the trade union movement to such an extent that trade union leaders and officials were using the ‘us’ and ‘them’ dichotomy in their speeches. The FOI was accused of having a hidden agenda and of acting as a smokescreen for government. The tone became rather belligerent and a local newspaper reported that ‘physical violence was threatened during a MCED meeting’ (The Malta Independent, 20 November 1998). This bickering and strife may be taken to mean that trade unions’ participation in the new corporatist policy of the 1990’s does not mean total acquiescence to the forces and vagaries of the market.

**Convergence Programme**

Trade Unions tend to be on continuous alert about any possible threat that may affect the purchasing power of the pay packet of their members. A case in point is when, in July 2004, government submitted the Convergence programme to the EU Council of Economic and Financial Affairs (ECOFIN). The aim of this programme was to reach the target set by EMU Stability and Growth Pact by 2007. It set out to streamline Malta’s fiscal policy by the containment and gradual reversal of debt
levels for the period 2004-2007. In pursuit of this aim it advocated curbing public expenditure within the government and public sector organisations. This programme was compiled by the Ministry of Finance with inputs from various ministries, the Central Bank, the National Statistics Office (NSO) and the National Commission for Welfare Reform. The fact that trade unions were not grafted in this consultation process aroused their suspicion, that the provisions laid down in this programme were likely to have an adverse effect on the pay packet of the workers. The protests emanating from the trade union camp were rather vociferous, especially on the part of the General Workers Union. On the insistence of the trade unions the programme was discussed at a MCESD meeting. The conclusion of this debate was that the ‘mathematical milestones’ derived from the Maastricht Treaty have to be discussed at tripartite level (eiro.eurofound.eu.int/2004/08/mt0408101n.html).

So the first socio political scenario consists of:
- A state which due to its curtailment of power suffers from crisis of legitimisation
- An entrepreneurial class which feels that the power equation is tilting in its favour and use its lobbying power to revise the negotiated settlement
- A trade union movement which might feel threatened by this new economic order and therefore feels the need to flex its muscles to assert its bargaining power
- An open confrontation between the social partners especially among trade unions and employers to steer public policy towards their ideals.

Scenario 2 Consensual Ethic

The alternative political scenario would be one based on a consensual ethic. The government would try to gain the trust of its citizens by showing a high degree of political commitment and trying to achieve social consensus towards its objective of streamlining fiscal policy in line with EMU membership.

In its endeavour to make painful reform and popularity compatible, it will try to set in motion a more transparent political process by explaining to the people in clear terms what it is doing. Few voters would welcome painful reforms, especially in a county like Malta, where people
have become used to government overspending and subsidy addiction. But they can be persuaded about this necessity. This transparent political process is congruent with the culture of ‘entitlementalism’, which has taken root in modern society, wherein individuals as citizens, stress whatever they believe they have a right to receive or to expect from society (Rose, 1985:56). This ‘entitlementalism’ is characterised by a rise in participative moods and ideologies which lead people to exercise the repertoire of existing democratic rights more extensively. Rather than pursuing a policy of buying industrial peace at all cost the Government, in line with this transparent policy to achieve social consensus, will extend the mechanism of consultation, existing at national level, to enterprise level. Setting up of works councils which would give a say to employees in the running of the enterprise where they work can enhance the consensual ethic of industrial relations.

Making far reaching reforms and keeping the social balance can therefore run on parallel line. The EU in its chapter of Social Policy makes a number of provisions that bind member states to keep a social balance while pursuing economic efficiency and enhancing their competitiveness. Moreover the fiscal measure may lower public debt levels and interest burden thereby allowing government to direct more spending towards infrastructure and education (Cordina, 2002).

The state example of fiscal rigour by the state may set the tone for industry to streamline its policy to achieve optimum level of efficiency. A more orderly fiscal and monetary policy stability that will improve the profitability of investment may create a higher demand for labour (Zaleczna, 2002: 5). If these fiscal measures can be translated into an upsurge of private business initiatives that would create more jobs the Government austerity measures would gain more credibility. In other words the fiscal policy of the government towards EMU membership may prove to be the catalyst for the industrial class to tap their innovative resources and embark on new initiatives.

The trade unions, long used to be the key players in influencing and shaping public policy, will have to find ways to come to terms with the new circumstances. At same time they have to retain the hard core group among their members who tend to hold to the view that trade unionism should stick to its traditional roots (Zammit and Rizzo, 2003:152). Thus
the task of injecting a new rationality in their members is not an easy one. The rationality of workers does not necessarily change with the constraints of time. Trade unions have been traditionally strong in the public and the manufacturing sector. Downsizing the public sector seems to be one of the measures which have to be taken in order to meet the Maastricht criteria. This is happening at a time when the manufacturing sector is shrinking and government is diverting most of its energy towards the service industry where the majority of workers tend to be non-unionised. What may compound the issue for the trade unions is the fact that they are longer alone on the protest stage. There are other social movements who are making their presence felt in society by means of their vociferous protests. Thus the trade unions have to cope with the demands of fiscal measures and at the same time face the threat of membership decline and of being upstaged by other groups.

In such a scenario the role of trade unions as a social movement, rather than a mere pressure group, will come more to the fore. As they try to maintain their position on the protest stage they will manifest themselves as the sword of justice while at the same time fighting for the vested interest of their members. These two are not mutually exclusive (ibid:151). However concerned they may be about the sectional interest of their members they realise that they have to be aware of being part of a larger society. Their sagacity will allow them to fine tune the dynamics of their organisation to the changes generated by society. In spite of the dilemmas and difficulties which they are facing, the trade unions are far from doomed. Maltese trade unions still enjoy the support of a wide section of the labour force. They have so far not been hit with the same membership crisis as most of their counterparts on the European mainland. Indeed up to 2001 they have been registering continuous growth. It was only in the two years (2002 and 2003) that a marginal drop in membership has been registered (See table 1).

The two largest trade unions which are general unions: General Workers Union (GWU) and Union Haddiema Maqghudin (UHM) are represented in every sector of the Maltese labour force. The total membership within their fold is 73,136, which represents 85% of the unionised Maltese workers. Besides these two general unions, there are three large occupational trade unions with a very high percentage of workers in the occupational category in which they operate as members.
These are the Malta Union of Teachers (MUT), the Malta Union of Bank Employees (MUBE) and Malta Union of Midwives and Nurses (MUMN).

Given the widespread support which these trade unions enjoy among the workers, the government may lack the legitimacy and implementation capacity to carry out single handedly the necessary reforms. Neither would the entrepreneurial class who might feel the power equation tilting in their favour, try to bypass the trade unions. The solution may therefore lie in social dialogue. This was the conclusion of social partners and government representatives from EU and acceding countries gathered in Vienna in May 2003. This workshop affirmed the importance of the role of social dialogue for the acceding countries in their preparation for EMU just as it was for the current twelve Eurozone countries decades ago (Eurofound, 2003:1).

In countries such as Belgium, Italy, the Netherlands and Spain, the changes required to prepare for EMU, particularly in terms of public spending, have played a large role in shaping collective bargaining and social dialogue. In Finland the social partners have agreed at national level on ‘EMU buffer funds’ aimed at protecting Finnish workers against economic fluctuations within EMU by creating reserves in the occupational pension scheme and the unemployment insurance system (ibid:2). The contribution of social dialogue in the transformation of the Irish economy is acknowledged by almost all Irish academics and persons involved in policy and decision making. The shared responsibility for decision it induced meant that none of the social actors or stake holders tried to shy away from change. The complex decision taken after long

Table 1
Trade Union Membership in Malta

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<tr>
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<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>Members</td>
<td>87,449</td>
<td>86,578</td>
<td>86,061</td>
</tr>
<tr>
<td>Labour Supply</td>
<td>144,949</td>
<td>145,500</td>
<td>144,922</td>
</tr>
<tr>
<td>Density</td>
<td>60.1%</td>
<td>59.3%</td>
<td>59.4%</td>
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*Source: Registrar of Trade Unions Government Gazette December 2003:14711-14712*
debates, ensured a strong commitment to the results. Social dialogue in the words of one of the top officials at the Department of Enterprise, Trade and Employment in Ireland provided the music for the play to go on (Rizzo, 2002:8 and 10).

Government in the western industrial European countries can hardly afford to extract itself from the Industrial Relations field and abandon the continental model. The interactive policy aimed at better governance has become the hallmark of these countries. The deflationary policy often induced by EMU may create more rather than less need for social dialogue.

This is also acknowledged by the Governor of the Central Bank of Malta (CBM) who is aware of “the need for a consensual approach to fiscal consolidation in an effort to reconcile what is socially desirable with what is financially affordable” (CBM, 2003:12). The reforms which the deflationary policies entail have to be perceived by the social partners “as necessary, effective in achieving the final goal of sustainable economic growth and employment creation, and as involving an equitable distribution of costs and benefits” (ibid:13).

So scenario 2 consists of:
• A transparent political process in which the spectrum of responsibilities is broadened
• Fiscal rigour that can help industry in its quest to reach optimum level of efficiency the result of which will be translated in the creation of more jobs.
• Direction of government funds towards the improvement of infrastructure
• A new agenda adopted by the trade unions by means of which they try to change the rationality of their members
• The vital role of social partnership is acknowledged by all actors involved in industrial relations.

Where Does Malta Stand?

During 2002 and 2003, wage policy in Malta seems to have been characterised by moderation. The Central Bank of Malta (CBM) in its
annual report of 2002 and 2003 estimates that during these two years there was only a marginal increase in wages. In 2002 average gross wages were estimated to have increased by 2.6% whereas the inflation rate was 2.2% (CBM, 2002:30). The estimates for wage increase in 2003, among unionised workers, based on wage data gathered from collective agreements, suggest that overall wage inflation during this year was 3.4% for all workers. However “Labour Force Survey” results, which capture the overall change in remuneration across the entire labour market, show an increase of 1.6% (CBM, 2002:37). This sense of moderation may suggest that the social partners have, implicitly or explicitly, agreed about strategic objectives of a deflationary policy. Workers may be somewhat keen to make compromises to save jobs. This may be to taken to mean that industrial relations system in Malta is operating according to Scenario 2. However, this may not be the case.

According to the findings of a research project carried out by the European Foundation for the Improvement of Living and Working Conditions, Malta seems to be closer to the first rather than to the second scenario. The aim of this project was to draft a National Development Plan in preparation for Malta’s adoption of EMU. The conclusions reached were that in Malta there is:

- A trust deficit among social partners. This is due to a tendency for defensive posturing and occasional failure of one party or another to honour commitments.
- A general inability to prioritise the national interest, as negotiating parties take a narrow and partisan approach.
- An ambiguous role of government in tripartite negotiation – as it is the largest employer in Malta as well as the policy maker.
- A deficit in the range of skills necessary for effective dialogue and negotiation
- A tendency of successive administrations to simply set up yet another institution every time a stalemate is reached, rather than addressing problems and making institutions work (Zammit, 2003).

However valid the above points may seem to be, the mechanisms for social dialogue which has been in place in Malta for the past 14 years, has provided an effective brokerage of a trade off between different interests. By and large this mechanism managed to inject a high dose of integrative spirit by means of which conflicts were amicably settled. Even when this
integrative and collaborative spirit did not prevail there was no plot to sabotage the system. The Maltese governments of the 1990’s sought to incorporate the social partners into the formulation of national and labour economic and social policy. The protracted pre-budget consultation that since 2003 have been taking place among partners at the Malta Council for Economic and Social Development (MCESD) is a sign of the consolidation of this corporatist policy. Thus the features of the second scenario do not seem to be completely lacking in Malta.

In spite of the firey rhetoric the relationship between workers’ representative and employers’ associations is traditionally consensual. Both sides want to emphasise their social partnership role and assert their willingness to help in fending off the ominous threats to the competitiveness of the Maltese industry, particularly in this sector. There seems to be no end to the downward trend in the manufacturing sector. The restructuring process in Malta in this sector has resulted in lower turnover (less 1.2% in 2004 over the previous year) and a decrease in employment (less 1.9% in 2004 over the previous year). The lay offs, as part of this restructuring, were more marked in the labour intensive clothing and leather sub sector, as well as in Radio, TV and Telecommunication industry, chemicals and furniture (Central Bank of Malta 2005:31).

EMU membership may also pose a serious threat to the viability of the manufacturing firms which are dollar based. The managing director of the local plant of STMicroelectronics claimed that the pegging of the Maltese lira to the euro caused financial hardship to the firm and he advocated prudence in joining the Eurozone (Macdonald, V. 2004:8 and 9). The message the managing director of ST is sending is that euro membership may jeopardise the viability of the dollar based companies. He contends that the semiconductor industry as a whole is dollar based (ibid). This firm employs about one per cent of the Maltese labour force, besides generating a high percentage of the export revenue of the Maltese economy. If EMU membership were to force this company to relocate its operations outside the Eurozone the adverse effects on the Maltese economy would be wide ranging.

These are difficulties which the social partners have to tackle in the process towards EMU membership. The labour market flexibility which
such membership may demand may call for some compromises and even sacrifices. In Germany workers in Daimler Chrysler agreed to receive lower pay with longer hours, in return for keeping their jobs until 2012. Siemens persuaded employees to increase their working week from 35 to as much as 40 hours without extra pay by a promise not to relocate to Hungary (The Economist, 31st July 2004: 51). The German trade unions have not taken these measures lying down. However they refrained from offering total resistance in order to safeguard jobs. This seems to be the alternative. EMU membership may therefore force social partners in one way or another to be more flexible in order to remain competitive. Unions seem to be finding a new model based more on pragmatism rather than rhetoric as it is very well articulated by this excerpt from *The Economist*:

“In the end, the future of trade unions rests largely in their own hands. A few pioneers, notably in the Netherlands, have shown that a willingness to address their own organisational weaknesses (and an acceptance that some social reforms are inevitable) can translate into a much greater degree of influence. The noisy colourful demonstrations of recent weeks attract media attention and raise the unions’ profile. But they are not symptomatic of what influential unions do today, nor of what they want to do tomorrow” (The Economist, June 7th 2003:69).

The complete move to the second scenario requires leaders who use their shrewd contrivance towards genuine reform rather than towards political survival. They have to heed the call made by Pat Cox, the president of the European Parliament, and get out of their trenches and use the existing mechanism intelligently (The Times – Malta 16th April 2004 :4). If adaptation is to take place through negotiated adjustment and settlement (Scenario 2) rather than through a weakening or collapse of the existent institutions of tripartite concertation (Scenario 1) the social partners will have to refrain from pursuing their narrow self interests.

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